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IN THE FEDERAL COURT OF AUSTRALIA
DISTRICT REGISTRY

No. V621 of 2005

IN THE MATTER OF ANSETT AUSTRALIA LIMITED
(ACN 004 209 410) & ORS (in accordance with the
Schedule attached) (All Subject to a Deed of
Company Arrangement)

and

MARK ANTHONY KORDA and MARK FRANCIS
XAVIER MENTHA (as Deed Administrators of the
Companies)

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-9**" produced and shown to **MARK ANTHONY KORDA**
at the time of swearing his affidavit dated 12 September 2005.

Before me:

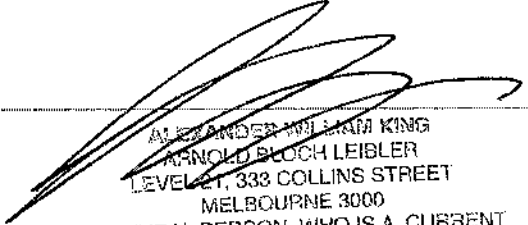

ALEXANDER WILLIAM KING
ARNOLD BLOCH LEIBLER
LEVEL 21, 333 COLLINS STREET
MELBOURNE 3000
A NATURAL PERSON WHO IS A CURRENT
PRACTITIONER WITHIN THE MEANING OF
THE LEGAL PRACTICE ACT 1996

Exhibit "MAK-9"
First Report to Creditors

ANSETT GROUP OF COMPANIES

First Report by Administrators

Pursuant to Section 439A of the Corporations Act

16 January 2002



ANSETT GROUP FIRST REPORT BY ADMINISTRATORS

This is our First Report to creditors as Administrators of the Ansett Group. As required by the Act, this report addresses the companies' business, property, affairs and financial circumstances and provides our preliminary opinions on the following matters:

- Whether it would be in the creditors' interests for the Companies within the Ansett Group to execute a Deed of Company Arrangement;
- Whether it would be in the creditors' interests for the administration of the Companies within the Ansett Group to end; and
- Whether it would be in the creditors' interests for the Companies within the Ansett Group to be wound up

and the reasons for those opinions.

The administration of the Ansett Group is extremely large and complex. This First Report is intended to be an overview of the Ansett Group's operations and our actions to date in order to assist creditors to gain an understanding of the current status of the administration. It will also outline the primary matters that will be considered at the Second Meetings of Creditors of the Ansett Group.

Separate meetings of creditors under Section 439A of the Act are scheduled for Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings ("the excluded companies") on Friday, 25 January 2002 due to the particular requirements associated with the sales of those businesses. Separate reports under Section 439A will be distributed to the creditors of the excluded companies. They will not be considered in detail in this report. Any reference in this report to the excluded companies is for information purposes only for the creditors of the remainder of the Ansett Group.

This report relates to the companies within the Ansett Group (other than the excluded companies) set out in the list of companies attached at the conclusion of this report. The Second Meetings of Creditors for these companies are scheduled for Tuesday, 29 January 2002.

The primary issue to be considered by creditors at this meeting will be the approval of the sale of the mainline airline to Tesna. This meeting will not determine how the proceeds of the sale will be applied. And while it is our preliminary opinion that it would be in the interests of the creditors of the Ansett Group companies that the companies execute DOCAs, we are still conducting investigations in this regard. Our investigations will be further progressed and reported to creditors before they are asked to vote on whether the companies should enter into DOCAs.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

We will be seeking to hold the Second Meetings of Creditors of the Ansett Group companies in two parts:

Date	Purpose of Meeting	To be Referred to as
<ul style="list-style-type: none"> • 29 January 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the conduct of the administration to date <input type="checkbox"/> To approve the sale of the mainline business to Tesna, as described in this report <input type="checkbox"/> To approve the Administrators' remuneration <input type="checkbox"/> To adjourn the meeting for a period of no more than 60 days 	"Part 1 of the Second Creditors Meeting"
<ul style="list-style-type: none"> • by 30 March 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the investigations into the affairs of the Ansett Group <input type="checkbox"/> To consider how the proceeds of the Tesna sale will be applied <input type="checkbox"/> To consider and, if appropriate, approve the proposed DOCAs for the various Ansett Group companies. 	"Part 2 of the Second Creditors Meeting"

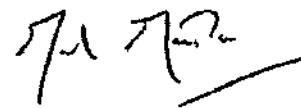
To enable this to occur, the creditors for each Ansett Group company will need to resolve on 29 January 2002 for the meetings of each company to be adjourned for a period of not more than 60 days. During that time we will continue our investigations and prepare a further report for creditors outlining the results of our investigations and the options available to creditors on the future of the Ansett Group.

While this is our recommended course of action, the power to adjourn the meeting rests solely with the creditors at Part 1 of the Second Creditors Meeting.

Creditors should note that in accordance with the Orders of Justice Goldberg on 7 January 2002, notices for Part 2 of the Second Creditors Meeting will not be posted to creditors but a notice of the time, date and place of Part 2 of the Second Creditors Meeting will be placed on the Administrators' web sites within 48 hours of Part 1 of the Second Creditors Meeting and in advertisements placed in newspapers nationally on or before 5 February 2002.

Dated this 16th day of January 2002.


 MARK A KORDA
 Administrator


 MARK F MENTHA
 Administrator

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The companies for which this report has been prepared are listed immediately before the Appendices. Any reference to dollars in this report relates to Australian currency unless indicated otherwise.

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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

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10. *Schedule Identifying Owner of Assets Subject of Tesna Sale*



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

ABBREVIATIONS USED IN THIS REPORT

Mark Korda and Mark Mentha of Andersen
Allan Watson, Greg Hall and Peter Hedge of
PricewaterhouseCoopers

Abbreviated to:
"the Administrators"
"the Initial Administrators"

Aeropelican Air Services Pty Ltd (ACN 000 653 083)
Ansett Australia Limited (ACN 004 209 410)
Ansett Australia and Air New Zealand Engineering Services
Limited (ACN 089 520 696)

"Aeropelican"
"Ansett Australia"
"AANZES"

Ansett International Limited (ACN 060 622 460)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)
Show Group Pty Ltd (ACN 002 968 989)
Skywest Airlines Pty Ltd (ACN 008 997 662)
Skywest Aviation Limited (ACN 004 444 866)
Skywest Jet Charter Pty Ltd (ACN 008 800 155)
Skywest Holdings Pty Ltd (ACN 008 905 646)
Traveland Pty Ltd (ACN 000 240 746)

"Ansett International"
"Kendell"
"Show Group"
"Skywest"
"Skywest Aviation"
"Skywest Jet Charter"
"Skywest Holdings"
"Traveland"
"the excluded companies"

Aeropelican, Skywest Airlines, Skywest Aviation, Skywest
Jet Charter and Skywest Holdings
All companies listed in Appendix 1 with the exception of the
excluded companies

Collectively "the Ansett Group"
or "Ansett"
"the Hazelton Administrator"
Collectively "the Hazelton
Group"

Michael Humphris of Sims Lockwood
Hazelton Air Charter Pty Ltd (ACN 065 221 356)
Hazelton Air Services Pty Ltd (ACN 000 242 928)
Hazelton Airlines Limited (ACN 061 965 642)
Air New Zealand Group of Companies

"Air New Zealand" or "the Air
New Zealand Group"

Australian Industrial Relations Commission
Airline Operations Certificate
Australian Securities and Investments Commission
Civil Aviation Safety Authority
Commonwealth Government of Australia
Deed of Company Arrangement
Domestic Terminal Lease
Enterprise Bargaining Agreements
Earnings Before Interest and Tax
International Air Transport Association
International Bureau of Aviation
Lang Corporation Limited
National Roads & Motorists Association
Royal Automobile Club of Victoria
Report as to Affairs

"AIRC"
"AOC"
"ASIC"
"CASA"
"Commonwealth Government"
"DOCA"
"DTL"
"EBA"
"EBIT"
"IATA"
"IBA"
"Lang"
"NRMA"
"RACV"
"RATA"



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

Singapore International Airline
Special Employee Entitlement Scheme for Ansett Group
Employees
<http://www.ansett.com.au/administrator> and
<http://www.abi.com.au/administrator>
Corporations Act (2001) Commonwealth
The Federal Court of Australia
Meeting of creditors to be called pursuant to Section 436E
of the Act
Meeting of creditors to be called pursuant to Section 439A
of the Act
Consortium associated with Mr Lindsay Fox, Mr Solomon
Lew and Tesna Holdings Pty Ltd
Information Technology
Transpacific Enterprises Inc
Air Passenger Ticket Levy (Collection) Act 2001

Abbreviated to:

"Singapore Airline"
"SEESA"
"the Administrators' websites"
"the Act"
"the Court"
"the First Meeting of Creditors"
"the Second Creditors Meeting"
"Tesna"
"IT"
"Transpacific"
"Ticket Levy Act"



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1. Executive Summary

1.1 Aim of Administration

The object of the administration legislation is to provide for the business, property and affairs of an insolvent company to be administered in a way that :

- Maximises the chances of a company continuing to exist; or
- If that is not possible, results in a better return for creditors than an immediate winding up.

The Ansett administration is one of the largest, most complicated and demanding administrations of recent times. Because of this complexity and time constraints, this First Report is subject to change.

1.2 Purpose of Meeting

The meeting of creditors for the Ansett Group (excluding the Aeropelican and Skywest companies) will be held on **29 January 2002 at 3.00pm at Vodafone Arena, Melbourne Park, Batman Avenue, Melbourne.**

The purpose of the meeting is to:

- Consider the Administrators' report concerning the company's business, property, affairs and financial circumstances;
- Approve the sale of the Ansett mainline business to the Tesna Consortium;
- Approve the Administrators' remuneration;
- Adjourn the meeting for up to 60 days;
- Resolve the mechanism for calling of future meetings.

This meeting will be known as Part 1 of the Second Creditors Meeting. The proposed next meeting will be known as Part 2 of the Second Creditors Meeting.

Part 2 will deal with distribution of the proceeds of the Tesna sale and whether companies should enter into a Deed of Company Arrangement ("DOCA").

1.3 Resolutions to be Proposed

The resolutions to be proposed at Part 1 of the Second Creditors Meeting will be voted on a company by company basis as follows:

"That the creditors approve the sale of the Ansett mainline airline to Tesna Holdings Pty Ltd as described in the First Report to Creditors";

"That the creditors approve the Administrators' remuneration for the period 15 December 2001 to 15 January 2002".



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

"That the second meetings of the creditors of the companies in the Ansett Group be adjourned for a period of up to 60 days from this day";

"That notice of further meetings of the creditors of the companies in the Ansett Group be convened by postings on the Administrators' web sites and by advertisements placed prominently in newspapers nationally".

1.4 Background to Ansett Group and Appointment of Administrators

Ansett for many years has been a major player in the Australian aviation industry. Air New Zealand has been the 100 per cent owner of Ansett since June 2000.

Peter Hedge, Allan Watson and Greg Hall of PricewaterhouseCoopers were appointed the Initial Administrators to companies in the Ansett Group on 12 and 14 September 2001. At 2am on 14 September 2001, the Initial Administrators ceased Ansett's operations and grounded its aircraft.

On 17 September 2001 we were appointed Administrators by the Federal Court of Australia.

1.5 Size and Complexity of Administration

Some points to assist in understanding the size, difficulty and complexity of the Ansett Group administration are as follows:

- The operations and sales of 14 discrete businesses have been controlled throughout the administration.
- Ansett had no available cash and no aircraft flying at the date of our appointment.
- At the commencement of the administration, a significant number of key Ansett management on secondment from Air New Zealand returned to New Zealand, leaving a senior management vacuum.
- Executive management, financial and treasury systems had been centralised in New Zealand and needed to be disentangled.
- The terrorist attacks on 11 September 2001 in the United States of America has depressed airline values and resulted in the bankruptcy of other airlines around the world.
- There was, and still is, fierce competition in the Australian aviation market making trading and sale prospects challenging.
- Ansett had a fleet of 133 aircraft. A hand-back process has begun for 53 of these aircraft subject to leases.
- Ansett operated regional airlines – Skywest (WA), Kendell (NSW, Vic, Tas, SA) and Aeropelican (NSW).
- Ansett operated major travel agencies through Traveland and Show Group.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

- The administration has required management of more than 10 million individual items of spare parts, rotables and consumables.
- Ansett previously had about 350 leasehold premises.
- Substantial interface has been necessary with the Commonwealth Government, all State Governments, various Government departments and regulatory authorities in order to recommence flying and continue with operations.
- It has been necessary to verify the financial positions of the 41 companies in administration.
- The total operating costs prior to administration were more than \$200m per month. (This has been reduced substantially).
- Enterprise bargaining agreements for the entire Ansett workforce have been renegotiated during the administration.
- Ansett previously employed more than 15,000 people. During the administration a redundancy program has been undertaken for 8,000+ of those employees.
- A settlement with Air New Zealand for \$150m was effected and is one of the largest cash settlements of its kind in Australian insolvency history.
- There is a total of approximately \$3.5b of potential claims by creditors.

1.6 Administrators' Three-Point Plan

Shortly after our appointment, we developed a three-point plan for the Ansett Group. This involved:

- Stabilising the various Ansett businesses. We needed to determine whether it was possible to minimise the cost of trading and restart the business to protect the assets during administration.
- Developing the Ansett Solution. We needed to devise a response that kept the Ansett businesses going while maximising the returns to creditors.
- Performing the required investigations.

Most activity has focused so far on the first two points and only preliminary comments can be made on the investigations.

It should be noted that there was overwhelming support for Ansett from stakeholders, underlining the enormous goodwill of the Ansett brand. This was a key part of recommencing Ansett's operations as we needed to harness this goodwill quickly to provide the best solution.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1.7 Stabilising the Business

It quickly became clear that the two imperatives in stabilising the Ansett business were recommencing operations and separating Ansett from Air New Zealand.

A settlement was also reached with Air New Zealand in relation to a variety of claims, including the Letter of Comfort given to certain companies in the Ansett Group. This avoided the need for lengthy litigation that might also have forced Air New Zealand into insolvency and resulted in no return to Ansett.

Under the settlement, an amount of \$150m was paid to Ansett with Air New Zealand also agreeing not to claim in the administration for further claimed debts of \$160m. After paying the \$150m, that total claim would have been \$310m. The settlement was approved by the Federal Court of Australia on 12 October 2001.

Part of the reason for the Air New Zealand settlement was to provide Ansett a cash injection to enable Ansett Kick-Start to continue and fund the substantial asset protection costs related to domestic airport terminal leases and the equity in some of the aircraft fleet.

"Ansett Kick-Start" was the project to recommence flights for Ansett's mainline and regional airlines. Operations recommenced on 29 September 2001.

1.8 Developing the Ansett Solution

It was important to numerous other businesses within the Ansett Group that the mainline airline was sold as a going concern.

Four parties emerged who may have been interested in acquiring the mainline airline as a going concern - Tesna, ANstaff, Singapore Airlines and Lang.

Offers for the mainline airline were received from Tesna and ANstaff. The ANstaff bid was withdrawn because of a lack of finance. Lang expressed interest in acquiring terminals and aviation assets.

On 8 November 2001, Tesna and the Administrators agreed on a conditional sale of the mainline airline assets for \$514m, being \$270m cash and the assumption of employee liabilities of up to \$244m, with a completion date of 31 January 2002. Tesna has also agreed to take possession of 29 new Airbuses.

The \$514m, plus Tesna's financing of 29 new Airbuses, the leasing of 16 Airbuses, the assumption of the liabilities of employees, landlords and other lessors means the total value of the deal exceeds \$3b. The entire transaction is extremely complex; it has required significant work and will require much more work to complete by 31 January 2002.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1.9 Estimated Returns to Creditors

If creditors do not approve the sale to Tesna, priority entitlements may not be paid in full and there will be no funds available for ordinary unsecured creditors.

If the sale to Tesna is approved, terminated employees should receive all of their entitlements in full with transferring employees being reliant on Tesna for their entitlements. A dividend to unsecured creditors of up to 5 cents in the dollar is possible. There is a chance it could be higher depending on the result of asset realisations and the eventual value of creditors. The dividend to unsecured creditors has been estimated on a consolidated basis.

Investigations into the affairs of the Ansett Group are continuing. A recommendation based on these investigations regarding "pooling" of assets and liabilities within the various Ansett companies will be prepared for a further meeting within 60 days of the 29 January 2002 meeting.

Employees made redundant are likely to receive their full entitlements during 2002. Unsecured creditors are likely to receive an initial dividend in 2003 with a further payment in 2004.

1.10 Opinions by Administrators

In the Administrators' opinion, the interests of creditors are best served by approving the sale of the mainline airline business to Tesna because it:

- Provides the best possible return to creditors from a realisation of the mainline airline business.
- Maximises the chances of Ansett continuing and results in potentially better returns to creditors than the alternative of winding up.
- Maximises the chances of a large number of employees maintaining employment, thereby avoiding significant redundancy costs. This applies to the mainline airline, the regional airlines and the engineering business.
- Increases the chances of other Ansett businesses, including regional airlines and the engineering businesses, continuing to trade with a view to their eventual sale.
- Reduces unsecured creditors through assigning various aircraft finance and operating leases.

We recommend that creditors approve the sale to Tesna and adjourn the further meeting for a period of up to 60 days to enable the preparation of further reports on the proposed DOCA for a decision by creditors.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

2. Appointment of Administrators

2.1 Object of Administration

Section 435A of the Act states that the object of administration legislation is to provide for the business, property and affairs of an insolvent company to be administered in a way that:

- **Maximises the chances of the company, or as much as possible of its business, continuing in existence.**
- **If it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.**

The Ansett Group is very large and complex. The daily operational demands of the Ansett Group mean that our investigations have not been finalised.

We have prepared this report using the information available at the time of writing. In many instances, our views and opinions are preliminary and require further investigation. This is largely due to the size and complexity of the Ansett Group. We reserve the right to alter any conclusions reached, on the basis of any changed or additional information which may become available. Further reports will be prepared to keep creditors informed.

We stress that this report is not exhaustive. It is a general summary and should be treated as such.

2.2 Appointment of Administrators

The boards of directors of various Ansett companies passed resolutions on 12 and 14 September 2001 that various companies within the Ansett Group were insolvent or likely to become insolvent. By further resolution, the boards of directors appointed Messrs Greg Hall, Alan Watson and Peter Hedge of PricewaterhouseCoopers as the Initial Administrators of the various companies.

We were appointed by the Court as Administrators of the Ansett Group companies on 17 September 2001. Michael Humphris of Sims Lockwood was appointed as Administrator of the Hazelton Group at that time. These appointments took effect upon the resignation of the Initial Administrators on 17 September 2001.

We also obtained leave of the Court to be appointed Administrators of AANZES on 3 October 2001.

Appendix 1 is a list of the companies within the Ansett Group of which we are the Administrators, with the relevant appointment dates.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

2.3 Prior Involvement with the Ansett Group Companies

Before our appointment, neither we, nor Andersen, had any conflict of interest with the companies over which we were appointed that would preclude us from acting as Administrators of those companies.

2.4 Communication with Stakeholders

We established web sites early in the administration to post documents relating to major issues in the administration. These web sites are <http://www.ansett.com.au/administrator> and <http://www.abl.com.au/administrator>.

Hotlines were established to take calls from creditors and others.

Regular media briefings were held to keep creditors informed.

The volume of enquiries has sometimes made it difficult to respond to all queries in the time frame expected. We did our best to respond as quickly as possible and apologise to person who does not believe they received prompt attention.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

3. Background

3.1 History of the Ansett Group

Ansett was founded by Sir Reginald Myles Ansett and operated its first air service in February 1936, flying a single-engine, open cockpit, six-seater Fokker Universal from Hamilton in western Victoria to Essendon Airport in Melbourne. This was the beginning of a regular weekday service.

In 1937, Ansett moved its base and flying school to Essendon Airport and launched new services to Broken Hill, Sydney, and from Sydney to Adelaide with fuelling stops in Mildura and Narrandera. After World War II, Ansett expanded its routes and acquired Australian National Airways in 1957.

Over 60 years, Ansett became an Australian icon, rapidly expanding to include the first development of holiday resorts in the Whitsundays in 1947, the introduction of flying boat services in Queensland in 1953 and the first airport-to-city helicopter service in Melbourne in 1960. In 1964, Ansett introduced the first jet airliner, the Boeing 727, to Australian service and in the same year achieved the status of Australia's largest domestic airline.

By 1967, Ansett had established operations in New South Wales, South Australia, Western Australia, the Northern Territory, Papua New Guinea and Lord Howe Island. Ansett moved its operations to Tullamarine Airport in 1972.

In 1979, the Ansett Group was taken over by TNT and News Limited, with Sir Reginald Ansett remaining Chairman until his death in 1981. In 1983 Ansett began using Boeing 767 aircraft, with a capacity of 211 passengers.

Ansett changed its name to Ansett Australia just before deregulation of the domestic airline industry on 31 October 1990. It then expanded internationally with its first flight to Bali in 1993. In late 1996, Air New Zealand purchased TNT's 50 per cent stake in Ansett and in June 2000, it purchased News Limited's remaining 50 per cent share. Consequently, Air New Zealand had full ownership of Ansett and its subsidiaries in June 2000.

Ansett was the first Australian airline to introduce features such as e-ticket and e-check in, the Golden Wing Lounge and the frequent flyer program, Global Rewards.

In 1999, Ansett became a full member of Star Alliance. Star Alliance is the world's largest airline network, with connecting services through its 15 member airlines to 894 destinations in 129 countries. The Star Alliance agreements provide for members of each airline's own frequent flyer scheme to redeem points with other Star Alliance member airlines.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The Ansett Group was vital to regional and rural areas, serving remote mining communities and distant towns in far Western Queensland and Western Australia through its regional airline subsidiaries, Kendell, Hazelton, Skywest and Aeropelican.

In Western Australia, the Northern Territory, New South Wales and Queensland, Ansett had 111 intrastate destinations. Ansett's commitment to regional Australia was illustrated by its sponsorship of community and sporting events and showcasing of local produce such as regional wines.

Ansett was the official airline of the 2000 Sydney Olympics, the Australian Cricket Board and the Australian Rugby League, and sponsored the Australian Football League.

Before 12 September 2001 the Ansett Group:

- Employed more than 15,000 people.
- Had a total payroll and payroll related costs for the year ended 30 June 2001 was approximately \$1.2b.
- Served more than 130 domestic destinations and made about 900 flights across the Australian network daily.
- Served four overseas destinations: Japan, Indonesia, Hong Kong and Fiji.
- Had 133 aircraft in its fleet. In the 2000 financial year, Ansett carried more than 14 million passengers.
- Was a major participant in the air freight and cargo industry, carrying 111,147 tonnes of cargo in 2001.
- Generated revenue of approximately \$3.2b and a net loss after tax was \$378m For the year ended 30 June 2001. The loss before tax, but including abnormals, was \$610m.

Appendix 2 is a detailed chronology of the history of the Ansett Group.

3.2 Ownership Structure

The entire Ansett group consists of about 80 separate legal entities, many of which are incorporated and operate overseas. We have been appointed to 41 of the companies in the Ansett Group.

Appendix 3 is a diagram outlining the Ansett group structure including those companies which are not based in Australia and/or are not in administration.



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3.3 Management of the Ansett Group

Appendix 4 gives details of former and current directors of each of the Ansett Group companies. All of the Directors of the 'holding' companies in the Ansett Group were at all relevant times also directors of Air New Zealand Limited, the holding company in the Air New Zealand Group.

After the Air New Zealand Group acquired 100 per cent ownership of the Ansett Group in June 2000, a new trans-Tasman, Australasian executive structure was announced. Many of the senior financial executives for the Ansett Group were employed by Air New Zealand, but had responsibility for the combined Ansett/Air New Zealand Group.

As part of the trans-Tasman executive structure, key aspects of the Ansett business were consolidated into Air New Zealand. These included:

- The treasury function. All financing arrangements for Ansett, including aircraft leasing and financial market transactions, were assumed by a central treasury function and supporting documentation was transferred to New Zealand. The Air New Zealand treasury function also assumed the accounting function for a number of "treasury" companies and related books and records were transferred to Auckland.
- Various parts of the Ansett management information system.
- A significant number of secondments between Air New Zealand and Ansett of key managers. The majority of these secondees returned to New Zealand after the appointment of the Initial Administrators.

3.4 Major Businesses

The major businesses within the Ansett Group are as follows.

Business	Operated By	Nature of Business	Approx. Employees
• Mainline Airline	Ansett Australia	Airline flying between mainly capital city trunk routes	7,349
• Ansett International	Ansett International	International airline flying to selected Asia ports	458
• Australian Concession Management	Ansett Australia	Hospitality services	246
• Engineering	Ansett Australia	Line maintenance and heavy engineering of aircraft fleet	1,848
• Engine Overhaul	Ansett Australia	Maintenance and overhaul of aircraft engines	226
• Skywest	Skywest	Regional airline (Western Australia)	146



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Business	Operated By	Nature of Business	Approx. Employees
• Kendell	Kendell	Regional airline (Victoria, Tasmania, South Australia)	921
• Aeropelican	Aeropelican	Regional Airline (Newcastle-Sydney)	46
• Show Group	Show Group	Logistics manager, travel agency and freight forwarder to the film, sports, art and entertainment industries worldwide.	158
• Traveland	Traveland	One of Australia's largest leisure travel operators	720
• Flight Simulators	Ansett Australia	Hire out flight simulators to both internal and external clients	35
• Call Centres	Ansett Australia	Call centres (7) to manage bookings for Mainline and regional airlines	2,103
• Third Party Ground Handling	Ansett Australia	Handling of cargo at airports on behalf of domestic and international customers	238
• Cargo	Ansett Australia	Handling of cargo for domestic and international customers	501

3.5 Historical Trading Results

Below are the consolidated results for the Ansett Group for the last five years.

\$m	1996/7 Audited	1997/8 Audited	1998/9 Audited	1999/2000 Audited	2000/1 Unaudited
Total Revenue	3,335.8	3,505.4	3,511.3	3,437.1	3,186.8
Operating Profit/(Loss) Before Tax	7.7	59.7	147.6	120.9	(263.7)
Abnormal Items	(3.4)	22.5	52.8	6.2	(346.2)
Tax Attributable to Operating Profit	(36.7)	(49.9)	(41.3)	17.3	231.6
Operating Profit/(Loss) After Tax	(32.4)	32.3	159.1	144.4	(378.3)
Outside Equity Interest in Profit/(Loss)	(2.6)	(2.8)	(2.3)	-	-
Profit/(Loss) After Tax Attributable to Ansett	(35.0)	29.5	156.8	144.4	(378.3)



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The above results are for all Ansett Group companies, irrespective of whether they are located in Australia or overseas and whether they are in administration.

The results up to 30 June 2000 were audited by KPMG. The 30 June 2001 figures were to be audited by Deloitte Touche Tohmatsu. This audit was not completed when the Initial Administrators were appointed.

3.6 Historical Balance Sheets

The consolidated balance sheets for the past five years are as follows:

\$m	30 June 1997 Audited	30 June 1998 Audited	30 June 1999 Audited	30 June 2000 Audited	30 June 2001 Unaudited
Current Assets					
Cash	302.6	517.0	497.4	159.2	21.3
Receivables	658.4	715.9	503.4	547.6	571.0
Inventories	30.3	40.3	44.6	40.5	176.6
Other	46.1	62.0	54.7	63.4	19.2
Total Current Assets	1,037.4	1,335.2	1,100.1	810.7	788.1
Non Current Assets					
Receivables	171.2	111.7	56.0	6.3	286.8
Investments	64.5	28.2	4.2	14.3	14.1
Property, Plant and Equipment	2,598.8	2,449.6	2,407.1	2,519.3	2,424.9
Deferred Tax Assets	28.2	20.6	43.6	31.3	304.9
Other	8.5	199.6	78.1	143.7	24.4
Total Non Current Assets	2,871.2	2,809.7	2,589.0	2,714.9	3,055.1
Current Liabilities					
Payables	885.0	1,012.4	858.3	791.1	892.4
Interest Bearing Liabilities	307.3	419.1	368.7	438.8	414.7
Current Tax Liabilities	2.5	11.3	21.2	(17.3)	50.1
Provisions and Other	220.1	221.1	170.8	161.0	187.0
Total Current Liabilities	1,414.9	1,663.9	1,419.0	1,373.6	1,544.2
Non Current Liabilities					
Payables	147.5	163.8	188.1	195.9	335.9
Interest Bearing Liabilities	1,383.4	1,367.5	946.1	702.1	1,116.4
Deferred Tax Liabilities	292.2	292.6	333.7	294.0	286.3
Provisions and Other	130.0	119.9	104.8	114.5	65.7
Total Non Current Liabilities	1,953.1	1,943.8	1,572.7	1,306.5	1,804.3
Net Assets	540.6	537.2	687.4	845.5	494.7



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	30 June 1997	30 June 1998	30 June 1999	30 June 2000	30 June 2001
\$m	Audited	Audited	Audited	Audited	Unaudited
Equity					
Contributed Equity	50.0	50.0	625.8	625.8	625.8
Reserves	545.7	656.2	83.9	93.3	103.3
Retained Earnings/(Losses)	(68.1)	(184.9)	(13.7)	125.0	(235.8)
Interest in Controlled Entity	13.0	15.9	1.4	1.4	1.4
Total Shareholders Equity	540.6	537.2	697.4	845.5	494.7

The above is the consolidated balance sheet, on a going-concern basis, for all Ansett Group companies, irrespective of whether they are located in Australia or overseas and irrespective of whether they are now in administration.

3.7 Reports as to Affairs

Section 438B of the Act requires each director of each company in the Ansett Group to submit a statement within seven days of the commencement of the administration as to that company's business, property, affairs and financial circumstances.

Normally this report ("Report as to Affairs" or "RATA"), is required to advise the Administrators about the existence and value of the assets and liabilities of the company and is prepared by the directors based on their review of the books and records of the company.

The directors were advised that due to cost considerations they were not required to prepare a RATA, but we reserved the right to request a RATA in future if necessary.

3.8 Challenges Faced by Ansett Group

The Ansett Group operated in difficult trading conditions throughout 2000/2001. Its trading performance was adversely impacted by various factors including:

- An extremely competitive Australian aviation market.
- Sustained high fuel prices.
- Low exchange rates.
- The high cost structure of the Ansett Group.
- The age and complexity of the Ansett fleet leading to higher maintenance AND operating costs, scheduling complexity and greater operational down time.
- Management issues and work practices.
- Substantial holdings of spare engines, rotables and consumables due to the diversification of the Ansett fleet.
- Temporary cessation of operations in Easter 2001.



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4. Administration Strategy

4.1 Initial Administrators

The Initial Administrators decided that it was not possible to continue the operations of the Ansett Group. They ceased operations of the Ansett businesses at 2am on Friday, 14 September 2001.

4.2 Administrators' Three-Point Plan

Immediately after our appointment on 17 September 2001, we established a strategy for the Ansett Group's administration. The strategy, or three-point plan, is as follows:

- **Stabilise the various Ansett businesses.** Determine if it was possible to resume operations of the various businesses and take steps to minimise the cost of trading the businesses whilst protecting the assets during administration.
- **Develop "The Ansett Solution".** Develop a solution that kept as much of the Ansett Group as possible in existence while maximising the returns to stakeholders.
- **Perform the necessary and appropriate Investigations.** So far, the primary focus has been on the first two points, given the size and complexity of the Ansett Group administration. Therefore, this First Report will focus on those points. The investigative work is continuing.



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5. Stabilise the Ansett Businesses

At this stage, we would like to acknowledge the assistance and support of a wide number of stakeholders during the administration of the Ansett Group. In alphabetical order these include:

- Aircraft owners and lessors.
- Airport owners.
- All State and Territory Governments.
- CASA.
- The Commonwealth Government and Government departments including the Department of Employment, Workplace Relations and Small Business, the Department of Transport and Regional Services and the Offices of the Prime Minister and Deputy Prime Minister.
- Customers.
- Employees.
- The Australian Travel Industry.
- The Committees of Creditors.
- The Court.
- Trade suppliers and creditors in general.
- Unions and the ACTU.

Without the support that has been shown towards Ansett, the airline would not have resumed operations and it would not now have the opportunity of continuing in existence under the Tesna transaction.

A key part of the business stabilisation strategy was to harness this goodwill and maintain the momentum of support for Ansett.

A sale of the Ansett businesses, especially the mainline airline, would be highly unlikely unless it resumed flight operations quickly.

It was also clear that the operations, records and use of assets by Ansett and Air New Zealand were interwoven. As a result, recommencing operations and developing the Ansett Solution would be made even more difficult unless the Ansett Group was separated from Air New Zealand, operationally and financially.

The major aspects of stabilising the Ansett businesses therefore became:

- Recommencing operations.
- Dealing with claims against Air New Zealand and disentangling the operations from that of Air New Zealand.



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5.1 Recommencing Operations

Once Ansett stopped flying, it lost the confidence of its customer base, key clients, the public and other key stakeholders. It was imperative that the mainline and regional airlines resumed flying operations as soon as practicable.

From the time we were appointed, we focused on strategies for starting up Ansett's operations as soon as possible. This project became known as Ansett Kick-Start. The expansion of Ansett Kick-Start became possible only because of the cash injection negotiated from Air New Zealand.

The aim of Ansett Kick-Start was to resume flights of a limited number of aircraft on the main trunk routes with a low-cost, one-class service to preserve as much as possible the name, reputation and goodwill of "Ansett" and employee commitment. Initially, we sought to achieve this by entering an agreement with Qantas to fly Qantas passengers from Ansett terminals using Ansett staff. Agreement could not be reached with Qantas.

Ansett Kick-Start was initially confined to four Airbus A320 aircraft. This has been expanded to 10 Airbus A320 aircraft flying on rotation. Two BAe146 aircraft have been operating under short-term lease and charter contracts as part of Ansett Kick-Start. Agreement was also reached with the employees to match their working conditions to the business activity within the limited operations.

For public confidence, Commonwealth Government support was provided so that if a passenger did not fly because of a further stoppage of Ansett's operations, the Commonwealth Government would refund the fares. To implement Ansett Kick-Start as soon as possible, ticket bookings were initially taken only through Ansett call centres and the Internet. This has now been extended to travel agency bookings. The task of resuming flights presented many complex and difficult issues. These included:

- Regulatory approvals.
- Agreements with domestic airport operators, aircraft lessors and associated service providers.
- Insurance arrangements (particularly after 11 September 2001).
- Scheduling of aircraft and staff.
- Agreements with employees and unions to alter the existing EBAs.
- Aircraft maintenance arrangements with lessors and financiers of aircraft.
- Negotiation of supply arrangements.
- Establishment of a finance function.
- Financing costs of operations.
- Establishing a number of interline arrangements.



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All of these issues were addressed and flights resumed as follows:

Date Recommended	Route
• 29 September 2001	<input type="checkbox"/> Melbourne – Sydney
• 8 October 2001	<input type="checkbox"/> Melbourne – Perth <input type="checkbox"/> Sydney – Perth <input type="checkbox"/> Sydney – Brisbane
• 1 November 2001	<input type="checkbox"/> Melbourne – Adelaide <input type="checkbox"/> Sydney – Adelaide <input type="checkbox"/> Melbourne – Hobart <input type="checkbox"/> Brisbane – Hobart <input type="checkbox"/> Sydney – Hobart
• 2 November 2001	<input type="checkbox"/> Adelaide – Perth
• 7 November 2001	<input type="checkbox"/> Melbourne – Brisbane

It is intended that flights will continue on these routes until the expected completion of the sale of the mainline airline to Tesna.

Ansett's frequent flyer program, Global Rewards, and access to Golden Wing lounges were suspended when the Initial Administrators were appointed. The Golden Wing lounges were reopened on 26 October 2001. The Global Rewards program remains suspended.

Ansett Kick-Start was budgeted to incur a trading loss. We believe the budgeted trading losses are justified for the following reasons:

- The objects of Part 5.3A of the Act (under which we were appointed Administrators) are to maximise the chances of the Ansett business remaining in existence but if this is not possible, to maximise the return to creditors on a sale of the business assets. Ansett Kick-Start meets the objects of Part 5.3A.
- The value of the name, reputation and goodwill of Ansett are preserved.
- It would be extremely difficult to sell the mainline and regional airlines if they were not operational.
- If the Ansett aviation assets (ie, aircraft and airport terminal leases) are sold on a "liquidation basis", their realisable value diminishes significantly and by an amount far greater than the budgeted trading losses.
- The operation and sale of the mainline airline enhanced the ability to sell other Ansett businesses such as Engineering and the regional airlines.
- Selling the airline in an operational state would avoid the need to terminate a large number of employees. This would reduce redundancy costs by more than \$200m.



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- The costs incurred in maintaining the Ansett assets irrespective of whether the airline is trading (that is, the fixed costs) are substantial and would be incurred anyway. For example:
 - The costs of the licences and IT system is approximately \$5m per month (reduced from the approximately \$20m per month for the combined Group before the appointment of the Initial Administrators). Both the mainline and regional airlines cannot operate or be liquidated without these IT systems.
 - The equity in certain leased aviation and terminal assets must be preserved by making payments when they fall due.
 - The fixed costs relating to the Ansett maintenance facilities are significant. These fixed costs are being incurred irrespective of Ansett Kick-Start.

Resumption of operations has provided an opportunity for the Ansett Solution to be developed that should see a reconstituted Ansett commence operations.

5.2 Memorandum of Understanding with Air New Zealand

5.2.1 Background to Memorandum of Understanding

As detailed above, Air New Zealand is the holding company of the Ansett Group. From an operational perspective, the businesses of the Ansett and Air New Zealand groups were significantly entwined.

On 8 August 2001, Air New Zealand wrote to three Ansett companies confirming its policy to take such steps as are necessary to ensure that its wholly owned subsidiaries could meet their debts as they fall due.

The letter also provided that Air New Zealand would make available, on request in writing from time to time, advances for the sole purpose of enabling the three Ansett companies to pay working capital liabilities incurred on property or services purchased or sold in the "ordinary course" of business. The letter contained conditions, including that the maximum aggregate amount of all such advances shall not exceed \$400m. This letter is commonly referred to as the "Letter of Comfort".

5.2.2 Preliminary Actions by Administrators

The Initial Administrators had instructed solicitors to make demand upon Air New Zealand to make further advances of the balance of \$400m under the Letter of Comfort. The amount demanded was \$380m (Air New Zealand had paid \$20m to the Initial Administrators for wages) falling which the Initial Administrators intended to commence legal proceedings against Air New Zealand.



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Before deciding whether to pursue a litigation strategy against Air New Zealand, we made enquiries about the general financial position of Air New Zealand. Based on those enquiries, the rapidly deteriorating share price of Air New Zealand shares following the write-off of its investment in Ansett Group (NZD \$1.2b) and a need to disentangle the affairs of Ansett and Air New Zealand, we decided it may be counter-productive to issue legal proceedings seeking hundreds of millions of dollars from Air New Zealand.

We were concerned that litigation may lead to Air New Zealand being placed into an insolvency administration under New Zealand law known as statutory management, thereby removing any prospect of a cash settlement from Air New Zealand to Ansett. As Air New Zealand's survival was likely to be based on a recapitalisation from either existing or new shareholders, we formed the preliminary view that Air New Zealand could only survive if it could "disentangle" itself from Ansett quickly. Further, any settlement funds were likely to be sourced from the recapitalisation.

Ansett Kick-Start also needed cash to begin operations to provide the opportunity to develop the longer-term strategy.

In the circumstances, we concluded that if we could negotiate a prompt commercial settlement of the Ansett Group claims against Air New Zealand, Ansett had the best chance of receiving cash for its claims and remaining in existence. Or if it could not remain in existence, we would maximise the return to creditors.

5.2.3 Legal Issues Considered

Given the need for a quick settlement of any claims, we requested our solicitors, Arnold Bloch Leibler, to identify the broad types of theoretical claims that the Ansett Group may have against Air New Zealand or its directors. These theoretical claims included:

- The Ansett Group had claims against Air New Zealand arising out of the Letter of Comfort.
- The Directors of Ansett (who were at all relevant times also directors of Air New Zealand) may theoretically have breached their duties to the Ansett Group either for:
 - Failing to exercise the requisite degree of care and diligence (Section 180 of the Act).
 - Failing to act in good faith in the best interests of the Ansett Group and for a proper purpose (Section 181 of the Act).
 - Having acted negligently or recklessly.
- Because the Ansett Group was managed out of New Zealand by Air New Zealand, Air New Zealand itself may be deemed to be a director of the Ansett Group using the extended definition of a director in Section 9 of the Act.



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- The directors may have breached the provisions of the Trade Practices Act 1974 (Commonwealth) concerning misleading and deceptive conduct.
- If the Ansett Group is placed into liquidation, other claims may arise against directors for insolvent trading (Section 588G of the Act) or against Air New Zealand as the Ansett Group's ultimate holding company (Section 588V of the Act).

Arnold Bloch Leibler advised that until all of our investigations into the business, property and financial circumstances of the Ansett Group were completed, it was not possible to obtain detailed advice in relation to the theoretical claims referred to above, apart from claims arising out of the Letter of Comfort.

5.2.4 Negotiations with Air New Zealand

Shortly after our appointment we contacted the Acting Chairman of Air New Zealand to arrange a meeting to discuss a number of pressing issues. That meeting occurred on Sunday, 23 September 2001. The issues discussed included:

- Background to Air New Zealand's position.
- Ansett management support.
- Identification and realisation of assets held by both parties.
- Preferred alliance between airlines.
- Use of systems and delivery of records.
- Letter of Comfort.

During the meeting, we were told by the Air New Zealand representatives that the following were statements of fact:

- The Ansett Group had been incurring EBIT losses at a rate of \$1.3m per day before administration.
- The Ansett Group had jeopardised the ongoing financial security and viability of Air New Zealand.
- Air New Zealand could not survive without a capital injection, and it could not expect any capital injection unless it resolved its position with Ansett.
- The New Zealand Government may consider, if satisfied with a business plan, lending money to Air New Zealand as a lender of last resort.
- Unless Air New Zealand could make significant progress to settle its disputes with Ansett that day, the directors of Air New Zealand would apply to the New Zealand Government to appoint a statutory manager.

If Air New Zealand was placed into statutory management, Ansett would recover very little, if any, money from Air New Zealand arising out of the Letter of Comfort claims.



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It was indicated to us that the Letter of Comfort was not intended to and could never be treated as a "letter of credit" with a \$400m limit. Further, Air New Zealand maintained they should be treated as having paid, or credited as paid, the following sums under the Letter of Comfort:

Payments Claimed to Have Been Made by Air New Zealand	\$m
• Wages paid by Air New Zealand to Ansett staff after the Initial Administrators' appointment	32
• Payments arising out of an Air New Zealand guarantee of an Ansett A320 Airbus tax liability	4
• Amount payable under put option, Ansett International	33
• Balance of the Ansett/Air New Zealand loan and trading account	91
Total	160

Air New Zealand claimed that the maximum amount of its exposure arising out of the Letter of Comfort was therefore \$240m. We disputed this claim.

The Acting Chairman at all times denied that the Air New Zealand directors had ever acted:

- Other than with a reasonable degree of care and diligence.
- Dishonestly.
- Recklessly.

The Acting Chairman also said that he and his board would fully co-operate with any investigations by ASIC or the Administrators.

After an intense negotiation we agreed to accept a settlement sum of \$150m from Air New Zealand.

5.2.5 Outline of the Memorandum of Understanding

The terms of the agreement with Air New Zealand were reflected in a "Memorandum of Understanding". The principal terms of the Memorandum of Understanding are summarised as follows:

- Air New Zealand agreed to procure the New Zealand Government to immediately pay, on behalf of the Air New Zealand Group, to Ansett \$150m net of all New Zealand taxes, in a way that the payment would not have to be disgorged should the Air New Zealand Group go into liquidation or a similar insolvency regime.
- Air New Zealand and its Directors would not seek the repayment of the \$32m advanced to Ansett during the administration period for the purpose of paying wages to Ansett staff (\$20m was advanced to the Initial Administrators and \$12m advanced to us).



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- Air New Zealand and its Directors would not prove in the administration or any subsequent liquidation of the Ansett Group and would waive all entitlements to be repaid funds advanced, outstanding trade debts or any other money owed to it by the Ansett Group currently estimated to be \$152m.
- Air New Zealand and the Directors would also release the Ansett Group, the Administrators and the Hazelton Administrator from all claims whatsoever (other than in relation to the return of aircraft assets and documents belonging to Air New Zealand).
- The Memorandum of Understanding does not affect any current or future investigations or legal claims against Air New Zealand or its Directors by ASIC.
- In return for the matters outlined above, we as the Administrators of the Ansett Group, and the Hazelton Administrator, conditionally released the Air New Zealand Group, the Air New Zealand Group Directors and the Ansett Group Directors from 'claims and demands arising out of and/or relating directly or indirectly to':
 - The management or affairs of the Ansett Group.
 - Any claims arising at common law, equity or statute including but not limited to the Act and the Trade Practices Act.
 - Any claims arising in the administration of the Ansett Group.
 - Any transactions or dealings between any company in the Ansett Group and any company in the Air New Zealand Group

in all cases, whether we or not any company in the Ansett Group are presently aware of the existence of such action, claim or demand.

However, the releases do not cover:

- Failure by Air New Zealand or the Directors to exercise their powers and discharge their duties in good faith in the best interests of the Ansett Group and for a proper purpose (within the meaning of Section 181 of the Act) or reckless conduct or improper use of position.
- The return of aircraft assets and documents belonging to the Ansett Group.

Moreover, as a result of the warranties given by the Directors, if we have been misled about say, the financial position of Air New Zealand, the conditional release becomes inoperative.

The releases also will not prevent Ansett from bringing any action against professional advisers to the Ansett Group.



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- The Memorandum of Understanding was conditional upon:
 - The Court approving the terms of the Memorandum of Understanding or making Orders or Directions to the same effect on or before 12 October 2001 or such other date as all the parties agree.
 - The consent or non-opposition of the Committee of Creditors being obtained on or before 5 October 2001.
- We are required to use our best endeavours to ensure that the priority creditors are paid all their entitlements in full and to take all reasonable steps to propose and recommend a DOCA where the assets and liabilities of the Ansett Group companies are 'pooled' for the purposes of determining any return to the creditors of Ansett.
- We were concerned about compromising, in a limited way, claims against the directors of the Air New Zealand Group and the Ansett Group without any investigation. However, the rights and powers of ASIC are unaffected and the Directors were required to give broad warranties which, if breached, makes the conditional releases inoperative.

5.2.6 *Approval of the Memorandum of Understanding*

Between 24 September 2001 and 2 October 2001, we began informing key stakeholders, including the Commonwealth Government and the priority creditors, of the proposed terms of the Memorandum of Understanding.

An urgent meeting of the Committees of Creditors was convened on 3 October 2001 to explain the Memorandum of Understanding and confirm that the Committees of Creditors did not object to the execution of the Memorandum of Understanding. A resolution was passed to that effect.

The Memorandum of Understanding was then signed on 5 October 2001 and the approval of the Court obtained on 12 October 2001 after national advertising to advise all creditors about the application having been made to the Court. The \$150m settlement was received from the New Zealand Government on 16 October 2001.

5.2.7 *Benefits of the Memorandum of Understanding*

The primary benefits of the Air New Zealand settlement were:

- If Air New Zealand was placed into an insolvency administration, the Ansett Group most likely would not have received any return on its claim. This was the overriding commercial advantage of the Memorandum of Understanding.
- It ensured the recovery of significant funds without recourse to lengthy, costly and uncertain litigation. The settlement is understood to be the largest cash settlement in an insolvency matter in Australian history.



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- The immediate injection provided funding for Ansett Kick-Start, trading losses and asset protection costs and assisted in the creation of the Ansett Solution.
- Without the cash injection, the Ansett Solution may not have had the opportunity of being fully developed. A "fire sale" of the assets in the Ansett Group may have resulted due to funding constraints that would have arisen without the proceeds of the Air New Zealand settlement.
- The Ansett Solution may provide employment for up to 4,000 of the present mainline airline employees. This continued employment will reduce priority payments to employees and create a greater window of opportunity for ordinary unsecured creditors.
- By enabling Ansett Kick-Start to recommence operations, it has also maximised the possibility of the regional airlines being sold as a going concern.
- The Directors' releases are conditional upon the accuracy of statements about their conduct.
- The payment by Air New Zealand of \$32m would ordinarily rank as a priority repayment but for the Memorandum of Understanding not to prove.
- The reduction of Air New Zealand's rights to prove in the administration or liquidation of the Ansett Group increases the amount of any dividend for unsecured creditors. The claim not made would be approximately \$310m.
- Ongoing cooperation with Air New Zealand will assist the operations and sale process and allow for further secondment of management.
- ASIC's rights are unaffected.

Under the Memorandum of Understanding, both parties are to return assets in the possession of the other. Therefore, considerable investigation is required on this issue. Aircraft, aircraft engines, parts and IT equipment have passed between Ansett and Air New Zealand under the Memorandum of Understanding.

Therefore, when balancing all of the advantages and disadvantages, and having regard to the objects of Part 5.3A of the Act, namely to try to keep Ansett's business in existence if it is at all possible to do so, or if not, to maximise the return to creditors, it was in the interests of all Ansett stakeholders for settlement to proceed and was the best commercial outcome for creditors.

5.3 Actions Undertaken by Administrators

A significant number of issues have to be addressed on a continual basis in the operation of each of the Ansett Group businesses. Some of the issues addressed after our appointment are as follows:



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5.3.1 Overall Ansett Group

General issues dealt with in the majority of the Ansett Group businesses:

- A stocktake of assets.
- Preparation of forecasts under various operational models to determine the extent to which operations could resume.
- A valuation and assessment of significant freehold and leasehold sites, aircraft fleet, office equipment and plant and equipment.
- Establishment of a financial reporting system.
- Establishment of new banking procedures, facilities and procedures.
- Regular reporting to the Commonwealth Government.
- Liaison with key creditor groups such as financiers, trade creditors, landlords, suppliers and unions/employees to ensure support was obtained for trading.
- Reconciliation and collection of debtors.
- Resolution of claims by various parties claiming liens over assets of the Ansett Group.
- Consideration of retention of title claims made by suppliers.
- Collation of debt information provided by various creditors of the Ansett Group.
- Analysis of claims of Global Rewards members.

In addition to the complexities of the Ansett Group, a significant number of key Ansett management who were on secondment from Air New Zealand returned to New Zealand at short notice. This lack of managers increased the level of difficulty and complexity in the administration.

5.3.2 Mainline Airline

General issues associated with the mainline airline are:

- Determining flight schedules and staffing.
- Determining the fleet policy for Ansett Kick-Start.
- Developing and implementing a market plan.
- Streamlining administration functions.
- Re-establishing the ticketing system.
- Establishing IT functionality.
- Reviewing route performance.
- Dealing with day-to-day trading issues.



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- Negotiating with the Commonwealth Government on the extent of ticket refunds if Ansett stopped flying.
- Negotiating underwriting agreements for certain routes.
- Dealing with IATA.
- Liaising and communicating with unions and employees.
- Re-contacting corporate customers.
- Liaising with travel agencies.
- Negotiating with Qantas over the agreement to fly Qantas passengers using Ansett aircraft and Ansett terminals. For commercial reasons, this agreement did not proceed.
- Dealing with Transpacific, a related party based in the United States of America which has filed for Chapter 11 Bankruptcy protection.
- Negotiating insurance arrangements for Ansett Kick-Start.
- Reporting to, and liaising with, CASA.
- Liaison with regulatory authorities on statutory requirements (such as the AOC).
- Negotiating with lessors and financiers of aircraft to be used for Ansett Kick-Start.
- Dealing with property owners.
- Discussions with Star Alliance.

5.3.3 Regional Airlines (Skywest, Kendell, Aeropelican)

Most issues that were addressed in resuming operations for the mainline airline were also confronted in recommencing operations for the regional airlines. An additional issue was negotiating short-term funding from various State Governments and the Commonwealth Government.

This enabled the regional airlines to recommence operations with the following routes:

Airline	Routes	Routes
• Skywest	<input type="checkbox"/> Perth – Albany <input type="checkbox"/> Perth – Camarvon <input type="checkbox"/> Perth – Esperance/Learmonth <input type="checkbox"/> Perth – Geraldton <input type="checkbox"/> Perth – Kalgoorlie <input type="checkbox"/> Perth – Karratha	<input type="checkbox"/> Perth – Laverton <input type="checkbox"/> Perth – Leinster <input type="checkbox"/> Perth – Leonora <input type="checkbox"/> Perth – Monkey Mia <input type="checkbox"/> Perth – Newman

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Airline	Routes	Routes
• Kendell	<input type="checkbox"/> Adelaide – Broken Hill <input type="checkbox"/> Adelaide – Ceduna <input type="checkbox"/> Adelaide – Coober Pedy <input type="checkbox"/> Adelaide – Kingscote <input type="checkbox"/> Adelaide – Mt Gambler <input type="checkbox"/> Adelaide – Olympic Dam <input type="checkbox"/> Adelaide – Port Lincoln <input type="checkbox"/> Adelaide – Whyalla <input type="checkbox"/> Canberra – Melbourne <input type="checkbox"/> Canberra – Sydney <input type="checkbox"/> Sydney – Wagga Wagga	<input type="checkbox"/> Sydney – Albury <input type="checkbox"/> Melbourne – Albury <input type="checkbox"/> Melbourne – Burnie <input type="checkbox"/> Melbourne – Launceston <input type="checkbox"/> Melbourne – Devonport <input type="checkbox"/> Melbourne – King Island <input type="checkbox"/> Melbourne – Merimbula <input type="checkbox"/> Melbourne – Mildura <input type="checkbox"/> Melbourne – Mt Gambler <input type="checkbox"/> Melbourne – Portland <input type="checkbox"/> Melbourne – Wagga Wagga
• Aeropelican	<input type="checkbox"/> Sydney – Belmont	

Recommencing the regional operations was very important for reasons similar to the mainline airline. Also, a number of regional and rural communities had suffered serious hardship when the regional airlines were not operating.

5.3.4 Show Group

The major issues dealt with in the administration of Show Group related to stabilising the business, recommencing operations and identifying a suitable purchaser.

5.3.5 Engineering

The Engineering business includes:

- Heavy Maintenance, which covers all major airframe checks, structural inspections, corrosion control programs, implementation of service bulletins and airworthiness directives, extended phase checks as well as modifications and repairs.
- Line Maintenance, which includes light maintenance, air transits and associated transit and overnight defects rectification.
- Engine Overhaul, which supports a wide range of engines and their accessories and components.
- Components/Avionics, which covers the repair and overhaul of rotables and repairable consumables through a number of special purpose workshops.

The major issues addressed in the Engineering businesses include:

- Development of a business model detailing the budget profit and loss, cash flows and projected financial statements for the Engineering division in anticipation of a sale.



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- Formation and supervision of the aircraft recovery team, including liaison with lessors/financiers as well as assisting with the recovery of aircraft, engines and components from Air New Zealand.
- Cost analysis of maintenance programs under various operating levels to help determine the viability of providing maintenance for the next two years.
- Development of idle and scheduled maintenance programs for aircraft and engines.
- Negotiations with aircraft lessors to conduct and pay for maintenance on their aircraft and engines.
- Development of the strategy to realise surplus spare parts.
- Development of a protocol relating to the service of aircraft, recovery and records retrieval, maintenance and engineering as required and physical delivery to lessors and/or financiers.

5.3.6 Flight Simulators

The major issues dealt with in the administration related to stabilising the business, recommencing operations and identifying a suitable purchaser.

5.3.7 Call Centres

The Ansett Group previously had seven call centres in Sydney (about 400 staff), Melbourne (275), Brisbane (170), Perth (380), Adelaide (380), Canberra (120) and Launceston (370).

These call centres received bookings for the Ansett Group including the mainline and regional airlines. Given the much reduced flying operations, not all the call centres were required. Considerable work was required to determine capacity and streamline operations to meet it.

Employees in call centres not required for Ansett Kick-Start operations were stood down. We have continued with the Tasmanian and South Australian call centres.

5.3.8 Third Party Ground Handling

Third party ground handling provides passenger ramp and customer services to domestic and international airlines at terminals throughout Australia. Third party ground handling operations ceased on 14 September 2001 in all locations except for Virgin Blue at Townsville, with employees not required being stood down. Some additional ground handling has continued on an ad hoc basis for the Defence Force and other charter flights as requested.

Following our appointment on 17 September 2001, we began negotiations with major ground handling customers to resume passenger handling services with Ansett so the business could recommence. Despite lengthy negotiations, none of the major ground handling customers have resumed services.



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5.3.9 Cargo

The Cargo business relates to cargo handling at various Australian airports for:

- Domestic freight companies.
- International airlines carrying cargo on flights arriving and departing Australian airports.

The overnight/freighter business was shut down by the Initial Administrators and has not recommenced. A more limited "same day" domestic cargo business has been operating with the Kick-Start business.

The international cargo handling operations ceased on 14 September 2001 following the decision of the Initial Administrators to close the Ansett business.

We began negotiations with previous major customers in late September 2001 and international cargo handling operations resumed in early October 2001 as a result of a number of major customers recommencing cargo handling services with Ansett. These have continued throughout the administration.

5.3.10 Traveland

Traveland operated about 104 wholly-owned stores around Australia and about 250 franchise stores. Traveland formed various partnerships with leisure travel wholesalers that provided sophisticated and customised product offerings. It also formed strategic joint ventures with RACV and NRMA by operating co-branded retail travel outlets which utilised the strong influence of the Traveland brand name. Traveland offered a wide range of travel services including customised holidays, tour packages, airfares, hotels, travel insurance, car hire and visas.

Traveland was heavily reliant on Ansett for generating revenue and after the appointment of the Initial Administrators, there was a considerable reduction in bookings. The events in the United States of America on 11 September 2001 also seriously impacted the business as Traveland previously derived 65 per cent of its revenue from international business.

Under the Victorian Travel Agents Act, all wholly-owned stores in Victoria had their travel licences cancelled as a result of the appointment of the Initial Administrators. After successful negotiations, the Victorian stores were allowed to trade for a limited time until a suitable business plan could be developed.

We received an expression of interest only from the purchaser. When presented with the choice of immediately closing the business and crystallising liabilities and the sale opportunity, we elected, on balance, to sell.

We continued to trade with key suppliers and wholesalers of Traveland to preserve its business and market share until the business was sold.



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5.3.11 Australian Concession Management

Australian Concession Management managed the food and beverage outlets at the various domestic terminals. All concession stores except Adelaide ceased trading the same time as the mainline airline, but all have since recommenced operations.

5.3.12 Ansett International

Ansett International used three aircraft to fly to selected ports in Asia including Japan, Indonesia, Hong Kong and Fiji. The aircraft were under operating leases from Singapore Airlines. Ansett International had offices in Australia, Hong Kong and Japan.

Ansett International ceased operations on 14 September 2001. It was not viable to recommence those operations. The majority of the work undertaken during the administration related to seeking to retain the landing slots at overseas ports.

5.4 Reduction of Cost Structure

Our primary concern in the operation of the Ansett businesses was the safety of customers, employees and any other person who may have been involved in the businesses. This remains the case.

The Ansett Group's overhead structure was intended to manage a business with a turnover of more than \$3b per annum, about 15,000 employees, several hundred properties and an extremely complex IT system.

The size of the operations of the Ansett businesses during the period of the administration was a very small proportion of the pre-appointment business. Therefore, considerable effort was invested minimising costs. This included:

- Reducing the number of operational sites and vacating sites not required.
- A substantial review of the IT system. For example, before administration, the monthly expenditure for the combined Group IT system was approximately \$20m. Shortly after the appointment, this was reduced to approximately \$5m per month.
- Establishing a new Internet-based booking system that was far simpler to maintain.
- Consolidating and streamlining the operations of the various call centres.
- Closure of the Ansett-owned and operated travel stores, resulting in customers making bookings only through the Internet and call centres.
- Using only the A320 fleet for the Ansett Kick-Start operations. Analysis indicated the operating costs associated with the A320s fleet were lower than Ansett's Boeing fleet.



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- Disclaiming any aircraft that were subject to operating leases and were not expected to be used in the future operations of Ansett. This is discussed further at Section 5.6 below.
- Disposal of surplus equipment by auction or individual sale to minimise holding costs.
- Redundancy program for approximately 8,000+ Ansett Group employees.

5.5 Finance Function

As indicated above, following Air New Zealand's acquisition of 100 per cent ownership of the Ansett Group, a new trans-Tasman executive structure was introduced. Many of the senior financial executives for the combined Ansett Group were employed by Air New Zealand, having responsibility for the combined Ansett Group.

As part of the restructure, Air New Zealand consolidated the treasury function for the combined Air New Zealand / Ansett Group in New Zealand. All financing arrangements for the Ansett Group, including aircraft leasing and other financial market transactions, were assumed by a central treasury function and supporting documentation was transferred to New Zealand. The Ansett Group treasury function also assumed the accounting function for a number of "treasury" companies and related books and records were transferred to Auckland.

Further, following the stand down of Ansett Group employees, many key employees required to perform routine accounting tasks to "close the books" were not available. It is taking considerable time and resources to reconstruct the financial position of the Ansett Group as at 12 September 2001. This task is continuing.

Also, all transactional banking facilities for the Ansett Group had to be renegotiated after our appointment.



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5.6 Aircraft Fleet

At the date of appointment, the Ansett Group (excluding Hazelton) controlled a fleet of 133 aircraft. The fleet was made up a large number of different models of aircraft summarised below:

Operator	Manufacturer	Model	Owned		Operating	Total
			Owned	Financed	Leased	
Mainline Airline	Boeing	B767-300			3	3
	Boeing	B767-200	5	2	2	9
	Boeing	B737-300		20	4	24
	Airbus	A320-200		10	10	20
	BAe	146-300	11			11
	BAe	146-200	5		2	7
	Fokker	F28-4000	4			4
	Fokker	F50	4			4
Sub-total			29	32	21	82
Ansett International	Boeing	B767-300ER			1	1
	Boeing	B747-400			2	2
Sub-total			0	0	3	3
Ansett Air Cargo	Fokker	F27-600	1			1
	Boeing	B727-200			1	1
	BAe	146QT	2			2
Sub-total			3	0	1	4
Kendell Airlines	Saab	340A	6	1	1	8
	Saab	340B			8	8
	Fairchild	Metro23	7			7
	Bombardier	CRJ200		12		12
Sub-total			13	13	9	35
Skywest	Fokker	F50			5	5
Aeroperican	De Havilland	DHC-6 Twin Otter 300	4			4
Total			49	45	39	133

All aircraft were grounded on 14 September 2001 by the Initial Administrators. Those aircraft not being used in Ansett Kick-Start operations are stored at major airports around Australia or in engineering facilities in Australia or New Zealand. One A320 was in Canada being serviced at the date of our appointment.



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The main issues considered for the aircraft fleet were:

- Confirming the ownership and financing structures for the aircraft fleet.
- Assessing the impact of the appointment of the Administrators on the various financing arrangements.
- Determining which aircraft to use in Ansett Kick-Start.
- Determining the value of the owned aircraft and aircraft subject to finance arrangements.
- Determining whether there was any equity in the aircraft subject to finance arrangements.
- Determining the most appropriate method of realising the owned aircraft and aircraft subject to finance arrangements where there was expected to be equity under the financing arrangements.
- Determining the most appropriate method of handing back aircraft subject to operating leases and the owned aircraft subject to finance arrangements where there was expected to be a shortfall under the financing arrangements.

These issues are discussed more fully below. In dealing with these issues, we acknowledge the valuable and continuing support and co-operation of the aircraft lessors which has allowed us the opportunity to maximise aircraft values for all stakeholders and resume Ansett's operations.

5.6.1 *Confirming Ownership*

There was significant uncertainty immediately after our appointment about the number of aircraft that were owned, owned but financed and not owned but subject to operating leases. Considerable investigation was therefore required to confirm the ownership and financing of the aircraft fleet. A substantial amount of the documentation was held by Air New Zealand, which assisted in the process.

5.6.2 *Impact of Administration*

The appointment of the Initial Administrators triggered a number of provisions of the Act that affect the owner or lessor of property used, occupied or in the possession of a company in administration.

By 26 September 2001, we had issued notices to lessors, owners and financiers of 52 aircraft that we did not intend to use those aircraft. A further notice was sent to one financier shortly afterwards. As outlined at Section 5.6.7 below, a program is under way for the return of the aircraft subject to these notices. We have also entered new arrangements for two of those leased aircraft that were required for the resumed Kendell operations.

5.6.3 *Determining Aircraft to Use in Ansett Kick-Start Operations*

Aircraft used in Ansett Kick-Start were selected based on maintenance history, efficiency of aircraft and suitability to scheduled services.



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The aircraft currently in use are:

Operator	Owned		Operating	Total
	Owned	Finance Lease	Leased	
Mainline airline	2	13	6	21
Kendell	6	2	6	14
Skywest			5	5
Aeropelican	4			4
Total	12	15	17	44

All other aircraft are the subject of re-delivery negotiations with lessors, or being marketed for sale.

5.6.4 Valuation of the Aircraft Fleet

Shortly after appointment, we sought a valuation of aircraft assets. International Bureau of Aviation ("IBA") were appointed surveyors and valuers. IBA inspected all Ansett aircraft located in Australia and overseas. These valuations were received in mid-November 2001.

The effect on the global aviation industry of the terrorist attacks on 11 September 2001, together with various airline collapses, has made valuation of aircraft assets problematic. The enquiry rates for aircraft listed for sale are extremely low globally, with numerous airlines "stockpiling" aircraft until demand returns. It is not commercially prudent to provide further details.

5.6.5 Determining Equity in Owned Aircraft Subject to Finance Arrangements

The aircraft subject to financing arrangements fall into two categories:

- those in which the Ansett Group has a clear and definable equity interest.
- those in which the debt exceeds the likely realisations that may be achieved upon sale, and thus Ansett has no potential equity in these assets.

Based on the valuations obtained from IBA, the amount outstanding under the various finance arrangements and estimated ongoing interest and charges, the Ansett Group may have significant equity in financed aircraft. It is therefore imperative that the equity in the aircraft be protected through developing realistic and achievable realisation/hand-back procedures in co-operation with the aircraft lessors.

5.6.6 Realisation Program

Those aircraft that are owned, or encumbered by financing arrangements where there is potential equity to be realised from the sale of the aircraft, are undergoing an orderly offering to the market.



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To manage this process, we have retained the services of the Ansett Fleet Trading team, and made arrangements with the Engineering Division for a dedicated staff of records and engineering personnel to assist. Regulatory and safety requirements in the aviation industry in Australia and overseas are very stringent about the standard of records required to be delivered to a lessor taking repossession or a new owner buying an aircraft from Ansett.

This makes it necessary to provide a professionally qualified and experienced team to assist all lessors, owners and financiers in an orderly transition of operational control from Ansett to the next owner or operator. The cost of this process (apart from specific aircraft mentioned at Section 5.6.7 below) is a trading cost of realisation of assets.

Some aircraft assets are likely to be sold with the regional airlines. Some aircraft have already been publicly listed for sale on the worldwide market and negotiations with potential purchasers are under way.

In the case of those individual aircraft in which Ansett has an equity interest, the Administrators' staff and the Ansett fleet trading team have entered into, or are still negotiating, co-marketing arrangements with the financiers. In these cases, Ansett will help directly market the aircraft in conjunction with the financiers' appointed agents and continue to secure, insure and maintain the aircraft, in order to ensure maximum realisations from the aircraft. In some cases, extensive engineering work may be required on individual aircraft to bring them to saleable condition.

Again, we and the respective financiers are approaching such matters on a co-operative and orderly basis, subject to availability of funding and engineering facilities.

5.6.7 Hand-Back Program

In the case of those aircraft where Ansett has no equity interest, we are working co-operatively with the financiers by providing basic services. The financiers have been requested to reimburse Ansett for costs incurred in order to ensure that Ansett does not bear the substantial costs involved for assets which will not realise any proceeds for Ansett's creditors.

Because of the legislative framework, a substantial amount of time has been spent on the orderly re-delivery of leased aircraft to lessors since 26 September 2001. Thirteen (13) of Ansett's leased aircraft have been returned to lessors to date with a further three (3) well into the process of re-delivery. One of Kendall's leased aircraft has also been redelivered. Negotiations are continuing to redeliver the other aircraft to the lessors.

5.6.8 Spare Parts, Consumables and Rotables

Ansett has more than 10 million items of spare parts, consumables and rotables. A process is currently underway to identify and realise surplus items.



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5.7 Freehold and Leasehold Assets

The other major assets of the Ansett Group are the various freehold and leasehold property interests.

5.7.1 Freehold Property

The freehold properties owned by the Ansett Group are:

Location	Location
<ul style="list-style-type: none"> • 501 Swanston Street, Melbourne, Victoria • 489 Swanston Street, Melbourne, Victoria • 465 Swanston Street, Melbourne, Victoria • 20-32 Franklin Street, Melbourne, Victoria • Garden Drive, Tullamarine, Victoria • 177 Morgan Street, Wagga Wagga, NSW • Belmont Airport, Newcastle, NSW 	<ul style="list-style-type: none"> • 8 Miles Street, Mt Isa, Queensland • 117-121 Doughan St, Mt Isa, Queensland • 4 Bates Ave, Newman, WA • 20 Ethel Creek St, Newman, WA • Lot 305 Samson Ave, Paraburdoo, WA • Lot 400 De Coursey Ave, Paraburdoo, WA

These properties are being sold.

5.7.2 Leasehold Property

The major Ansett leasehold properties are as follows:

Location	Location
<ul style="list-style-type: none"> • Melbourne Domestic Terminal, Tullamarine, Victoria • Melbourne Jet Base – South Centre Rd, Tullamarine, Victoria • Melbourne Maintenance Base, Tullamarine, Victoria • Annandale Road, Tullamarine, Victoria • Hobart Domestic Terminal, Hobart, Tasmania • Launceston Domestic Terminal, Launceston, Tasmania • Launceston Reservations Centre, Launceston, Tasmania • Canberra Domestic Terminal, Canberra, ACT 	<ul style="list-style-type: none"> • Alice Springs Domestic Terminal, Alice Springs, NT • GSE Building Darwin, Darwin, NT • Brisbane Ansett Terminal, Brisbane, Queensland • Flight Kitchen GSE and Cargo, Brisbane, Queensland • Engineering Building, Brisbane Airport, Brisbane, Queensland • Cairns Ansett Terminal, Cairns, Queensland • Flight Kitchen, Cairns, Queensland • Coolangatta Ansett Terminal, Coolangatta, Queensland



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Location	Location
<ul style="list-style-type: none"> • Sydney Domestic Terminal, Sydney, NSW • Hangar, Building 20, Sydney Airport, Sydney, NSW • Flight Kitchen, Sydney Airport, Sydney, NSW • Adelaide Domestic Terminal, Adelaide, SA • Flight Catering Building, Adelaide Airport, Adelaide, SA • James Schofield Drive, Adelaide Airport, Adelaide, SA • Darwin Domestic Terminal, Darwin, NT • Flight Kitchen, Darwin, NT 	<ul style="list-style-type: none"> • Mackay Ansett Terminal, Mackay, Queensland • Rockhampton Ansett Terminal, Rockhampton, Queensland • Townsville Ansett Terminal • Perth Domestic Terminal, Perth WA • International Cargo Building (279), Perth, WA • Flight Catering Building (294), Perth Airport, Perth WA • Cargo Terminal Building (269), Perth WA

A number of these leasehold interests will be assigned to Tesna, in particular the terminal leases (this will also reduce creditor claims in the administration). We will consider all other options available for the remaining leases.

5.8 Employees

There were about 15,000 employees in the Ansett Group at the time of the appointment of the Initial Administrators. There have been a substantial number of employee-related issues arising during the administration. Andersen Legal has acted as our lawyers in dealing with the employee and other issues. These include:

5.8.1 Extension of Redundancy Entitlements Under EBAs

The redundancy entitlements contained in the relevant EBAs expired on 31 December 2001. An extension of the expiry date was needed so that all employees did not need to apply for redundancy and to preserve the status quo. After agreement was reached with the relevant parties, an application was made to the AIRC to have the fresh arrangements certified.

5.8.2 Extension of Employee Stand Down

The stand-down orders obtained from the AIRC shortly after the appointment of the Initial Administrators were effective until 21 December 2001. It was therefore necessary to apply for an extension of those stand-down orders from the AIRC. Union support for this application was available on the basis that there was agreement on extension of the expiry date.



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5.8.3 *Preparation of Industrial Agreements*

From the outset of the administration, industrial agreements have been reviewed and renegotiated with the range of unions covering the Ansett businesses. These renegotiations substantially reduced the ongoing labour costs for the period of the administration. These arrangements have also been the platform of the arrangements now put in place by Tesna.

5.8.4 *Support for Ansett and Regional HR/IR Function*

Ongoing support has been given to the Ansett Human Resources department to deal with the substantial number of issues that arise from the administration process. This included significant payroll issues given the variations to standard hours worked.

5.8.5 *Redundancy Process and Payment of Employee Entitlements*

Following the collapse of Ansett, the Prime Minister announced at a press conference that the Commonwealth Government intended to protect employees of Ansett who were denied their entitlements. The commitment was that the entitlements of Ansett employees would be met by the Commonwealth Government to the extent that they were not able to be paid from the assets of Ansett. The entitlements to be paid by the Commonwealth Government were:

- Wages.
- Annual leave and long service leave.
- Payment in lieu of notice.
- Redundancy up to the community standard of eight weeks.

The mechanism under which this 'safety net' was to be established for employees was SEESA. Payments under SEESA were to be funded by the \$10 ticket levy imposed on all future ticket sales under the specially introduced Ticket Levy Act.

Asset realisations may take two to three years to complete, particularly given the impact on aviation assets of the terrorist attacks in the United States of America on 11 September 2001. Any delay in the realisation as a precondition to safety net payments by SEESA would create hardship for employees, most of whom have been stood down since 14 September 2001.

Between 7 October 2001 and 12 October 2001, numerous discussions were held with the Commonwealth Government and its advisors to discuss a special arrangement for Ansett employees to ensure that they received their entitlements as soon as possible.



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On 12 October 2001, a draft proposal was sent to the Commonwealth Government. It was requested that the SEESA payments (estimated to be about \$195m) for the estimated 8,600 redundant employees be advanced to us with the payment in lieu of notice (estimated to be about \$35m) being made from asset realisations.

After further discussions with the Prime Minister and the Commonwealth Government, it was agreed in principle to proceed with the payment of employee entitlements on the following basis:

- Employees would be requested by letter to advise within seven days whether they wished to apply for redundancy.
- The applications for redundancy would be reviewed and considered based on the role and skills of employees.
- The four-week payment in lieu of notice payment would be calculated and paid from 29 October 2001 to employees whose applications were accepted.
- The balance of employee entitlements would be calculated by 19 November 2001 to enable the Commonwealth Government to source funding for the SEESA payments by then.
- Payments for the remaining entitlements owing to redundant employees and covered under the scheme would be made after the SEESA funds become available.

The Commonwealth Government's position significantly reduced the hardship being experienced by employees made redundant.

A substantial amount of work has been undertaken in separately calculating and verifying the entitlements of each employee. This took a team of up to 40 people a number of months to complete. Once calculated, notification of the entitlements was forwarded to each employee to confirm the calculation was correct.

About 6,000 employees have been made redundant to date. About 90 per cent of the payment in lieu of notice and SEESA payments have been made as a result of approval of the Court of the agreement with the Commonwealth Government for the advancement of the SEESA funds.

Section 556 of the Act states that employee entitlements are paid in priority to ordinary unsecured creditors in the liquidation of a company. Ordinarily, the same priority is afforded to employees in a DOCA. Throughout discussions, the Commonwealth Government indicated that they intended the SEESA funds advanced to be repaid in the same order of priority as if they were employee entitlements.

To enhance the potential dividend to be paid to ordinary unsecured creditors, a proposal was sent to the Commonwealth Government on 31 October 2001. The proposal requested the Commonwealth Government consider two options to subordinate in whole or in part the repayment of the SEESA payments.



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Between 31 October 2001 and 9 November 2001, many further submissions were made to the Commonwealth Government in support of the Ansett Solution submission. Throughout that period, the Commonwealth Government maintained that it expected repayments of advances made under SEESA to rank to an equal priority with all other employee entitlements.

A number of creditors enquired whether the repayment of SEESA payments could be subordinated in a DOCA approved by a majority of the Ansett Creditors. In theory, this was the case. However, there are safeguards in the Act to ensure that a DOCA can be terminated by the Court if it is oppressive or unfairly prejudicial to, or unfairly discriminatory against a creditor. The issue of subordination by a full meeting of creditors was therefore raised with the Commonwealth Government.

On 13 November 2001, a meeting was held with the Deputy Prime Minister concerning the proposal. While the Deputy Prime Minister was sympathetic to the position of ordinary unsecured creditors, he maintained that SEESA had not been established for the benefit of ordinary unsecured creditors of the Ansett Group.

Further meetings were held shortly afterwards with other Commonwealth Government officials. We were informed that:

- SEESA was established for the benefit of employees and not ordinary unsecured creditors.
- SEESA should be viewed as a safety net for employees.
- As a matter of policy, the Commonwealth Government has never made payments for the benefit of ordinary unsecured creditors as we requested.
- The Ticket Levy is separate from and distinct to the repayment of SEESA payments.

Again, the Commonwealth Government maintained its position that it expected to be repaid the SEESA payments with an equal priority to that of other employee entitlements.

The Commonwealth Government advised that, among other things it would not accept a subordinated position. The Commonwealth Government also indicated that it required SEESA payments to rank as a priority equal to all other employee entitlements and the arrangements must ensure that priority cannot be disturbed.

On 28 November 2001, a further meeting of the Committee of Creditors was held. At that meeting, the Committee of Creditors was informed that despite considerable effort, the Commonwealth Government was not prepared to subordinate its SEESA payments.

In order to ensure its entitlement to be repaid the SEESA funds were "set in stone", the Commonwealth Government requested we execute a loan agreement that ensured this position. In order to enable the timely payment of entitlements to employees under SEESA, we wished to execute the agreement.



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However, given the terms of the agreement, it was necessary to apply to the Court for a direction that we may properly and justifiably do so and, further, if the Court makes a direction to the effect that we will not be personally liable to repay the SEESA payments other than from the assets available to us and on the basis that such repayments will have a priority equal to all other employee entitlements. The Court made the direction as discussed at Section 8.4.9 below.

5.9 Other Issues

5.9.1 Star Alliance

The Star Alliance network is an association of 15 airlines around the world where benefits such as frequent flyer points can be earned and redeemed between airlines. Ansett is a joint member with Air New Zealand.

Ansett's participation in the Star Alliance was suspended when the companies were placed in administration. Star Alliance has agreed to discussions with Tesna to consider the future of the new Ansett within the Star alliance. The Star Alliance agreements contain non-disclosure provisions.

5.9.2 Treasury Instruments

Air New Zealand maintained a centralised treasury function for the Air New Zealand and Ansett Groups. Immediately before the appointment of the Initial Administrators, Ansett had a number of outstanding financial market derivative transactions (hedging) with a range of external banking counterparties in Australia and offshore, coupled with inter-company book transactions with Air New Zealand.

The actions undertaken by us included:

- Confirming the outstanding derivative transactions held at the time of the appointment of Initial Administrators;
- Confirming the status of the transactions and their market value;
- Securing value from the transactions.

About \$2m was recovered from the close-out of the hedge book.



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6. Developing the Ansett Solution

The Ansett Solution is the plan to achieve the objects of Part 5.3A of the Act - that is, to maximise the possibility of keeping Ansett in business or, if not, to maximise the return to creditors.

The ability to maximise the value for creditors from a significant number of the Ansett assets, such as the aircraft fleet, domestic terminal leases and the Engineering business, is largely dependent on the outcome of the sale of the mainline airline. This is why the creation of a viable mainline airline from the 'old' Ansett is important in developing the overall Ansett Solution.

Below are the steps undertaken by us to implement the Ansett Solution.

6.1 Mainline Airline

- A cash injection from settlement proceeds or elsewhere.
- The introduction of a major airline operator to develop the business plan and manage the mainline operations.
- Substantial initial equity injection.
- Ensuring employee numbers reflected Ansett's likely market share in the short to medium term and thereby minimise the cash outflows of the business.
- Negotiating new Enterprise Bargaining Agreements with unions.
- Reinstating the Star Alliance membership and, if possible, providing some recognition to existing Global Rewards members.
- Maintaining inter-line relationships with other airlines to maximise on-carriage and referred customer revenues.
- Reducing the number of types of aircraft in the Ansett fleet.
- Reducing overall costs (especially management and overheads).
- Examining the composition of the aircraft fleet.

6.1.1 *Market Conditions / Background to Sale*

The events of 11 September 2001 in the United States of America had a profound impact on the aviation industry globally and is highly likely to have adversely affected the level of interest in Ansett. Globally there was a significant decline in passenger volumes, causing a number of other airlines to be focussed on their own operational issues and, in some cases, financial survival. Investor sentiment generally towards airlines was also negative with significant declines in the share prices of most publicly traded airlines.

It was therefore an extremely difficult time to market an airline, particularly in Australia, which is a relatively small regional marketplace in global terms.



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Time was of the essence in approaching the sale. Given:

- the businesses were initially not operating;
- there was limited funding available; and
- the businesses were forecast to incur considerable losses

it was necessary to adopt a tight timetable for the sale of the Ansett businesses.

6.1.2 Sale Process

A process for the sale of the mainline airline commenced immediately upon our appointment. The marketing strategy involved the following key elements:

- Pursuing expressions of interest received as a result of the publicity surrounding Ansett's collapse. A large number of expressions of interest were received and we sought information on the identity, financial capacity of all parties before proceeding with any detailed discussions.
- Communicating with airline operators and financial investors with airline experience to ensure that the opportunity to acquire Ansett was known internationally. Substantial resources were committed to identifying and communicating with potential investors. Significant assistance was provided by the Victorian State Government. An Information Brief was prepared to describe the Ansett businesses and investment opportunity to these parties.
- Providing detailed briefings on the mainline airline to interested parties who had demonstrated their financial capacity and signed the necessary confidentiality agreements.
- Providing access to a data room for the interested parties. Our staff and Ansett staff worked co-operatively with interested parties to enable them to undertake comprehensive due diligence and prepare business plans and thereby maximising the possibility of receiving strong offers for the mainline airline;
- Developing an 'Ansett Solution Paper' for the interested parties. The Solution Paper was designed to assist interested parties formulate and present their offers in a timely manner; and
- Ongoing dialogue with interested parties throughout the due diligence process to check progress on their offers and keep them up to date on the sale process and administration generally.



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6.1.3 Interested Parties

Given the difficulties faced by the global aviation industry, there were only four parties actively involved in the sale process for the mainline airline or the key Ansett assets. These parties were:

- Tesna;
- ANstaff;
- Singapore Airlines; and
- Lang Corporation.

Tesna, representing Australian businessmen Lindsay Fox and Solomon Lew, expressed strong interest in Ansett very early in the sale process and quickly appointed advisers who dedicated a substantial team to undertake due diligence and develop a business plan. The nature and financial capacity of its principals enabled Tesna to approach the sale opportunity with a sense of confidence and urgency.

ANstaff sought to buy the mainline airline on behalf of the staff of Ansett, predominantly pilots. ANstaff appointed advisers with a substantial team dedicated to undertake due diligence, develop a business plan and formulate an offer.

Singapore Airlines was invited by the Administrators to participate in the sale process. While Singapore Airlines did not submit an offer for the mainline airline, they agreed to provide us with consultancy services and prepare a business plan for the mainline airline. Under the consultancy arrangement, Singapore Airlines committed a substantial team to review the due diligence materials and work with Ansett staff to prepare the business plan.

Lang initially indicated an interest in acquiring the mainline airline. After Lang executed a confidentiality agreement we presented the "Ansett Solution Paper" to Lang and offered Lang access to all information contained in the data room. Lang subsequently expressed interest in acquiring some of Ansett's terminal and aviation assets only and employing about 2,000 Ansett employees.

6.1.4 Key Milestones in the Sale Process

The following milestones took place in the mainline airline sale process:

Milestones	Date
• Establishing data room	18 -30 September 2001
• Marketing of Ansett	September/October
• Opening of data room to Tesna and ANstaff	1 October 2001



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Milestones	Date
• Announcement of Singapore Airline consultancy arrangement	6 October 2001
• Briefings to Tesna, ANstaff, Singapore Airlines and Lang on the 'Ansett Solution' paper	23 to 26 October 2001
• Oral Expression of Interest from Tesna	26 October 2001
• Negotiations with Tesna	26 October 2001 to 8 November 2001
• First written offer received from Tesna	29 October 2001
• Expression of Interest/proposal received from Lang	1 November 2001
• Briefings/due diligence materials provided to Lang	2 November 2001
• Tesna negotiations impasse	3 – 4 November 2001
• Advised interested parties on the status of negotiations with Tesna	5 November 2001
• Tesna impasse resolved	6 November 2001
• Accepted Tesna's offer	8 November 2001
• Announced Sale to Tesna	8 November 2001
• Offer received from ANstaff	14 November 2001
• Withdrawal of Offer by ANstaff	15 November 2001
• Committee of Creditors Meeting to approve Tesna sale	15 November 2001

6.1.5 Tesna Offer

We accepted Tesna's offer on 8 November 2001 for the sale of the mainline airline.

Key Terms

The following is a summary of the key terms of the agreement with Tesna:

- The transfer of the following assets to Tesna:
 - All assets used by the Ansett Group in the mainline airline.
 - The leases to domestic airline terminals at Sydney, Melbourne, Brisbane, Perth, Coolangatta, Cairns, Townsville, Rockhampton, Adelaide, Hobart, Darwin, Alice Springs and Canberra.



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- The Jet Base and Maintenance Base located at Tullamarine Airport (being the land only and not the Engineering business).
- The Flight Simulator Centre, Data Centre and associated car parks for those facilities located at Garden Drive, Tullamarine.
- The Hangar (Building 20) and the Flight Kitchen located at Sydney Airport, the Flight Kitchen, GSE and Cargo Building and the Engineering Building located at Brisbane Airport, the Flight Kitchen located at Cairns Airport, the International Cargo Building and Flight Catering Building located at Perth Airport and the GSE Building located at Darwin Airport.
- All plant and equipment relating to the mainline airline or otherwise located in the facilities described above.
- All intangible assets relating to the airline, such as the brand name "Ansett".
- Call centres sufficient to meet Tesna's capacity requirements.
- Certain supply contracts and other agreements selected by Tesna.
- An amount of cash representing the value of the forward ticket bookings as at the Risk Transfer Date.
- Fuel stocks.
- Non-aircraft consumables, including spare parts for all vehicles and plant and equipment transferred to Tesna.
- 501 Swanston Street, Melbourne (head office site), 489 and 465 Swanston Street, Melbourne and 20-32 Franklin Street, Melbourne.
- All business records and information relating to the mainline airline and other information necessary for the maintenance of the Airline Operating Certificate and other regulatory compliance obligations.
- Assets specifically excluded from the sale agreement include:
 - All aircraft, including the freighter aircraft used in the domestic cargo business and all leased aircraft.
 - Plant and equipment relating to aircraft.
 - Plant and equipment used for aircraft maintenance.
 - Aircraft rotables, spares (including spare engines) or consumables.
 - The Engineering business.
 - Any interest of the Ansett Group in any real property (whether freehold or leasehold) not specifically identified.



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- We have not sold to Tesna:
 - Cash at bank.
 - Debtors.
 - Proceeds of the \$150m settlement with Air New Zealand.
- Tesna would make offers with intention to employ about 4,000 Ansett employees and assume responsibility for employee entitlements based on a new enterprise bargaining agreement to be negotiated with the ACTU and relevant unions. Under these arrangements, Tesna would assume:
 - The employee entitlements relating to those persons transferring to Tesna. Based on 4,000 employees, this was estimated at \$62m.
 - Contingent liabilities for redundancy payments in respect of the persons transferred to Tesna. Based on 4,000 employees, this was estimated at \$182m.
- Tesna also agreed to assume the following additional obligations and liabilities:
 - Obligations for forward ticket bookings at the Risk Transfer Date.
 - Liabilities in respect of contracts assigned to Tesna or for which Tesna receives the benefit after the Risk Transfer Date as determined by Tesna.
- **Purchase Price.** The total purchase price for the sale is \$514m. Tesna will pay Ansett \$270m cash and assume liabilities and obligations, being employee entitlements payable by the Administrators, of up to \$244m. The purchase price would be adjusted at completion for accruals, pre-payments and fuel stocks in accordance with the principle that the party who will benefit from the supply of the goods or services will reimburse the party who pays for the goods or services.
- The Purchase Price is not allocated amongst companies within the Ansett Group. Appendix 10 is a Schedule identifying the Ansett company that owns each of the major assets being sold to Tesna.
- The completion date was agreed to be 31 January 2002. The risks and benefits of ownership of the business are to transfer to Tesna on the completion date.



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Additional Features

The agreement with Tesna contained the following additional features:

- To the extent that environmental liabilities in excess of \$13.5m and less than \$27m were identified, the Ansett Group would be liable to Tesna for the amount of the environmental liabilities. However, any such claim would rank behind the Ansett Group's employee liabilities and ahead of unsecured creditors. To the extent environmental liabilities exceeded \$27m, both parties would have the right to terminate the agreement.
- Liabilities associated with the environmental condition of the freehold and leasehold properties transferring to Tesna at the Risk Transfer Date.
- Tesna's sponsors undertook to commit an amount of \$400m to Tesna which would:
 - Rank no higher than with unsecured creditors of Tesna, but after the statutory entitlements of employees; and
 - Be committed in such a way as to enable the leasing by Tesna of 29 Airbus aircraft on reasonable commercial terms and conditions.
- Provision was made for the co-operation of the Administrators and Tesna in ensuring Tesna had a fleet of at least 16 Airbus A320 aircraft at completion.
- To the extent Tesna required the use of some of Ansett's existing A320 fleet, it was agreed that both parties would co-operate to enable Ansett's equity in the aircraft to be realised for the benefit of creditors.
- The Administrators would continue to operate Ansett Kick-Start until completion and keep Tesna apprised of significant developments. There would be weekly management reports on the financial and operating performance of Ansett Kick-Start in the period up to completion and consultation with Tesna on marketing activities.
- Any costs incurred by the Administrators at the request of Tesna for the purposes of increasing the operating capacity, or advertising, marketing or promotional activities of the Ansett Kick-Start which are above amounts budgeted by Administrators would be the responsibility of Tesna. Tesna agreed to indemnify us for all reasonable costs, claims, losses or other liabilities so incurred.
- Tesna would purchase from the Ansett Group at rates to be agreed maintenance services for Tesna's Ansett Mark II aircraft and any A320 aircraft from Ansett's existing fleet for a period of two years. The Ansett Group's liability under such arrangements would be limited to certain agreed insured liabilities. The provision of maintenance services by the Ansett Group would support Tesna and provide the Administrators the opportunity to sell the maintenance function as a stand-alone business.



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- The Ansett Group would provide certain IT services to Tesna at cost for a period of two years from completion.
- Tesna undertook to consider preferred supplier status for previous suppliers of goods and services to the Ansett Group.
- Tesna would be reimbursed reasonable professional fees incurred by Tesna up to 31 January 2002, to a maximum value of \$5m if the transaction is not approved by either the Court or the Ansett Group creditors.

Conditions Remaining

The agreement with Tesna is subject to a number of conditions on the part of both the Administrators and Tesna. At the time of writing this report, the only conditions remaining were as follows:

- The approval of Ansett Group creditors. This will be sought at Part 1 of the Second Creditors Meeting on 29 January 2002. As Administrators, we could have exercised our statutory power to sell the mainline airline. However, given the size and complexities of the transaction, and based on legal advice, we decided that it was appropriate that the creditors participate in the sale process.
- If creditor approval is received at Part 1 of the Second Creditors Meeting, an application will be made to the Court on 30 January 2002 seeking an order authorising the sale.
- Issuing to Tesna of:
 - An Airline Operations Certificate.
 - Certificates of registration for each of its aircraft.
 - The procurement by the Ansett Group of a Certificate of Approval for its maintenance operations.

Tesna and the Ansett Group have been co-operating with CASA. We anticipate these conditions will be satisfied by 31 January 2002.

- The acceptance of Tesna's offer of employment by those employees whose employment is essential to obtaining and maintaining the Airline Operations Certificate, maintaining certification of the aircraft and operation of Ansett Mark II and who have been specified by Tesna in a notice to us on or before completion. At the time of writing, Tesna had identified the necessary persons and was in the process of making offers of employment to those persons. It is anticipated that this condition will be satisfied by 31 January 2002.
- Finalisation to Tesna's satisfaction of agreements relating to the acquisition and financing of a new long-term fleet of 29 Airbus aircraft and the finalisation of agreements relating to the leasing of 18 Airbus aircraft for a period of up to two years from completion. At the time of writing this report, Tesna was well advanced in negotiations on these conditions.



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- Finalisation of the Victorian Government's assistance package to the reasonable satisfaction of Tesna.
- The assignment to Tesna of the Sydney Airport DTL. At the time of writing, Tesna and the Administrators were well advanced in discussions with the Sydney Airport Corporation Ltd. We anticipate this condition should be satisfied by 31 January 2002.
- Tesna entering into leasing arrangements for at least 16 Airbus A320 aircraft for use from completion.
- The continued operation of Ansett Kick-Start until completion. It is the Administrators intention to run Ansett Kick-Start until the 31 January 2002 completion date.

It should be noted that at the time of writing this report, only those conditions which involve third parties remained outstanding. It is our intention to work diligently to ensure these conditions are satisfied as soon as possible and completion occurs on 31 January 2002. It should also be noted that we have provided more time to Tesna to satisfy the above conditions.

Other Benefits of the Tesna Offer

The transaction with Tesna offers benefits to creditors over and above the direct benefits achieved and value created from the sale of the mainline airline. These include:

- An enhancement to the prospects of selling Ansett's regional airlines.
- The potential to create an independent aviation maintenance, repair and overhaul business in Australia. Again, additional value to creditors will be created on a sale of that business from an uplift in the value of maintenance assets (such as plant and equipment and aircraft inventories) and reduced redundancy costs to the extent maintenance jobs are preserved.
- The potential improvement in the Ansett Group's equity in finance-leased A320 aircraft resulting from the continued use of those aircraft by Tesna.
- A reduction in the aggregate value of claims by creditors in general. For example, claims by aircraft lessors against the assets of the Ansett Group may be reduced to the extent Tesna takes over Ansett's lease obligations.
- Global Rewards members may have an opportunity for some of their existing points to be recognised in some form, although Tesna's position in relation to this matter had not been finalised at the time of writing of this report.

6.1.6 Lang Proposal

Before acceptance of the Tesna offer, and on 1 November 2001, Lang submitted a one-page proposal to acquire Ansett's terminal assets in Sydney, Melbourne, Adelaide, Brisbane and Perth and other aviation assets but not the



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name "Ansett". Lang also expressed an interest in employing about 2,000 Ansett employees and assume responsibility for their entitlements.

Lang proposed to acquire the terminal and aviation assets and to deduct from the purchase price the amount of any employee entitlements assumed in respect of the transferring employees.

Lang's one-page proposal was not capable of acceptance. On its face it did not meet the objects of Part 5.3A of the Act for which we have been appointed, namely the continuity of the Ansett business or maximising the return to creditors. The Lang proposal was directed to a cessation of the Ansett business. Moreover, the Lang proposal was in pure financial terms less favourable to the Ansett Group than the then Tesna offer.

Prior to accepting the Tesna offer we informed Lang that it was likely that we would do so thereby giving Lang an opportunity to make an offer on other and better terms.

Lang did not make an offer capable of acceptance prior to the date we accepted the Tesna offer.

On 5 December 2001 Lang wrote a further letter to us which stated that it regarded itself as having made an offer to acquire terminal assets, even though, we did not regard Lang's earlier one page letter as anything more than an expression of interest. Lang provided further explanation of its original letter indicating that the aviation assets covered by Lang's earlier letter included:

- Plant equipment within those terminals.
- Ground handling equipment used for those terminals.
- The Ansett maintenance base in Melbourne.
- Boeing 737 aircraft spare parts.

This detail had not been provided previously.

To avoid any doubt, we wrote to Lang on 10 December 2001 informing Lang that we did not regard Lang as having made an offer capable of acceptance and that we had accepted the Tesna offer. We also informed Lang that if for any reason whatsoever the Tesna transaction does not complete (which we now regard as unlikely) we would treat with Lang on a timely and expedited basis, along with other interested parties.

Because there are outstanding conditions to be satisfied before completion of the transaction with Tesna, it is commercially imprudent to provide in this report a full analysis of the Lang proposal. However, those details were provided to the Committee of Creditors on a confidential basis at the time the Committee of Creditors approved the Tesna offer.

On 13 December 2001 we received a further letter on Lang's letterhead clarifying the identity of the bidder for the Ansett assets as "Virgin Australia Holdings Pty Ltd or another company owned by Virgin and Lang (Virgin Blue)".



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We have not entered into a confidentiality agreement with Virgin. We have, however, in the interest of creditors compared the Lang offer by reference to each of the letters referred to above to the Tesna offer.

We have recommended the Tesna offer to creditors over the Lang proposal not only because the Tesna offer meets the objects of Part 5.3A of the Act and the Lang proposal does not, but also because the Tesna offer provides a better return to all creditors than the Lang proposal. There are also significant indirect benefits of the Tesna offer as opposed to the Lang proposal.

6.1.7 Comparison of Tesna Offer and Lang Proposal

On the date it was accepted, the Tesna offer was better for creditors. This is shown in the following table:

	Tesna	Lang
Offer for terminals	\$270m	\$280m
Redundancies saved	\$244m ¹	\$122m ²
	\$514m	\$402m
Other direct benefits	Superior	
Indirect benefits	Superior	

Notes:

1. Up to 4,000 employees
2. Up to 2,000 employees

At the time of writing this report, we have analysed both offers in detail. The value offered to creditors by the Lang proposal is less than that offered by Tesna. Not only is the Lang proposal lower on a direct comparison basis, there are also significant indirect benefits that arise from the sale of the mainline airline as a going concern. The detailed analysis is commercially sensitive.

6.1.8 Comparison to Liquidation Scenario

Advantages of Tesna compared to liquidation:

- Retrenchment payments of up to \$244m did not have to be made.
- Assets were being purchased at better than net liquidation value.
- Substantial (several hundred million dollars) diminution in the claims of creditors such as aircraft lessors, property lessors and IT lessors.

Disadvantages of Tesna compared to liquidation:

- Costs had to be incurred (i.e. leases, IT, payroll) to preserve the business which has diminished to some extent the above benefits.



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6.1.9 Transferring Employees

We understand the various unions representing the transferring employees are discussing securing transferred employees' entitlements directly with Tesna.

6.1.10 Completion Date

As indicated above, under the sale agreement with Tesna, the completion date is 31 January 2002.

Considerable progress has been made in satisfying the various conditions precedent under the sale agreement. However, certain of the conditions precedent are reliant on actions by third parties, such as the assignment of the DTLs.

It is therefore possible that we may need to make further applications to the Court to facilitate third party consents and thereby completion of the Tesna sale on 31 January 2002.

6.2 Kendell

After advertising the business for sale, expressions of interest were received for the Kendell business and assets. Seventeen of the interested parties returned executed Deeds of Confidentiality and received an information memorandum. Indicative offers were received from five interested parties and discussions are continuing with these parties. We intend to nominate a preferred bidder shortly.

6.3 Aeropelican

After advertising the business for sale, expressions of interest were received for the Aeropelican business and assets. A number of the interested parties returned executed Deeds of Confidentiality. An information memorandum was prepared and distributed to all of the interested parties who returned the Deed of Confidentiality.

Indicative offers were received from eight interested parties.

We have had discussions with a number of the interested parties and are continuing those discussions.

6.4 Skywest

We received a number of expressions of interest for Skywest Airlines prior to and following the advertisement of the business for sale. An information memorandum was prepared and distributed to interested parties.

On 13 December 2001, the Administrators announced the sale of Skywest to Airline Investments Limited, a Perth-based consortium.



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6.5 Show Group

After advertising the business for sale, expressions of interest were received for the Show Group business and assets. A number of the interested parties returned executed Deeds of Confidentiality. An information memorandum was prepared and distributed to those who returned the Deed of Confidentiality.

Indicative offers were received from five interested parties.

After discussions with a number of the interested parties, a sale of the business and assets of Show Group was made to Avis Services Ltd on 25 October 2001 for \$400,000 cash and the assumption by Avis Services Ltd of employee entitlements to the value of about \$3.6m. This was greater than the forced sale valuation received on Show Group's assets.

6.6 Engineering

A long-term relationship between the Engineering businesses and the mainline airline is critical to the prospects of selling the Engineering businesses. Therefore, marketing of the Engineering businesses did not begin immediately upon our appointment.

We are now working closely with Tesna to develop an appropriate platform for the sale of the businesses. As the preservation and development of the engineering and maintenance capabilities are also important to the continued development of Victoria's aviation industry, we are also receiving support from the Victorian Government in the sale process.

The sale process to date has involved the preparation of an Information Memorandum and direct communications with a number of major aircraft and engine repair and maintenance organisations. These organisations are predominantly located overseas. A number of these organisations have visited the Melbourne maintenance base and are concurrently preparing proposals for the purchase of the Engineering businesses and the provision of maintenance services to Tesna and other airlines.

6.7 Call Centres

Given the reduced size of the mainline airline, not all of the call centres were required, so an immediate sales program commenced.

The Sydney, Melbourne, Brisbane, Canberra and Perth call centres were unable to be sold and have been closed. All employees have been made redundant and the physical assets have either been sold or are in the process of being sold (taking into account any third party claims over those assets).



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The call centre requirements for Ansett Kick-Start are being serviced by the Adelaide and Launceston call centres. However, Tesna has chosen Launceston as its preferred call centre location. Therefore, on the completion of the sale to Tesna, it is expected the Adelaide call centre will also be closed, the remaining employees made redundant and the physical assets sold.

6.8 Cargo and Ground Handling

Expressions of interest were received for the Cargo business and assets and a number of parties completed due diligence immediately following our appointment. Two indicative offers were received but did not result in unconditional offers.

Under the Tesna sale agreement, Tesna would acquire the domestic cargo "same day" business and discussions are continuing with Tesna in relation to the two Bae146 freighter aircraft and the International Ground Handling Cargo and Third Party Ground Handling businesses.

6.9 Traveland

The business was sold to Internova Travel Pty Ltd ("Internova"), with the sale agreement being completed on 23 September 2001.

The following assets were sold under the Business Assets Acquisition Agreement:

- Goodwill of the business, including the name of Traveland and the marketing, business and technical plans and systems.
- All plant and equipment.
- Intellectual Property, including the benefit of using software licenses, trade marks and registered names.
- Property and chattel leases.
- Joint venture contracts with NRMA and NRMA Travel and with RACV and RACV Travel.
- Books and records.

The consideration for the sale was \$500,000, with Internova having to offer all Traveland employees continued employment on terms and conditions on no less favourable terms. The purchaser was also obliged to assume liability for all employee entitlements. Transferring employees' entitlements totalled about \$6m.

The business strategy for Traveland as represented by Internova included an expansion of the business and an injection of working capital. Internova had received certain "pledges" of financial support for the business, but these did not materialise. The business was then sold by Internova to Financial Options Group Inc, which was itself subsequently placed into liquidation.

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The Administrators of Traveland provided a limited indemnity to the purchaser to pay employees a proportion of relevant employee benefits in the event the purchaser was placed in administration, which it subsequently was and on the 27 November 2001, Messrs McDonald and Albarran of Hall Chadwick were appointed Administrators of Internova. The provision of the indemnity was a requirement of the sale process and in addition the arrangements were of considerable importance in the Ansett Group administration for securing union and government support. The indemnity from Traveland to Internova was also covered by an indemnity to Traveland from Ansett.

The conduct of the Traveland business after 23 September 2001, the date of its sale to Internova, is being investigated. The obligations of Internova under the Business Assets Acquisition Agreement are guaranteed by Internova MCI Limited. The Administrators have written to Internova MCI Limited in that regard.

6.10 Australian Concession Management

Discussions are continuing with Tesna in relation to the sale of the Australian Concession Management business.

6.11 Ansett International

The Administrators are currently in discussions with a number of parties and the International Air Services Commission with a view to re-establishing Ansett International and realising value from the landing slots in a number of Asian ports.



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7. Investigations

7.1 Investigations by Administrators

As Administrators, we are required to investigate the affairs of the Ansett Group. These investigations form the third aspect of our Three-Point Plan for the Ansett Group.

Other imperatives have caused the main focus in the administration so far to be stabilising the business and developing the Ansett Solution. Our investigations are at a preliminary stage and we are not in a position to provide any comments about potential offences that may have been committed or amounts of money that may be recoverable in the event of the companies in the Ansett Group being placed in liquidation. The size and complexity of the Ansett Group further complicates these investigations.

The actions of a number of parties are being considered as part of the investigation. These parties include:

- Directors and officers of the Ansett Group of companies.
- Air New Zealand.
- Professional advisers.
- Any other parties identified during the investigation.

In addition, there are transactions where money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act if the companies are placed into liquidation. The main transactions investigated can be categorised as:

- Unfair preference payments.
- Uncommercial transactions.
- Unfair loans.
- Holding company liability for debts of an insolvent subsidiary.

A broad outline of each of these categories of transactions is outlined below.

7.1.1 Unfair Preference Payments

An unfair preference is a transaction, generally within the six months before the appointment of the Administrator, to which a company and a creditor are parties, which results in the creditor receiving more than it would receive in respect of its debt if the transaction had been set aside and the creditor had to prove for the debt in the winding up of the company. If proven to be an unfair preference, the creditor would have to return the benefit they received to the Liquidator.

To prove a creditor received an unfair preference payment, the Liquidator must first show the company was insolvent at the time of the payment, i.e., it was unable to pay its debts as and when they fell due.



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The creditor has a defence to a claim by a Liquidator that a transaction is an unfair preference if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given and a reasonable person in the creditor's circumstances would have no such ground for suspecting.

Unfair preferences can be difficult to prove and recover, and the exercise is often time-consuming and expensive.

7.1.2 Uncommercial Transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator.

- The transaction was entered into or given effect to within two years of the commencement of the winding up of the company (ie. the appointment of the Initial Administrators); and
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction; and
- A reasonable person in the company's circumstances would not have entered into the transaction, having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

7.1.3 Unfair Loans

An unfair loan is a loan where, upon analysis, the interests or charges with respect to the loan were extortionate. Unfair loans any time before the appointment of the Initial Administrators may potentially be overturned by a Liquidator appointed subsequently.

7.1.4 Directors Trading Whilst Insolvent

Under the Act, a director is personally liable to the company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring the debt.

This claim must be proven by the Liquidator against each individual director. In the event that a Liquidator does not pursue the directors, a creditor may seek to recover against the directors.

Directors have several defences available to them. To successfully defend a claim for insolvent trading, a director must prove one of the following:



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- That when the debt was incurred, the director had reasonable grounds to expect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the director expected, on the basis of this information, that the company was solvent and would remain solvent.
- That when the debt was incurred, the director, because of illness or for some other good reasons, did not take part in the management of the company at that time.
- That the director took all reasonable steps to stop the company from incurring the debt.

It must first be shown that at a point in time the Company was insolvent.

7.1.5 Holding Company Liable for Debts of an Insolvent Subsidiary

Where it can be shown:

- a subsidiary company was insolvent at the time of the incurring of a debt, or became insolvent as a result of incurring a debt; and
- at that time there were reasonable grounds for suspecting the company was insolvent; and
- the holding company or its directors were aware, or ought to be aware, that there were are grounds for so suspecting

the holding company may be held liable for the debts incurred by the subsidiary.

Due to the preliminary stage of our investigation, after asking creditors to consider the Tesna sale at Part 1 of the Second Creditors Meeting, we will be seeking the approval of creditors to adjourn the Second Creditors Meeting for up to 60 days. This will allow further time to progress our investigations and identify whether it is possible that any voidable transactions were entered into.

As Administrators, we are also required to complete and lodge a report with ASIC (Section 438D of the Act) if we believe that:

- A past or present officer, or member of the Company may have been guilty of an offence in relation of the Company; or
- If a person who has taken part in the formation, promotion, administration, management or winding up of the Company;
 - May have misappropriated money or property of the Company; or
 - May be guilty of negligence, default, breach of duty or breach of trust in relation of the Company.



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We have not lodged any such report with ASIC to date.

7.2 ASIC Investigations

ASIC has served a number of notices for the production of Ansett Group documents to assist their investigation into the affairs of the Ansett Group. We have fully co-operated with ASIC in their enquiries. We will continue to co-operate with ASIC as our investigations proceed. We asked ASIC to advise on the matters being investigated. ASIC is unable to disclose such information. Appendix 5 is the correspondence between ASIC and our solicitors, Arnold Bloch Leibler, on these matters.



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8. Statutory and Legal Matters

8.1 First Meetings of the Creditors of the Ansett Group

Section 436E of the Act requires Administrators to conduct a meeting of the creditors of the company in administration within five business days of being appointed ("the First Meetings of Creditors").

The First Meetings of Creditors were held as follows:

Date Administrators Appointed	Number of Companies	Date of First Meeting of Creditors
• 12 September 2001	12	18 September 2001
• 14 September 2001	7	20 September 2001
	21	28 September 2001 (convened for 20 September 2001, however, no quorum present on that date and the meeting was adjourned)
• 3 October 2001 (AANZES)	1	10 October 2001

At the First Meetings of Creditors, we advised that it would be in the interests of the creditors if Committees of Creditors were formed for the major trading entities in the Ansett Group and that we intended that the Committees of Creditors' meetings would be held concurrently to save time and money. We also advised that the Committees of Creditors should comprise one or more individuals representing each of the main creditor interest groups including unionised and non-unionised employees, aircraft and equipment lessors, suppliers and trade creditors, airport licensors and financial institutions.

Resolutions were passed at each of these meetings except for the meetings held on 20 September 2001, for Committees of Creditors to be appointed to each of the relevant companies. Initially, there were 36 different members of various Committees of Creditors appointed. Since their appointment:

- One member of the committees has resigned.
- Air New Zealand has voluntarily withdrawn on the basis that it is no longer a creditor of the Ansett Group as a result of the Memorandum of Understanding.
- Qantas has been excluded on the basis that the vast majority of information discussed at the meetings of the Committees of Creditors is commercially sensitive.

Committees of Creditors were not required for the seven companies when the First Meeting of Creditors was held on 20 September 2001. The only creditors of each of those seven companies are other companies within the Ansett Group.



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No other business was transacted at the meetings given the very short timeframe in which the First Meetings of Creditors must be held after the appointment of the Initial Administrators.

8.2 Second Meetings of the Creditors of the Ansett Group

Administrators are required to convene a second meeting of creditors of the companies in administration (Section 439A of the Act), although there is a limited scope to extend the timing of that meeting, as discussed at Section 8.4.4 below.

Before the Second Meetings of Creditors, Administrators prepare a report (such as this one), on the relevant company's business, property, affairs and financial circumstances and provide opinions on certain matters. This allows creditors to be in a position to vote at the Second Meetings of Creditors on the options available to them, as to whether:

- the company should execute a DOCA.
- the administration should end.
- the company should be wound up.

The Second Meetings of the Creditors of the Ansett Group are to be held by no later than 29 January 2002. As indicated above, it is our preliminary opinion that it would be in the interests of the creditors of the Ansett Group companies that the companies execute the DOCAs. However, our investigations should be further progressed and reported to creditors before they are asked to vote on the execution of the DOCAs.

We will be seeking to hold the Second Meetings of Creditors of the Ansett Group companies in two parts: Part 1 on 29 January 2002 and Part 2 by 30 March 2002. The Part 2 will consider, amongst other things, the application of the proceeds of sale.

For this to occur, the creditors of each Ansett Group company will be requested to resolve at Part 1 of the Second Creditors Meeting for the meetings of each company be adjourned for a period up to 60 days. This is our preferred course of action. But ultimately, it is for creditors to decide this at Part 1 of the Second Creditors Meeting.

As indicated above, there will be separate meetings of the creditors of the Skywest companies and Aeropelican to help the proposed sales of Skywest and Aeropelican.

Part 1 of the Second Meeting will not determine how the proceeds of the Tesna sale would be applied.



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8.3 Meetings of the Committees of Creditors

Section 436F of the Act states the function of a Committee of Creditors is to consult with the Administrators about matters relating to the administration and receive and consider reports prepared by the Administrators. Section 436F(2) of the Act also states a Committee of Creditors cannot give directions to the Administrators, except to require the Administrators to report to the committee on matters relating to the administration as and when reasonably required.

Five meetings of the Committees of Creditors have been held so far. The matters considered at those meetings were:

Date of Meeting	Matters Considered
<ul style="list-style-type: none"> • 2 October 2001 	<ul style="list-style-type: none"> <input type="checkbox"/> Non-objection to the Memorandum of Understanding with Air New Zealand.
<ul style="list-style-type: none"> • 31 October 2001 	<ul style="list-style-type: none"> <input type="checkbox"/> Update on administration matters generally. <input type="checkbox"/> Sale process update. <input type="checkbox"/> Approval of Administrators' remuneration subject to approval being obtained from the Court.
<ul style="list-style-type: none"> • 15 November 2001 	<ul style="list-style-type: none"> <input type="checkbox"/> Consideration and Indicative approval of the sale to Tesna.
<ul style="list-style-type: none"> • 28 November 2001 	<ul style="list-style-type: none"> <input type="checkbox"/> Status of discussions with Commonwealth Government relating to ranking of funds for payment of employee entitlements. <input type="checkbox"/> Sale process update. <input type="checkbox"/> Approval to proceed to Court for extension of time to convene the Second Meetings of Creditors. <input type="checkbox"/> Approval of Administrators' remuneration subject to approval from the Court.
<ul style="list-style-type: none"> • 16 January 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> Update on administration matters generally. <input type="checkbox"/> Sale process update. <input type="checkbox"/> Approval of Administrators' remuneration.

We wish to thank the Committees of Creditors of the Ansett Group companies for assisting us on various issues, some at short notice, in what continues to be an extremely complex administration.

Further meetings of the Committees of Creditors will be held until the conclusion of the administrations of the Ansett Group companies. Under the proposed DOCA, we intend to continue with the Committees of Creditors.



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8.4 Court Applications

We have made a number of applications to the Court. Arnold Bloch Leibler has acted as our lawyers in making those applications and in other matters. These include the following:

- Application for Extension of Time for Lease Liabilities under Section 443B.
- Application by Intrepid.
- Application re the Administration of AANZES.
- First Application for Extension of Convening Period.
- Application re Return of Aircraft Protocol.
- Application to Approve Proposed Memorandum of Understanding.
- Application by Hazelton Group Administrator for Apportionment.
- Application re Superannuation.
- Application for Approval of Commonwealth Government Loan (\$195m Issue).
- Application for Approval of Administrators' Remuneration.
- Application for Approval of Method of Distribution of Notices of Creditors Meeting.

The Court has dealt promptly and expeditiously with the applications made by us and other stakeholders in the administration, particularly over the Christmas vacation.

Below is a brief summary of the applications, the reasons why they were made and their outcome. Further detailed information on a number of these applications can be obtained from the websites <http://www.ansett.com.au/administrator> or <http://www.abl.com.au/administrator>.

**8.4.1 Application for Extension of Time for Lease Liabilities under Section 443B
(Proceeding no. V3031 of 2001)**

The Act gives the Administrators [Section 443B(2)] a period of seven (7) days to use property in the possession of the Ansett Group owned by others without being personally liable to pay for its use. The Administrators could not within the seven days determine whether it was in the interests of the Ansett Group to continue occupying or using the property.

The Ansett Group carried on business throughout Australia and internationally. The Ansett Group leased more than 350 properties. The Ansett Group also leased aircraft and other aviation assets.



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In these circumstances, the Administrators applied for, and the Court provided, a brief extension of time for the Administrators to determine whether they wished to continue occupying or using the leased property without becoming personally liable for doing so. The Court also required the Administrators to provide access to owners of aircraft to flight books, manuals and records and to inspect aircraft.

8.4.2 *Application by Intrepid (Proceeding no. V3030 of 2001)*

Intrepid is the owner of a Boeing 727-277F Aircraft ("Boeing Aircraft") which was in the possession of the Ansett Group at the commencement of the administration. Part 5.3A of the Act contains prohibitions against owners of property in the possession of or being used by the Ansett Group from reclaiming that property without the consent of the Administrators or by Court order. Intrepid applied for a court order to reclaim the Boeing Aircraft. After the proceedings had been issued, we decided that it was not necessary for the Ansett Group to retain possession of the Boeing Aircraft. An agreement was reached to terminate the aircraft lease and return the Boeing Aircraft to Intrepid.

8.4.3 *Application re the Administration of AANZES (Proceeding no. V3036 of 2001)*

Following our appointment, it became apparent that one of the Ansett subsidiaries, AANZES, should have been previously placed into voluntary administration along with the other Ansett Group companies. We applied for and obtained leave of the Court to accept appointment as Administrators of AANZES.

8.4.4 *First Application for Extension of Convening Period (Proceeding no. 3034 of 2001 and proceeding no. 3052 of 2001 in relation to AANZES)*

The Act sets out a relatively quick process for convening the Second Creditors Meeting. Normally, the Second Creditors Meeting takes place within about one month after the start of an administration. But it soon became clear to us that it would not be possible to convene the Second Creditors Meeting in such a short time and a number of applications were made to the Court to bring the entire Ansett Group into line with the timing of the Second Creditors Meeting. The period of time for the holding of the meeting was extended so that the meeting must be held by 29 January 2002. This developed over three separate applications to the Court.



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8.4.5 Application re Return of Aircraft Protocol (Proceeding no. V3035 of 2001).

At the start of the administration, the Ansett Group had 133 aircraft with the majority of the aircraft either owned or financed by lessors or financiers. Because of aircraft legislation and the need to ensure on-going maintenance and safety, returning aircraft to owners and lessors is a highly complicated and expensive process. In these circumstances, we sought directions from the Court for a general policy of dealing with the orderly return of aircraft to their owners.

After the proceedings commenced, the owners of the aircraft met with our staff to reach an agreement without the assistance of the Court. The proceedings have been adjourned to allow those discussions to continue.

8.4.6 Application to Approve Proposed Memorandum of Understanding (Proceeding no 3045 of 2001)

As set out above, we compromised the Ansett Group's claims against the Air New Zealand Group for, amongst other things, a cash payment of \$150m.

The Air New Zealand settlement was negotiated at "break neck speed". At the time of the settlement, it was not possible for us to obtain detailed legal advice concerning the rights of the Ansett Group against the Air New Zealand Group, except for those which may have accrued under a Letter of Comfort.

In these circumstances, the Administrators made an application for approval of the Memorandum of Understanding. This was granted by the Court on 8 October 2001.

8.4.7 Application by Hazelton Group Administrator for Apportionment (Proceeding no. 3051 of 2001)

The Hazelton Companies, as controlled entities of the Ansett Group, were required to settle their various claims against the Air New Zealand Group for an amount to be determined either by agreement or by Court Order.

A dispute has arisen between the Hazelton Administrator and the Administrators as to what proportion of the \$150m recovered from the Air New Zealand Group should be paid to the Hazelton Administrator.

The Ansett Administrators have paid the Hazelton Administrator \$1.545m on the basis that the Hazelton Administrator cannot be personally liable to repay that sum. The dispute is ongoing. It will be determined by the Court unless the parties can reach agreement.

8.4.8 Application re Superannuation (Proceeding no. V3075 of 2001)

The Ansett Group has a number of separate superannuation schemes for its employees ("the Superannuation Plans").



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The Trustees advise that some of the Superannuation Plans provide that, if an employee is retrenched, that employee is entitled to a special benefit on termination of employment. The entitlement to the special benefit is dependent upon a declaration being made by the employer that the member has been retrenched.

We are unable to make the declaration of retrenchment because it may adversely impact upon the return available to the ordinary unsecured creditors. An application has been made to the Court to determine the declaration of retrenchment question and related issues. These matters have been adjourned to 8 February 2002. The superannuation funds are claiming that there is a shortfall of about \$80m.

**8.4.9 Application for Approval of the Commonwealth Government Loan - the \$195m Issue
(Proceeding no. V3083 of 2001)**

An agreement in principle was reached between the Commonwealth Government and ourselves in which the Commonwealth Government would advance safety net payments to redundant Ansett employees of arrears of wages, unpaid members superannuation contributions, annual and long service leave, and redundancy of up to eight (8) weeks estimated at \$195m. We would provide redundant employees payment in lieu of notice of between 4-5 weeks estimated at \$35m.

In the absence of an Order of the Court, if we did borrow the money, there would not be a right of indemnity over the assets of the companies to repay the borrowings. In these circumstances, the Commonwealth Government, the unions and ourselves applied to the Court for directions and orders to the effect that it was appropriate for us to enter into a loan agreement to enable SEESA payments to redundant employees and for that borrowing to be repaid with a priority equal to that given to employees in a winding up. The Court made these directions on 14 December 2001.

**8.4.10 Application for Approval of Administrators' Remuneration
(Proceeding no. V3065 of 2001)**

Ordinarily, the Administrator's remuneration is approved by a resolution of the company's creditors at a meeting of creditors. However, because of the delays in holding the second meeting of the Ansett creditors as a result of the size and complexity of the Ansett administration, the Administrators made an application to the Court seeking, on an interim basis, the Court to fix the remuneration to which the Administrators are entitled for the period from the commencement of their appointment on 17 September 2001 until 15 October 2001 (inclusive).

Based on the information provided to the Court, including detailed accounts of work performed by Andersen on the Ansett administration and the reduced hourly rate of Andersen employees, the Court approved the Administrator's remuneration for this period.



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The Court also established a mechanism for the approval of the Administrator's future remuneration such that the future remuneration may be fixed by a resolution of the Committees of Creditors passed after the members of the Committee of Creditors received 7-days notice of the amount of the remuneration claimed and details of the manner in which that amount is comprised and calculated.

The Initial Administrators also made an application to the Court for approval of their fees from the commencement of their appointment as Administrators on 12 September 2001 until their resignation as Administrators on 17 September 2001 of approximately \$1,084,180. On 16 January 2002, the Court delivered its judgment approving the Initial Administrator's fees.

8.4.11 Application for Approval of Method of Distribution of Notices of Creditors Meeting (Proceeding no. V3106 of 2001)

Under the Act and Corporations Act Regulations, all creditors including, Global Rewards members, Golden Wing members, unused ticket holders, employees, lessors and ordinary trade creditors are entitled to receive written notice of the Second Creditors Meeting together with a report, statement of recommendations, proxy forms, and a draft DOCA.

We were required to obtain an estimate of the cost of sending all of the documents by post. We were advised that this would cost about \$28m. In these circumstances we sought and obtained an Order from the Court not to post all of the documents.

We also sought an exemption from the need to send out any Notice by post. But the Court, in balancing our desire to avoid wastage and the need to comply with the legislative framework, required a one page Notice to be sent to all creditors. As well, we were required by the Court to extensively advertise the date and place of the Second Creditors Meeting and maintain the websites and a hotline. This was a substantial saving to the creditors of the Ansett Group.

8.4.12 Potential Further Applications

Further applications to the Court may be made to facilitate the Tesna sale transactions before 31 January 2002.

8.5 Administrators' Remuneration

The details of this report demonstrate the size, complexity and difficulty of the administration of the Ansett Group.

During the last four months we have had up to 80 staff working full-time on the Ansett administration, with another 120 staff working less than full time. These staff have controlled the operations of every area of the Ansett Group.

Attached at Appendix 6 is a series of organisational structures outlining the various areas of responsibility for some of our staff.



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Staff involved in the Ansett administration are from the following Andersen service lines:

- Corporate Recovery Services.
- Corporate Finance.
- Real Estate and Hospitality Services Group.
- Audit & Business Advisory Group.
- Risk Consulting (IT).
- Tax.

Attached at Appendix 7 are the major tasks managed and executed by each of these service lines.

An application was made to the Court for the approval of the Initial Administrators' and our remuneration. Our remuneration does not include costs and expenses incurred by us with our professional advisors including our lawyers, Arnold Bloch Leibler and Andersen Legal.

The Andersen hourly rates are approximately 35 per cent below rates normally charged by the Firm. The hourly rates used in the remuneration calculation is as follows:

Level of Experience	Initial Administrators' Hourly Rates (PwC)	Administrators' Hourly Rates (Andersen)
• Partner	420	359
• Director	374	282
• Manager	289-344	231
• Seniors/Staff	200	88-174
• Support	102	89

* Rates for Melbourne staff shown. Rates for other states are both higher and lower than the Melbourne rates

The status of our remuneration to date is as follows:

Week Ending	Amount (exc GST)	Status
• 21 September 2001	683,921	Approved by the Court
• 28 September 2001	1,012,476	Approved by the Court
• 5 October 2001	1,007,268	Approved by the Court
• 12 October 2001	981,905	Approved by the Committees of Creditors
• 19 October 2001	978,519	Approved by the Committees of Creditors



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Week Ending	Amount (exc GST)	Status
• 26 October 2001	870,416	Approved by the Committees of Creditors
• 2 November 2001	866,701	Approved by the Committees of Creditors on 16 January 2002
• 9 November 2001	748,376	Approved by the Committees of Creditors on 16 January 2002
• 16 November 2001	784,881	Approved by the Committees of Creditors on 16 January 2002
• 23 November 2001	785,898	Approved by the Committees of Creditors on 16 January 2002
• 30 November 2001	718,272	Approved by the Committees of Creditors on 16 January 2002
• 7 December 2001	735,668	Approved by the Committees of Creditors on 16 January 2002
• 14 December 2001	635,656	Approved by the Committees of Creditors on 16 January 2002

We will be seeking that further remuneration for the period before 29 January 2002 be approved at Part 1 of the Second Creditors Meeting. The protocol for the payment of future remuneration will be in accordance with Justice Goldberg's orders.



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9. Estimated Returns to Creditors

The return to creditors is determined by estimating the realisable value of the assets of a company and deducting the value of the priority creditors (such as the costs of the administration and employee entitlements) to determine the funds that will be available to be distributed to unsecured creditors.

The Ansett Group comprises a large number of businesses and companies with many inter-relationships. This leads to a significant number of complexities when estimating the possible return that may be available to creditors.

At Appendix 8 is a preliminary assessment of the book values of the assets and liabilities of each Ansett Group company as at the date of the appointment of the Initial Administrators. This provides creditors with an indication of the relative 'size' of the Ansett Group companies. The financial information maintained by the Ansett Group was not fully updated at the time of our appointment. Considerable work continues to be undertaken to update this information.

Significant investigations are being undertaken on:

- Whether the ownership of the assets are recorded in the correct company.
- Whether the liabilities are recorded in the correct company.
- Whether charges for the provision of benefits have been properly raised by one company in the Ansett Group to another.
- The relative entitlements of companies to share in the Air New Zealand settlement.
- The existence and effect of any class orders.
- Whether interest has been charged on loan account balances.
- The likely recovery of the various intercompany loan accounts. This includes the recoverability of the intercompany loan accounts from companies within the Ansett Group that are not currently in administration or are located overseas.
- The contingent assets and liabilities that may exist (such as cross guarantees given by companies of the Ansett Group for other companies in the Ansett Group).
- The potential value of contingent liabilities (such as the liability for Global Rewards).

If the sale to Tesna does not complete, it is likely that there will be a shortfall in meeting employee entitlements and there will be no return to the unsecured creditors.

If the sale to Tesna completes and if all of the assets and liabilities of the Ansett Group companies are pooled, a dividend to unsecured creditors of between zero and 5 cents in the dollar is possible. There is a chance it could be higher. The amount of the dividend is dependent upon the amount realised for the aircraft fleet and the final value of the total unsecured creditors. Prior to Part 2 of the Second Creditors Meeting, we will provide creditors with a detailed analysis of the likely dividends on a consolidation and on a company-by-company basis.



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This table provides broad estimates of potential returns to creditors based on currently available information:

	\$m
Estimated Realisations	
Debtors, Other Receivables and Air New Zealand Settlement	261
Assets Sold to Tesna	270
Surplus Property	15
Ansett Aircraft – Owned and Finance Leases with Equity	930
Spare Engines, Rotables and Consumables	100
Regional Airlines (Business and Aircraft), Engineering and Other Assets	50
Total Estimated Realisations	1,626
Estimated Payments	
Payouts on Finance Leases with Equity	(630)
Asset Management and Wind Down Costs	(75)
Back Office, Overheads and IT costs	(75)
Mainline and Regionals' Trading Losses	(25)
Costs Post-Settlement	(50)
Valuation, Consulting, Legal, Administrator's Fees and Expenses	(55)
Total Estimated Payments	(910)
Surplus before Employee Entitlements	716
Employee Entitlements	
Total Employee Entitlements (for 15,000 employees)	(730)
Less – Transfers to Tesna	244
Less- Transfers on Sale of Regionals, Engineering & Other Businesses	41
Add – Contingencies (For averaging and employee numbers etc)	(61)
Add – Possible Shortfall of Other Entitlements (ie Superannuation and Taxes)	(119)
Total Employee Entitlements	(625)
Estimated Net Realisations Available for Creditors	91
Estimated Unsecured Creditors after Employee Entitlements	(1,977)
Estimated Return to Creditors (cents per \$)	5 cents

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The estimated total potential claims by unsecured creditors is as follows:

	\$m
Unsecured Creditors	
Trade Creditors	300
Revenue Paid In Advance	270
Banks	
- Loans and Overdrafts	115
- Bank Guarantees	25
- Hedge Losses	27
Global Rewards	140
Lease Creditors	27
Taxes	
- ATO (Revised Assessments)	66
- GST & other taxes	4
Inter-company Loans (Companies Not In Administration)	20
Other Creditors	208
Amounts Claimed as Owing by Air New Zealand	310
Less: Amounts Agreed Not to Claim	(310)
Total Creditors (Before Aircraft Creditors)	1,202
Aircraft Creditors	
- Aircraft Finance Leases Without Equity	230
- Operating Lease Liabilities (total payable approx. \$1.1b)	350
- Other Aircraft Lease/Loan Guarantees	195
Total Aircraft Creditors	775
Total Potential Unsecured Creditors	1,977



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The total value of all creditors of the Ansett Group is summarised below:

	\$m
All Potential Creditors	
Employee and Other Entitlements	849
Unsecured Creditors, excluding Aircraft	1,202
Payments on Finance Leases with Equity	630
Aircraft Creditors	775
Total All Potential Creditors	3,456

Basis of Preparation of Calculations in Above Tables

The estimated return to creditors is based on valuations, estimates and assumptions, many of which are commercially sensitive at this time. For this reason, they have not been detailed in this report.

The total cash currently held by the Administrators is \$231m.

Summary

The Ansett Group is very complex. There are many variables that can have a significant effect on the ultimate return. For example:

- Number of retrenchments made.
- Losses on aircraft leases. Given a fleet cost in excess of \$2b, even a 10% movement is \$200m.
- Liabilities by company could vary significantly because of very complex cross guarantees, financing arrangements and class orders.
- Realisation of asset values.
- Costs which unavoidably continue.

As indicated, these outcomes assume that all of the assets and liabilities of the Ansett Group are consolidated. There are likely to be varying returns for creditors of different companies if each company is treated separately.

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

Below is a matrix that indicates the return to creditors assuming varying levels of overall realisations and total unsecured creditors.

Total Unsecured Creditors	(Shortfall to) Funds Available for Unsecured Creditors After the Payment of Employee Entitlements				
	50	50	100	150	200
2,500	0.0c	2.0c	4.0c	6.0c	8.0c
2,250	0.0c	2.2c	4.4c	6.7c	8.9c
2,000	0.0c	2.5c		7.5c	10.0c
1,750	0.0c	2.9c	5.7c	8.6c	11.4c
1,500	0.0c	3.3c	6.7c	10.0c	13.3c

It is premature to recommend to creditors whether some or all of the assets and liabilities of the Ansett Group should be pooled. A further report will be provided to creditors before Part 2 of the Second Creditors Meeting. This further report will outline the results of our further investigations and our opinion on whether the Ansett Group companies should enter into a DOCA and the terms of that DOCA.

The timing of the payment to creditors is likely to be as follows:

- Employees: Payment during 2002.
- Unsecured creditors: Initial dividend in 2003 with a further dividend in 2004.



Flying for Australia.

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

10. Proposed Deed of Company Arrangement

This is a summary of the outline to the DOCA, which is attached at Appendix 9. We stress it is a working draft outline that is included to comply with the Act and is for discussion purposes with creditors.

The primary objective of the DOCA is to give certain Ansett companies the election to pool all of the assets and liabilities of each company in the Ansett Group into one company.

In the Memorandum of Understanding between ourselves, the Hazelton Administrator and the Air New Zealand Group dated 3 October 2001, we agreed to take all reasonable steps to pool the assets and liabilities of the Ansett Group. We also agreed to consider pooling the assets and liabilities of the Ansett Group in the agreement reached with the Commonwealth in relation to the SEESA payments.

The process of pooling occurs where two or more companies in a group are treated as if they were one so that for the purposes of the administration, the assets and liabilities of all the companies in the Ansett Group are treated as belonging to the one company. Pooling attempts to overcome legal and accounting difficulties by separating interwoven companies to allow an equal distribution of assets to creditors. Pooling has traditionally been available in circumstances where there has been an intermingling of funds in a manner which makes their separation practically impossible.

Pooling may be appropriate for many of the companies for a number of reasons including:

- Distributing the \$150m lump sum payment from Air New Zealand (net of any Hazelton payments).
- Distributing the proceeds of sale from the Tesna transaction.
- The large internal inter-company loan accounts of the Ansett Group.
- Potential claims between companies in the Ansett Group.

Thereafter the DOCA contains special provisions for all participating creditors claims of the pooling companies to be paid on a pro rata basis from the company that receives all of the assets. The priority of payment follows the order of priorities that would apply in a winding up. Funds generally are applied:

- Firstly, to pay the Administrators' costs and expenses,
- Secondly, to pay secured creditors their priority entitlements,
- Thirdly, to pay retention of title creditors their priority entitlements,
- Fourthly, to pay employees in relation to their entitlements and the repayment to the Commonwealth Government of SEESA funds and superannuation funds (if there is a shortfall and if that shortfall would be entitled to a priority on a winding up),
- Finally, to pay ordinary unsecured creditors on a pro rated basis.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The claims of particular classes of creditors such as lessors, aircraft lessors, retention of title creditors, licensor creditors, coupon creditors and Global Rewards creditors would have their own special regime which is intended to be equitable and speedy. That regime has not been finalised.

The DOCA also contains provisions to help facilitate a smooth and orderly sale of the mainline business to Tesna.

Creditors should carefully read the outline to the DOCA and treat it as a working draft document.

We stress the outline of the DOCA is incomplete and we intend to consult with the Committee of Creditors and creditor representatives to finalise its terms.

Before voting on the DOCA, creditors of each Ansett Group company will have a full explanation of the implications of pooling to them.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

11. Administrators' Opinions

This opinion is in relation to the Ansett Group (excluding Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings). Separate reports and opinions under Section 439A of the Act have been prepared for those companies in anticipation of the Second Creditors Meeting for those companies being held on 25 January 2002.

We, Mark Korda and Mark Mentha, as Administrators of the Ansett Group, have formed the opinion, having regard to the information available to us, that it would be in the interests of the creditors of each Ansett Group company to approve the sale of the Ansett mainline airline to Tesna, as described in this report, at Part 1 of the Second Creditors Meeting on 29 January 2002.

The reasons for our opinion:

- The sale to Tesna provides the best possible return to creditors.
- The sale to Tesna best achieves the objects of Part 5.3A of the Act as it maximises the chances of the Ansett Group, or as much as possible of its business, continuing and results in a potentially better return for the creditors than would result from an immediate winding up.
- The sale to Tesna enhances the opportunity for a number of other Ansett businesses continuing given their interlinking with the Ansett mainline airline business. These include the regional airlines and the engineering business.
- The sale to Tesna will result in a better return to creditors than a winding up as it:
 - Maximises the chances of a large number of employees maintaining employment, thereby avoiding significant redundancy costs. This applies to the mainline airline, the regional airlines and the engineering business.
 - Provides a window of opportunity for holders of Global Rewards creditors to obtain some recognition for their points through an operational airline, rather than claiming in a subsequent DOCA.
 - Provides an opportunity to improve the equity in certain aircraft subject to finance leases and together with a mechanism for unlocking that equity.
 - Reduces unsecured creditors through assigning various aircraft finance and operating leases.
 - Creditors will be given an opportunity at Part 2 of the Second Creditors Meeting to consider how the proceeds of sale should be divided amongst the Ansett Group.

We are also of the preliminary opinion that it may be in the interests of creditors of the Ansett Group to execute a DOCA as broadly described in the attached draft statements prepared pursuant to Section 439A(4)(c) of the Act. But it is still premature for us to express a final opinion on the proposed DOCA pending further investigation into the Ansett Group.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

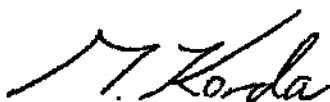
We are also of the preliminary opinion that a DOCA generally may minimise legal and administration costs, simplify the process and facilitate the sale of businesses and assets.

Therefore, it is our opinion that it would not be in the interests of creditors for the administrations to end. If the administrations end, the Ansett Group would be returned to the control of the Directors in circumstances where the Ansett Group is insolvent.

Further, it is our opinion that it would not be in the interests of creditors for the companies to be wound up at Part 1 of the Second Creditors Meeting. Our preliminary opinion is that a winding up will be more costly than a DOCA. The appointment of a liquidator may cause rights of the Ansett Group to be terminated. Finally, we are presently unable to determine whether there are any Liquidator claims that may justify the winding up.

Therefore, after completing the business scheduled for the Second Meetings of Creditors on 29 January 2002, it would be in the interests of creditors to adjourn the meetings for a period of up to 60 days to enable us to provide a further report to creditors on the proposed pooling DOCA to be voted on at Part 2 of the Second Creditors Meeting.

Dated this 16th day of January 2002.



MARK A KORDA
Administrator



MARK F MENTHA
Administrator



Flying for Australia.

**THE ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd (ACN 005 477 618)	Morael Pty Ltd (ACN 003 286 440)
Airport Terminals Pty Ltd (ACN 053 976 444)	Northern Airlines Limited (ACN 009 607 069)
Aldong Services Pty Ltd (ACN 000 258 113)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Ansett Aircraft Finance Ltd (ACN 008 643 276)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Show Group Pty Ltd (ACN 002 968 989)
Ansett Australia Limited (ACN 004 209 410)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland Pty Ltd (ACN 000 240 746)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland International Pty Ltd (ACN 000 598 452)
Ansett Equipment Finance Limited (ACN 006 827 989)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Finance Limited (ACN 006 555 166)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Holdings Limited (ACN 065 117 535)	Walgali Pty Ltd (ACN 055 258 921)
Ansett International Ltd (ACN 060 622 460)	Westintech Limited (ACN 009 084 039)
Bodas Pty Ltd (ACN 002 158 741)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Brazson Pty Ltd (ACN 055 259 008)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Eastwest Airlines (Operations) Ltd (ACN 000 259 469)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Eastwest Airlines Ltd (ACN 000 063 972)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)	Wridgways Holdings Ltd (ACN 004 449 085)
	(All Administrators Appointed)



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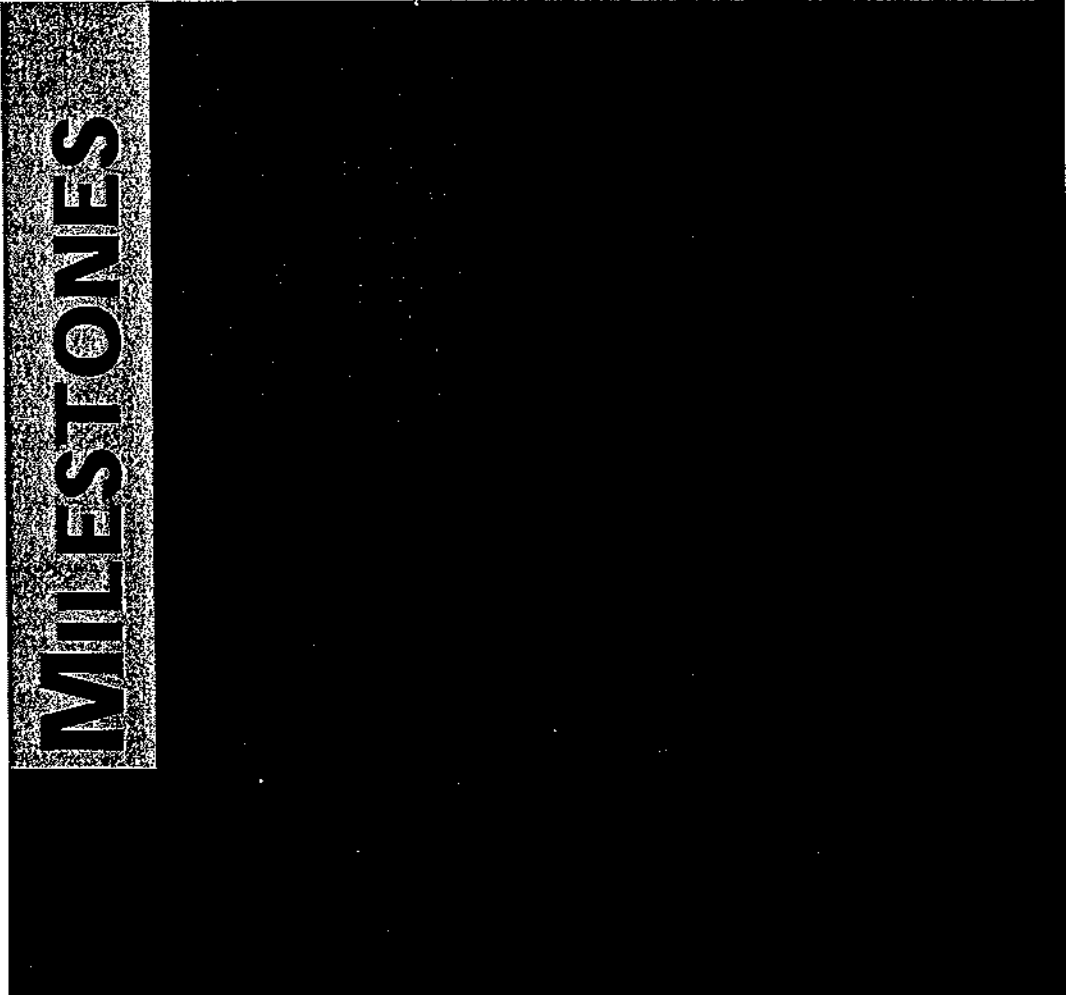


ANDERSEN

Company	ACN	PWC	Andersen
		Appointment Date	Appointment Date
501 Swanston Street Pty Limited (Administrators Appointed)	005 477 618	14 Sept 01	17 Sept 01
Aeropelican Air Services Pty Limited (Administrators Appointed)	000 653 083	12 Sept 01	17 Sept 01
Airport Terminals Pty Limited (Administrators Appointed)	053 976 444	14 Sept 01	17 Sept 01
Aldong Services Pty Limited (Administrators Appointed)	000 258 113	14 Sept 01	17 Sept 01
Ansett Aircraft Finance Limited (Administrators Appointed)	008 643 276	14 Sept 01	17 Sept 01
Ansett Australia and Air New Zealand Engineering Services Limited (Administrators Appointed)	089 520 696	N/A	3 Oct 01
Ansett Australia Holdings Limited (Administrators Appointed)	004 216 291	12 Sept 01	17 Sept 01
Ansett Australia Limited (Administrators Appointed)	004 209 410	12 Sept 01	17 Sept 01
Ansett Aviation Equipment Pty Limited (Administrators Appointed)	008 559 733	14 Sept 01	17 Sept 01
Ansett Carts Pty Limited (Administrators Appointed)	005 181 215	14 Sept 01	17 Sept 01
Ansett Equipment Finance Limited (Administrators Appointed)	006 827 989	14 Sept 01	17 Sept 01
Ansett Finance Limited (Administrators Appointed)	006 555 166	14 Sept 01	17 Sept 01
Ansett Holdings Limited (Administrators Appointed)	065 117 535	12 Sept 01	17 Sept 01
Ansett International Limited (Administrators Appointed)	060 622 460	12 Sept 01	17 Sept 01
Bodas Pty Limited (Administrators Appointed)	002 158 741	12 Sept 01	17 Sept 01
Brazson Pty Limited (Administrators Appointed)	055 259 008	14 Sept 01	17 Sept 01
Eastwest Airlines (Operations) Limited (Administrators Appointed)	000 259 469	14 Sept 01	17 Sept 01
Eastwest Airlines Limited (Administrators Appointed)	000 063 972	14 Sept 01	17 Sept 01
Kendell Airlines (Aust) Pty Limited (Administrators Appointed)	000 579 680	12 Sept 01	17 Sept 01
Morael Pty Limited (Administrators Appointed)	003 286 440	14 Sept 01	17 Sept 01
Northern Airlines Limited (Administrators Appointed)	009 607 069	14 Sept 01	17 Sept 01
Northern Territory Aerial Work Pty Limited (Administrators Appointed)	009 611 321	14 Sept 01	17 Sept 01
Rock-It-Cargo (Aust) Pty Limited (Administrators Appointed)	003 004 126	14 Sept 01	17 Sept 01
Show Group Pty Limited (Administrators Appointed)	002 968 989	12 Sept 01	17 Sept 01
Skywest Airlines Pty Limited (Administrators Appointed)	008 997 662	12 Sept 01	17 Sept 01
Skywest Aviation Limited (Administrators Appointed)	004 444 866	14 Sept 01	17 Sept 01
Skywest Holdings Pty Limited (Administrators Appointed)	008 905 646	14 Sept 01	17 Sept 01
Skywest Jet Charter Pty Limited (Administrators Appointed)	008 800 155	14 Sept 01	17 Sept 01
South Centre Maintenance Pty Limited (Administrators Appointed)	007 286 660	12 Sept 01	17 Sept 01
Spaca Pty Limited (Administrators Appointed)	006 773 593	14 Sept 01	17 Sept 01
Traveland International (Aust) Pty Limited (Administrators Appointed)	000 275 936	14 Sept 01	17 Sept 01
Traveland International Pty Limited (Administrators Appointed)	000 598 452	12 Sept 01	17 Sept 01
Traveland New Staff Pty Limited (Administrators Appointed)	080 739 037	14 Sept 01	17 Sept 01
Traveland Pty Limited (Administrators Appointed)	000 240 746	12 Sept 01	17 Sept 01
Walgall Pty Limited (Administrators Appointed)	055 258 921	14 Sept 01	17 Sept 01
Westintech Limited (Administrators Appointed)	009 084 039	14 Sept 01	17 Sept 01
Westintech Nominees Pty Limited (Administrators Appointed)	009 302 158	14 Sept 01	17 Sept 01
Whitsunday Affairs Pty Limited (Administrators Appointed)	009 694 553	14 Sept 01	17 Sept 01
Whitsunday Harbour Pty Limited (Administrators Appointed)	010 375 470	14 Sept 01	17 Sept 01
Wridgways Holdings Limited (Administrators Appointed)	004 449 085	14 Sept 01	17 Sept 01
Wridgways (Vic) Pty Limited (Administrators Appointed)	004 153 413	14 Sept 01	17 Sept 01



ANSETT AUSTRALIA



The Finest Service in the Air

When Ansett Airways state that they have the "finest service in the air" that's just what they mean. Every Ansett air business is a friend -- kind, alert, understanding. Ansett air businesses are chosen for competence, character and charm and are thoroughly trained in the execution of their specialised work. . . . you will appreciate their unfailing courtesy. Reading or writing matter, drinks, matches, delicious meals are yours for the asking, so that your flight will be a pleasant and memorable event.

Ansett Douglas Airliners, with Horizon service, fly daily between Adelaide, Mt Gambier, Wagga, Canberra, Sydney, Hobart and Melbourne. There is also a daily Ansett service to and from Hamilton.

Ansett

AIRWAYS PTY. LTD.

BOOKINGS

SYDNEY MELB. MELBOURNE MUGGILA ADELAIDE CESEA HOBART 2478

Advertisement February 1947

Ansett Milestones

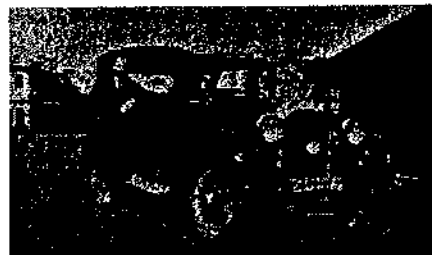


Reginald Myles Ansett

- 1909** On 13 February Ansett Airways Pty. Ltd's founder Reginald Myles Ansett was born at Inglewood in Victoria. The family moved to Melbourne in 1914. After World War I they bought a knitting factory which they renamed Ansett Knitting Mills, moving it to Seymour in central Victoria in the 1940s. The company was sold in 1974, but continued operating as Ansett Knitting Mills until 1992.
- 1920** In November the Federal Government passed the "Air Navigation Act" for the regulation of Australia's emerging aviation industry and allotted its first air route, Geraldton to Derby, to the newly-formed Western Australia Airways, which started Australia's first regular air service the following year.
- 1921** On 5 December, Western Australian Airways Ltd., which had been formed on 29 August, began its Geraldton-Derby service, using Bristol 28 Tourer bi-planes. This was the first operation for an Ansett-related airline.
- 1925** Guinea Gold began flying in Papua New Guinea, was incorporated as Guinea Airways in 1926, and continued flying there until the war. It later became Airlines of South Australia.
- 1926** Western Australia Airways launched Australia's first interstate airmail service to bring the seammil from Perth to Adelaide, refuelling at Forrest.
- 1927** In Western Australia Sir MacPherson Robertson and Captain Horrie Miller, the owner of Commercial Aviation Company, founded MacRobertson Miller Aviation. Its inaugural flight with a DH60 from Melbourne to make the first landing at Adelaide's new Parafield Airport launched services between Adelaide, Renmark, Mount Gambler and Broken Hill.
- 1928** Sir Charles Kingsford Smith and Charles Ulm founded the first Australian National Airways and began flights between Sydney and Brisbane with the Avro Tens and later the Southern Cross, but the operation eventually failed.
- 1931** Reg Ansett set up his one-man taxi service, using a second-hand Studebaker to carry passengers and freight between the Victorian towns of Hamilton, Maryborough, Ballarat, and later Melbourne. The road operation became known as Ansett Roadways, serviced by the workshops of Ansett Motors at Hamilton.



THE AIR MAIL SERVICE BY THE R.M.A.
 A 2nd Class Letter Box for the service will
 start operation on 1st October. For
 particulars, please write to the
 R.M.A. 100, Collins St., Melbourne.
 R.M.A. 100, Collins St., Melbourne.



R.M. Ansett with Studebaker

- 1932** Reg Ansett, now licensed to fly, bought a De Havilland Gipsy Moth aircraft. In Tasmania Mr L. McKenzie-Johnson began an airmail service between Launceston and Flinders Island, using a Desoutter Mark II monoplane. The aircraft, which could carry two passengers, is on display today at Launceston airport. Within a few months, Victor Holyman, of the Tasmanian shipping family William Holyman & Sons, began to operate a De Havilland 83 Fox Moth in competition. Without sufficient business to support the two airlines, the two pilots soon merged their operations to become Tasmanian Aerial Services on 1 October.
- 1933** Robert Menzies, then Victoria's Attorney-General, introduced a bill, "The Transport Regulations Act 1933", to prohibit road services from competing with Victoria's railways.

- 1934** Reg Ansett bought a second Studebaker for his road service. His first driver, Colin MacDonald, became an Ansett executive, and was with the company until 1974. When Mr Johnson left Tasmanian Aerial Services to join Tasmanian charter company Matthews Aviation, Victor Holyman and his brother Iven renamed the airline Holyman Airways Pty. Ltd. Victor died later that year when his DH86 crashed near Wilsons Promontory in southern Victoria. MMA won the mail contract between Perth and Dally Waters, a 2,252 mile journey via Carnarvon, Broome and Ord River, to link up with the Empire Airmail Service to Great Britain.
- 1935** Reg Ansett, with his brother Jack, flew the Porterfield in the Brisbane-Adelaide air race, held 16-18 December, won the handicap section, and used the £500 prize to buy an Airspeed Envoy the following year. The Porterfield is still in flying condition today, owned by a collector in Queensland.
- On 26 December, Ansett flew his Gipsy Moth to Sydney where he bought his first commercial aircraft, a single-engine Fokker F-XI Universal, for £1000. A spare engine was bought later.



February 17th 1934			
HAMILTON-MELBOURNE AIR SERVICE			
Planes leave HAMILTON 2.45 pm			
Planes arrive MELBOURNE 2.15 pm			
MELBOURNE-HAMILTON AIR SERVICE			
Planes leave ESSENDON 2.45 pm			
Arrive HAMILTON 4.30 pm			
Class	Rate	Day	Time
First	10/-	Day	10.00
Second	6/-	Night	10.00
Third	4/-	Day	10.00
Fourth	3/-	Night	10.00
BOOKING OFFICES:			
HAMILTON: Mr. J. G. ...			
MELBOURNE: Mr. J. G. ...			
ESSENDON: Mr. J. G. ...			
SINGLES FARE 2/6			



The Fokker Universal



Ansett's first passengers

- 1936** Unable to renew his road operation licences under the new Victorian State Government legislation, Reg Ansett registered Ansett Airways Pty. Ltd. in January, then recruited his first pilot, Vern Cerche, and first engineer, John Davies. He bought a Porterfield, VH-UVH, which he used to teach flying and to fly around properties selling Ansett Airways shares to local pastoralists. Charles Snook founded Airlines (WA) Limited.



On 17 February Ansett Airways made its first flight, from Hamilton to Essendon, operated by pilot Vern Cerche flying Fokker 4 Universal VH-UTD. Its passengers were Mr K.E. Barr, Mr H.E. Helne, Miss E.T. Lascelles, Mrs W.R. Pearson, Miss A. Shields (who then took the return flight to Hamilton), Mr J.R. Simpson, Mr K.M. Wilson and Reg Ansett. This was the beginning of a regular weekday service. Later in the year, Ansett bought an eight-seat Airspeed Envoy, and began Hamilton-Sydney services.

To supplement the airline's earnings, Reg Ansett ran a flying school at Hamilton and at weekends barnstormed, with joy flights and parachuting. On 25 May he won an important government mail contract.

The Holyman family decided to expand Holyman Airways. The capital for the new company, Australian National Airways Pty Limited (ANA), was provided by shipping companies Holyman Shipping, Huddart Parker, Union Steam and Adelaide Steam.

On 1 July the second Australian National Airways (ANA) was formed from Holyman Airways and Adelaide Airways (which had the previously year taken over Western Australian Airways) and became Australia's dominant airline. Also in July, in Lismore, George Robinson expanded into Airlines of Australia, took over Rockhampton Aerial Services and North Queensland Airways, and became ANA's major competitor. In New Guinea, Mandated Airlines took over W.R. Carpenter Airlines, formerly Pacific Aerial Transport. On 1 January, Airlines of Australia Ltd. began operations, taking over the operations of New England Airways Ltd.

During December, Guinea Airways acquired Holdens Air Transport Service Ltd. (HATS), which was formed in September 1932.



Ansett Milestones

Page 3

- 1937** On 14 April Ansett Airways Limited was incorporated in Victoria as a public company, with an issued capital of £8,303, later issuing a further 135,000 £1 shares. Reg Ansett moved his base and flying school to Essendon Airport in Melbourne, bought three 10-seat Lockheed L10B Electras (one of these, VH-UZO "Ansettes", is the only original Ansett aircraft in existence, and is owned privately in Sydney) and launched new services - on 6 September to Broken Hill, on 4 October to Sydney, and on 29 November Sydney-Adelaide with fuelling stops at Mildura and Narrandera. In its first year, Ansett Airways flew 895,983 miles and carried 12,624 passengers. Guinea Airways, with a Lockheed 10B, began an Adelaide-Darwin service to connect with the Imperial Airways Empire Flying Boat Service bringing the mail from Great Britain. To bring uniformity into laws to regulation aviation, the states agreed to adopt the Commonwealth "Air Navigation Act 1920" which would be administered intrastate by the federal aviation authority.



Lockheed 10B Electra



Ansett Airways Essendon Terminal



Guinea Airways advertisement

- 1938** ANA bought into Airlines of Australia. The two airlines integrated their networks but continued to be separate companies until 1942 when ANA bought the remaining Airlines of Australia shares. ANA made an unsuccessful attempt to take over Ansett Airways. ANA bought VH-ABR, a Douglas DC-3 which is still flying today with the Ansett Historical Society in ANA livery. MMA expanded with two 10-passenger De Havilland 86s and two 10-passenger Lockheed Electra 10s.
- 1939** In February a fire at Ansett's Essendon hangar destroyed four aircraft including the Fokker Universal, a major setback to the airline that was yet to show a profit. Fortunately, on 4 July the Federal Government set up the Department of Civil Aviation with authority to subsidise airlines, and Ansett Airways survived.

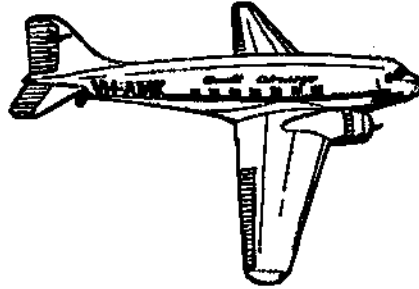
World War II

- 1940** Ansett Airways built overhaul and component manufacturing facilities at Essendon. MMA handed over its South Australian operations to Guinea Airways. It continued its West Australian services through the war, though most aircraft were taken over by the RAAF.
- 1941** Ansett's new facilities won it contracts with the Department of Aircraft Production and United States Service of Supply to service, overhaul and convert aircraft of the RAAF and USAF fleets, manufacture spare engine parts, and repair battle-damaged Allied planes. The company paid its first dividend, and continued to expand its facilities.
- 1942** Ansett Airways ceased all its regular services except Melbourne-Hamilton, and contracted with the U.S. Army Air Corps to fly its personnel, mainly between Melbourne and Townsville, but also to Cairns and Darwin and Australia-wide, using its two remaining Lockheeds. It participated in the evacuations of Darwin and Broome following Japanese bombings. ANA's four DC-3s were absorbed into the RAAF and its pilots conscripted. Now under Government control the airline conducted coastal reconnaissance, evacuated civilians from Papua New Guinea and flew in troops and supplies, and continued services in Australia. From maintenance bases at Brisbane and Essendon it serviced U.S. aircraft.
- 1944** Ansett Airways' wartime employee numbers peaked at 2000. It bought Pioneer Tourist Coaches Pty. Ltd, a road touring company founded by A.A. Withers in 1905 (acquiring few assets except the name), and also bought Provincial Motors (formerly the Provincial Roadways passenger service) which operated a service station and the Ford-Anglia car agency in Bendigo.



Post-war

1945 Ansett Airways bought three Douglas C47s from U.S. war disposals in Manila, converted them to DC-3s, and resumed commercial flying operations, although the Department of Civil Aviation had given its pre-war Interstate routes to ANA. After months of negotiation and litigation, Ansett was finally granted the new interstate routes of Melbourne-Mt Gambler-Adelaide and Melbourne-Wagga Wagga-Canberra and began these services on 5 February. On 16 August the Government, intent on nationalising the airlines, passed "The Australian Airlines Act, 1945" to form the Australian National Airlines Commission to administer all Interstate airline operations and affirm its control of landings in the federally-administered Northern Territory, Australian Capital Territory and Territory of Papua New Guinea. Ansett set up Ansett Pty Ltd to take over its manufacturing division, shifting from making aircraft components to coaches for Pioneer's growing tourist operation and airport buses for Ansett, ANA and Qantas. Over the years it built the "Transett" and "Flexible Clipper", and converted the American "G.M. Super Clippers" and "MC Super Cruisers" to right-hand drive. MMA bought DC-3s.



Ansett Airways DC-3

1946 On 31 May Ansett Airways, now with a share capital of £1 million, became a division of the new Ansett Transport Industries Limited (ATI). ATI, at that time, consisted of Ansett Airways Pty. Ltd. Pioneer Tourist Coaches Pty. Ltd., Pioneer Tourist Hotels Pty. Ltd., Ansett Pty. Ltd. and Air Express Pty. Ltd. It set up Ansett Hotels to build and operate hotels to accommodate its Pioneer Tours passengers. In December Ansett began Melbourne-Hobart flights. The Government set up the Australian National Airlines Commission and the airline under its control, Trans Australia Airlines. On 9 September, TAA made its inaugural flight with a DC-3 from Laverton, near Melbourne, to Sydney, and began regular services on 7 October. Ansett and ANA were now restricted in importing aircraft and lost all their government business including freight, public service travel and mail to TAA.

while the Government subsidised TAA, gave it preferred and free access to government facilities at airports for which private airlines paid high charges, and did not require it to pay a dividend. The Commission could monopolise a route if it provided an "adequate airline service".

To develop an Australia-Vancouver route and break the Pan American Airlines monopoly, the governments of Australia, New Zealand and the United Kingdom set up British Commonwealth Pacific Airlines. BCPA's first scheduled flight was Sydney-Auckland-Fiji-Canton Island-Hawaii-San Francisco-Vancouver. It leased DC4s from ANA until buying its own aircraft in 1948, and was eventually taken over by Qantas. In Tamworth, NSW, a syndicate led by former RAAF Wing Commander Basil Brown founded East-West Airlines Ltd. on 23 December.

IT'S GOOD BUSINESS TO FLY BCPA
TO THE U.S.A.



1947 Reg Ansett decided to develop the Whitsundays, and took over the perpetual leases for Hayman Island, where he planned to rebuild its tourist centre into a luxury resort, and Daydream Island. To administer them he set up Barrier Reef Islands Ltd. Ansett Hotels started a chain of tourist hotels by buying the Imperial Hotel in Hobart and building the Lufra Hotel at Eaglehawk Neck, Tasmania, the first hotel built in the Commonwealth after the war. On 12 July, Barrier Reef Airways, founded by Capt. Poulson (who died the following year) and Capt. Stewart Middlemiss, started flying two Catalina Flying Boats to Brisbane and Gladstone and Heron, Lindeman, Daydream and South Molle Islands. In Tamworth, NSW, a syndicate led by former RAAF Wing Commander Basil Brown founded East-West Airlines. It operated its first service on 23 June from Tamworth to Sydney's Mascot Airport with an Avro Anson, registration VH-ASM.

MMA bought Avro Ansons for its network, which had expanded into the Northern Territory.





Ansett Milestones

Page 5

- 1948** Through buying and building, ATI became the largest hotel operator in Australia. Its properties included:
Victoria: Kallimna Hotel, Lakes Entrance; Commercial Hotel, Camperdown; Mac's and Gordon Hotels, Portland; Bull & Mount Hotel, Stawell; Murray Hotel, Mildura; Manyung Hotel, Mount Eliza.
N.S.W.: Eden Hotel, Eden; Bayview Hotel, Bateman's Bay; Marlin Hotel, Ulledulla; Ryan's Hotel, Albury; Victoria Hotel, Nambucca Heads; Coffs Harbour Hotel, Coffs Harbour; Australia Hotel, Ballina; Railway Hotel, Tamworth; Telegraph Hotel, Tenterfield; the Fitzroy Hotel, Coffs Harbour; Fotheringham's Hotel, Taree; Queenbeyan Hotel, Queenbeyan; Marlborough Hotel, Cooma and Black Dolphin Hotel, Merimbula.
Queensland: Cecil Hotel, Brisbane; Queens Hotel, Townsville; Hides Hotel and Strand Hotel, Cairns; Royal Hayman Hotel, Hayman Island
A.C.T.: Wellington Hotel, Canberra.
Tasmania: Metropole Hotel, Launceston; Club Hotel, Burnie; Imperial Hotel, Hobart; Lufra Hotel, Eaglehawk Neck.
South Australia: Blue Lake Motel and Jens Hotel, Mount Gambier; Crown Hotel, Kingston.
Northern Territory: Mt Gillen Hotel-Motel, Alice Springs; Glen Helen Hotel; Ayers Rock Chalet; Palm Valley Lodge; Serpentine Lodge.
Papua New Guinea: Huon Gulf Motel, Lae; Gateway Hotel, Port Moresby.
 ATI bought Liberty Motors (Australia) with franchises to sell Kaiser-Frazer, Jowett, Jowett-Bradford, Allard and Stacatruck.
 By now Reg Ansett was using fare discounting and two classes of seating to compete.

- 1949** ATI formed a retail division, Ansett Travel Service.
 Ansett and ANA were suffering heavy losses against the government-subsidised TAA. On defeat of the Labor Party, the new Liberal Government, led by Robert Menzies who was committed to private enterprise, determined its policy that two airlines, TAA and ANA, would be able to compete on trunk routes, and considered amalgamating them.
 From Glenroy Station in the Kimberleys, Ansett-ANA and MMA helped launch the Air Beef Project which would help develop a regional beef industry, transporting chilled beef from local abattoirs to coastal and railhead cool stores. Their involvement lasted until 1962, by which time the necessary road infrastructure had been developed.
 By now Ansett had bought several regional road services - White Cars in Cairns, Healesville Road Services at Healesville near Melbourne, Eastern Roadlines at Bairnsdale and Albury, and Webster Rometch Astor Motors in Tasmania.

- 1950** The Royal Hayman Hotel opened.
 ATI bought 60% of Barrier Reef Airways which that year bought Short S.25 Sandringhams, which had been converted from Sunderland flying boats by Shorts in the U.K., and used them to extend services to Southport and Sydney's Rose Bay the following year.
 ATI opened its first American office, in San Francisco.



- 1952** The Federal Government and ANA negotiated the first "Airlines Agreement" (under "the Airlines Agreement Act 1952") which allowed ANA and TAA equal access to mail carriage, government business, lease of Commonwealth equipment, and the government guarantees they needed for loans to re-equip to restore ANA's creditworthiness.
 Despite opposition from its competitors, Ansett operated the Melbourne-Sydney route, protected by the Australian Constitution which allowed unrestricted interstate trade.
 Ansett Flying Boat Services Pty. Ltd. began operations on 1 May. It absorbed Barrier Reef Airways in May, although Barrier Reef Airways continued to trade until 30 March 1953.

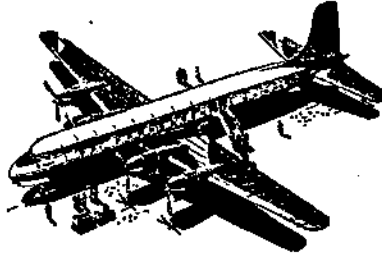
1953

Ansett Flying Boat Services Sandringham

On May 20 Ansett Airways bought the routes and assets of Trans-Oceanic Airways, which was in liquidation to form Ansett Flying Boat Services, with a fleet of one Hythe 4-engined Flying Boat, two Catalinas, two Sandringham Flying Boats from TEAL and a Sandringham from Qantas Empire Airways.
 Its network included Grafton, Southport, Brisbane, Hayman Island, Townsville, Cairns and Sydney-Lord Howe Island (a distance of 480 nautical miles).
 ANA introduced the Douglas DC-6.



- 1954** On 15 August Ansett introduced its first pressurised aircraft, the Convair 340. In November the Privy Council ruled against restrictions on interstate road transport, opening the way for express coach services between the states. ATI sold Liberty Motors.



ANA Douglas DC-6B

- 1955** Urged by the Federal Government, MacRobertson Miller Aviation absorbed Airlines (WA) Limited on July 1 to form a more efficient operation, MacRobertson Miller Airlines Ltd., serving Western Australia and part of the Northern Territory.



Pioneer began daily express services between Melbourne and Sydney, and the following year added Pioneer Express to its tour operation, which was now operating 250 coaches.

ATI bought Road Express (NSW) Ltd to carry road freight, renaming it Ansett Road Express.



- 1957** ANA had been struggling to compete for some time, largely from operating the unpopular DC-4s and DC-6Bs against its competitors' faster pressurised aircraft. After the death of its chairman, Sir Ivan Holyman, in January, it became insolvent. On 4 October, encouraged by the Federal Government, ATI bought ANA for £3,307,000, calling the combined airline Ansett-ANA, and took over all ANA's rights and benefits under the Two Airline Act.

Wings in good hands - all the way



The purchase included ANA subsidiary Bungana Investments, the major shareholder in Butler Air Transport and its subsidiary, Queensland Airlines. It also included a 16% interest in Cathay Pacific and its engineering division Hong Kong Aviation and engineering (HAECO). When Cathay Pacific asked shareholders to fund a major expansion, ATI decided its funds were needed for its own development and sold its shares. Ansett-ANA began operations on October 21.

Ansett today retains two former ANA divisions. National Instrument Company, which manufactured industrial and aviation instruments, is now Ansett Technologies, and Aviation Engineering Supplies, its purchasing division, operated the U.S. buying satellite known today as Ansett Industries Australia. Until now the airlines had been losing heavily through ineffective competition. "The Airlines Agreement Act 1957", based on agreement between the Government, Ansett-ANA and TAA that only two airlines would operate trunk routes and that Ansett-

ANA would succeed ANA, proved a turning point, with government guarantees enabling both Ansett-ANA and TAA to buy the cost-efficient comfortable Lockheed L188 Electra. Keen to develop tourism in the Whitsundays, Ansett-ANA sealed the Proserpine airstrip so it could fly in Convairs. It later led the push for the Federal Government to build a jet strip and funded one-third of the terminal upgrade.

- 1958** Ansett-ANA purchased the remaining shares in Butler Air Transport and Queensland Airlines. After rationalising its combined fleets, Ansett-ANA had 3 helicopters; Bristol Sycamores VH-INQ and VH-INQ and Sud Quest SO1221 Djinn VH-INP up until 21 May 1958, when VH-INP crashed. Ansett-ANA acquired eight ex-ANA DC-4s. It now operated six DC-6s and DC-6Bs, two Viscount 700s, eight Metropolitan Convairs, three helicopters, two DC-4s, 20 DC-3s, two Sandringhams, and a Bristol freighter, and had on order four Vickers Viscount 800 series, six Fokker F27s and a helicopter. Queensland Airlines retained its name until 1966.

The Federal Government passed "The Airline Equipment Act 1958" restricting trunk route operations exclusively to Ansett-ANA and TAA. The Act required the airlines to maintain balanced fleets and seat capacity through simultaneous aircraft orders and cross-charter agreements, supported by Government guarantees for aircraft purchases so they could re-equip. Both airlines decided to order Lockheed Electras.

ATI renamed Pioneer Express as Ansett Roadlines of Australia, operating interstate between capitals.

Anair formed an aviation division to manufacture aircraft accessories, including seats for Ansett's aircraft.





Ansett Milestones

1959 On 18 March Ansett-ANA announced its "System of the Golden Jets", introducing the 78-seat Lockheed L188 Electra and 60-seat Vickers Viscount 832 propjets with gold decor, and the Golden Supper Club on late night flights between Sydney and Melbourne with its hostesses in gold lams. Airlines of New South Wales took over management of Ansett Flying Boat Services, by now flying regular services only between Sydney and Lord Howe Island, Hobart and Hayman Island.



Lockheed Electra L188



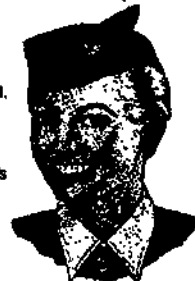
On 1 July ATI took over Guinea Holdings, and its subsidiary Guinea Airways which now operated only in South Australia, and on 17 December renamed it Ansett Airlines of South Australia. At the same time it renamed Butler Air Transport as Airlines of N.S.W. Pty. Ltd.

Ansett opened new terminals at Melbourne, Adelaide and Hobart. Ansett Hotels built a hunting and fishing lodge at Karumba in North Queensland and operated it until 1967. Frank Pascoe was appointed General Manager of Ansett-ANA. MMA introduced the Fokker Friendship.

Late 1950s To enable development of the Gold Coast tourist industry, Ansett sealed the airstrip at Coolangatta and began jet services. After several years the Federal Government took it over, compensating Ansett-ANA, to give TAA access to the now popular region. Ansett began to sell off hotels as coach technology and road conditions improved.

1960 On 26 February Ansett-ANA and TAA completed their agreement for cross-chartering of aircraft to maintain balanced seat capacities on trunk routes, based initially on a 68% load factor, with disputes to be adjudicated by the Government's Rationalisation Committee. The agreement identified as "trunk routes":

Melbourne-Sydney-Brisbane	Melbourne-Hobart
Melbourne-Brisbane	Melbourne-Launceston-Hobart
Melbourne-Coolangatta	Sydney-Adelaide
Melbourne-Adelaide-Perth	Sydney-Launceston-Hobart
Melbourne-Perth	Sydney-Coolangatta



Ansett Road Express was renamed Ansett Freight Express. Ansett-ANA and TAA replaced Qantas on the trunk route of Sydney-Port Moresby-Lae, and TAA took over Qantas's domestic operation within Papua New Guinea.



Bell 47 helicopter

On 21 December Ansett began Australia's first airport-to-city helicopter service with a Bell 47J helicopter transporting passengers between Melbourne's Essendon Airport and a floating heliport on the Yarra River. After the service ended in 1980, Sir Reginald Ansett continued to use a Bell Jetranger to commute every day from his Mount Eliza home.

1961 To escape government restrictions, Ansett had introduced intermediate steps on some trunk routes and called the services "Air coaches". Victorian Air Coach Services began flights DC-3 between Melbourne and Warrnambool on December 17. On 12 January Ansett-ANA responded to TAA's entry to PNG by buying Mandated Airlines of New Guinea (which had absorbed Gلبbes Sepik Airways and Madang Aerial Services in 1960) from W.R. Carpenter, and renamed it as Ansett-MAL, and later as Ansett Airlines of Papua New Guinea. On 19 April 1961 Ansett-ANA began flying DC-6Bs from Australia to Papua New Guinea as the "Golden Orchid" service. In this way Australia's Two Airline Policy was extended into Papua New Guinea.

ANSETT-ANA

GOLDEN ORCHID SERVICE



In August the Australian Government allowed Ansett-ANA to fly to Darwin from Adelaide, Brisbane and Sydney, breaking TAA's monopoly on these routes by defining them as trunk routes. Ansett-ANA began flights, its "Golden Boomerang" service, in October. Government support had



been enabling TAA to operate with unprofitable fares, and Ansett-ANA could not compete. A turning point was "The Airlines Agreement Act 1961", which extended the Two Airlines Agreement to 1977. It required both airlines to simultaneously order and introduce to service the same

aircraft to meet estimated demand and to operate equal capacity (number of seats) on trunk routes. By putting the industry on an economic basis, the government planned to avoid excess capacity and wasteful competition. On this basis TAA was forced to compete effectively, and at last the Australian aviation industry became profitable.





1961 cont. Ansett-ANA made an unsuccessful and short-lived attempt to enter the New Zealand market when it helped set up South Pacific Airlines of New Zealand (SPANZ).
ATI moved its administration from the old William Street ANA offices into Ansett House at 489 Swanston Street.

1963 ATI bought a 70% controlling interest in MMA which was now operating DC-3s and Fokker Friendships. MMA, Airlines of South Australia and Queensland Airlines bought Piaggios. Ansett-ANA used the Piaggio to operate the first scheduled Alice Springs-Ayers Rock service.
In April Austarama was granted the television licence for Channel O in Melbourne.

1964 Ansett introduced Australia's largest commercial helicopter, the 26-seat amphibious Sikorsky S61, in the Whitsundays to operate Australia's first scheduled helicopter service, linking Proserpine, Mackay, Happy Bay, South Molle Island, Daydream Island and Hayman Island. The service continued until 1984.



Ansett Sikorsky

ATI established ATV Channel O, which made its first broadcast on 1 August. It also bought a 49.8% interest in Brisbane's TVQ Channel O, and small interests in other stations in Sydney, Adelaide and Perth.

On 18 October Ansett's first jet, a Boeing 727-100, arrived in Melbourne from Seattle, five minutes ahead of TAA's first 727-100. The order of landing had been determined by the toss of a coin.
ATI officially withdrew from SPANZ on 19 August but provided a financial donation towards its continued operations.

1966 On 17 April Ansett and TAA ordered Douglas DC-9-31s, on 24 September Ansett introduced the nose-loading Carvair Aviation Trader A.T.L. 98 freighter (a converted DC-4), and on 17 September Ansett Airlines of Papua New Guinea introduced the DHC-4A Caribou.
TVQ Channel O in Brisbane made its first broadcast on 1 July.
ATI acquired the Piper dealership franchise for Australia, later renaming it Ansett General Aviation Pty Ltd.

1966 Ansett-ANA completed its absorption of Queensland Airlines. Ansett became the first airline to fly the Fokker F27QC freighter, and began phasing out its DC-6Bs and Viscounts.



Fokker Friendship F27

On 29 August Victorian Air Coach Services was absorbed into normal Ansett-ANA operations.
SPANZ ceased operations on 28 February.

1967 On 17 April Ansett-ANA and TAA took delivery of their first DC-9s. The Ansett-ANA aircraft bore the new livery.

On 3 December MMA introduced the DHC-6 Twin Otter, and on 31 August Ansett New Guinea introduced the Short SC-7 Skyvan.
ATV Channel O made Australia's first colour television broadcast on 15 June.
Besides its trunk routes, Ansett-ANA was now operating:

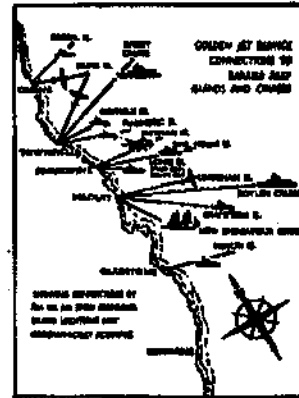
- in New South Wales as Airlines of New South Wales;
- in South Australia as Airlines of South Australia;
- in Western Australia and Northern Territory as MacRobertson Miller Airlines;
- in Papua New Guinea as Ansett-MAL;
- to Lord Howe Island as Ansett Flying Boat Services.



Douglas DC-9



489 Swanston Street, Melbourne



Ansett in Queensland in the 1960s





Ansett Milestones

Page 9

- 1968** Ansett-ANA became Ansett Airlines of Australia. Airlines of N.S.W. was renamed Ansett Airlines of N.S.W. Ansett-MAL became Ansett Airlines of Papua New Guinea on 24 June. STOL Air Services Pty. Ltd. became STOL Commuters Pty. Ltd. on 8 September. Ansett-ANA became Ansett Airlines of Australia and Airlines of South Australia Pty. Ltd. became Ansett Airlines of South Australia, on 1 November.



Sir Reginald Ansett, K.B.E.

- 1969** Ansett-ANA, adopting a second red and white livery with a stylised "A", known as the "Alpha" scheme.



Ansett bought the remaining 29% shares in MMA on 1 June, and it became an ATI division. The purchase made Ansett the largest domestic airline in Australia. MMA ordered the Fokker F-28

Fellowship jet to replace its turbo-prop Fokker Friendships, and Airlines of Papua New Guinea introduced the DHC-6, known as the Twin Otter. Reg Ansett was knighted, becoming Sir Reginald Ansett, K.B.E.

- 1970** ATI bought the Patal Group on 1 July (consisting of Papuan Airlines Ltd., a hotel at Port Moresby and a trading company), and integrated it with Ansett Airlines of Papua New Guinea. The routes and equipment of one Papuan Airlines subsidiary, STOL Commuters Pty. Ltd., were sold to Macair the following year. ATI set up an Insurance division, Transport Industries Insurance (TI), to underwrite its insurance needs. Ansett Road Express was now Australia's biggest national road freight haulage operator, with more than 408 freight services a week. Hayman Resort was rebuilt, following extensive damage from Cyclone Ada. Channel O Brisbane became a wholly-owned ATI subsidiary.

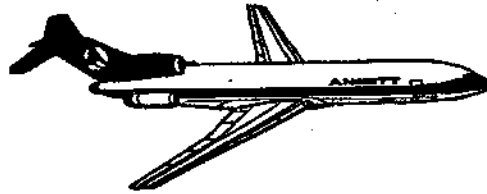


Ansett Gateways in Brisbane and Perth.

- 1971** Ansett built the first of its Gateway Inns in Perth, later renaming it the Ansett International Hotel. The high-rise Gateway complexes included the Inns, Ansett offices and airport bus terminals. Tullamarine Airport opened in Melbourne. Kendall Airlines (Australia) Pty. Ltd. began operating on 18 October.

- 1972** TNT bought up 23.5% of ATI's shares in March, and on 7 April attempted to take over ATI. The move met strong resistance from Sir Reginald, and was thwarted on 27 April by the Victorian Government passing a bill that prohibited the takeover of any Victorian-registered company by a company registered in another State (TNT was incorporated in New South Wales). TNT was, however, allowed two seats on the ATI board, but with its voting power limited to 10%. "The Airlines Agreement 1952-1972" between the Federal Government and the airlines extended the Two Airline Policy beyond 1977 for an indefinite period, with provision for either the Government or ATI to terminate it on five years notice. Ansett began to move its operation to Tullamarine, where it had built a new base, including jet engine overhaul complex and flight simulator centre, over a 19-hectare site. Ansett began converting its Lockheed Electras to freighters, while phasing out its Carvairs. Ansett Airlines of Papua New Guinea introduced the Piaggio P168. In December ATI bought Wridgways Holdings Limited, a furniture removal specialist that had been founded by Ernest Wridgway in Melbourne in 1882, and incorporated in 1961. In Brisbane it built its second Gateway Inn.

- 1973** Ansett began to replace its 727-100s with 727-200s. It introduced its IBM-based computerised reservations system, "ANSAMATIC" (an acronym of "Ansett" and "automatic"). Ansett Airlines of Papua New Guinea sold its assets to the National Airline Commission on 1 November but continued operating as part of the new national airline, Air Niugini, as Ansett Niugini Enterprises Ltd. Ansett Pioneer and Midland Coachlines of New Zealand set up a joint touring operation in New Zealand.



Ansett Boeing 727-200



- 1974** Lord Howe Island had built an airstrip, and no longer needed the flying boats. Ansett Flying Boat Services closed down on 11 September, and its Sandringhams sold to Antilles Air Boats in the U.S. Virgin Islands in the West Indies.



**Diners Club
International**

ATI bought 50% of the Australian franchise of Diners Club International.

When Darwin was devastated on Christmas Day by Cyclone Tracy, Ansett took part in the evacuation of residents and visitors.

Ansett engineering staff completed a replica of the Fokker Universal VH-UTO, today on loan to the Sir Reginald Ansett Memorial Transport Museum at Hamilton, Victoria.

- 1975** When Papua New Guinea became independent, its Government formed Air Nugini from Ansett Airlines of Papua New Guinea and the domestic operation of TAA. Its initial shareholders were Ansett (16%), TAA, Qantas and the PNG Government. Ansett Airlines of New South Wales introduced the 52-seat Fokker Friendship 500 series. Ansett installed its 727-200 simulator, built by U.S. company Singer Link, with visual systems from McDonnell Douglas Electronics. ATI bought Albury Border Transport.

- 1976** The Federal Government determined that the domestic airlines could fly on international routes which were uneconomic to Qantas, or where Qantas lacked the appropriate equipment, as charters to Qantas. Under this arrangement, Ansett began to fly livestock between Australia and New Zealand. Ansett was the first Australian airline to introduce computerised ticketing, a system called "ANSARITE". ATI bought 50% interests in Biro Bic (Australia) Pty Ltd and Biro Bic (NZ) Ltd and a 48.4% interest in a finance company, Associated Securities Ltd (ASL).

- 1977** Ansett shifted its manufacturing plant to Tullamarine. In Adelaide, Ansett built its third, and what was to be its last, Gateway Inn. In Adelaide, Ansett developed its own hotel reservations system "ANSOTEL", an adaptation of the British Airways system. Between 8 and 11 April, MMA operated the first of a series of Port Hedland-Denpasar flights, as charters to Qantas.

- 1978** Ansett bought the remaining shares in Avis Rent-A-Car System. ATI applied for rights to fly between Hobart and Christchurch in New Zealand. MMA began weekly scheduled flights between Darwin and Denpasar under Indonesian licence, operating them for 14 months. Ansett's financial position suffered considerably from the collapse of ASL.



- 1979** December saw the culmination of a renewed struggle for ATI ownership between Robert Holmes a Courts Bell Group, Ampol, TNT Limited, and News Corporation. TNT and News Corporation each eventually acquired 50% of the shares, and agreed to manage the airline jointly with Sir Peter Abeles and Rupert Murdoch as Joint Managing Directors. Sir Reginald Ansett remained as Chairman. The Government ended the monopoly of Avis Rent-A-Car on car rental concessions at Australian airports on 30 June. ATI applied for permission to fly from Darwin and Port Hedland to Denpasar. Ansett began services from Sydney to the developing Queensland tourist destinations of Maroochydore and Hervey Bay. Deborah Wardley became Ansett's first female pilot on 5 November. Ansett introduced its Ansetts Flight Information Display System.



- 1980** ATI set up a separate cargo division, Ansett Air Freight, on 1 July, to operate integrated air and road freight services. Ansett Air Freight began a four-year phasing-out of the Electra freighters, had a Boeing 727, VH-RMX, converted in the USA in 1983 to carry 12 cargo pallets and took over cargo hold space in Ansett's aircraft. Ansett sold Avis-Rent-A-Car and Channel O Brisbane. Ansett moved to break Qantas's exclusive right to all international routes out of Australia, regardless of whether it used or intended to use them. The Queensland Tourist & Travel Corporation was encouraging Ansett to try to run direct services between North Queensland and Singapore to meet the demands of the growing international tourist market, and on 18 April Ansett flew a Boeing 727-200 Townsville-Singapore-Townsville. However, the Government did not grant the licence.

1980 cont. Having won the right to fly scheduled passenger services between Hobart and Christchurch, under the Qantas flight designator "QF", on 3 December Ansett launched its "Southern Connection" with a B727 from Hobart. It ran a weekly service until 3 March 1982.



To market its hoped-for international operation, the airline formed its Ansett International Travel division.

Ansett moved into its newly-built headquarters at 501 Swanston Street.

The Federal Government set up an Independent Inquiry into domestic air fares.

Melbourne's Channel 9 changed its frequency to Channel 10.

ATI's shares ceased trading on the Melbourne Stock Exchange.

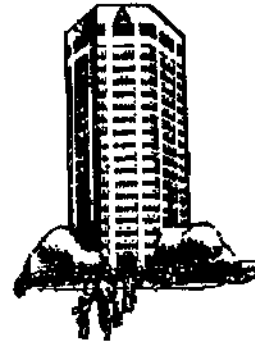
Skywest Airlines Pty. was formed in February, from Skywest Jet Charter Air Services Ltd. and Stillwell Airlines Pty. Ltd. (previously Civil Flying Services (W.A.) Pty. Ltd.).

1981 In March Ansett ordered 21 Boeing jets (five B767-200s, 12 long-range B737-200s and four B727-200s). On 13 April, Ansett adopted a new livery which Californian designers Landor Associates had based

Ansett.

on the Southern Cross. This included new "Ansett." logo, refurbished airport terminals and upgraded in-flight services, such as hot meals in Economy class.

In the Northern Territory, Northern Airlines (which had been Connair until its takeover by East-West Airlines) collapsed. The N.T. Government asked Ansett to take over essential air services from 5 February, then granted it an operating licence, initially for five years. ATI set up Airlines of Northern Australia in March, and began scheduled flights on 29 April on the routes of Darwin-Katherine-Tennant Creek-Alice Springs; Darwin-Gove-Groote Eylandt-Cairns, and from Ayers Rock (then "Yulara") to Alice Springs, Perth and Cairns. Ansett N.T. also took over the medical services of Northern Territory Aerial Work and the N.T. Government coastal and maritime surveillance with its six Nomads.



Ansett's headquarters
501 Swanston St, Melbourne



Boeing 737-200

Ansett introduced Boeing 737-200s and 727LR-200s, and began to sell its DC-9s. At Tullamarine it built a B-767 hangar.

ATI renamed MacRobertson Miller Airline Services as Airlines of Western Australia on 1 July. Ansett Air Freight extended services to North Queensland, Perth, Launceston and Adelaide.

ATI sold its Air Niugini shares to the Papua New Guinea Government. The Government negotiated a new Airlines Agreement which provided for the establishment of the Independent Air Fares Committee (removing fare-setting responsibility from the Minister), the deregulation of domestic air freight, and limited access by regional airlines to the trunk routes. Complementary legislation provided for the privatisation of TAA. The Independent Air Fares Committee Act provided for the approval of discount fares as well as "core" fares.

On 3 September, ATI agreed to operate the newly founded Air Vanuatu (of which Ansett owned 40% and the Vanuatu Government 60%), between Australia and Vanuatu on behalf of Qantas. This arrangement continued until May 1989.

Sir Reginald Ansett died, aged 72, on 23 December.

In July Ansett introduced its Airsabord Departure Control System (DCS).

On 2 June Ansett Airlines of N.S.W. was renamed Air New South Wales.

On 17 July Ansett Airlines of South Australia reverted to Airlines of South Australia (albeit without the Pty. Ltd.)

Ansavuc 2, the world's 1st colour airport flight information system, was introduced at Melbourne Airport.



- 1982** On 16 February Ansett launched its Golden Wing Club for frequent fliers. That month it began managing Apia-based Polynesian Airlines for the Government of West Samoa, flying to New Zealand and the Polynesian countries of American Samoa, Fiji, Tahiti, Vanuatu, Cook Islands and Tonga.



Ansett Golden Wing

ATI bought 75% of Denny's Restaurants in Australia and the Australian franchise, and began to build a chain of restaurants. Ansett introduced "Anscare", an airline reservations system dedicated to the travel needs of disabled passengers. The Pacific International Hotel, a joint venture between Ansett and the Kemsler family, opened in Cairns on 8 October.

- 1983** Ansett introduced the Boeing 767-200, with 211 seats. Pacific Aviation was set up to take over the general aviation interests of ATI and Consolidated Press Holdings - Ansett General Aviation, Ansett Corporate Division, Aviall Australia, and Stillwell Aviation. It continued to sell Piper and Stillwell aircraft, charter corporate aircraft, provide maintenance, engineering and spare parts for several aircraft manufacturers at seven airports, and operate passenger terminals at Essendon, Sydney and Brisbane through its Flight Facilities division. ATI sold ATV Channel 10, Melbourne, to News Limited. Air N.S.W. began services between Brisbane and Norfolk Island on 15 July, using Fokker F28s. Ansett Air Freight had a Boeing 727-200 converted to a freighter and started dedicated cargo flights between Australia's east and west coasts. Ansett and Hazelton Airlines signed a commercial agreement on reservations and ground handling. Ansett installed new B767-200 and B737-200 simulators built by Singer in New York. Ted Forrester was appointed General Manager of Ansett.



Boeing 767-200

- 1984** Golden Wing opened lounges in Adelaide, Perth and Canberra. In April, Ansett ordered the 80-seat four-engined BAe 146 Jet from British Aerospace. Ansett began a second Melbourne-Sydney-Via service, and the first Brisbane-Via service for an Australian airline. In July the \$10 million Ansett-Hamilton Island joint venture airstrip opened. Airlines of Western Australia, renamed Ansett W.A. on 26 November, ordered the BAe 146-200. New Zealand deregulated its aviation industry and relaxed restrictions on foreign ownership. Following a change of Government in March 1983, legislation passed in 1981 providing for the privatisation of TAA was repealed. Newmans Air Ltd. was formed in New Zealand in October.
- 1985** In January Golden Wing launched Valet Car Parking at Melbourne Airport. ATI sold Ansett Motors on 24 April.

Air N.S.W

On 1 May 1985 Ansett Airlines of N.S.W. was renamed Air N.S.W. On 16 August ATI renamed Airlines of Northern Australia as Ansett N.T. TNT and News Limited set up an aircraft leasing division, Ansett Worldwide Aviation Services (AWAS), to lease aircraft to airlines and provide management, technical and training support. Ansett W.A. introduced the BAe 146-200 on 28 April, while Ansett ordered the Airbus Industrie A320-200 Jet with 134 seats and the 50-seat prop-jet Fokker 50. Sir Peter Abeles led an Australian Government Mission to China, which resulted in ATI plans, later shelved, for a Business Service Centre in Beijing. The Federal Government commissioned the Independent Review of Economic Regulation of Domestic Aviation (the "May Review") which took submissions from the public, airlines, State Governments and unions over the next two years. Air New South Wales became Air N.S.W. on 1 May (see notation for 2 June, 1981). Transcorp Airways (H.K.) Ltd. was formed in August, as an air-freight airline. Its 1st service was on 28 October. ATI acquired 51% of its shares on 3 December.

- 1986** On 15 September Ansett introduced the Boeing 737-300 with 110 seats. In October Ansett New Zealand Ltd. was formed as a joint venture between ATI (50%), The Newmans Group (22.5%) and Brierley Investments (27.5%) to operate domestic New Zealand services. Using 2 DHC-8 'Dash 8s', with 'Ansett Newmans' titles, services began on 25 December.





1986 cont. On 27 June, Airlines of South Australia ceased operating, and handed over its routes to Kendall Airlines. In April, Air N.S.W. began weekly Fokker F28 services between Sydney and Ayers Rock via Broken Hill, and Ansett N.T. began weekly direct flights from Adelaide to Ayers Rock. National Instrument Company was renamed Ansett Technologies. Ansett and Qantas signed a commercial agreement for Joint Ansett/Qantas travel centres, and for Ansett to be Qantas's preferred domestic carrier, and Ansett bought the travel retail company Traveland International. ATI took over the operating leases of South Molle Island resort and Hook Island underwater observatory. Ansett sold Ansett Pioneer to Trailways. Ansett accepted a contract to manage the newly-formed Cook Islands International Airline and started B767 services on 17 August between Sydney and Rarotonga.



1987 In January the report of the Independent Review of Economic Regulation of Domestic Aviation was released. It presented the Government with a range of options ranging from full deregulation of Australian aviation to retention of the status quo. In 10 April ATI opened the rebuilt ultra-luxurious Hayman resort.

H A Y M A N

Ansett New Zealand

Ansett New Zealand began DHC-8 operations under its own title on 1 February, and began full jet operations on 25 July, with its infrastructure of new airport terminals with aerobridges, and introducing high standards of catering and other services. Based in Auckland, the airline began operating four leased Boeing 737-100s on trunk routes between Auckland, Christchurch and Wellington, and two DHC Dash 8s on tourist routes. It started out with airline code designator "ZQ", but adopted the Ansett "AN" code in 1990. ATI's 51%-owned Transcorp Airways began freight services between Asia and Australia on 1 June 1987, with a Boeing 707, withdrawing in October 1989.



East-West Airlines Fokker F28

TNT and News Limited bought East-West Airlines on 31 July, but continued to operate the 17-aircraft airline independently of Ansett. Ansett bought 20% of America West Airlines, based in Phoenix, Arizona. On 31 October, acting on the recommendations of the "May Review", the Australian Government gave the required three years notice that it would terminate "The Airlines Agreement", and so deregulate the Australian

domestic aviation industry, the most important aspects being removal of controls on:

• aircraft imports • passenger capacity • air fares • new entrants to trunk routes.

The Government and airlines agreed on long-term terminal leases which gave Ansett and Australian Airlines development rights over their terminals from 1989, while requiring them to provide guaranteed minimum facilities for new entrants.

On 16 November Air N.S.W. became the world's first airline to operate the Fokker 50 turbo prop.

ATI withdrew from Transcorp Airways in October 1988, not 1989.

East-West Airlines Ltd. was renamed Eastwest Airlines (Operations) Pty. Ltd.

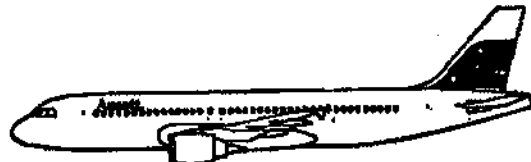
1988 Ansett's first A320-200 arrived via Darwin on 26 November. In January, New York-based "Air Transport World" magazine awarded Ansett its 1987 Passenger Service Award, the first time the honour had been made to a domestic airline, and in November "Condé Nast Traveler" magazine's readers voted Ansett the world's best domestic airline. Brierley Investments and Newmans sold their shareholdings in Ansett New Zealand to ATI, which became sole owner. Ansett New Zealand ordered the BAe 146.

Ansett and Australian Airlines (the former TAA), in a joint venture, set up Southern Cross Distribution Systems to market the global information and reservations system Galileo in Australia. Another joint venture, Coles Myer/Ansett Travel, was formed on 23 June.

Ansett sold its Gateway Hotel in Adelaide and the Ansett International Hotel in Perth.

Graeme McMahon was appointed Ansett's General Manager.

Transcorp Airways (H.K.) Ltd. ceased operations and went into liquidation on 25 October. Its Boeing 707-330C freighter was transferred to ATI.



Ansett Skystar A320-200





1989 Ansett New Zealand began replacing its B737s with BAe 146-200s and -300s while Ansett withdrew the Fokker Friendship from service.
Ansett installed its A320 simulator, built by British Rediffusion.
On 1 March, Air N.S.W. was renamed Ansett N.S.W.
In May ATI sold Denny's Restaurants to Whitbread & Co.
On 17 July Ansett launched its first Business Class, entitled "Executive Class", and renamed its First Class as "Premier Class". These were later renamed to the standard "Business Class" and "First Class".
The Australian domestic airline industry pilots' dispute erupted in late July, with pilots resigning en masse on 28 August. Industry capacity was gradually rebuilt, including use of military capacity and wet lease aircraft and crew during early rebuilding. The dispute continued until March 1990.
On 29 December Ansett introduced its first Mystery fare, at \$50, offering same-day return travel to an interstate destination not identified to the passenger until check-in.

1990 Ansett launched a \$200 million terminal expansion program.
From January to June Ansett W.A. operated weekly charters to Cocos and Christmas Islands.
On 2 July ATI and Travelex Exchange Corporation of the U.K. announced a joint venture to operate currency exchange bureaux at Melbourne, Sydney, Brisbane and Canberra Airports.
In September East-West Airlines introduced the BAe 146.

Ansett Australia.

On 4 October Ansett Airlines of Australia changed its name to Ansett Australia and unveiled a new livery with a stylised Australian flag on the tail.

Domestic airline deregulation became effective on 1 November, allowing carriers to set their own fares, decide their own capacity and determine their own route networks.

Ansett N.S.W. was renamed Ansett Express on 28 November. It resumed flights to Norfolk Island from Sydney using new long-range

Fokker 28-4000s.

East-West Airlines introduced the BAe 146-300 and a new livery.

After approval of policy change by the Australia Labor Party Federal Conference, the Government announced the privatisation of Qantas to 49% and Australian Airlines to 100%.



Fokker F28

1991 On 25 August Ansett launched Australia's first domestic Frequent Flyer program, with the co-operation of partners:

- Hyatt, Parkroyal, Centra and Travelodge Hotels.
- Avis Rent-A-Car.
- Diners Club.

Ansett Frequent Flyer.

On 2 February Ansett NT ceased operations.

Ansett announced, on 7 February, that it was withdrawing from loss-making Darwin-Katherine-Tennant Creek-Alice Springs services previously subsidised by Ansett's Ayers Rock operations, after Government policy relating to the operational size of aircraft at Ayers Rock was changed.

On 8 April, Ansett Express launched the Express Shuttle between Canberra and Sydney.

In October Ansett withdrew from its contract to manage Polynesian Airlines.

ATI bought a controlling interest in Westintech Ltd.

1992 In its "One Nation" statement on 26 February, the Government announced fundamental changes to Australian aviation policy:

- Australian carriers other than Qantas would be allowed to fly internationally, thus bringing to an end the Single Designation Policy.
- Qantas would be able to fly domestically.
- Australian carriers were to be able to consider investments in each other, "allowing Qantas to consider possible investments in Australian Airlines or other domestic airlines" in the context of its privatisation.
- Negotiations to be held with New Zealand for liberalisation of the trans-Tasman market and, ultimately, a single Australasian air services market with a common border.

Legislation was passed establishing the International Air Services Commission (IASC) to award Australia's international air service capacity entitlements, obtained pursuant to bilateral air services agreements negotiated with various countries, to contending Australian applicants according to criteria relating to Tourism, Trade and Consumer Benefits and Industry Structure Implications.

On 2 June the Federal Government approved the sale of Australian Airlines to Qantas, and announced that Qantas would be privatised to 100%. From 1 November Qantas was permitted to carry domestic passengers within Australia.

On 17 July, News Corporation Chief Executive Rupert Murdoch handed over his role as ATI Joint Chairman and Joint Chief Executive to News Limited's Chief Executive Ken Cowley. ATI announced its new Board of Directors on 30 November, appointing Ken Cowley as Chairman and David Mortimer, Chief Executive of TNT, as Deputy Chairman. Sir Peter Abeles stood down as Joint Chairman and Chief Executive of Ansett, while remaining on the TNT Board as a Director.





1992 cont. In August the Australian and New Zealand Governments reached agreement regarding progressive liberalisation of the Tasman, with "beyond" rights for each country beyond the other, and for Air New Zealand to enter the Australian domestic market from November 1994.
 On 13 September Ansett expanded its Frequent Flyer program internationally, signing participating partners Cathay Pacific, United Airlines, All Nippon Airways and British Airways (later withdrawn when British Airways bought 25% of Qantas). Singapore Airlines, Malaysia Airlines, Swissair and Austrian Airlines joined Ansett's program later.
 On 14 September Ansett made its first application for international capacity, to Malaysia, and by December had also applied for capacity to Indonesia, Singapore and Hong Kong.
 On 30 September Prime Minister Paul Keating opened Ansett's new Sydney terminal extension, which included a new Golden Wing Lounge.
 In December British Airways purchased 25% of Qantas.
 Pacific Aviation became a wholly-owned subsidiary of ATI.

1993 In January Ansett applied to the IASC for capacity to Japan when the Kansai Airport at Osaka would open at the end of the year, and later in the year applied for Korea.
 Ansett formed commercial alliances with Malaysia Airlines on 17 January; Alltalla on 6 January; Garuda on 2 February and Hazelton Airlines on 25 March.

Ansett Australia.

One of the world's great airlines.

Ansett appointed George Patterson Advertising as its advertising agency. Its first campaign, launched in March, has the theme "Ansett Australia. One of the World's Great Airlines" and used Enya music in the campaign's distinctive television advertising.
 On 1 September Ansett began regular scheduled services from Perth to Christmas Island and to the Cocos and Keeling Group of Islands.
 Ansett Australia made its first international flights in its own right - from Perth, Darwin, Sydney and Melbourne to Denpasar in Bali - on 11 September.
 Ansett signed commercial alliances with travel wholesaler Jetset on 14 July, Brisbane-based Flight West Airlines on 17 August, and Lufthansa Airlines on 23 December.
 The NSW Government announced partial deregulation of intrastate air routes on 12 June.
 During the year, ATI subsidiary airlines Ansett Express, Ansett W.A. and Eastwest Airlines were rationalised into Ansett Australia as one aviation group without separate, stand-alone overheads.

1994 New services to Bali were increased with the addition of a mid-week Darwin flight every Wednesday from March.

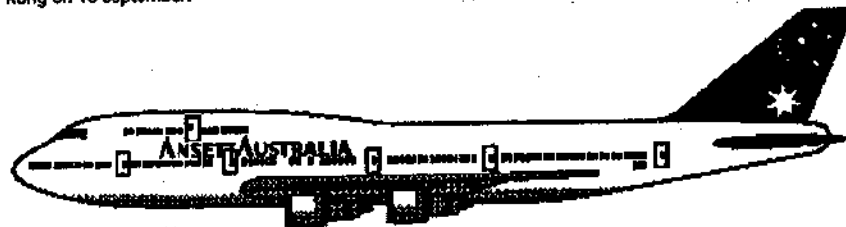
Four extra Boeing 737-300s were added to the domestic fleet.
 In May, Ansett Australia announced an order for five extra A320s for delivery from 1995, and the lease of two Boeing 747-300 aircraft for flights to Osaka in Japan, and Hong Kong, due to start in September 1994. Also in May, Ansett introduced its new Merlin Departure Control System (DCS), replacing Ansaboard.
 Subsidiary companies Ansett Wridgways, Ansett Freight Express, Pacific Aviation and Whitsunday Connections were sold and joint venture manufacturer, Turbine Components Australia, was closed as part of the Ansett group's increasing concentration on core airline activity.
 Ansett Australia was named 1994 Airline of the Year during the annual Travel Industry Awards announced in June.



ANSETT AUSTRALIA

On 28 July Ansett Australia unveiled a new livery incorporating a white seven-pointed star in a stylised gold letter "A" in a ceremony at Sydney's Opera House, which included a helicopter flypast of a 60-foot flag in the new design.

In August Ansett Australia was named Best Airline in the Inaugural Australian Federation of Travel Agents Australian Excellence Awards. The airline's holiday company, Ansett Holidays, was named best domestic tour operator in the same awards.
 Ansett's first Boeing 747 was welcomed in Sydney by Prime Minister Paul Keating on 29 August.
 Ansett Australia's first service to Osaka in Japan operated on 4 September and the first flight to Hong Kong on 10 September.



Boeing 747-300



1995 Ansett's Frequent Flyer and Golden Wing loyalty programs introduced their new trademarks. South African Airways became Ansett Frequent Flyer's eighth International partner. Ansett Australia increased its Hong Kong-Sydney flights from three a week to five from March.

In May Ansett was again named the National Travel Industry Awards Airline of the Year, with Hayman Island chosen as Best Hotel/Resort. The following month, readers of Asian Business magazine voted the airline Best Large Australian Business in Asia, and in August the Australian Federation of Travel Agents chose Ansett Australia as Best Airline for the second consecutive year.

In August, the airline announced several business travel initiatives, Ansett-owned Traveland entered a joint venture with global travel management specialist Carlson Wagonlit Travel to develop its corporate travel division. Ansett Australia and Diners Club introduced the world's first fully integrated airline charge card which would also enable businesses to improve their travel expense accounting and budgeting. Ansett split its Frequent Flyer scheme into four tiers - Diamond (the highest), Platinum, Gold and Silver - to link its benefits more closely to members' volume of travel.

The first of five new A320-200s arrived in September.

Ansett Australia and Malaysia Airlines started international code-sharing between Kuala Lumpur and Australia on September 16.

In September, Ansett New Zealand announced its first ever operating profit of NZ\$2.6 million, for the year ending June 1995.

New Boeing 747 services started to Kuala Lumpur on 9 November, to Taipei on 11 November, and to Auckland on 18 December.

On 17 November, TNT announced it was negotiating the sale of its Ansett shareholding to Air New Zealand, subject to Government approvals.

Fiona Welsh was appointed Ansett Australia's first female jet captain.



ANSETT AUSTRALIA
FREQUENT FLYER



Golden Wing
CLUB

1996 Ansett turned 60 on 17 February, with celebrations including a re-enactment of the 1936 Brisbane-Adelaide air race, and a Channel 9 national telecast of "R.M., the Ansett Story", a documentary on Sir Reginald Ansett.

Ansett services to Jakarta started on 12 January and Ansett applied to the IASC on 7 May for permission to fly to Shanghai, an application which was approved on 6 August. On the equity front, the New Zealand Commerce Commission on 4 June approved News Corporation buying 100% of Ansett New Zealand and Air New Zealand's proposal, which the Commission had previously rejected, to buy 50% of Ansett Australia Holdings from TNT. On 18 September, the Australian Government approved Air New Zealand's purchase of half of Ansett, subject to 51% of Ansett International remaining Australian owned.

Negotiations were concluded with the 1 October announcement that saw Air New Zealand become 50% owner of Ansett Australia in a deal in which Air New Zealand paid TNT \$A324 million, injected \$A150 million into Ansett, while News agreed to inject \$A50 million. Ansett Australia Holdings in turn owned 48% of Ansett International, with the balance held by Australian institutions. Messrs Bob Matthew, Jim McCrea and Robert Nazarian from Air New Zealand joined Ansett's board.

Earlier in the year, Chief Executive and Managing Director Graeme McMahon, who had achieved 40 years service with the company, retired and on 27 September, it was announced that Mr Rod Eddington, an Australian Rhodes Scholar who was Managing Director of Cathay Pacific, would join Ansett as Executive Chairman from early New Year 1997.

In other milestones for 1996, Ansett sold general aviation business, Skywest Aviation (but retained Perth-based Skywest Airlines) and sold its half share of Travelax, a currency exchange business. Both sales were announced in July.

On 24 September, the Bureau of Air Safety Investigation published its report into the October 1994 landing of Boeing 747, VH-INH, at Sydney with its nose gear retracted. The report was critical of the speed with which B747s were introduced into Ansett's fleet. The Sydney Organising Committee for the Olympic Games named Ansett as "preferred proponent" to become the Sydney 2000 Olympic Games official airline on 27 March. Ansett won the National Travel Industry Awards' Airline of the Year for the third consecutive year on 19 May and the Australian Federation of Travel Agents Best Airline Award, also for the third year in a row, on 22 June. On 16 July, UK research of business travellers using 67 airlines around the world rated Ansett International as operating the world's best long-haul business class and as offering the best on-board catering. The same research rated Ansett as best Pacific-based airline.

Ansett on 8 October announced its decision to introduce ticketless travel, or E-ticket. On 18 November, Ansett's state-of-the-art Launceston Call Centre was opened.



1997



In an early speech to the National Aviation Press Club, new Executive Chairman Rod Eddington said Ansett was a great airline but a poor business and restoring profitability would include measures such as selling non-core assets such as Heyman Island.

Code sharing on 60 Air New Zealand trans-Tasman flights each week was announced on 14 January, with a further announcement on 26 February that 130 flights each week would be code shared. Ansett's frequent flyer program was rebranded as Global Rewards on 16 January and an Olympic-livery design A320 was unveiled on 26 January to celebrate the official launch of the Olympic Airline Team partnership of Air New Zealand, United Airlines, Lufthansa, Malaysia Airlines, South African Airways and Thai. A co-branded Ansett/Westpac/Visa credit card was announced on 10 February. A number of domestic network cutbacks were announced. Plans to withdraw from Norfolk Island were announced on 29 January

and Brisbane-based Flight West announced in March that it would use former Ansett F28 equipment to operate to Norfolk Island and to Prosperpine in Queensland. On 7 March, Ansett advised it would be withdrawing Cocos Island and Christmas Island services from October.

Internationally, Ansett ended its Sydney-Auckland Boeing 747 services on 24 October after the end of a short-term contract with Aerolineas Argentinas, on whose behalf Ansett operated the flights.

In an attempt to reduce spiralling distribution costs, Ansett announced plans to reduce travel agent commissions in March but reversed the decision in late April. On 26 March, Ansett announced the 2 April introduction of a two-class domestic configuration, with a new premium-cabin BusinessFirst product and an upgraded Economy product.

The last Ansett Boeing 727-200 service operated on 23 April as AN36 from Hobart to Melbourne. The aircraft type was retired well-ahead of its originally-planned retirement date as a voluntary move to reduce aircraft noise. Ansett's 6727s were sold to US-based Intrepid Aviation for conversion into freighters. Ansett's inaugural service to Shanghai operated on 8 June.



On 20 June, Ansett Australia, Ansett International, Air New Zealand and Singapore Airlines announced a plan to form a co-operative commercial alliance and, following detailed negotiation, a formal application seeking Australian Competition and Consumer Commission approval was lodged on 22 December.

Ansett was named Airline of the Year for the 4th year in a row in the new Australian Federation of Travel Agents National Travel Industry Awards announced on 10 August. Ansett International was in September named as operator of the world's best long haul business class for the second year running in global research of business travellers, this time tying with Malaysia Airlines for the honour. Ansett was also named as best Pacific-based airline in the same research, again for the second year running.

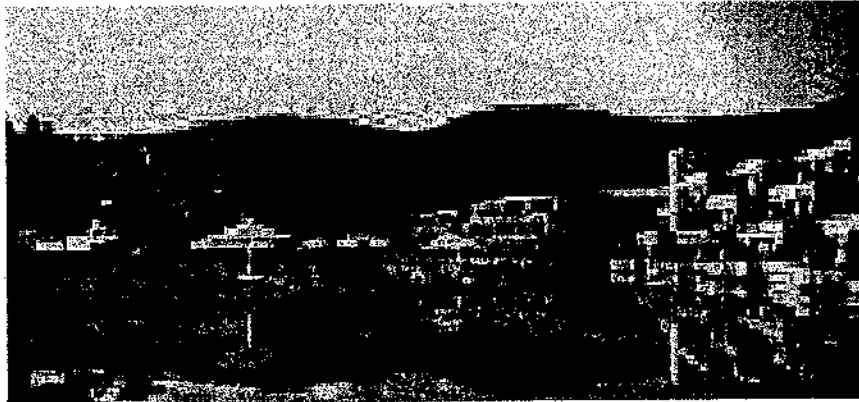
Executive Chairman Rod Eddington announced on 9 September that a Business Recovery Program was being set up to plan a comprehensive review of all Ansett functions. A BRP strategy stream would determine a strategy for fundamental change, a process stream would identify ways of improving the way Ansett did things and a Quick Wins stream would target and implement key cost savings quickly. The vision was to make Ansett a great airline and a great business.

A \$167 million upgrade of Ansett's Sydney domestic terminal was announced on 13 October. In November, Ansett announced it would convert its Boeing 747 aircraft to two-class configurations during the first half of 1998, and also announced it planned to stop non-stop Kuala Lumpur operations from 28 March 1998, to instead operate via Jakarta.





1998 Ansett International suspended services to Seoul on 8 February after a sharp drop in Korea-Australia traffic. Services to Kuala Lumpur and Jakarta were also suspended in May due to the economic crisis in Asia. However, the airline launched new services to Fiji and a non-stop Brisbane-Bali service. Ansett launched a two-class service; Businessfirst and Economy. Ansett is awarded 'Airline of the Year' for the fifth consecutive year at the Australian Federation of Travel Agents/National Travel Industry Awards. In April, Ansett finished converting its Boeing 767s from three-crew to two-crew cockpits eliminating the need for flight engineers on these aircraft. Organisational realignment started as a key platform for Ansett's Business Recovery Program. A new executive committee was appointed followed by a comprehensive management realignment program. Ansett also invited staff to submit expressions of interest in a Voluntary Redundancy (VR) program. Almost 1200 staff registered an interest. As a part of the BRP, Ansett announced its plans to divest its non-core assets. In May, Ansett sold Hayman Island and its 50% share in Hamilton Island airport to BT Hotels for \$94 million. It also sold its share of Carlson Wagonlit Travel and the Cairns Pacific International Hotel. On 11 June, the Australian Competition and Consumer Commission gave draft approval for the Ansett group, Air New Zealand and Singapore Airlines to form a commercial alliance. Ansett and Air New Zealand also became observer status members of the one-year-old Star Alliance. Ansett started redeveloping its Sydney Terminal for the 2000 Olympic Games.



1999 Ansett continued to divest its non-core assets selling:

- 62.2% share of Diners Club Ltd to Diners Club International.
- Ansett Air Freight (express door-to-door service) to TNT
- Transport Industries Insurance (TII) to QBE Insurance.
- Inflight catering business to Gate Gourmet.

In March, Ansett officially joined the Star Alliance. Also in March, News Limited and Singapore Airlines (SQ) reached an understanding for SQ to buy News' 50% shareholding in Ansett Holdings Limited for \$500million, subject to a number of conditions. The transaction was vetoed by Ansett's other 50% shareholder, Air New Zealand. The engineering business units of Ansett Australia and Air New Zealand announced plans to combine to form Ansett New Zealand Engineering Services (ANNZES), a unique trans-Tasman Maintenance Repair and Overhaul (MRO) business. In September, Ansett upgraded its international fleet by leasing two Boeing 747-400 aircraft from SQ to replace its 747-300s. The new 747-400s included personal seat back video screens and telephones in economy class. Ansett met its Better Business targets achieving a \$140.8m trading profit for the financial year - a \$110 million improvement on the previous year. Ansett invested \$29 million in state-of-the-art call centres in state capitals.



2000 Ansett made a smooth transition through the Y2K millennium changeover. Executive chairman, Rod Eddington, departed Ansett in April to take up the position of Chief Executive Officer at British Airways. In February, Air New Zealand announced its intention to purchase News Limited's 50% shareholding in Ansett Holdings Limited and moved to full ownership of Ansett and its subsidiaries in June. A new trans Tasman, Australasian executive structure is announced in August and comprehensive work started on merging operations to form a new group; equivalent to the world's 20th biggest airline. Ansett launched a brand revitalisation campaign incorporating a new advertising style with refurbished lounges, inflight entertainment and aircraft interiors. The airline was first-to-market with E-check in and mobile phone WAP technology.

Mexicana Airlines, Singapore Airlines, British Midland and the Austrian Airlines group (consisting of Austrian Airlines, Tyrolean Airways and Lauda Air) joined the Star Alliance bringing total membership to 15.

ANNZES appointed a separate senior management team.

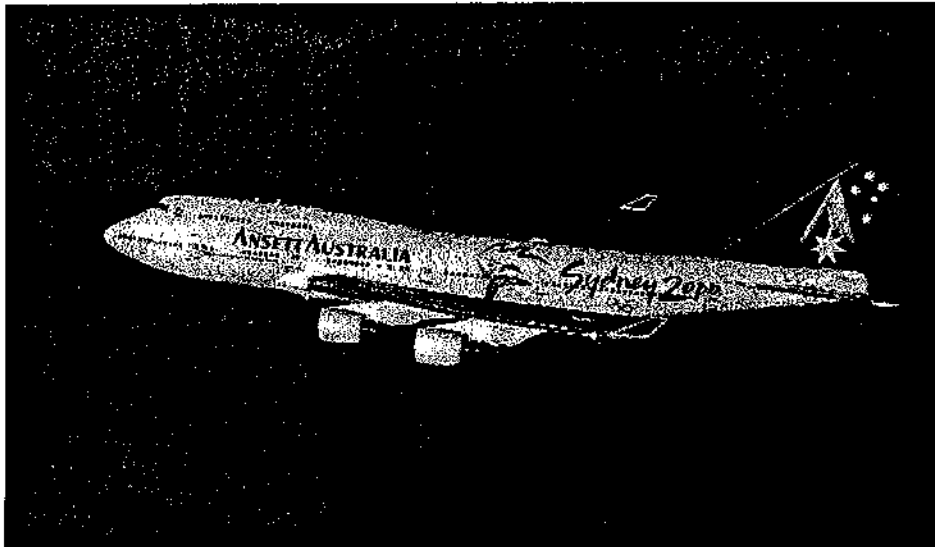
EBIV part 2 agreements were achieved across the airline realising significant benefits for both staff and the business.

Domestic airline competition intensified during the year with Impulse Airlines extending its services from its eastern Australian regional base to include major trunk routes from June and Virgin Blue entering the market in August.

Ansett capitalised on its status as Official Airline of the Sydney 2000 Olympic and Paralympic Games - exceeding the financial targets sought from the sponsorship.

Ansett Holdings Limited operating profit before tax fell to \$101.6 million. Growth in passenger numbers, revenue and load factors were offset by higher fuel costs, fluctuating foreign exchange rates and high internal costs.

Gary Toomey took up the position of Chief Executive Officer of the combined airline Group in December. Gary was the former Deputy Chief Executive and Executive Director at Qantas Airways Limited.





INFORMATION COMPILED BY:
Ansett Australia Corporate Affairs
16/501 Swanston Street
Melbourne, Victoria, 3000
Tel: (03) 9623 3450
Fax: (03) 9623 2887

Our sincere thanks to the many Ansett Australia and former airline people who helped compile this document.

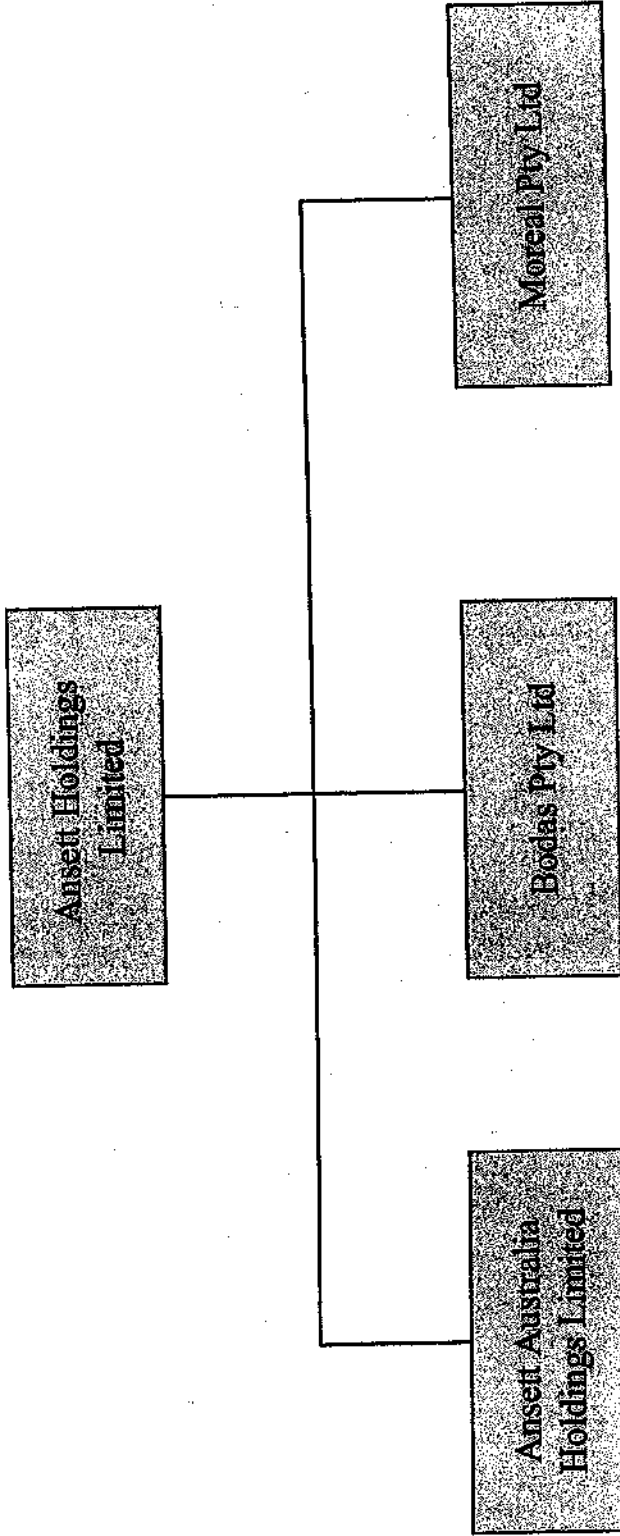
Our list of milestones is not meant to be a full Ansett history but we hope the chronology assists in giving a broad understanding of major airline developments over the years.

Every effort has been made to ensure accuracy, but some documents relating to Ansett's history are no longer available and occasional instances of written information contradicting other records were encountered.

We would welcome advice from readers who might have access to data we may have inadvertently overlooked.



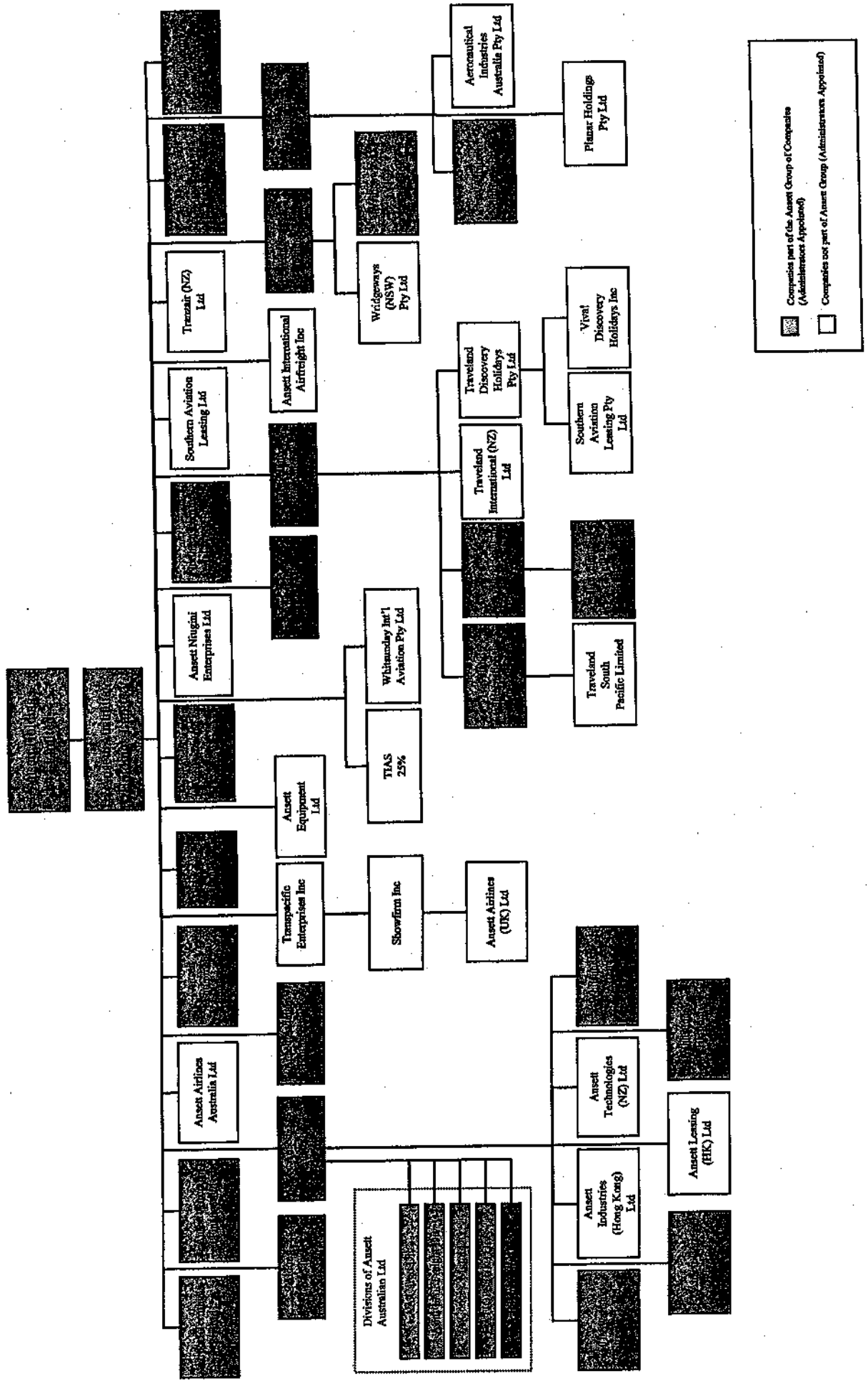
Ansett Group Structure



Companies part of the Ansett Group of Companies (Administrators Appointed)

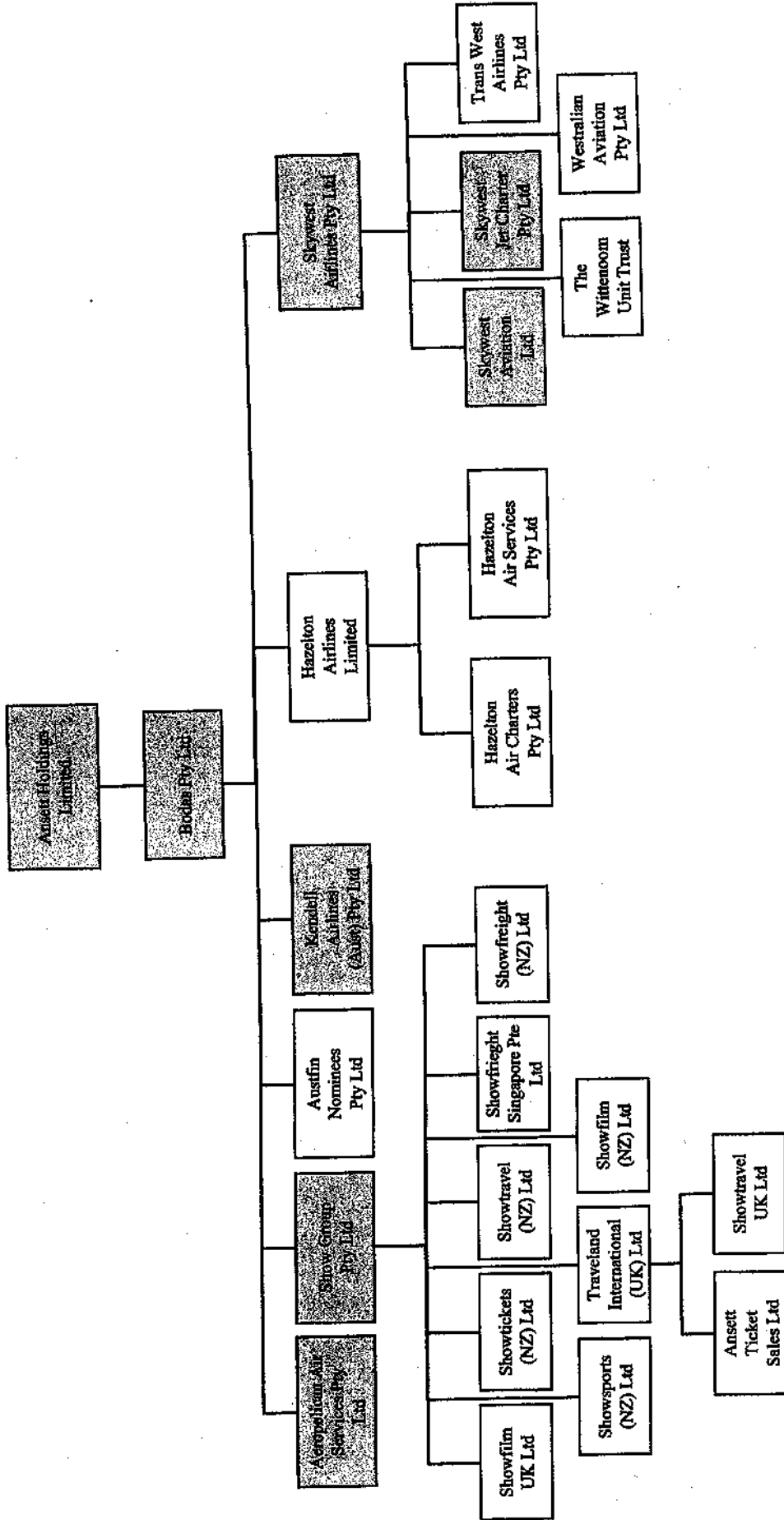
Companies not part of Ansett Group (Administrators Appointed)

Ansett Group Structure



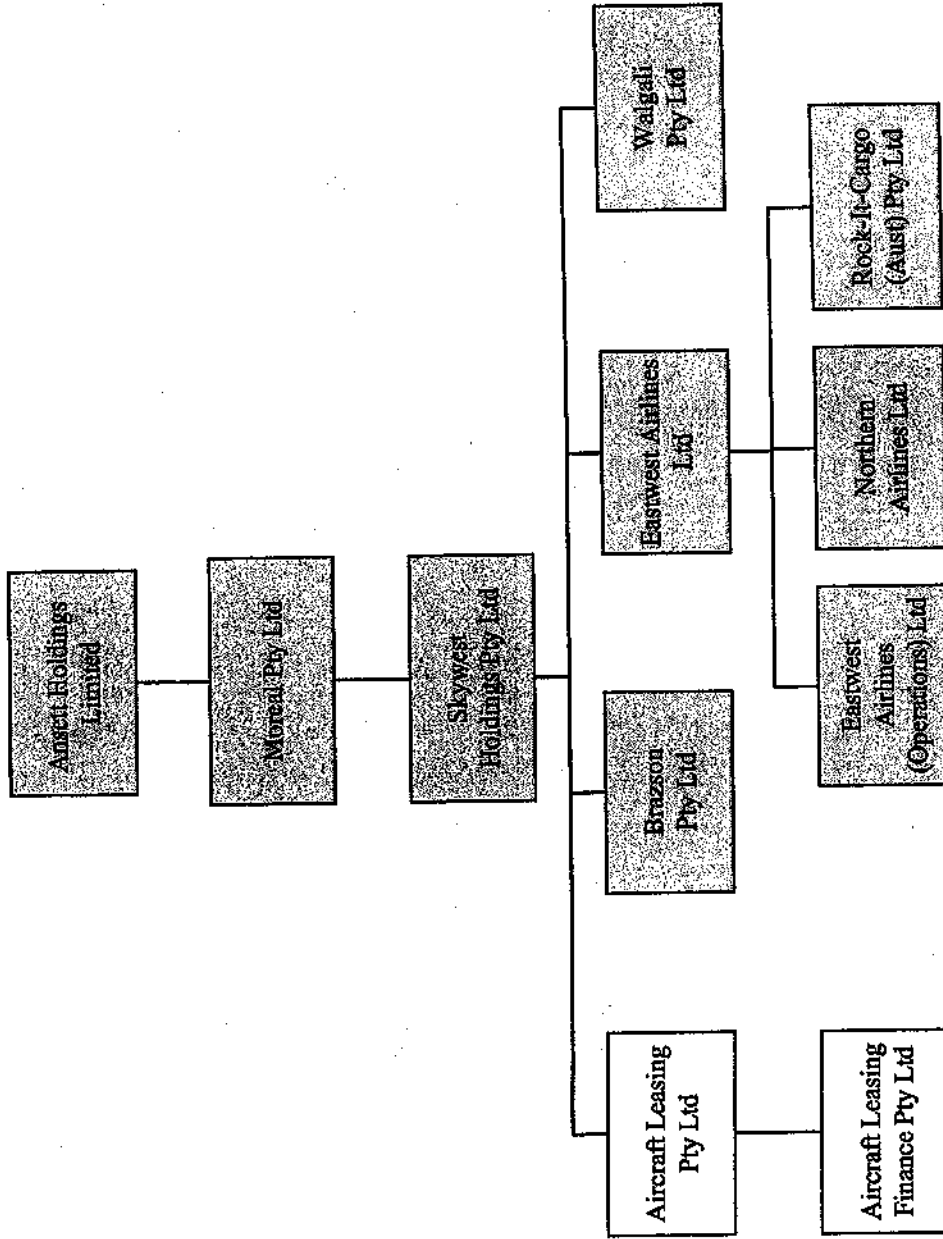
Companies part of the Ansett Group of Companies (Administrators Appointed)
 Companies not part of Ansett Group (Administrators Appointed)

Ansett Group Structure



Companies part of the Ansett Group of Companies (Administrators Appointed)
 Companies not part of Ansett Group (Administrators Appointed)

Ansett Group Structure



Comprehensive part of the Ansett Group of Companies (Administrators Appointed)
 Companies not part of Ansett Group (Administrators Appointed)

ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)

LIST OF DIRECTORS

Director	Company	Term of Directorship
1. Phillip Ralph Burdon	Ansett Holdings Ltd	11/07/00 -
2. Ronald Powell Carter	Ansett Holdings Ltd	11/07/00 -
3. Choong Kong Cheong	Ansett Holdings Ltd	23/08/00 -
4. Elizabeth Mary Coutts	Ansett Holdings Ltd	23/08/00 -
5. John Simon Curtis	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	27/05/98 - 05/03/01 27/05/98 - 23/06/00 -
6. Selwyn John Cushing	Ansett Holdings Ltd	11/07/00 -
7. Anthony St George Edmonds	Ansett International Ltd	22/01/00 -
8. Robert Estcourt	Ansett International Ltd	05/09/97 -
9. James Alfred Farmer	Ansett Holdings Ltd	11/07/00 -
10. John Thomas James Kline	Rock-It-Cargo (Aust) Pty Ltd	11/09/01 -
11. Ralph James Norris	Ansett Holdings Ltd	11/07/00 -
12. Mervyn Leonard Peacock	Ansett International Ltd	01/10/96 -
13. Philip John Barnes Rose	Ansett Holdings Ltd	06/12/00 -
14. Michael Jiak Ngee Tan	Ansett Holdings Ltd	23/08/00 -
15. Gregory James Terry	Ansett Holdings Ltd	11/07/00 -
16. William McLeod Wilson	Ansett Holdings Ltd	11/07/00 -
17. Christopher Wright	Rock-It-Cargo (Aust) Pty Ltd	11/09/01 -
18. Arun Amarsi	Ansett Holdings Ltd (alternate director for Cushing) Ansett Holdings Ltd (alternate director for Burdon) Ansett Holdings Ltd (alternate director for Terry)	18/07/01 - 21/08/01 - 21/08/01 -
19. Choon Seng Chew	Ansett Holdings Ltd (alternate director for Cheong)	16/07/01 -
20. Syn Chung Wah	Ansett Holdings Ltd (alternate director for Tan)	23/07/01 -

Director	Company	Term of Directorship
21. John Harvey Blair	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Bodas Pty Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Moracl Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Aviation Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	16/02/01 – 08/09/01
	Traveland Pty Ltd - Hazelton Airlines Ltd	19/3/01 – 8/9/01 30/03/01 – 08/09/01
	Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	10/04/01 – 08/09/01

Director	Company	Term of Directorship
22. George Frazis	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Bodas Pty Ltd Brazson Pty Ltd Kendell Airlines (Aust) Pty Ltd Morael Pty Ltd Northern Territory Aerial Work Rock-It-Cargo (Aust) Pty Ltd Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Traveland Pty Ltd Walgali Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways (Vic) Pty Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	24/8/01 - 08/09/01
	Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd EastWest Airlines (Operations) Ltd EastWest Airlines Ltd Northern Airlines Ltd Skywest Aviation Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Wridgways Holdings Ltd	16/02/01 - 08/09/01
	Hazelton Airlines Limited	01/05/01 - 08/09/01

Director	Company	Term of Directorship
23. Scott David Roworth	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Aviation Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	16/02/01 – 07/09/01
	Bodas Pty Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd Hazelton Airlines Limited	21/12/00 07/09/01 30/03/01 – 07/09/01
	Traveland Pty Ltd	19/03/01 – 07/09/01

Director	Company	Term of Directorship
32. Trevor George Jensen	Skywest Airlines Pty Ltd	25/08/97 – 16/02/01
33. Donald Moreton Kendell	Aeropelican Air Services Pty Ltd Skywest Airlines Pty Ltd	18/10/96 – 31/12/00
	Kendell Airlines (Aust) Pty Ltd	21/06/67 – 03/12/00
34. Bey Soo Khlang	Ansett Holdings Ltd (alternate director for Goode)	31/05/01 – 20/09/01
35. Garry Robert Kingshott	Show Group Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd	23/12/97 – 05/03/01
	Traveland Pty Ltd	23/12/97 – 19/03/01
	Traveland New Staff Pty Ltd	15/06/99 – 05/03/01
36. Andrew Baxter Miller	501 Swanston Street Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Moracl Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Pty Ltd Rock-It-Cargo (Aust) Pty Ltd Show Group Pty Ltd Skywest Aviation Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	22/09/00 – 16/02/01

Director	Company	Term of Directorship
Andrew Baxter Miller	Aeropelican Air Services Pty Ltd Skywest Airlines Pty Ltd	01/12/97 – 16/02/01
	Kendell Airlines (Aust) Pty Ltd Traveland Pty Ltd	25/08/97 – 16/02/01 22/09/00 – 19/03/01
37. Adam Francis Moroney	Ansett Australia Holdings Ltd	19/01/01 – 05/06/01
38. Allister Currie Paterson	501 Swanston Street Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Bodas Pty Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Pty Ltd Rock-It-Cargo (Aust) Pty Ltd Skywest Aviation Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	22/09/00 – 16/02/01
	Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett International Ltd	18/07/00 – 16/02/01
39. Ronald Morris Rosalky	Aeropelican Air Services Pty Ltd Kendell Airlines (Aust) Pty Ltd	17/08/99 – 16/02/01
	Bodas Pty Ltd Skywest Airlines Pty Ltd	22/09/00 – 16/02/01
40. Paul van Ryn	Ansett International Ltd	18/02/97 – 22/01/01

Director	Company	Term of Directorship
41. Wayne Alan Walker	Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Traveland Pty Ltd	22/09/00 – 16/02/01 03/04/00 – 16/02/01 03/04/00 – 19/03/01
42. Sean Patrick Wareing	Ansett Australia Holdings Ltd Ansett Holdings Ltd	17/07/00 – 01/11/00
43. David James Irvine	501 Swanston Street Pty Ltd Ansett Carts Pty Ltd Westintech Ltd Wesintech Nominees Pty Ltd Wridgways Holdings Limited Wridgways (Vic) Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Aviation Equipment Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Ansett Australia Ltd Bodas Pty Ltd Brazson Pty Ltd Northern Airlines Ltd Walgali Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Morael Pty Ltd Northern Territory Aerial Work Pty Ltd Rock-It-Cargo (Aust) Pty Ltd Skywest Aviation Ltd Spaca Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd Aeropelican Air Services Pty Ltd (alternate director) Kendell Airlines (Aust) Pty Ltd (alternate director) Skywest Airlines Pty Ltd (alternate director) South Centre Maintenance Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Show Group Pty Ltd Traveland Pty Ltd (alternate director)	23/04/93 – 21/08/00 25/11/92 – 21/08/00 01/03/93 – 21/08/00 20/08/98 – 21/08/00 31/03/93 – 21/08/00 21/12/92 – 21/08/00 22/09/95 – 21/08/00 26/09/95 – 21/08/00 13/03/96 – 21/08/00 11/12/96 – 21/08/00 17/08/99 – 21/08/00 26/08/94 – 21/08/00 28/04/94 – 21/08/00 09/03/93 – 21/08/00 17/08/99 – 11/08/00

Director	Company	Term of Directorship
44. Craig Alexander Wallace	Acropelican Air Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Limited Ansett Equipment Finance Ltd Ansett Finance Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Northern Airlines Ltd Skywest Airlines Pty Ltd Skywest Aviation Ltd Westintech Limited Wridgways Holdings Ltd	17/08/99 – 25/08/00
45. Robert Harry Nazarian	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	01/10/96 – 17/07/00
46. James McCrea	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd Ansett Australia Ltd	01/10/96 – 07/07/00 23/06/00 – 07/07/00
47. Peter John Macourt	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	21/08/91 – 23/06/00 29/06/94 – 23/06/00 25/06/96 – 23/06/00
48. Kenneth Edward Cowley	Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Holdings Ltd Ansett International Ltd	05/09/88 – 23/06/00 27/07/92 – 23/06/00 29/06/94 – 23/06/00 06/07/93 – 23/06/00
49. Roderick Ian Eddington	Ansett Australia Holdings Ltd Ansett Australia Ltd	08/01/97 – 28/04/00
	Ansett Holdings Ltd	04/02/97 – 28/04/00
50. Paul Craig Birch	Show Group Pty Ltd	17/08/99 – 11/08/00
51. Lyell Francis Strambi	Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Traveland Pty Ltd	17/08/99 – 11/08/00
52. Sean Gould Williams	Traveland Pty Ltd (alternate director for Walker)	01/07/00 – 19/03/01
53. Peter James Crogan	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	26/10/00 – 30/03/01

Director	Company	Term of Directorship
54. Norman William Fricker	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	28/11/97 - 30/03/01
55. Desmond Livingstone Nicholl	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	29/03/96 - 30/03/01
56. Stanley James Quinlivan	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	05/09/96 - 30/03/01
57. Bradford Frederick McInnes Stuart	Hazelton Airlines Ltd Hazelton Air Services Pty Ltd Hazelton Air Charter Pty Ltd	26/11/93 - 16/05/01 22/06/94 - 16/05/01

Arnold Bloch Leibler

Lawyers and Advisers

9 January 2002

Jamie Orchard
Director- Enforcement
Australian Securities & Investment Commission
Victorian Regional Office
Level 13
485 Latrobe Street
MELBOURNE VIC 3000

By Facsimile - 9280 3434

AND TO:

Kathrine Morganwicks
Australian Securities & Investment Commission
Victorian Regional Office
Level 13
485 Latrobe Street
MELBOURNE VIC 3000

By Facsimile - 9280 3392

Dear Sir and Madam

Ansett Administration

In accordance with Section 439A of the *Corporations Act 2001* ("the Act"), the Second Meeting of Creditors of the Ansett Group (other than SkyWest and Aeropelican) is currently scheduled to take place on Tuesday, 29 January 2002. The Ansett Administrators will make statement to creditors that in their opinion it would be in the creditors' interests to execute a Deed of Company Arrangement but will also propose to adjourn the Second Meeting of Creditors for a further period of approximately 45 days. The Second Meeting of Creditors on 29 January 2002 will principally deal with the following matters, namely:

- (a) A general report as to the companies' business, property, affairs and financial circumstances;
- (b) Approval of the TESNA transaction; and
- (c) Approval of the Administrator's fees.

The Administrators are generally aware from the assistance they have provided to ASIC that ASIC is currently conducting its own investigation into the Ansett Group. In anticipation of concluding its first report to creditors, the Administrators would be grateful if you could advise by 11 January 2002 if possible of the current status of ASIC's investigation and whether ASIC anticipates taking any, and if so what, further steps.

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Your ref
Our ref LZ:DMM
File no 01-1213869
Doc no ::ODMA/PCDOCS/ABL1227421

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Partners
Mark M Leibler
Robert J Heathcote
Henry D Lenzler
Stewart M Sava
Susan J Herbert
Joseph Borenstein
Leon Zwiher
Philip Chester
Russ A Peterson
Stephen L Sharp
Kevin F Fowler
Paul Chiappi
Michael N Dodge
Jane U Sheridan
Pauline Gredal
Steven Klein
Leanne R Thompson
Zaven Mordkhas
Justin Lathlean
Jonathan M Wenig
Paul Sokolowski

Senior Associates
Sam Doland
Alex King
Niv Tadmore
Dary Merkel
Scott Stender
Fianna Hardey
Nicolo Gordo

Special Counsel
Public Interest Law
Peter M Seidel

Arnold Bloch Leibler
Page: 2
Date: 9 January 2002

Kindly note it is the Administrator's present intention to annex this letter and ASIC's reply to the Report.

Yours faithfully
ARNOLD BLOCH LEIBLER

per:

Leon Zwiernicki





ASIC

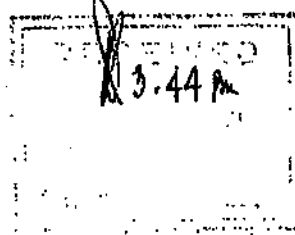
Australian Securities & Investments Commission

Regional Office - Victoria
CGL Tower, 485 Latrobe Street, Melbourne
GPO Box 9827 Melbourne VIC 3001
DX 423 Melbourne

Telephone: (03) 9280 3200
Facsimile: (03) 9280 3444

9 January 2002

Mr Leon Zwier
Partner
Arnold Bloch Leibler
Level 21
333 Collins Street
MELBOURNE VIC 3000



Dear Sir

Ansett Administration

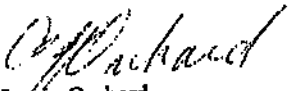
Thank you for your letter of 9 January 2002.

On 14 September 2001, the Australian Securities and Investments Commission ("ASIC") commenced a formal investigation pursuant to section 13 of the ASIC Act 2001 (Cth) into suspected contraventions of section 180 and / or section 588G and / or section 588V and / or section 995(2) of the Corporations Act 2001 relating to Ansett Holdings Limited (Administrator Appointed) ACN 065 117 535 and Air New Zealand Limited ACN 000 312 685 during the period 23 June 2000 to 12 September 2001.

This investigation is continuing, however, ASIC is unable to comment on anticipated future action, if any, in respect of the parties the subject of our investigation until ASIC's enquiries in this matter are finalised.

ASIC acknowledges the co-operation of the Administrators and their general assistance with our investigation to date.

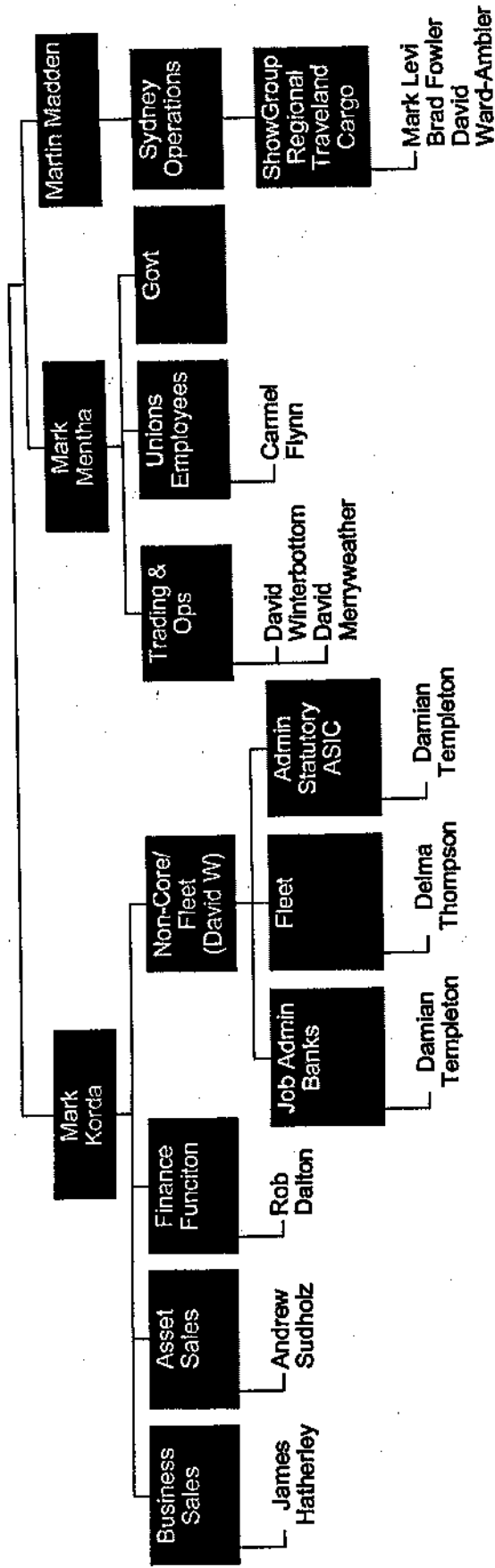
Yours faithfully,


Jamie Orchard
Director Enforcement South/West

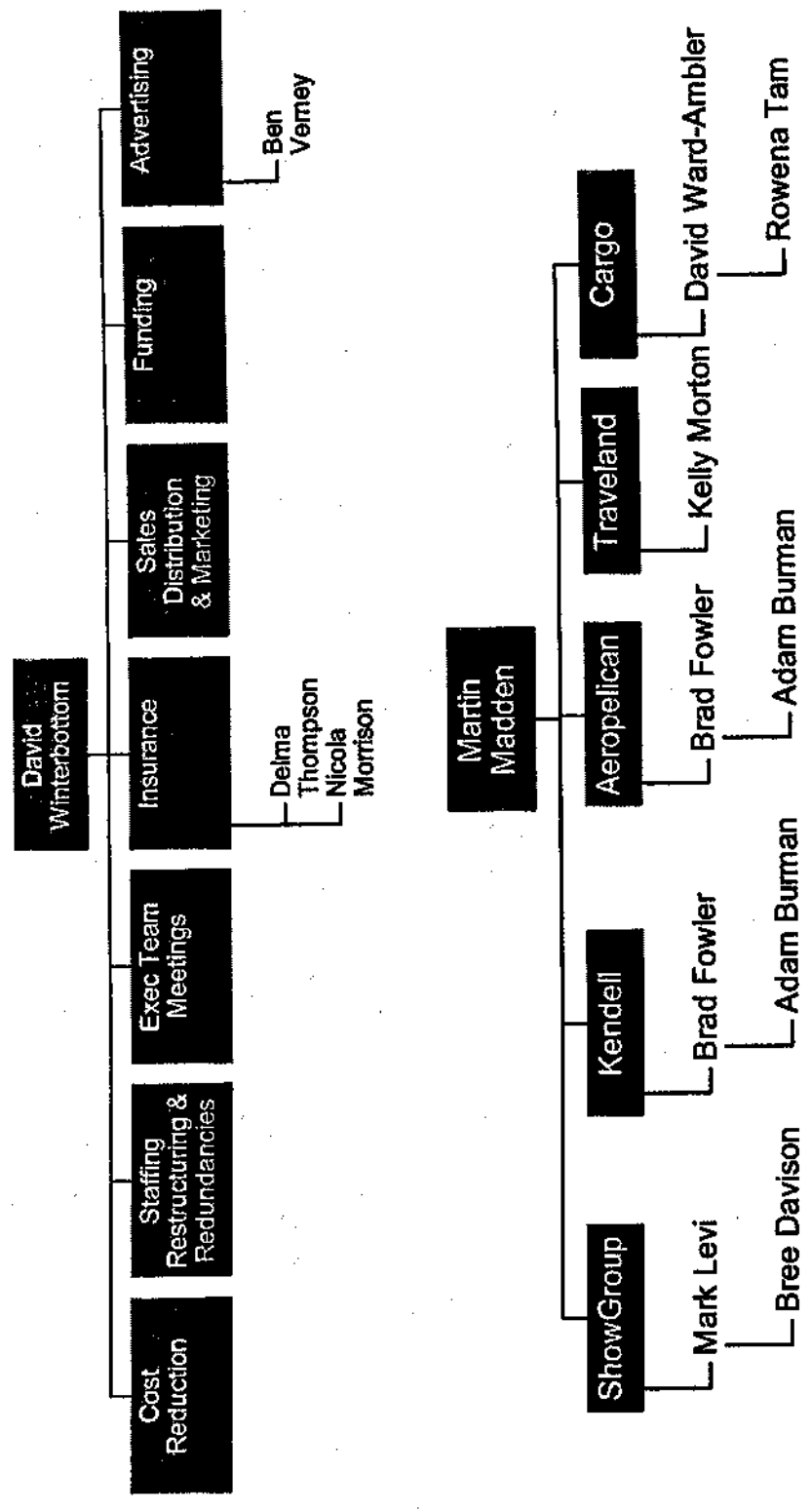
Andersen Staff Responsibilities - Overall



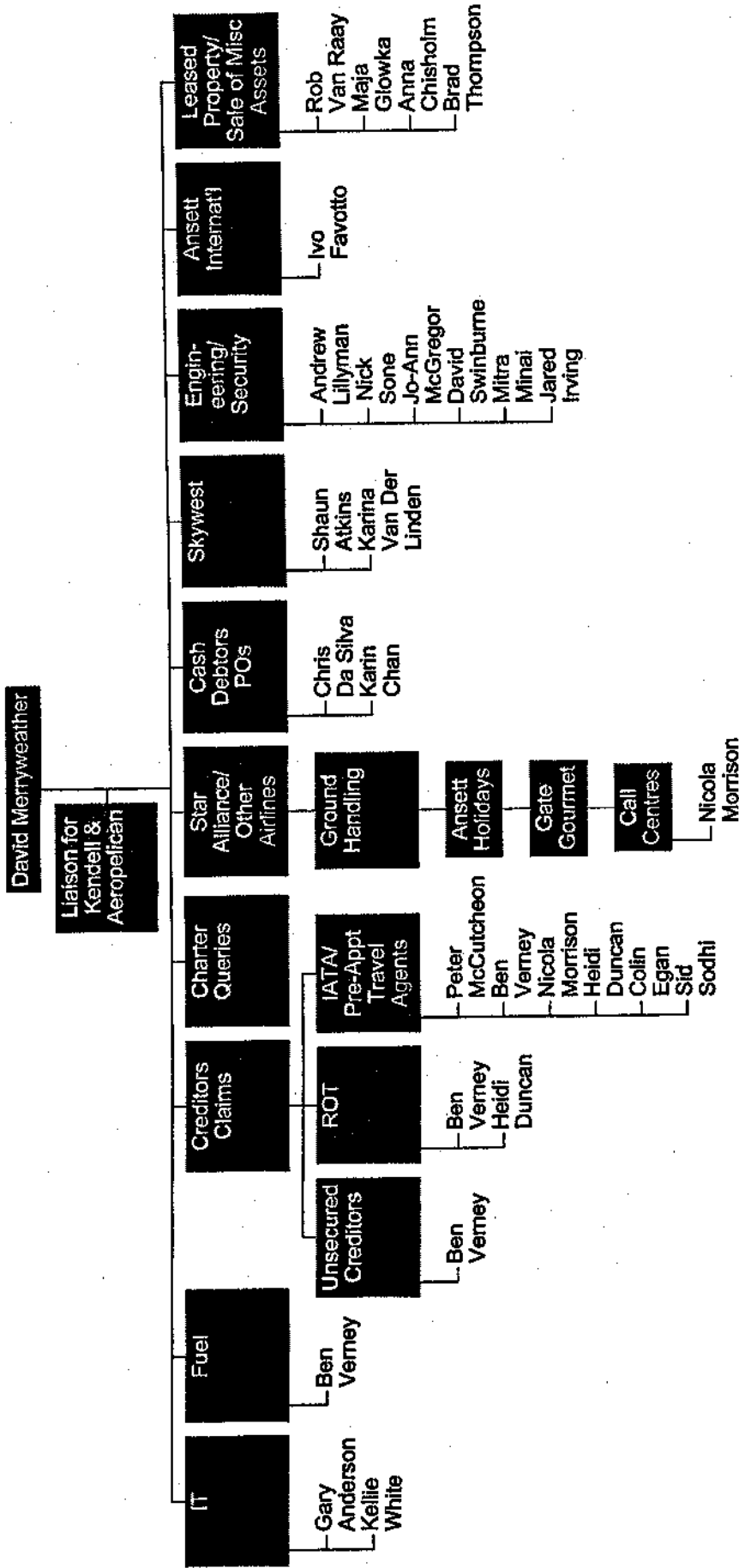
ANSETT AUSTRALIA



Andersen Staff Responsibilities - Trading & Operations



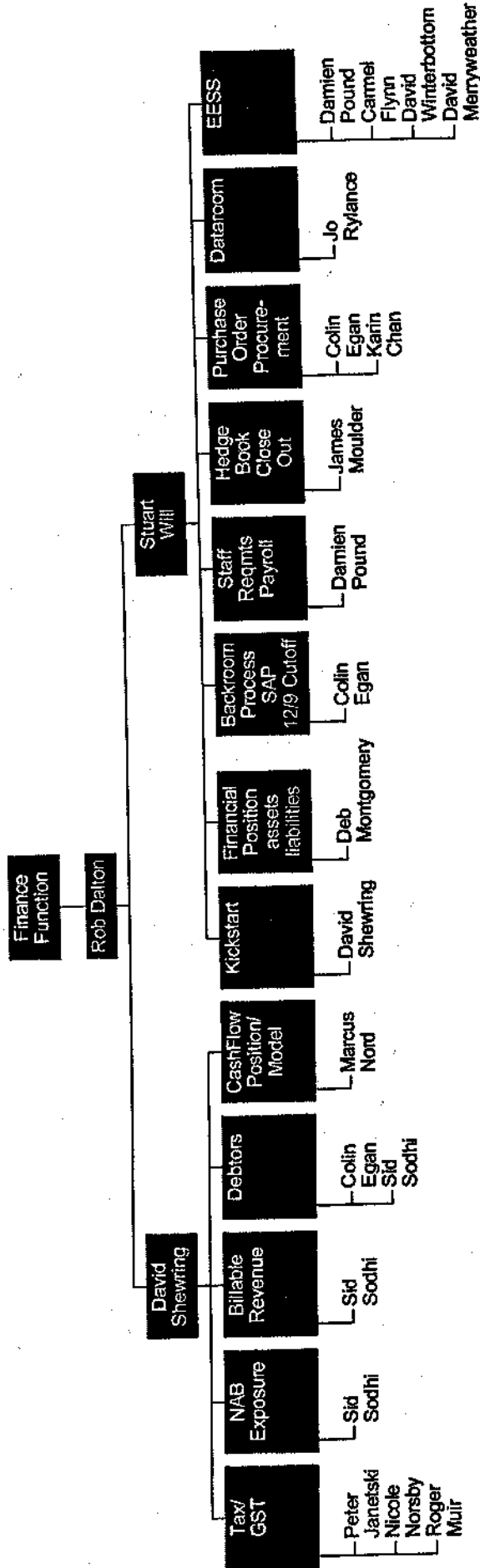
Andersen Staff Responsibilities - Trading & Operations (cont)



Andersen Staff Responsibilities - Finance Function



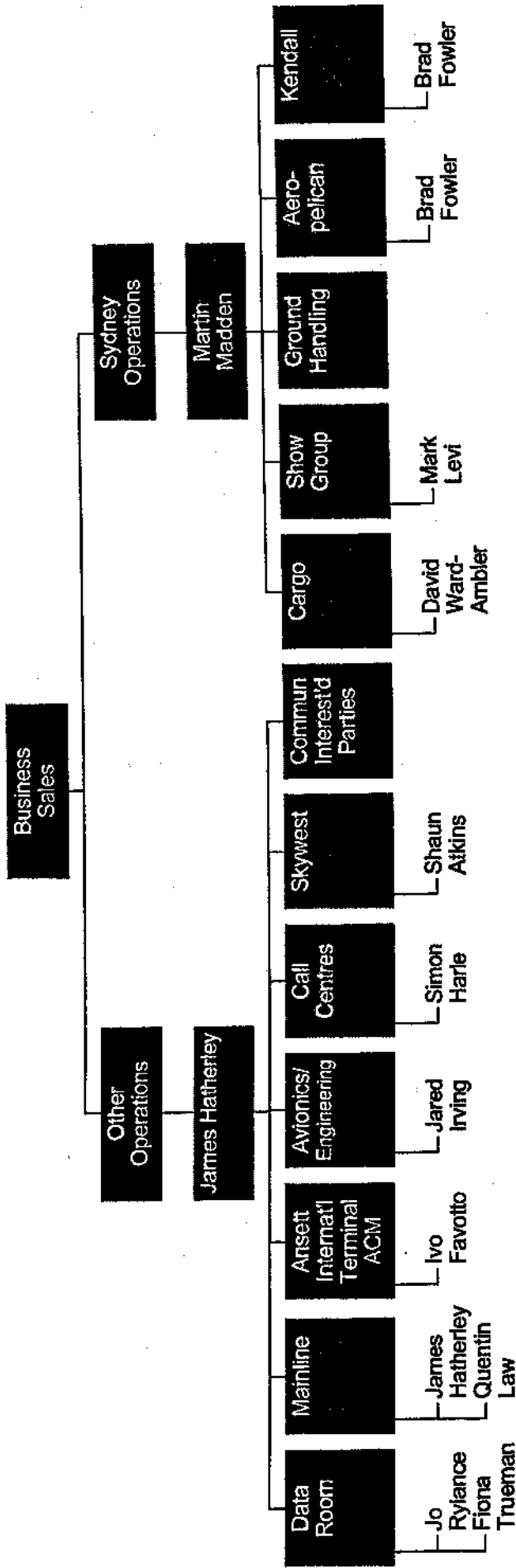
ANSETTA AUSTRALIA



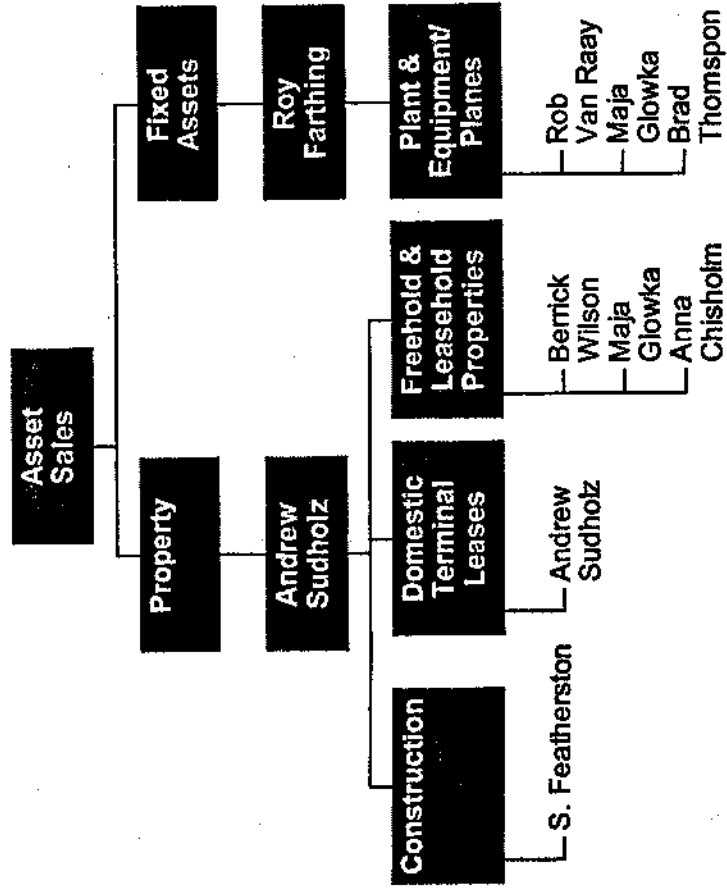
Andersen Staff Responsibilities - Business Sales



ANSETT AUSTRALIA



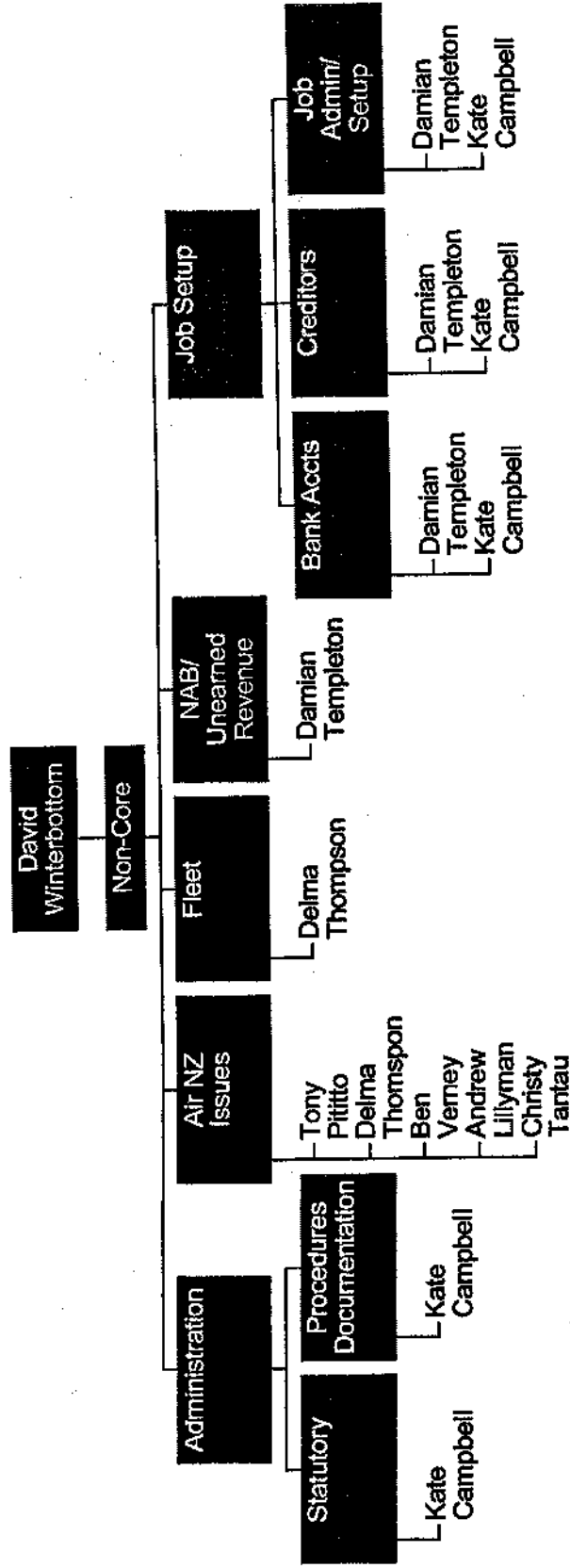
Andersen Staff Responsibilities - Asset Sales



Andersen Staff Responsibilities - Non-Core



ANSETT AUSTRALIA



Major Area of Responsibility for Administrator Staff



A summary of work performed by each of the major Andersen service lines is as follows:

- | | |
|--|---|
| <ul style="list-style-type: none"><input type="checkbox"/> Corporate Recovery Services<ul style="list-style-type: none">- Manage all operational issues- Business assessment- Fleet issues- Statutory issues- Government liaison- Manage creditor and retention of title claims process- All banking issues<input type="checkbox"/> Real Estate Services Group (RESG)<ul style="list-style-type: none">- Identification and valuation of assets- Sale of property and plan assets (in conjunction with CF)<input type="checkbox"/> Risk Consulting (IT)<ul style="list-style-type: none">- Assess & rebuild IT systems- Minimise IT infrastructure costs without impacting on Kick-start | <ul style="list-style-type: none"><input type="checkbox"/> Audit & Business Advisory (ABA)<ul style="list-style-type: none">- Manage finance function and payroll- Prepare forecast and actual results- Reconstruct financial statements- Facilitate Air New Zealand separation- Union liaison- Identification of assets- Employee entitlement calculation and process- Assist bidders with information requirements<input type="checkbox"/> Corporate Finance (CF)<ul style="list-style-type: none">- Manage sale process of businesses<input type="checkbox"/> Tax<ul style="list-style-type: none">- Identify potential GST refunds- Advise on GST issues associated with all categories of transactions |
|--|---|

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

\$'000	Ansett Australia Ltd	Ansett Australia Holdings Ltd	Ansett Aviation Equipment Pty Ltd	Eastward Airlines (Operations) Pty Ltd	Alcock Terminals Pty Ltd	Ansett International Ltd	Ansett Equipment Finance Ltd	Ansett Aircraft Finance Ltd	Traveland Pty Ltd	Traveland International Pty Ltd	Bodas Pty Ltd
ASSETS											
Bank	14,653	10,400	0	0	0	3,328	0	0	788	0	0
Trade Debtors	148,823	0	0	0	0	4,752	3,635	0	3,047	0	0
Sundry Debtors & Prepayments	258,007	10,875	0	1,598	0	5,521	0	0	2,651	0	0
Consumables & WIP	339,891	1,385,354	0	138,235	18,230	407	15,747	28,124	2,105	337	77
Related Party Receivables			171,426			338,502					
Total Current Assets	<u>689,552</u>	<u>1,336,428</u>	<u>171,426</u>	<u>139,833</u>	<u>18,230</u>	<u>353,510</u>	<u>19,982</u>	<u>28,124</u>	<u>5,532</u>	<u>337</u>	<u>77</u>
Investments	1,086	105,970	0	0	0	0	0	0	48	275	46,937
Intangible Assets	0	0	0	0	0	0	0	0	4,286	0	1
Future Income Tax Benefit	240,724	12,065	607	5,308	1,023	1,963	112	1,188	5,387	205	0
Plant & Equipment	193,748	0	0	0	0	1,963	0	0	0	0	0
Aircraft	1,000,619	0	88,961	44,747	0	2,615	0	0	0	0	0
Rotables, Spares & Structures	141,943	0	7,285	0	0	0	0	0	0	0	0
Land & Buildings	350,155	0	30,869	0	0	0	0	0	0	0	0
Total Non-current Assets	<u>1,928,273</u>	<u>118,065</u>	<u>96,833</u>	<u>50,055</u>	<u>31,692</u>	<u>4,578</u>	<u>112</u>	<u>1,188</u>	<u>9,692</u>	<u>480</u>	<u>46,939</u>
TOTAL ASSETS	<u>2,617,825</u>	<u>1,454,494</u>	<u>268,259</u>	<u>189,888</u>	<u>49,922</u>	<u>358,088</u>	<u>19,494</u>	<u>30,312</u>	<u>18,274</u>	<u>817</u>	<u>47,815</u>
LIABILITIES											
Secured Creditors											
Loans over Aircraft (3rd Party)	(474,414)	0	0	0	0	0	0	0	0	0	0
Priority Creditors											
Employee Entitlements	(214,713)	0	0	0	0	(3,750)	0	0	(3,524)	0	0
Unsecured Creditors											
Loans & Overdrafts	(60,711)	(89,508)	0	0	0	(1,703)	0	0	(20)	0	0
Trade Creditors	(199,432)	(14,878)	0	(2,051)	0	(16,225)	0	0	(13,237)	0	0
Taxation Related Creditors	(47,829)	(8,937)	(1,139)	0	0	0	0	0	(47)	(288)	(1)
Provision for Deferred Income Tax	(234,361)	0	(27,770)	(6,338)	0	0	0	0	(6,716)	0	0
Other Creditors and Provisions	(288,826)	(30,280)	(1,977)	(8,717)	0	0	0	0	0	0	0
Sales in Advance	(288,826)	0	0	0	0	0	0	0	0	0	0
Sales in Advance	(1,135,834)	(1,024,863)	(14,052)	(338,006)	(32,500)	(280,652)	0	0	(9,208)	(8,990)	(60,800)
Related Party Payables											
Total Unsecured Creditors	<u>(2,234,716)</u>	<u>(1,165,266)</u>	<u>(44,853)</u>	<u>(358,090)</u>	<u>(32,500)</u>	<u>(310,610)</u>	<u>0</u>	<u>0</u>	<u>(29,230)</u>	<u>(6,258)</u>	<u>(60,801)</u>
TOTAL LIABILITIES	<u>(2,923,943)</u>	<u>(1,165,266)</u>	<u>(44,839)</u>	<u>(358,090)</u>	<u>(32,500)</u>	<u>(314,360)</u>	<u>0</u>	<u>30,312</u>	<u>(32,754)</u>	<u>(9,258)</u>	<u>(69,291)</u>
NET ASSETS / (LIABILITIES)	<u>(1,061,018)</u>	<u>338,228</u>	<u>223,321</u>	<u>(168,207)</u>	<u>17,422</u>	<u>43,728</u>	<u>19,484</u>	<u>0</u>	<u>(14,480)</u>	<u>(6,441)</u>	<u>(13,786)</u>
Contributed Equity	(3,000)	(639,280)	0	(77,328)	0	(75,000)	0	0	(10,440)	(24,072)	(12,000)
Reserves	(135,138)	(508)	0	0	(20,792)	0	0	0	0	0	0
Retained Earnings	244,156	303,560	(223,321)	243,528	3,370	31,272	(19,494)	(30,312)	24,920	32,513	25,768
TOTAL EQUITY	<u>106,018</u>	<u>(335,228)</u>	<u>(223,321)</u>	<u>(168,207)</u>	<u>(17,422)</u>	<u>(43,728)</u>	<u>(19,484)</u>	<u>(30,312)</u>	<u>14,460</u>	<u>9,441</u>	<u>13,786</u>

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
 Extracted from the General Ledger of each company. Unaudited.

\$'000	AANZES	South Centre Maintenance Pty Ltd	Ansett Holdings Ltd	Whitsunday Harbour Pty Ltd	Ansett Finance Ltd	Brazon Pty Ltd	Eastwest Airlines Ltd	Wagstaff Pty Ltd	Travelsend International (Aust) Pty Ltd	Along Services Pty Ltd	North Territory Aerial Work Pty Ltd
ASSETS											
Bank	0	0	0	0	0	0	0	0	0	0	0
Trade Debtors	0	0	0	0	0	0	0	0	0	0	0
Sundry Debtors & Prepayments	47	0	963	0	0	0	0	0	0	0	0
Consumables & WIP	0	0	4,523	1,181	97,913	48,382	31,228	18,769	985	165	103
Related Party Receivables	0	3,479	0	0	0	0	0	0	0	0	0
Total Current Assets	47	3,479	5,516	1,181	97,913	48,382	31,228	18,769	985	165	103
Investments	0	0	597,789	0	0	0	8,694	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Benefit	609	2,980	2,046	5,850	0	0	0	0	0	0	0
Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0
Aircraft	0	0	0	0	0	0	0	0	0	0	0
Robotics, Spares & Simulators	0	0	0	0	0	0	0	0	0	0	0
Land & Buildings	0	11,207	0	0	0	0	0	0	0	0	0
Total Non-current Assets	609	14,187	599,835	5,850	0	0	8,694	0	0	0	0
TOTAL ASSETS	656	17,666	605,351	7,040	97,913	48,382	39,920	18,769	985	165	103
LIABILITIES											
Secured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans over Aircraft (3rd Party)	0	0	0	0	0	0	0	0	0	0	0
Priority Creditors	0	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	0	0	0	0	0	0	0	0	0	0	0
Unsecured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans & Overdrafts	0	0	0	0	0	0	0	0	0	0	0
Trade Creditors	0	0	0	0	0	0	0	0	0	0	0
Taxation Related Creditors	(16)	0	0	0	0	(1,033)	0	(327)	0	0	0
Provision for Deferred Income Tax	(876)	0	0	0	0	0	0	0	0	0	0
Other Creditors and Provisions	0	0	0	0	0	0	0	0	0	0	0
Sales in Advance	0	0	0	0	0	0	0	0	0	0	0
Related Party Payables	(1,280)	0	(50,350)	(11,233)	0	0	(62,233)	0	(338)	(17,219)	0
Total Unsecured Creditors	(2,172)	0	(50,350)	(11,233)	0	(1,033)	(62,233)	(327)	(338)	(17,219)	0
TOTAL LIABILITIES	(2,172)	0	(50,350)	(11,233)	0	(1,033)	(62,233)	(327)	(338)	(17,219)	0
NET ASSETS / (LIABILITIES)	(1,516)	17,666	555,001	4,189	97,913	47,349	(22,313)	18,442	649	(17,054)	103
Contributed Equity	0	(18,000)	(825,814)	(14,722)	0	0	(80,325)	0	(100)	(2)	(103)
Reserves	0	(10,855)	0	0	0	0	(7,888)	0	0	0	0
Retained Earnings	1,516	9,008	70,813	18,915	(97,913)	(47,349)	120,306	(18,442)	(549)	17,056	0
TOTAL EQUITY	1,516	(17,666)	(555,001)	4,189	(97,913)	(47,349)	22,313	(18,442)	(649)	17,054	(103)

Ansett Group of Companies (Administrators Appointed)
 Balance Sheet Book Values as at 12 September 2001
 Extracted from the General Ledger of each company. Unaudited.

\$'000	Morpeth Pty Ltd	Northern Airlines Ltd	Westintech Ltd	Whitebread Pty Ltd	Wridgways Holdings Ltd	Ansett Cargo Pty Ltd	Rock-H-Cargo (Aust) Pty Ltd	501 Swanton Street Pty Ltd	Traveland New Staff Pty Ltd	Spacia Pty Ltd	Westintech Nominees Pty Ltd
ASSETS											
Bank	0	0	0	0	0	0	0	0	0	0	0
Trade Debtors	0	0	0	0	0	0	0	0	0	0	0
Sundry Debtors & Prepayments	0	0	0	0	0	0	0	0	0	0	0
Consumables & WIP	0	0	0	0	0	0	0	0	0	0	0
Related Party Receivables	267	8,684	13,888	12,983	9,870	0	0	0	0	0	0
Total Current Assets	267	8,684	13,888	12,983	9,870	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Benefit	0	0	0	0	0	0	0	0	0	0	0
Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0
Aircraft	0	0	0	0	0	0	0	0	0	0	0
Ratables, Spares & Simulators	0	0	0	0	0	0	0	0	0	0	0
Land & Buildings	0	0	0	0	0	0	0	0	0	0	0
Total Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	267	8,684	13,888	12,983	9,870	0	0	0	0	0	0
LIABILITIES											
Secured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans over Aircraft (3rd Party)	0	0	0	0	0	0	0	0	0	0	0
Priority Creditors	0	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	0	0	0	0	0	0	0	0	0	0	0
Unsecured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans & Overdrafts	0	0	0	0	0	0	0	0	0	0	0
Trade Creditors	0	0	0	0	0	0	0	0	0	0	0
Taxation Related Creditors	0	0	0	0	0	0	0	0	0	0	0
Provision for Deferred Income Tax	0	0	0	0	0	0	0	0	0	0	0
Other Creditors and Provisions	0	0	0	0	0	0	0	0	0	0	0
Sales in Advance	0	0	0	0	0	0	0	0	0	0	0
Related Party Payables	0	0	0	0	0	(2,556)	0	0	0	0	0
Total Unsecured Creditors	0	0	0	0	0	(2,556)	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0	(2,556)	0	0	0	0	0
NET ASSETS / (LIABILITIES)	267	8,684	13,888	12,983	9,870	(2,556)	0	0	0	0	0
Contributed Equity	(62,000)	(1,026)	(11,770)	(6)	(2,262)	0	0	0	0	0	0
Reserves	0	0	(170)	0	(139)	0	0	0	0	0	0
Retained Earnings	62,733	(7,688)	(1,948)	(12,887)	(7,469)	2,556	0	0	0	0	0
TOTAL EQUITY	(267)	(8,684)	(13,888)	(12,983)	(9,870)	2,556	0	0	0	0	0

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

\$'000	Whidgways (Nite) Pty Ltd	Kendall Airlines (Australia) Pty Ltd	Stow Group Pty Ltd
ASSETS			
	0	13	5,912
Bank	0	653	13,916
Trade Debtors	0	8,344	2,129
Sundry Debtors & Prepayments	0	8,864	0
Consumables & WIP	0	50,895	256
Related Party Receivables	0		
Total Current Assets	0	68,569	22,213
	0	0	0
Investments	0	0	0
Intangible Assets	0	0	0
Future Income Tax Benefit	0	15,888	713
Plant & Equipment	0	5,681	867
Aircraft	0	411,937	0
Rotables, Spares & Simulators	0	30,614	0
Land & Buildings	0	2,088	0
Total Non-current Assets	0	465,206	1,674
TOTAL ASSETS	0	534,775	23,887
LIABILITIES			
	0	(343,178)	0
Secured Creditors	0		
Loans over Aircraft (3rd Party)	0		
Priority Creditors	0	(6,639)	(1,088)
Employee Entitlements	0		
Unsecured Creditors	0	(7,708)	0
Loans & Overdrafts	0	(11,213)	(5,485)
Trade Creditors	0	(736)	(86)
Taxation Related Creditors	0	(14,459)	(82)
Provision for Deferred Income Tax	0	(15,315)	(1,677)
Other Creditors and Provisions	0	(48)	0
Sales In Advance	0	(154,866)	(22,863)
Related Party Payables	0		
Total Unsecured Creditors	0	(204,163)	(30,117)
TOTAL LIABILITIES	0	(554,181)	(31,203)
NET ASSETS / (LIABILITIES)	0	(19,406)	(7,316)
	0	(256)	(100)
Contributed Equity	0	(850)	0
Reserves	0	20,314	7,416
Retained Earnings	0		
TOTAL EQUITY	0	19,406	7,316

**Ansett Group
Pro-forma Pooling Deed
Statement Pursuant to Section
439A(4)(c)
of the Corporations Act 2001**

Arnold Bloch Leibler

Lawyers and Advisers



ANSETT GROUP
PRO-FORMA POOLING DEED
STATEMENT PURSUANT TO SECTION 439A(4)(C)
OF THE CORPORATIONS ACT 2001

1 PARTIES

The parties to the Deed will be:

- 1.1 The Ansett Group Companies named in Schedule ## of this Statement (each "an Ansett Group Company" and collectively "the Ansett Group");
- 1.2 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as Administrators of each Ansett Group Company ("the Voluntary Administrators");
- 1.3 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as the Administrators of the Deed ("the Deed Administrators").

2 PURPOSE AND OBJECTS

The purposes and objects of the Deed are to provide for the business, property and affairs of each Ansett Group Company to be administered in a way that:

- 2.1 maximises the chances of the Ansett Mainline Business continuing in existence under the ownership of Tesna and provides for a regime for that to occur;
- 2.2 facilitates a selective pooling of the assets and novation of the liabilities of certain Ansett Group Companies into one company;
- 2.3 results in a better return for the creditors of each Ansett Group Company than would result from an immediate winding-up of the Ansett Group;
- 2.4 facilitates a commercial resolution to the financial difficulties of the Ansett Group without unnecessary impediment or legal dispute; and
- 2.5 has due regard to any orders or directions made by the Court as to how Part 5.3A of the Act is to operate in relation to each Ansett Group Company.

3 DEFINITIONS

- 3.1 **"Act"** means the *Corporations Act 2001*;
- 3.2 **"Aircraft Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.3 **"Air New Zealand MOU"** means the Memorandum of Understanding dated 3 October 2001 between, amongst others, the Ansett Group, the Voluntary Administrators, the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group;
- 3.4 **"Appointment Date"** means the date of commencement of the voluntary administration of each Ansett Group Company;
- 3.5 **"Asset"** includes a mere cause of action or chose in action;
- 3.6 **"Assumed Claim"** means a Claim which was originally owing by another Ansett Group Company in respect of which the Principal Ansett Company has agreed to assume responsibility pursuant to the provisions of the Deed;
- 3.7 **"Assumed Creditor"** means a creditor who is owed an Assumed Claim;
- 3.8 **"Business Sale"** means a sale by any Ansett Group Company of a business or assets to a third party which occurs during the Voluntary Administration Period or the Deed Period, including the Tesna Sale;
- 3.9 **"Claim"** means a debt payable by, and all claims against, an Ansett Group Company (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims circumstances giving rise to which occurred on or before the Appointment Date;
- 3.10 **"Commencement Date"** means the date the conditions precedent in Clause 4 have been satisfied;
- 3.11 **"Coupon Creditor"** means a person who on the Appointment Date is the holder of a ticket for air travel to be provided by any Ansett Group Company on or after the Appointment Date and which has not been honoured by the carrier;
- 3.12 **"Court"** means the Federal Court of Australia at its Melbourne Registry;



- 3.13 **"Deed Administrators"** means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as administrators of the Deed;
- 3.14 **"Deed Creditor"** means any person who has a Claim, including Assumed Creditors;
- 3.15 **"Deed Period"** means the period commencing on the Commencement Date and ending on the Termination Date;
- 3.16 **"Domestic Terminal Leases"** means the leases for airport terminals located at Australian airports which are used by, occupied or in the possession of the Ansett Group Company, being the terminals at the following airports:
- (a) Melbourne;
 - (b) Sydney;
 - (c) Brisbane;
 - (d) Adelaide;
 - (e) Perth;
 - (f) Hobart;
 - (g) Canberra;
 - (h) Darwin;
 - (i) Alice springs;
 - (j) Cairns;
 - (k) Townsville;
 - (l) Coolangatta;
 - (m) Rockhampton;
- 3.17 **"Domestic Terminal Lessors"** means the lessors under Domestic Terminal Leases;
- 3.18 **"Electing Companies"** means the Ansett Group Companies listed in Schedule ## to this Statement;
- 3.19 **"Employees"** means all employees of any Ansett Group Company as at the Commencement Date;
- 3.20 **"Entitlement"** means the amount of a Claim that a Participating Creditor is entitled to be paid as a distribution in accordance with the Deed;



- 3.21 **"Excluded Assets"** means:
- (a) the assets of the Principal Ansett Company; and
 - (b) the shares in the Principal Ansett Company or the shares in any of its holding companies;
- 3.22 **"General Fund"** means the fund established for the payment of Participating Creditors;
- 3.23 **"Global Reward Creditor"** means a person who is a member of the frequent flyer scheme operated by the Ansett Group known as Global Rewards as at the Appointment Date;
- 3.24 **"Global Reward Claim"** means a Claim of a Global Reward Creditor which arises:
- (a) because he or she had Global Rewards points standing to his or her credit as at the Appointment Date; or
 - (b) because as at the Appointment Date, he or she held an airline ticket required through redemption of Global Rewards points for air travel to be provided by the Ansett Group or any other airline after the Appointment Date and which has not been honoured by the carrier; or
 - (c) otherwise by reason of being a member of the Global Rewards Frequent Flyer Scheme;
- 3.25 **"Golden Wing Claim"** means a Claim of a Golden Wing Creditor which arises:
- (a) because the expiry date for their membership falls on or after the Appointment Date;
 - (b) otherwise by reason of being a member of the Golden Wing Club;
- 3.26 **"Golden Wing Creditor"** means a person who was a member of the Golden Wing Club or would be a member of the Golden Wing Club but for the administration of the Ansett Group;
- 3.27 **"Insignificant Claim"** means the Claim of a Deed Creditor:
- (a) whose Claim as stated in the proof of debt lodged by it or in the assessment of the Deed Administrators is for an amount less than \$##; or
 - (b) in respect of which the Deed Administrators have estimated the likely dividend will be less than \$##;

- 3.28 **"Insignificant Creditor"** means a person with a Claim which is an Insignificant Claim;
- 3.29 **"IT Creditor"** means a person with a Claim which arises out of, or is related to, or is connected with the licensing of intellectual property in general or other rights to any Ansett Group Company;
- 3.30 **"Insured Creditor"** means a person with a Claim for a personal injury arising out of employment for which the Ansett Group Company is to be indemnified by an insurer or like agency;
- 3.31 **"Leases"** means any lease, licence or other agreement to use, occupy or possess real property or any other property;
- 3.32 **"Lessor"** means any person (other than an Ansett Group Company) who is the legal or beneficial owner of real property or any other property used, occupied or in the possession of an Ansett Group Company at the Appointment Date, comprising Property Lessors, Aircraft Lessors and Other Lessors;
- 3.33 **"Mainline Assets"** means the assets and property of the Mainline Business to be sold to Tesna Holdings Pty Ltd as contemplated by the Tesna Offer;
- 3.34 **"Mainline Business"** means the domestic passenger airline business conducted under the Ansett name prior to the Appointment Date to be sold to Tesna Holdings Pty Ltd in accordance with the Tesna Offer;
- 3.35 **"Mainline Liabilities"** means the liabilities of the Mainline Business to be assumed by Tesna Holdings Pty Ltd as contemplated by the Tesna Offer;
- 3.36 **"Members"** means shareholders of an Ansett Group Company;
- 3.37 **"Non-Pooling Ansett Group Company"** means an Electing Company whose creditors resolve at the Second Meeting of Creditors not to participate in Pooling;
- 3.38 **"Operative Provisions"** means Clauses 1, 2, 3, 4 and 5;
- 3.39 **"Other Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an asset (other than real property or an aircraft) that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.40 **"Participating Creditors"** means a Deed Creditor other than :-
- (a) Insignificant Creditors;
 - (b) Insured Creditors;

- (c) Transferred Creditors;
 - (d) [To be determined];
 - (e) [To be determined];
 - (f) [To be determined];
- 3.41 **"Past Employees"** means employees of any Ansett Group Company whose employment has been or is terminated by the Voluntary Administrators or Deed Administrators or whose employment otherwise ceases during the Voluntary Administration Period or the Deed Period, but excluding those employees whose employment has been terminated to enable the transfer of their employment pursuant to a Business Sale;
- 3.42 **"Pooling"** means a transfer and pooling of the assets and liabilities of two or more Ansett Group Companies into the Principal Ansett Company so that creditors of each such Company will be deemed to be creditors of the Principal Ansett Company;
- 3.43 **"Pooling Provisions"** means Clauses 15, 31 and 37;
- 3.44 **"Principal Ansett Company"** means ## Pty Ltd;
- 3.45 **"Priority Creditors"** means:
- (a) the Voluntary Administrators and the Deed Administrators in relation to any amounts due and payable to the Voluntary Administrators or the Deed Administrators pursuant to the terms of the Deed;
 - (b) Past Employees and the SEESA Payer in relation to SEESA Payments;
 - (c) Priority ROT Creditors to the extent of their priority;
 - (d) Secured Creditors;
- 3.46 **"Priority ROT Creditor"** means a ROT Creditor in relation to such priority amount notified to it by the Deed Administrators under Clause 19, and in the event of a dispute about the notified amount such priority amount agreed between that ROT Creditor and the Deed Administrators or ordered by the Court;
- 3.47 **"Property Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of real property that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;



- 3.48 **"ROT Claim"** means a claim by a supplier pursuant to the terms of trade by which the supplier traded with an Ansett Group Company, the supplier retained an interest in or ownership of goods and in respect of which there is no provision or act undertaken by that supplier inconsistent with those retention of ownership or interest provisions and in respect of which such goods remained in the possession of the Voluntary Administrators as at the Appointment Date and for which payment has not previously been made by an Ansett Group Company;
- 3.49 **"ROT Creditor"** means a person who has a ROT Claim;
- 3.50 **"Secured Creditor"** means any person who has the benefit of a Security which was valid at the Appointment Date or which is validated within 14 Business Days after the execution of the Deed over all or any assets of an Ansett Group Company securing all or any of its Claim but only to the extent of that Security as at the Appointment Date;
- 3.51 **"Secured Finance Lease Creditor"** means any Secured Creditor who has entered into a Financing Lease with an Ansett Group Company and holds, as security for the payment of any debt or liability or the performance of any obligation under that financing lease, a Security over an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date but only to the extent of that Security as at the Appointment Date;
- 3.52 **"Security"** means any mortgage, chattel mortgage, pledge, charge, agreement, encumbrance, lien, any right of set-off (arising otherwise than by operation of law or as a result of a banker's right to combine accounts), assignment which provides for and secures the payment of any debt or monetary liability or the performance of any obligation;
- 3.53 **"SEESA Payer"** means SEES Pty Ltd as agent for the Commonwealth of Australia, or the Commonwealth of Australia;
- 3.54 **"SEESA Payments"** means payments made by the SEESA Payer pursuant to the Special Employee Entitlement Scheme for Ansett Group employees established under the *Air Passenger Ticket Levy (Collection) Act 2001* and paid to the Voluntary Administrators or the Deed Administrators in accordance with a determination made by the Minister for Employment and Workplace Relations under that Act and the SEESA Payments Deed;
- 3.55 **"SEESA Payments Deed"** means the Deed dated 18 December 2001 between SEES Pty Ltd, the Ansett Group and the Voluntary Administrators setting out the terms on which SEESA Payments are to be paid to the Voluntary Administrators or the Deed

Administrators and the priority in which such payments will be repaid;

- 3.56 **"Superannuation Creditor"** means a person that is a trustee of a Superannuation Fund;
- 3.57 **"Superannuation Funds"** means Ansett Australia Ground Staff Superannuation Plan Pty Ltd (as trustee of the Ansett Australia Ground Staff Superannuation Plan), Ansett Australia Pilots/Management Superannuation Plan (as trustee of the Ansett Transport Industries Limited Pilots/Management Superannuation Plan) and Ansett Australia Flight Engineers' Superannuation Plan Pty Ltd (as trustee of the Ansett Transport Industries Limited Pilots/Management Superannuation Plan);
- 3.58 **"Supplier"** means a person whose Claim arises from or in consequence of the supply of goods;
- 3.59 **"Termination Date"** means the date of termination of the Deed;
- 3.60 **"Tesna Offer"** means the Letter of Offer from Tesna Holdings Pty Ltd dated 8 November 2001 which was accepted by the Voluntary Administrators on that date;
- 3.61 **"Tesna Sale"** means the sale of the Mainline Business (including the sale of the Mainline Assets and the assumption of the Mainline Liabilities) to Tesna Holdings Pty Ltd as contemplated by the terms of the Tesna Offer;
- 3.62 **"Transferred Creditors"** means a person with a Claim which a third party has on or before the Commencement Date assumed or agreed to assume, whether that agreement to assume the liability is conditional or unconditional;
- 3.63 **"Voluntary Administration Period"** means the period of time commencing on the Appointment Date and concluding on the Commencement Date;
- 3.64 **"Voluntary Administrators"** means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as administrators of each Ansett Group Company.

4 CONDITIONS PRECEDENT

- 4.1 The provisions of the Deed, other than the Operative Provisions, will not come into effect unless and until:
- (a) at the meetings convened under Section 439A of the Act, the creditors of each Ansett Group Company (other than the Electing Companies) resolve to enter into a



Deed of Company Arrangement specified in the resolution (being the proposed Deed details of which accompanied the notice of meeting); and

- (b) if deemed necessary by the Voluntary Administrators, approval by the Court.

4.2 If the conditions precedent in Clause 4.1 are not satisfied on or before ## 2002, the Deed Administrators will cause a meeting of creditors of each Ansett Group Company to consider whether each Ansett Group Company should be wound up or enter into a different deed of company arrangement.

5 ELECTION OF POOLING OR NON-POOLING BY ELECTING COMPANIES

5.1 The creditors of each Electing Company will be given the opportunity at the Second Meeting of Creditors to participate in Pooling.

5.2 If at the Second Meeting of Creditors the creditors of one or more Electing Companies do not resolve to participate in Pooling, then the Pooling Provisions will not apply, and in particular:

- (a) its assets and liabilities will not be transferred as contemplated by Clause 15;
- (b) its creditors will not participate in the General Fund established under Clause 31, but instead a specific fund will be established for that Ansett Group Company in accordance with Clause 32;
- (c) inter-company claims owing to or by that company to any other Ansett Group Company will not be released in accordance with Clause 37.

5.3 If at the Second Meeting of Creditors the creditors of one or more of the Electing Companies do resolve to participate in Pooling, then the Pooling Provisions will apply to such companies.

5.4 For the avoidance of doubt:

- (a) the Pooling Provisions will apply to all Ansett Group Companies other than a Non-Pooling Ansett Group Company; and
- (b) all provisions of the Deed other than the Pooling Provisions will apply to all Non-Pooling Ansett Group Companies.

6 COMMENCEMENT DATE

The Deed will be taken to have commenced upon satisfaction of the Condition Precedent.

7 MORATORIUM

7.1 During the Deed Period, all Deed Creditors other than Insured Creditors, are restrained from taking any action or proceeding with an action in relation to Claims, including claims for damages, against an Ansett Group Company other than to enforce rights arising pursuant to the terms of the Deed, without the Deed Administrators prior written consent.

7.2 The Deed Administrators cannot be liable to an action or other proceeding for damages in respect of a refusal to give an approval or consent for the purposes of this moratorium.

8 ROLE OF DEED ADMINISTRATOR

8.1 During the Deed Period the Deed Administrators:

- WORKING DRAFT**
- (a) have control of each Ansett Group Company's business, property and affairs;
 - (b) may carry on that business and manage that property and these affairs;
 - (c) may terminate or dispose of all or part of that business and may dispose of any of that property; and
 - (d) may perform any function and exercise any power that the Ansett Group Company or any of its officers could perform or exercise if the Ansett Group Company were not subject to the Deed.

9 DEED ADMINISTRATORS ACT AS ANSETT GROUP COMPANIES AGENTS

When performing a function or exercising a power as Deed Administrators, the Deed Administrators are taken to be acting as agents of the Ansett Group Companies.

10 POWERS OF OTHER OFFICERS SUSPENDED

10.1 While an Ansett Group Company is subject to a Deed of Company Arrangement, a person (other than the Deed Administrators) cannot perform or exercise and must not purport to perform or exercise a

function or power as an officer of the Ansett Group Company except with the Deed Administrators prior written approval.

- 10.2 For the avoidance of doubt, the directors of each Ansett Group Company will undertake not to pass a resolution to place any Ansett Group Company into voluntary administration or take any step to wind it up except with the Deed Administrators prior written approval.

11 DEED ADMINISTRATORS MAY INVESTIGATE AFFAIRS

The Deed Administrators may investigate the Ansett Group Company's business, property, affairs and financial circumstances and may report the results of their investigations to ASIC.

12 DEED ADMINISTRATORS RIGHT TO ANSETT GROUP COMPANIES BOOKS

A person is not entitled as against the Deed Administrators of any Ansett Group Company :-

- 12.1 to obtain possession of books of the Ansett Group Company; or
 12.2 to claim or enforce a lien on such books,
 but such a lien is not otherwise prejudiced.

13 TRANSFER OF SHARES

In the Deed Period a shareholder will not transfer any shares owned by it in any Ansett Group Company except with the Deed Administrators prior written approval.

14 DOMESTIC TERMINAL LEASES

- 14.1 All persons bound by the Deed will acknowledge that in order to give effect to the objects of Part 5.3A of the Act in general and to maximise the chances of each Ansett Group Company continuing in existence the Voluntary Administrators entered into the Tesna Sale.
- 14.2 All persons bound by the Deed will further acknowledge that it is a term and condition of the Tesna Sale that each Domestic Terminal Lessor will consent to the assignment of its lease of the Domestic Terminal to Tesna (or its nominee) and will be required to perfect any such assignment.

14.3 Each Domestic Terminal Lessor hereby acknowledges to each other person bound by this Deed as follows :-

- (a) a failure by a Domestic Terminal Lessor to consent to or perfect an assignment of the lease to Tesna (or its nominee) may prejudice the sale of the Mainline Business to Tesna and thereby frustrate the objects of Part 5.3A of the Act;
- (b) each Domestic Terminal Lessor's interest in its lease will be adequately protected by Tesna acquiring the Mainline Business and abiding by the terms of the Domestic Terminal Lease.

15 TRANSFER OF ASSETS AND LIABILITIES

- 15.1 All property and assets of each Ansett Group Company other than a Non-Pooling Ansett Group Company will be transferred to the Principal Ansett Company.
- 15.2 The Principal Ansett Company will assume all Claims novated from each Ansett Group Company other than a Non-Pooling Ansett Group Company.
- 15.3 The Deed Administrators will endeavour to sell all property, assets and rights of the Ansett Group for the best price that is reasonably obtainable having regard to the circumstances existing when those assets are sold and having regard to the diminution of Ansett Group liabilities in general and a reduction of payments to Participating creditors in particular.
- 15.4 If the Tesna Sale does not proceed to completion any liabilities which would have otherwise been assumed by the third party purchaser pursuant to the Tesna Sale had that sale completed will be transferred by the relevant Ansett Group Company to the Principal Ansett Company, and the Principal Ansett Company agrees to assume that liability.
- 15.5 Each Ansett Group Company and each person bound by the Deed will do all things and sign all documents required by the Deed Administrators to effect, ratify and perfect the transfer of assets and liabilities.

16 PROOFS OF DEBT

- 16.1 The Deed will contain a broadly based mechanism for making claims and establishing proofs of debt in similar terms as those that apply in a winding up.



- 16.2 For the avoidance of doubt, not all Deed Creditors claims will be paid a dividend under the Deed. Dividends will only be paid to Participating Creditors.

17 LESSORS GENERALLY

- 17.1 All persons bound by the Deed irrevocably agree that Section 444D(3) is limited to possessory rights of an owner or Lessor of property.
- 17.2 All persons bound by the Deed irrevocably agree that Section 444D(1) operates to enable Lessors to claim for future rent and future breaches of covenant.
- 17.3 The Ansett Group's Leases with the Lessors will not be assigned under the Deed. The Property Lessors premises which will be occupied by the Principal Ansett Company during the Deed Period will be on the basis of a monthly sub-licence from the Lessor to the Principal Ansett Company for a licence fee equal to the monthly rental payable as at the Commencement Date.
- 17.4 The Deed Administrators will not adopt, ratify or become liable to the Lessors under the any Lease with the Lessors.
- 17.5 Each Lessor who votes in favour of the Deed waives any prior default of its Lease.
- 17.6 Each Lessor will use its best endeavours to mitigate its loss and damage.

18 EMPLOYEES

- 18.1 The Deed Administrators will not adopt, ratify or become personally liable for the Employees' continued employment.
- 18.2 Employees whose employment is transferred to Tesna will waive all their rights to be paid a dividend under the Deed.
- 18.3 The Deed will contain detailed provisions to ensure that Employees who accept employment with Tesna will have no entitlements to receive a dividend in the administration or winding up of the Ansett Group or pursue any other rights against the Ansett Group.

19 RETENTION OF TITLE CREDITORS

- 19.1 Each Ansett Group Company and ROT Creditors will provide the Deed Administrators with all relevant documentation relating to its ROT Claim.

- 19.2 The Deed Administrators will on a without prejudice basis advise ROT Creditors as to their determination of the amounts which will rank as a priority.
- 19.3 If there is any dispute in relation to the classification of the amount determined by the Deed Administrators such dispute will be mediated.
- 19.4 If any disputes in relation to ROT Claims cannot be resolved by mediation, then ROT Creditors have the right to appeal against the Deed Administrators failure to admit their ROT Claims in full and have that appeal determined by the Court. The Principal Ansett Company will pay any amount which the Court orders to be paid, notwithstanding the respondent may be another Ansett Group Company.

20 AIRCRAFT LESSORS

The Claim of an Aircraft Lessor whose Lease was or is terminated or whose aircraft was or is returned or available for return by the Voluntary Administrators or the Deed Administrators is:

[To be determined]

21 PROPERTY LESSORS AND OTHER LESSORS

The Claim of a Lessor (other than an Aircraft Lessor) whose Lease was or is terminated or whose property was or is vacated or returned or available for return by the Voluntary Administrators or the Deed Administrators is:

[To be determined]

22 SECURED CREDITORS

The Claim of a Secured Finance Lease Creditor is:

[To be determined]

23 COUPON CREDITORS

The Claim of a Coupon Creditor is:

[To be determined]

24 GLOBAL REWARD CREDITORS

The Claim of a Global Reward Creditor is:

[To be determined]

25 GOLDEN WING CREDITORS

The Claim of a Golden Wing Creditor is:

[To be determined]

26 INSIGNIFICANT CREDITORS

The Deed will release and extinguish Insignificant Claims without the payment of any dividend.

27 IT CREDITORS

The Claim of an IT Creditor is:

[To be determined]

28 SUPERANNUATION CREDITORS

The Deed will contain provisions to ensure that each Ansett Group Company's obligation to make further contributions to the Superannuation Funds, if any, will not rank to any priority of payment unless the Court so determines that it would do so if the Ansett Group Companies were wound up.

29 LIMITATION OF ALL DEED CREDITORS CLAIMS (OTHER THAN INSURED CREDITORS)

The Deed will prohibit all Deed Creditors (other than Insured Creditors) from receiving a dividend in respect of expectation damages, special damages and damages for incidental and consequential loss.

30 AIR NEW ZEALAND MOU

30.1 All persons bound by this Deed acknowledge that pursuant to the Air New Zealand MOU:

(a) in consideration of the Voluntary Administrators being paid AUD\$150 million by the New Zealand Government on behalf of the Air New Zealand Group:

(i) the Voluntary Administrators and the Ansett Group released the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group from any actions, claims and demands arising out of a Letter of Comfort dated 8 August 2001 from Air New Zealand Limited to the Ansett Group;

(ii) subject to the accuracy of certain representations given by the directors in the Air New Zealand MOU, the Voluntary Administrators and the Ansett Group released the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group from actions, claims and demands relating to the management or affairs of the Ansett Group, but without effecting any rights or powers of or causes of action the Australian Securities & Investments Commission may directly or indirectly have in relation to any party to the Air New Zealand MOU;

(b) the Air New Zealand Group and the directors of both the Air New Zealand Group and the Ansett Group released the Ansett Group from all actions, claims and demands which any of them may have on any account whatsoever,

and the Deed will incorporate the above releases.

30.2 In accordance with the Air New Zealand MOU, the Deed Administrators will, after the Deed is entered into, request the Air New Zealand Group to sign and deliver to the Deed Administrators a transfer in blank of all shares held by the Air New Zealand Group in the Ansett Group for nominal value together with the share scrip for those shares.

31 GENERAL FUND

31.1 The General Fund will be comprised of:

(a) the proceeds from the Tesna Sale;

- (b) the proceeds from the sale of any other assets;
- (c) the refunds of stamp duty received on termination or surrender of any Lease; and
- (d) the proceeds from the realization of any asset including proceedings.

31.2 The General Fund will be applied in payment of the Voluntary Administrators, the Deed Administrators and the Participating Creditors as follows:

- (a) first, the Voluntary Administrators and Deed Administrators in relation to any amounts owing to them and unpaid pursuant to the terms of the Deed, to the extent they would be afforded priority in a winding up of the Principal Ansett Company;
- (b) secondly, the Secured Creditors, to the extent that their Security is valid;
- (c) thirdly, Priority ROT Creditors in relation to their priority amount;
- (d) fourthly, Retiree Employees and the SEESA Payers in accordance with the terms of the SEESA Deed, Superannuation Creditors and any other Participating Creditor entitled to a priority under s556 of the Act as if the Ansett Group Company was wound up, in the order of priority set out in section 556; and
- (e) fifthly, to the other Participating Creditors on a pro rata basis,

in the amounts and on the dates determined by the Deed Administrators.

31.3 For the avoidance of doubt, if there is any apparent inconsistency between the Deed and the SEESA Deed concerning the priority of repayment to the SEESA Payer, the terms of the SEESA Deed will prevail.

32 SPECIFIC FUND FOR EACH NON-POOLING ANSETT GROUP COMPANY

32.1 For each Non-Pooling Ansett Group Company, a specific fund will be established for that company to be comprised of:

- (a) the proceeds from the sale of any assets owned by that company;

- (b) the refunds of stamp duty received on termination or surrender of any lease held by that company; and
- (c) the proceeds from the realization of any other asset of that company, including proceedings.

32.2 The specific fund established for each Non-Pooling Ansett Group Company will be applied in payment of the Voluntary Administrators, the Deed Administrators and the Participating Creditors of that Non-Pooling Ansett Group Company as follows:

- (a) first, the Voluntary Administrators and the Deed Administrators in relation to any amounts owing to them and unpaid pursuant to the terms of the Deed, to the extent they would be afforded priority in a winding up of that Non-Pooling Ansett Group Company;
- (b) secondly, the Secured Creditors of that Non-Pooling Ansett Group Company, to the extent that their Security is valid;
- (c) thirdly, Priority ROT Creditors of that Non-Pooling Ansett Group Company in relation to their priority amount;
- (d) fourthly, past employees of that Non-Pooling Ansett Group Company and the SEESA Payers in accordance with the terms of the SEESA Deed, Superannuation Creditors of that Non-Pooling Ansett Group Company and any other Participating Creditor of that Non-Pooling Ansett Group Company entitled to a priority under section 556 of the Act as if that company were to be wound up, in the order of priority set out in section 556; and
- (e) fifthly, to other Participating Creditors of that Non-Pooling Ansett Group Company on a pro rata basis,

in the amounts and on the dates determined by the Deed Administrators.

33 CHARGES OVER ASSETS

Each Ansett Group Company will provide the Deed Administrators with a fixed and floating charge over all of its, assets and undertaking to secure all amounts to be paid to the Voluntary Administrators and Deed Administrators (including remuneration and costs and the liabilities of the Voluntary Administrators and Deed Administrators).

34 MANAGEMENT OF THE ANSETT GROUP

The Deed Administrators will retain day to day management and control of the Principal Ansett Company and all other Ansett Group Companies until the Termination Date to the exclusion of the directors.

35 POWERS OF ADMINISTRATORS

- 35.1 The Deed Administrators will be entitled in their capacity as Deed Administrators and trustee of the General Fund to exercise all the powers, authorities and discretions which are ordinarily exercised by or vest in a trustee of a fixed trust.
- 35.2 The Deed Administrators will be given such powers as are necessary for the effective operation of the Deed.
- 35.3 Without limiting Clauses 35.1 and 35.2, the Deed Administrators will have the following powers:
- (a) the powers conferred on the shareholders of each Ansett Group Company to the exclusion of those shareholders;
 - (b) the powers conferred on the directors of each Ansett Group Company to the exclusion of the directors of those companies;
 - (c) all of the powers set out in paragraph 2 of Schedule 8A of the Corporations Regulations;
 - (d) the power to alter share capital;
 - (e) the power to issue shares;
 - (f) the power to vary class rights attaching to shares;
 - (g) the power to change each Ansett Group Company's name;
 - (h) the power to reduce each Ansett Group Company's capital;
 - (i) the power to alter each Ansett Group Company's constitution;
 - (j) the power to convene meetings of members of each Ansett Group Company; and
 - (k) in relation to the property and assets of each Ansett Group Company, all the powers of a natural person who

is the absolute and beneficial owner of such property and assets.

- 35.4 In exercising any power of sale, the Deed Administrators will take reasonable care to sell the relevant asset for the best price that is reasonably obtainable, having regard to the circumstances existing when the asset is sold and having regard to the diminution of Ansett Group liabilities in general and any reduction in payments to Participating Creditors in particular.
- 35.5 The Deed Administrators will have power to engage solicitors and consultants, and the Ansett Group will pay all costs of any solicitors and consultants engaged by the Deed Administrators.

36 TERMINATION OF DEED

- 36.1 The Deed will terminate on the first to occur of:
- (a) ## months from the Commencement Date or such extended date as may be agreed between the Principal Ansett Company, the Deed Administrators and Deed Creditors (via a resolution at a Deed Creditors' meeting);
 - (b) the date a Court orders termination of the Deed;
 - (c) in respect of any Ansett Group Company which is deregistered, one day after a company is deregistered;
 - (d) payment of all Participating Creditors' Entitlements from the General Fund;
 - (e) in respect of each Non-Pooling Ansett Group Company, payment of all of its Participating Creditors' Entitlements from the specific fund established for it under Clause 32; or
 - (f) Deed Creditors passing a resolution at a meeting of Deed Creditors to terminate the Deed.
- 36.2 Notice of any meeting of Creditors will be given by advertising nationally and by posting on websites.
- 36.3 The Deed Administrators may deregister each of the Ansett Group Companies other than the Principal Ansett Company.

37 INTER-COMPANY CLAIMS

All Claims due by one Ansett Group Company against any other Ansett Group Company (other than the Non Pooling Ansett Group Companies) to

the extent that they have not previously been released will be released in respect of:

- 37.1 rights of contribution and indemnity;
- 37.2 loans;
- 37.3 internal sales;
- 37.4 shared Employees;
- 37.5 internal purchases;
- 37.6 shared assets; and
- 37.7 breaches of the Act (or Corporations Law).

Subject to the provisions of the Air New Zealand MOD, nothing contained in this clause will constitute a waiver of any Ansett Group Company's claims against any director or officer of the Ansett Group or any other person.

38 MEMBERS BOUND BY DEED

All Members consent to the Deed and appoint the Deed Administrators as their proxies or attorneys to vote and pass resolutions to give effect to the terms of the Deed.

39 ADMINISTRATOR'S REMUNERATION AND COSTS

The Principal Ansett Company will from time to time pay to the Voluntary Administrators and Deed Administrators:

- 39.1 remuneration in accordance with rates to be set out in a Schedule;
- 39.2 reimbursement of all of their legal and accountancy costs; and
- 39.3 all debts and liabilities incurred by the Voluntary Administrators and Deed Administrators during the Voluntary Administration Period and the Deed Period.

40 VOLUNTARY AND DEED ADMINISTRATOR'S INDEMNITY

The Voluntary Administrators and Deed Administrators are entitled to be indemnified by the Ansett Group in accordance with the Deed for their costs, expenses and liabilities incurred during the Voluntary Administration Period and Deed Period, other claims made against the Voluntary Administrators and Deed Administrators and all amounts for which they are entitled to be indemnified under the Deed.

41 DEED CREDITOR RELEASE

- 41.1 The Deed will contain full and complete releases by all Deed Creditors other than Insured Creditors of the amount of their Claims as and from the Commencement Date.
- 41.2 Insured Creditors will release all of their claims as and from the Commencement Date as and when they have exhausted their rights against the insurer or like agency.
- 41.3 The Deed will also contain releases in favour of the Voluntary Administrators and the Deed Administrators.

42 VOLUNTARY AND DEED ADMINISTRATORS RELEASE

All persons bound by the Deed release the Voluntary Administrators and the Deed Administrators from all claims and liability except in the case of fraud, dishonesty, breach of duty or negligence.

43 COMMITTEE OF CREDITORS

- 43.1 There will be a Committee of Creditors comprising those persons elected to the Committee of Creditors at the First Meeting of Creditors save for the Air New Zealand and Qantas representatives and any other persons who have or will resign from that Committee.
- 43.2 The representatives will otherwise be selected from amongst the creditor groups by the Deed Administrators from those presently appointed to the Committee of Creditors who nominate themselves for such purpose.
- 43.3 The function of the Committee of Creditors will be:
- (a) to consult with the Deed Administrators about matters relating to the administration; and
 - (b) to receive and consider reports by the Deed Administrators.
- 43.4 The Committee of Creditors cannot give directions to the Deed Administrators.

44 MEETINGS OF CREDITORS

44.1 The Deed Administrators:

- (a) may at any time convene a meeting of Deed Creditors; and
- (b) will convene a meeting of Deed Creditors if requested by Deed Creditors whose claims are more than 10% of the value of all claims.

44.2 Deed Creditors will be entitled to vote at those meetings according to their admitted Claims in the Principal Ansett Company or Non-Pooling Ansett Group Company.

44.3 All meetings of Deed Creditors will take place on a consolidated basis.

44.4 Written notice will not be sent by post to Deed Creditors of any further meetings. The Notice of Meeting will be advertised in newspapers nationally and a website and hotline established.

45 FORUM SHOPPING

45.1 All persons bound by the Deed agree that any application will only be made to the Court.

46 GOVERNING LAW

The Deed will be governed by Victorian Law.

47 RATIFICATION

All persons bound by the Deed will ratify the resolution to sell (or not to sell as the case may require) the Mainline Business to Tesna.

48 SEVERANCE PROVISION

If any provision of the Deed is illegal or void it may be severed from the Deed by Court order or direction and the remainder of the Deed will stand.

49 WINDING UP

49.1 If any Ansett Group Company is wound up by the Court, the Deed Creditors irrevocably consent to Mark Francis Xavier Mentha and



Mark Anthony Korda being appointed the liquidator of the Ansett Group Company.

- 49.2 In the event of a conflict between any Ansett Group Companies, the Deed Administrators will seek the Court's direction in relation to that conflict.

50 REPORTING

Except as required by law, the Deed Administrators will not be required to report to Deed Creditors. However, the Deed Administrators may, in their absolute discretion, report to Deed Creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of Deed Creditors.

51 FURTHER ASSURANCES

All persons bound by the Deed agree to do (at their own expense) all things required by the Deed Administrators to give effect to the Deed and the transactions and matters contemplated by it (including signing any documents).

WORKING DRAFT

Owner of Assets Subject of Tesna Sale

Ansett Company	Assets
Ansett Aviation Equipment Pty Ltd	Simulator Assets
Airport Terminals Pty Ltd	Perth Domestic Terminal Lease and related assets
South Centre Maintenance Pty Ltd	Melbourne Jet Base, South Centre Road
Ansett Australia Ltd	All other tangible assets

The employees expected to transfer to Tesna are primarily employed by Ansett Australia, however some employees may also be employed by Ansett International and AANZES.

* This is based on investigation to date, further searches on titles will be conducted prior to settlement date.

**IN THE FEDERAL COURT OF AUSTRALIA
DISTRICT REGISTRY**

No. V621 of 2005

**IN THE MATTER OF ANSETT AUSTRALIA LIMITED
(ACN 004 209 410) & ORS (in accordance with the
Schedule attached) (All Subject to a Deed of
Company Arrangement)**

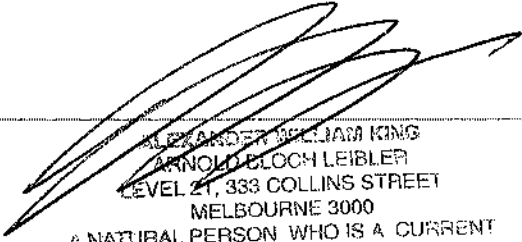
and

**MARK ANTHONY KORDA and MARK FRANCIS
XAVIER MENTHA (as Deed Administrators of the
Companies)**

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-10**" produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit dated 12 September 2005.

Before me:


ALEXANDER WILLIAM KING
ARNOLD BLOCH LEIBLER
LEVEL 21, 333 COLLINS STREET
MELBOURNE 3000
A NATURAL PERSON WHO IS A CURRENT
PRACTITIONER WITHIN THE MEANING OF
THE LEGAL PRACTICE ACT 1996

**Exhibit "MAK-10"
Second Report to Creditors**

ANSETT GROUP OF COMPANIES

Second Report by Administrators

Pursuant to Section 439A of the Corporations Act

15 March 2002



ANSETT GROUP SECOND REPORT BY ADMINISTRATORS

This is our Second Report to the creditors of the Companies within the Ansett Group. Our First Report was dated 16 January 2002.

As required by the Act, this report addresses the Companies' business, property, affairs and financial circumstances and provides our opinions on the following matters:

- Whether it would be in the creditors' interests for the Companies to execute a Deed of Company Arrangement ("DOCA"),
- Whether it would be in the creditors' interests for the administration of the Companies to end, and
- Whether it would be in the creditors' interests for the Companies to be wound up and the reasons for those opinions.

Administrators' First Report to Creditors

Our First Report provided an overview of the Ansett Group's operations and our actions. It also outlined that the Second Meetings of Creditors of the Ansett Group companies would be held in two parts:

Date	Purpose of Meetings	To be Referred to as
<ul style="list-style-type: none"> • 29 January 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the conduct of the administration to date. <input type="checkbox"/> To approve the sale of the mainline airline to Tesna. <input type="checkbox"/> To extend the date for completion of the Tesna sale. <input type="checkbox"/> To adjourn the meeting for a period of no more than 60 days. 	"Part 1 of the Second Meetings"
<ul style="list-style-type: none"> • by 30 March 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the investigations into the affairs of the Ansett Group. <input type="checkbox"/> To consider how the proceeds of sale be applied. <input type="checkbox"/> To consider and, if appropriate, approve the proposed DOCAs for the various Ansett Group companies. 	"Part 2 of the Second Meetings"

Part 1 of the Second Meetings was held on 29 January 2002. The creditors approved the proposed sale to Tesna and adjourned the meeting so that work could proceed on completing the sale and other aspects of the administration. The Tesna sale did not complete.



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

Separate meetings of creditors under Section 439A of the Act were held on 25 January 2002 for Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings ("the excluded companies"). Creditors of the excluded companies have been invited to attend Part 2 of the Second Meetings as observers. There will be no resolutions passed for the excluded companies at Part 2 of the Second Meetings.

Administrators' Second Report to Creditors

In accordance with the Orders of Justice Goldberg on 7 January 2002, notices for Part 2 of the Second Meetings were not mailed to creditors, but a notice of the time, date and place of the meeting was placed on the Administrators' web sites within 48 hours of Part 1 of the Second Meetings and in advertisements placed in newspapers nationally on 4 February 2002. This resulted in a substantial cost saving.

This report relates to the Ansett Companies listed at the conclusion of this report and is provided before Part 2 of the Second Meetings on 27 March 2002 convened under Section 439A of the Act.

It is our opinion that it is in the interests of creditors of the Ansett Group that each of the Companies execute a DOCA.

The purpose of this report is to:

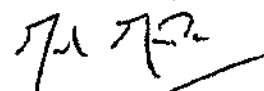
- Outline to creditors the reason for this opinion and provide an outline of the DOCAs.
- Provide an update on the administration generally.
- Advise creditors of the strategy for the realisation of the assets of the Companies.
- Advise creditors of the extent of our investigations to date.

The proposed DOCAs provide a mechanism to enable us to protect and then sell the assets of the Ansett Group in an orderly manner to maximise the return to creditors. The DOCAs provide a general framework for applying the proceeds of the asset sale. However, we intend to convene Third Meetings of Creditors after major sales have been completed. Creditors will make the decision on how proceeds will be distributed and no dividend would be paid to ordinary unsecured creditors until after that meeting. The Third Meetings would also consider whether the assets and liabilities of the companies should be "pooled", that is, treat some or all of the companies as a single entity for the purposes of distributions to creditors. The meetings would also consider whether the Ansett Group should be liquidated.

We intend to provide a further report before the Third Meetings. That report will include an update on our investigations.

Dated this 15th day of March 2002.


MARK A KORDA
Administrator


MARK F MENTHA
Administrator



 ANDERSEN

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

The companies for which this report has been prepared are listed immediately before the Appendices. Any reference to dollars in this report relates to Australian currency unless indicated otherwise.

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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

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1. *Listing of Ansett Group Companies*
2. *ASIC Media Release 02/69, ASIC'S Ansett Investigation Focuses on Financial Disclosures by Air New Zealand Limited, Friday 1 March 2002*
3. *Outline of Proposed Deeds of Company Arrangement*



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

ABBREVIATIONS USED IN THIS REPORT

Mark Korda and Mark Mentha of Andersen
Allan Watson, Greg Hall and Peter Hedge of
PricewaterhouseCoopers

Australian Aviation Engineering Services a division of
Ansett Australia Limited (ACN 004 209 410)
Ansett Aircraft Spares and Services
Aeropelican Air Services Pty Ltd (ACN 000 653 083)
Ansett International Limited (ACN 060 622 460)
Bodas Pty Ltd (ACN 002 158 741)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)
ANST Show Pty Ltd
(Formerly Show Group Pty Ltd) (ACN 002 968 989)
Skywest Airlines Pty Ltd (ACN 008 997 662)
ANST Westsky Aviation Limited
(Formerly Skywest Aviation Limited) (ACN 004 444 866)
ANST Westsky Jet Charter Pty Ltd
(Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
ANST Westsky Holdings Pty Ltd
(Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
ANST Travel Pty Ltd
(Formerly Traveland Pty Ltd) (ACN 000 240 746)
Aeropelican, Skywest Airlines, Skywest Aviation, Skywest
Jet Charter and Skywest Holdings
All companies listed in Appendix 1 with the exception of the
excluded companies
Michael Humphris of Sims Lockwood as Administrator of:
- Hazelton Air Charter Pty Ltd (ACN 065 221 356)
- Hazelton Air Services Pty Ltd (ACN 000 242 928)
- Hazelton Airlines Limited (ACN 061 965 642)
Air New Zealand Group of Companies

Australian Securities and Investments Commission
Canberra International Airport Corporation Pty Ltd
Commonwealth Government of Australia
Corporations Act (2001) Commonwealth
Deed of Company Arrangement
Domestic Terminal Lease
Enterprise Bargaining Agreement
General Employee Entitlement Redundancy Scheme

Abbreviated to:
"the Administrators"
"the Initial Administrators"

"Engineering" or "AAES"

"AASS"
"Aeropelican"
"Ansett International"
"Bodas"
"Kendell"
"Show Group"

"Skywest"
"Skywest Aviation"

"Skywest Jet Charter"

"Skywest Holdings"

"Traveland"

"the excluded companies"

Collectively "the Companies" or
"the Ansett Group"
"the Hazelton Administrator"

"Air New Zealand" or "the Air New
Zealand Group"

"ASIC"
"Canberra Airport"
"Commonwealth Government"
"the Act"
"DOCA"
"DTL"
"EBA"
"GEERS"



 **ANDERSEN**

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

<http://www.ansett.com.au/administrator> and
<http://www.abl.com.au/administrator>
Meeting of creditors called pursuant to Section 436E of
the Act
Meeting of creditors called pursuant to Section 439A of
the Act
Patrick Corporation Limited (formerly Lang Corporation
Limited)
Singapore International Airlines
Special Employee Entitlement Scheme for Ansett Group
Employees
The Federal Court of Australia
Consortium associated with Mr Lindsay Fox, Mr Solomon
Lew and Tesna Holdings Pty Ltd
Information Technology
Transpacific Enterprises Inc
First Report by Administrators of the Ansett Group dated
16 January 2002
Second Report by Administrators to the Creditors of the
Ansett Group dated 15 March 2002

Abbreviated to:
"the Administrators' web sites"
"the First Meeting"
"the Second Meeting"
"Patrick"
"Singapore Airlines"
"SEESA"
"the Court"
"Tesna"
"IT"
"TPE"
"First Report"
"Second Report" or "this report"



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

1. Executive Summary

1.1 Purpose of Report

Our First Report was dated 16 January 2002. This report is an update on matters since then and provides recommendations to creditors for them to consider before Part 2 of their Second Meetings.

1.2 Aim of Administration

The object of the administration legislation is to provide for the business, property and affairs of the Ansett Group to be administered in a way that:

- Maximises the chances of the Ansett Group continuing to exist, or
- If that is not possible, results in a better return for creditors than an immediate winding up.

The sale to Tesna would have achieved both of these objectives. We are now seeking to maximise the proceeds from asset sales by focusing on achieving returns greater than would be achieved in an immediate liquidation or winding up of the Ansett Group.

1.3 Purpose of Meeting

Part 2 of the Second Meetings of the creditors of the Ansett Group will be held on **27 March 2002 at 11.00am at the Melbourne Exhibition and Convention Centre, 2 Clarendon Street, Southbank, Melbourne, 3006.** It will also be webcast on the Administrators' web sites.

The purpose of Part 2 of the Second Meetings is to consider:

- The Administrators' Second Report concerning the company's business, property, affairs and financial circumstances,
- Whether it would be in the creditors' interests for the Companies to execute a DOCA,
- Whether it would be in the creditors' interests for the administration of the Companies to end, and
- Whether it would be in the creditors' interests for the Companies to be wound up.

1.4 Opinions by Administrators

In our opinion, it is in the interests of creditors for the Ansett Group to enter into the proposed DOCAs. If the Ansett Group Companies are liquidated now, the leases on key assets may be terminated and realised for amounts less than the value which can otherwise be achieved.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

In our opinion, the interests of creditors are not best served by the administrations of the Companies ending or the Companies being wound up.

1.5 Resolutions to be Proposed

The resolutions for Part 2 of the Second Meetings are as follows:

"That (the relevant Ansett company) execute a Deed of Company Arrangement in accordance with the outline provided with the Second Report by Administrators dated 15 March 2002"; and

"That the creditors of (the relevant Ansett company) do not require a notice to be sent to each creditor advising of the execution of the Deed of Company Arrangement pursuant to Section 450B of the Corporations Act provided that the Voluntary Administrators advertise the execution of the DOCA and give notice on the administrators' web sites".

The resolutions will be voted on a company-by-company basis. It is for the creditors to decide on the resolutions.

1.6 Asset Realisations

As a result of Tesna's withdrawal from the purchase of the mainline airline assets, we have implemented alternative realisation strategies.

1.7 Investigations

Investigations are under way into potential recoveries that would be available to a liquidator and causes of action that may exist against various parties. These investigations are continuing and will be fully reported to creditors later. Creditors may subsequently determine that the Ansett Group be wound up. Potential recoveries and causes of action will not be prejudiced by the execution of a DOCA.

1.8 Proposed Deeds of Company Arrangement

In order to maximise the return to creditors, the proposed DOCAs provide for the orderly sale of the Ansett assets. The proposed DOCAs provide a moratorium on any action against the Ansett Group.

A further meeting of the creditors will be held once the major assets have been sold to consider whether to place the companies in liquidation or vary the DOCAs. These variations may include whether the assets and claims of creditors of the various companies should be "pooled".

1.9 Benefit of Proposed Deeds of Company Arrangement

If the Ansett companies are immediately wound up, leases on certain key assets - including the airport terminals - may be terminated and lessors may exercise rights of buy-back. These provisions will not be triggered by the proposed DOCAs.



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The ability to pursue any rights of action, including those that would only be available to a liquidator, are not affected by the proposed DOCAs. All of these actions would still be able to be pursued at a later stage. This would include any liquidator's rights, if and when a liquidator was appointed.

1.10 Estimated Returns to Creditors

Based on the above assumptions above, the possible return to priority creditors is up to 100 cents in the dollar with a return to unsecured creditors unlikely. However, many variables can still significantly effect this return. These include:

- Realisation of asset values, particularly aircraft, aircraft engines and spares.
- Costs which unavoidably continue.
- Resolution of contingencies.



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2. Purpose of Report

2.1 Object of Administration

Section 435A of the Act states that the object of administration legislation is to provide for the business, property and affairs of an insolvent company to be administered in a way that:

- Maximises the chances of the company, or as much as possible of its business, continuing in existence.
- If it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

Given the Tesna withdrawal, it was not possible for the Ansett mainline business to remain in existence. The object of the Ansett administration now is to achieve a better return to creditors than would result from an immediate winding-up of the Ansett Group.

2.2 Administration Update

This report is intended as an update to our First Report dated 16 January 2002 and the matters discussed at the Second Meetings on 29 January 2002. Creditors may obtain a copy of our First Report from the Administrators' web sites.

The primary focus of this report is to advise creditors of actions undertaken since the Second Meetings on 29 January 2002 and the proposed steps to now achieve a better return for creditors than from an immediate winding up of the Ansett companies.

We have prepared this report using the information available at the time of writing. In many instances, our views and opinions are preliminary and require further investigation. This is largely due to the size and complexity of the Ansett Group. We stress that this report is not exhaustive. We reserve the right to alter any conclusions reached, on the basis of any changed or additional information that may become available.

2.3 Communication with Stakeholders

We established web sites early in the administration to post documents relating to major issues in the administration. These web sites are www.ansett.com.au/administrator and www.abl.com.au/administrator. Further information will be placed on the web sites when appropriate.



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3. Events Since 29 January 2002

3.1 Second Creditors Meetings

The Second Meetings were held on 29 January 2002. The primary purpose of those meetings was for creditors to approve the sale of the mainline airline to Tesna and to approve the extension of the completion date by up to 30 days. Our First Report provided details of the Tesna sale. Creditors were advised that Tesna required up to a further 30 days to complete the sale.

After taking into account all of the advantages and disadvantages of the Tesna sale, on balance, we recommended to creditors that the sale be approved with an extended completion date. We also informed creditors that there was no certainty that Tesna would complete the purchase and there would be additional costs and losses associated with the extension.

Creditors overwhelmingly approved the sale to Tesna with an extension of the completion date by up to 30 days.

3.2 Continuation of Trading

We informed creditors at the Second Meetings that the continuation of Ansett operations would incur trading losses during February 2002 of approximately \$2.5m per week and IT and other infrastructure and asset protection costs of approximately \$3.5 million per week. The reasons for the increased trading losses were:

- Ticket sales dropped significantly because of the end of the holiday season.
- Uncertainty emerged about the Tesna sale.

Tesna consistently maintained that the mainline airline must be sold to them as a going concern. Therefore, the continuation of Ansett operations was required if a sale to Tesna was to be completed.

3.3 Benefits of Tesna Sale

The Tesna sale was in the interests of all creditors for the following reasons:

- The sale to Tesna provided the best return to all creditors. On a consolidated basis, priority creditors (including employees) would be paid in full, and other unsecured creditors would receive a dividend of approximately 5 cents in the dollar.
- There were no other offers to purchase the mainline airline as a going concern. The only other expression of interest did not involve the continued operation of the mainline airline.
- The Tesna sale provided for the continued employment by Tesna of approximately 3,000 employees which would have saved \$180m in employee priority payments.



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- If the sale to Tesna did not complete, it was unlikely there would be enough funds to pay priority creditors in full and therefore no dividend would be available to other unsecured creditors.

We also formed the view that while there were risks in extending the completion date, there were good prospects of the sale being completed by 28 February 2002. These were some of the facts that helped form this view:

- Tesna had announced its heads of agreement with Airbus for the leasing of \$3bn of aircraft.
- Tesna had already spent millions of dollars on accounting (40+ accountants) and legal services (90+ lawyers) to complete the sale.
- Tesna had employed a Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and up to 20 key Executives.
- Tesna had made offers of employment to approximately 3,000 staff.
- Tesna had completed and subsequently announced its proposed new frequent flyer program and new Golden Wing program.
- Negotiations had been concluded with various unions for a new EBA.
- Tesna had significantly advanced its marketing plans and reserved advertising space.
- Tesna had negotiated an Aircraft Maintenance Services Agreement with the Administrators for the provision of engineering services for a minimum of two years.
- Consents were required from various third parties to transfer certain leases to Tesna. None of the key third parties refused their consent and progress was being made with all third parties.
- The principals of Tesna, Mr Lindsay Fox and Mr Solomon Lew, had repeatedly stated the sale would complete.

3.4 Application to Court

We made an application to the Court for a direction that we could properly and justifiably continue to operate the Ansett mainline business for a further period of up to 30 days pending finalisation of the sale of the mainline airline to Tesna. We did so based on legal advice. We also desired to give all creditors an opportunity to be heard on the issue.

Court documents relating to the application were served on:

- The Committees of Creditors (including financiers, bankers, union and non-union representatives and the Commonwealth Government).
- ASIC.
- Tesna.



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- ACTU.
- Mallesons Stephens Jaques, representing:
 - G E Capital Aviation Services Limited.
 - G E Engine Services Inc.
 - Credit Lyonnais.
 - Kreditanstalt Für Weideraufbau.
 - HSBC Bank Plc.
 - National Australia Bank Limited.
 - Macquarie Aviation Limited.
 - Trident Jet (Australia) Pty Ltd.
 - Perpetual Trustee Company.
 - Perpetual Trustee Company (Canberra) Limited.
- Representatives of all domestic terminal lease lessors.

The documents were also placed on the Administrators' web sites and the application attracted widespread media coverage.

Notwithstanding the number of creditors who were aware of the application and the widespread media coverage, nobody attended the Court to oppose the decision to continue to trade.

Justice Goldberg declined to make the directions sought because he held that it was a commercial decision for the Administrators. However, in the reasons for his judgment, Justice Goldberg observed:

"The administrators have made a commercial decision to continue operating the Ansett mainline airline business for a period up to 28 February 2002, notwithstanding the fact that during that period the Ansett group will incur losses of the order of \$6m per week comprising \$2.5m in trading losses and \$3.5m in respect of on-going information technology and infrastructure costs. The administrators have made this decision because they believe that it is in the interests of the creditors of the Ansett group that this decision be made.

No issue as to the power of the administrators to make this decision has been raised. It is within their power to make the decision. No issue has been raised as to the propriety or reasonableness of the decision.

...no-one has suggested or complained that the administrators should not have formed the views they have formed and should not have made the decisions they have made...it has not been suggested that the administrators should not continue to operate the Ansett mainline airline business for a further period up to 28 February 2002 for the purpose of enabling the completion of the sale of that business to Tesna. No person appeared at the hearing of the application to put these views."



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3.5 Potential Rights of Action Arising Out Of Non-Completion of Sale

We are investigating claims that may be made against Tesna (which appears unlikely) and other parties concerning the sale transaction.

3.6 Ceasing of Operations

3.6.1 Mainline Airline

Tesna withdrew from the acquisition of the mainline airline late on 26 February 2002, claiming that, based on legal advice, it did not believe the transaction could be completed by 28 February 2002.

We continued flights until midnight on Monday 4 March 2002 because of high passenger numbers travelling to the Grand Prix in Melbourne, the Mardi Gras in Sydney and the Commonwealth Heads of Government Meeting in Queensland.

Simultaneously, we embarked on a cost reduction program to minimise the ongoing costs incurred in the administration of the Ansett Group. The cost reductions include:

- Disclaiming leased property that was no longer required including:
 - Real property leases.
 - Leases of plant and equipment.
 - IT Infrastructure.
 - Aircraft subject to operating leases or where there was no equity in the financing structures.
- Terminating all staff not required for the realisation of assets.

3.6.2 Other Businesses

The operations of a number of other Ansett businesses were reliant on the continued trading of the mainline airline. These businesses are being closed and their assets realised.

We are continuing to trade the Engineering business to:

- complete existing contracts.
- enable aircraft to be capable of redelivery.
- maximise the realisations from aircraft, engines and spares, and
- maximise the prospect of selling the business as a going concern.

The sale of Skywest occurred before Tesna's withdrawal. The contract of sale for Aeropelican was executed on 6 March 2002 and is expected to settle on 15 April 2002. Discussions are continuing with parties interested in the sale of Kendell.



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4. Major Assets to be Sold and Realisation Strategies

4.1 Businesses of the Ansett Group

The major businesses within the Ansett Group were:

Business	Nature of Business
• Mainline Airline	Airline flying between mainly capital city trunk routes
• Ansett International	International airline flying to selected Asian ports
• Australian Concession Management	Hospitality services in the Ansett terminals
• Engineering (AAES)	Line maintenance, heavy engineering of aircraft fleet, repair and restoration of aircraft components and maintenance and overhaul of aircraft engines
• Skywest	Regional airline (Western Australia)
• Kendell	Regional airline (Victoria, Tasmania, South Australia)
• Aeropelican	Regional Airline (Newcastle-Sydney)
• Show Group	Logistics manager, travel agency and freight forwarder to the film, sports, art and entertainment industries worldwide.
• Traveland	One of Australia's largest leisure travel operators
• Flight Simulators	Hire out flight simulators to both internal and external clients
• Call Centres	Call centres (7) to manage bookings for mainline and regional airlines
• Third Party Ground Handling	Handling of cargo at airports on behalf of domestic and international customers
• Cargo	Handling of cargo for domestic and international customers

4.2 Discussions With Interested Parties

We began the process for the sale of the major assets immediately after the withdrawal of the Tesna sale. To date this has included discussions with:

- Patrick.
- Virgin Blue.
- Singapore Airlines.



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- Sydney Airports Corporation.

These discussions are commercially sensitive and confidential. We will continue discussions with these and any other parties who demonstrate their financial capacity to complete a proposed transaction.

4.3 Domestic Terminal Leases (DTLs) and Other Leasehold Interests

4.3.1 Leasehold Interests

The Ansett Group leased more than 350 properties around Australia. The major leasehold properties are as follows:

Location	Location
Domestic Terminal Leases	Domestic Terminal Leases
<ul style="list-style-type: none"> • Sydney Domestic Terminal, Sydney, NSW • Brisbane Ansett Terminal, Brisbane, Queensland • Adelaide Domestic Terminal, Adelaide, SA • Darwin Domestic Terminal, Darwin, NT • Coolangatta Ansett Terminal, Coolangatta, Queensland • Townsville Ansett Terminal • Mackay Ansett Terminal, Mackay, Queensland • Launceston Domestic Terminal, Launceston, Tasmania 	<ul style="list-style-type: none"> • Melbourne Domestic Terminal, Tullamarine, Victoria • Perth Domestic Terminal, Perth WA • Hobart Domestic Terminal, Hobart, Tasmania • Canberra Domestic Terminal, Canberra, ACT • Rockhampton Ansett Terminal, Rockhampton, Queensland • Cairns Ansett Terminal, Cairns, Queensland • Alice Springs Domestic Terminal, Alice Springs, NT
Other	Other
<ul style="list-style-type: none"> • Hangar, Building 20, Sydney Airport, Sydney, NSW • Melbourne Jet Base – South Centre Rd, Tullamarine, Victoria • Astrojet Building, Melbourne Airport, Tullamarine, Victoria • Annandale Road, Tullamarine, Victoria 	<ul style="list-style-type: none"> • Flight Kitchen, Sydney Airport, Sydney, NSW • Melbourne Maintenance Base, Tullamarine, Victoria • Engineering Building, Brisbane Airport, Brisbane, Queensland



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Location	Location
<p>Other</p> <ul style="list-style-type: none"> • Flight Kitchen GSE and Cargo, Brisbane, Queensland • Cargo Terminal Building (269), Perth WA • James Schofield Drive, Adelaide Airport, Adelaide, SA • Launceston Reservations Centre, Launceston, Tasmania • GSE Building Darwin, Darwin, NT 	<p>Other</p> <ul style="list-style-type: none"> • International Cargo Building (279), Perth, WA • Flight Catering Building (294), Perth Airport, Perth WA • Flight Catering Building, Adelaide Airport, Adelaide, SA • Flight Kitchen, Cairns, Queensland • Flight Kitchen, Darwin, NT

The most valuable Ansett properties are the DTLs.

4.3.2 Buy-Back Mechanism

The lease agreements for the major DTLs include a "buy-back" mechanism that is triggered if Ansett is wound up. The "buy-back" operates to enable the terminal owner to re-acquire the terminal at "market value". Market value is not defined in the lease agreement. The "market value" may be less on a default.

We have received legal advice that the "buy-back" mechanism is not triggered by the appointment of Administrators or by entering into the proposed DOCA.

4.3.3 Ability to Sell

We have also obtained legal advice that:

- We have the power to sell those assets.
- We are not required to operate an airline from the DTLs to maintain Ansett's interest in them.

4.3.4 Realisation Strategy

The options available for the sale of the DTLs will be reduced if the Ansett Group companies are placed in liquidation because of the "buy-back" provisions in the leases.

The strategy for the sale of the leasehold properties will include:

- Defining the terms of sale.
- Advertising the properties for sale.
- Holding discussions with parties who have previously expressed interest.
- Preparing an Information Memorandum.



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- Providing potential purchasers with access to the data room for due diligence.
- Receiving tender submissions with details of any conditions and evidence of the ability to complete the transaction.
- Evaluating bids.
- Negotiating with potential purchaser and lessors.
- Drafting and execution of documentation.
- Settling.

We have already begun this process. It is expected to take up to six months.

We have informed interested parties that if they wish to acquire key assets on a faster timetable they may submit an offer to do so at any time. We will also inform all interested parties that we will favour a more certain result over a higher but conditional offer.

4.4 Freehold Property

The freehold properties owned by the Ansett Group are:

Location	Location
• 501 Swanston Street, Melbourne, Victoria	• 489 Swanston Street, Melbourne, Victoria
• 465 Swanston Street, Melbourne, Victoria	• 20-32 Franklin Street, Melbourne, Victoria
• Garden Drive, Tullamarine, Victoria	• Belmont Airport, Newcastle, NSW
• 177 Morgan Street, Wagga Wagga, NSW	• 117-121 Doughan St, Mt Isa, Queensland
• 8 Miles Street, Mt Isa, Queensland	• Lot 305 Samson Ave, Paraburdoe, WA
• Lot 400 De Coursey Ave, Paraburdoe, WA	• 20 Ethel Creek St, Newman, WA
• 4 Bates Ave, Newman, WA	

We have continued the sale process for the freehold properties.



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4.5 Aircraft

Below is a summary of the number of aircraft previously used in the various Ansett airlines:

Operator	Owned	Financed		Operating Lease	Total
		Equity	No Equity		
Mainline Airline	29	20	12	21	82
Kendell	13	1	12	9	35
Skywest	0	0	0	5	5
Aeropelican	4	0	0	0	4
Cargo	3	0	0	1	4
International	0	0	0	3	3
Total Aircraft In Ansett Fleet	49	21	24	39	133
Sold to Date	(4)	0	0	n/a	(4)
Sale Under Negotiation	(5)	(4)	(1)	n/a	(10)
Novated to Date	n/a	n/a	n/a	(5)	(5)
Redelivered to Date	n/a	n/a	n/a	(17)	(17)
Aircraft Yet to be Sold, Novated or Redelivered	40	17	23	17	97

Processes are under way for the:

- Realisation of the aircraft that are owned or subject to finance where there is expected to be equity available to Ansett after the aircraft is sold.
- Return of all aircraft not in use that are subject to operating leases or finance where there is not expected to be any equity available to Ansett after the aircraft is sold.

The sale or return of leased aircraft is a complicated process due to maintenance and regulatory requirements. The hand-back process is expected to take up to two years to complete in order to maximise value.

Given the depressed state of the global airline industry and reduction in value of aviation assets due to events of 11 September 2001, the sale of aircraft could also take up to two years to complete. Arrangements will be made with aircraft financiers regarding appropriate sharing of costs where there is equity expected to be realised from an aircraft.

So far, receivers have been appointed by various financiers to eight of the above aircraft. None of these aircraft were expected to have any equity available to Ansett after their sale.



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Nine of the financed aircraft are owned by an Ansett subsidiary that is not currently under administration. Receivers and Managers were appointed to this subsidiary on 14 September 2001 and are currently in control of the sale process for these aircraft. While we believe there is equity for Ansett in these nine aircraft, control of realisations is in the hands of the Receivers and Managers.

4.6 Aircraft Engines

Engines may be either owned or leased by Ansett and used with the aircraft mentioned above.

Processes are under way for the:

- Return of all aircraft engines not in use or that are subject to operating leases or finance leases, where there is not expected to be any equity available to Ansett after the engines are sold.
- Realisation of the aircraft engines that are owned or subject to a finance lease where there is expected to be equity available to Ansett after the engines are sold.

The sale or return of aircraft engines is a complicated process due to maintenance and regulatory requirements and the requirement that leased aircraft engines are refitted to the original aircraft before redelivery. Therefore, the redelivery of aircraft engines will occur simultaneously with the redelivery of aircraft.

Arrangements will be made with lessors regarding appropriate sharing of costs where there is equity expected to be realised from an aircraft engine.

4.7 Plant and Equipment

Plant and equipment can be categorised as relating to:

- Aircraft
 - Ground support equipment (GSE).
 - Ramp and ramp cleaners equipment.
 - Rotable parts and other spares.
 - Unit load devices (ULDs).
 - Cargo handling equipment.
- Terminals
 - Passenger accommodation furniture and furnishings.
 - Flight information display system.
 - Passenger booking, ticketing, and travel document IT equipment.
 - Baggage handling conveyor and weighing systems.



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- Engineering
 - Line maintenance equipment.
 - Heavy engineering equipment.
 - Aircraft and other tooling.
 - Engine overhaul equipment.
 - Engine test cell.
 - Stores and supply equipment.
- Properties.
- Motor vehicles.
- Office equipment.
- IT equipment.
- IT and communications equipment.
- Flight Simulators.
- Emergency procedures training equipment.

A detailed inventory of all of the items of plant and equipment has been prepared.

The major items of plant relating to aircraft and terminals may be offered for sale by public tender. If the amounts offered are not acceptable, then the items will be sold at public auction.

All owned motor vehicles, office equipment and IT equipment will be sold either by private treaty or at public auctions.

Details of these tenders and auctions will be advertised nationally when preparations are complete.

4.8 Spares - Consumables and Rotables

Ansett has more than 10 million items of spares. The process to identify all items and verify the spares records is continuing.

Once the items have been identified satisfactorily, an international marketing campaign will begin to realise all items surplus to the Engineering business needs. This campaign is expected to include discussions with:

- Aircraft and spares manufacturers and brokers.
- Aircraft operators.
- Major aircraft engineering and maintenance businesses.

Meanwhile, spares and rotables are being used in the work being done by the Engineering business and accordingly maximum realisable value is being obtained for these parts. We are also negotiating with parties who have expressed interest in specific surplus spares.



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4.9 Intellectual Property

Ansett owns a number of brand names, trademarks and internally developed software. It is not likely these assets have any significant realisable value.

4.10 Employees

A summary of the status of the Ansett Group employees is as follows:

	Number
• Employees transferred with the sale of businesses to date.	1,029
• Employees expected to be transferred with the sale of businesses yet to be completed.	538
Total Employees Expected to be Transferred	1,567
• Employees terminated or advised of their impending termination.	12,906
• Employees continuing to assist in asset realisations.	522
Total Employees Expected to be Terminated	13,428
Total Employees	14,995

Total employee entitlements are outlined in Section 9 below. Total payments of employee entitlements to date are approximately \$180m.

The Commonwealth Government has recently announced that it will pay all employees their SEESA payments within five business days of receiving appropriate data from us.

4.11 Proceeds of Ticket Sales

Approximately \$9m of tickets were sold for flights on the mainline airline after the closedown on 4 March 2002. Funds relating to these tickets are held in a separate account and will be refunded in full.



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5. Other Business Operations

5.1 Show Group

After advertising the business for sale, expressions of interest were received for the Show Group business and assets.

Following discussions with a number of the interested parties, a sale was made to Avis Services Ltd on 25 October 2001 for \$400,000 cash and the assumption by Avis Services Ltd of employee entitlements to the value of approximately \$3.6m.

The Show Group debtors will be collected by us in the normal course.

5.2 Skywest

Expressions of interest were received for the Skywest business and assets. After discussions with a number of the interested parties, an agreement for the sale of Skywest to Airline Investments Limited ("AIL") was executed on 21 February 2002.

The most efficient mechanism for the sale of the Skywest business was a sale of the shares in Skywest to AIL. To enable this to occur, a DOCA for Skywest was approved by its creditors on 25 January 2002. The DOCA was executed on 15 February 2002.

The mechanism for the sale was as follows:

- Execution of the sale agreement.
- Immediate termination of the Skywest DOCA with all liabilities released (apart from employee entitlements) and substituted by claims against the net proceeds.
- The proceeds from the sale of shares and assets not required by AIL were transferred to Bodas to be held on trust for the non-employee creditors of Skywest.

The purchase price for the shares in Skywest was \$6.475m. Under the sale agreement, all of the Skywest employees continue in their employment with Skywest and their entitlements of approximately \$2.19m will continue to be met by Skywest. The amount received for Skywest was reduced by:

- The amount of the employee entitlements (not including redundancy and notice amounts) of \$2.19m.
- An allowance for working capital of approximately \$0.9m.

Under the sale agreement, Ansett is committed to providing certain shared services to AIL for at least 30 days to enable it to continue to trade whilst it establishes its own systems and processes. These include:

- Reservation and ticketing system.
- Payment facilities.



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- Ground handling and other passenger arrival and departure services in Perth.
- Office IT support.

ALL have been advised that as a result of the withdrawal of the offer for the mainline airline, these services will only be provided until 31 March 2002.

The assets excluded from the sale are principally debtors which will be collected in due course.

5.3 Aeropelican

After advertising the business for sale, expressions of interest were received for the Aeropelican business and assets. After discussions with a number of the interested parties, an agreement for the sale of the business and assets of Aeropelican to IAP Group Australia Pty Ltd was executed on 6 March 2002. The sale is to complete on 15 April 2002.

The Aeropelican sale is structured in a similar way as for Skywest. The Aeropelican creditors approved the execution of a DOCA on 25 January 2002. The DOCA was executed on 15 February 2002.

The shares in Aeropelican will be sold for \$6m and at least 15 employees will continue in their employment. Employee entitlements of approximately \$200,000 will continue to be met by Aeropelican under its new owner.

As with Skywest, all creditor claims against Aeropelican (apart from employee entitlements) will be released upon the DOCA terminating and substituted by claims against the net proceeds. The proceeds from the sale of the shares will be held on trust by Bodas for the creditors of Aeropelican.

The remaining debtors will be collected by us.

5.4 Kendell

After advertising the business for sale, expressions of interest were received for the Kendell business and assets.

Discussions have continued since that time with a number of the interested parties and a variety of operating models have been considered. To date none of the indicative offers have been capable of acceptance because either the amount of the offer was inadequate or the potential purchaser was unable to prove their financial capabilities. Discussions with the interested parties will continue. A sale of the Kendell business is likely to take the same structure as the sale of the Skywest and Aeropelican businesses.

Discussions are also underway with the Commonwealth Government for additional funding for Kendell so that regional areas of New South Wales, Victoria and Tasmania are not left without competitive airline services.



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5.5 Traveland

The Traveland business was sold to Internova Travel Pty Ltd ("Internova"), on 23 September 2001 for \$500,000 and the transmission of employee liabilities.

In order to facilitate the sale of the Traveland business to Internova, we agreed that the Traveland employees would be no worse off than any other Ansett employees. The Traveland employees will be paid their GEERS entitlements by the liquidators of Internova and we will pay the Traveland employees any difference between GEERS and SEESA, estimated to be approximately \$200,000.

5.6 Engineering

The sale of the Engineering business is more likely if it operates as an independent maintenance and repair organisation. Accordingly, we have begun to separate the Engineering business from the mainline airline. The Engineering business now trades as AAES.

Engineering has a considerable amount of work from existing third party contracts as well as work available from lessors of Ansett aircraft that require maintenance work before the aircraft are capable of redelivery. Engineering management are continuing to seek new work for Engineering.

The sale process to date has involved the preparation of an Information Memorandum, communication with a number of major independent aircraft and engine repair and maintenance organisations and facilitating due diligence by potential purchasers. The potential purchasers are predominantly located overseas and a number have visited the Melbourne maintenance base as part of their due diligence. The sale process is continuing and we have contacted each of these interested parties since the withdrawal of the Tesna offer. Some still wish to pursue the purchase of Engineering and are continuing their diligence of Engineering.

5.7 Call Centres

The Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth call centres were unable to be sold and have been closed. All employees have been made redundant and the plant and equipment has either been sold or is in the process of being sold.

The Launceston call centre is continuing to operate in order to support the regional airlines and the winding down of the mainline business. We are in discussions with a number of parties for the sale of this call centre.

5.8 Cargo and Ground Handling

Expressions of interest were received for the Cargo business and assets and a number of parties completed due diligence immediately following our appointment. Two indicative offers were received but did not proceed.



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Tesna was to acquire the domestic cargo "same-day" business and the International Cargo Handling business and would have also acquired the Third Party Ground Handling business subject to the return of a major customer.

After the withdrawal by Tesna, we contacted the parties who previously expressed an interest in International Cargo Handling. A number of parties are undertaking due diligence.

The Domestic Cargo and Third Party Ground Handling businesses have ceased operating due to the closure of the mainline airline and loss of major customers. The major assets of these businesses are debtors and plant and equipment. Debtors will be collected by us and the plant and equipment sold.

5.9 Australian Concession Management

This business ceased operating on 4 March 2002 because of the closure of the mainline airline. The business is unable to be sold without an operating airline in the various airport terminals.

The major assets of the Australian Concession Management business are debtors and plant and equipment. Debtors will be collected in the normal course and the plant and equipment realised by way of tender or public auction.

5.10 Ansett International

The major assets of Ansett International were landing slots in a number of Asian ports, debtors and some minor plant and equipment. The closing of the business resulted in the landing slots being forfeited. Debtors will be collected by us and the plant and equipment sold.

5.11 Flight Simulators

This business incorporates seven flight simulators and is continuing to operate with customers from a variety of domestic and international airlines. We have prepared a marketing plan for the sale of the business and will advertise for expressions of interest shortly. A number of parties expressed interest when the business was first advertised immediately after our appointment.

5.12 Ansett Aircraft Spares and Services

AASS is the trading name of Ansett Airlines Australia Limited (a UK company) and Transpacific Enterprises Incorporated (or TPE, a US company). AASS is a broker of surplus spares to many companies in the global aviation industry. TPE has filed for Chapter 11 bankruptcy protection in the United States. Both TPE and Ansett Airlines Australia Limited continue to trade. They may play an important role in maximising realisations of the Ansett spares and rotables.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

6. Investigations

As Administrators, we are required to investigate the affairs of the Ansett Group. Investigations have progressed since our First Report. The withdrawal of the Tesna offer and the wind-down of the mainline airline meant that we had to focus resources on asset realisation and cost minimisation. Further work is required before conclusions can be reached about the matters being investigated.

6.1 Potential Causes of Action Available to Administrators

The actions of a number of parties are being considered as part of our investigations into possible causes of action. These include:

- Potential breaches by directors and officers of the Ansett Group of Companies duties in relation to:
 - Payment of bonuses in August 2001.
 - Accounting policies.
 - Sale and leaseback of fleet
- Potential claims against Air New Zealand in relation to:
 - Alleged asset stripping.
 - Centralisation of treasury function and sweeping of bank accounts.
 - Methods of recording of intercompany loan accounts.
 - Alleged inappropriate charging of fuel and other operating costs.
- Potential claims against other parties:
 - Advisors and other officers.
 - Actions under the Trade Practices Act.
 - Set-off of funds held in bank accounts.

6.2 Potential Recoveries Available to a Liquidator

In addition, there may be transactions where money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act if the companies are placed into liquidation. The main transactions being considered as part of the investigations are:

- Trading whilst insolvent.
- Holding company liability for debts of an insolvent subsidiary.
- Unfair preference payments.
- Uncommercial transactions.
- Unfair loans.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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It should be noted that claims can be difficult to prove, are time-consuming and expensive to pursue. Also, recoveries can be uncertain. A broad outline of each of these categories is described below.

6.2.1 Trading Whilst Insolvent

Under the Act, a director is personally liable to the company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent or becomes insolvent by incurring the debt.

This claim must be proven by a liquidator against each individual director. In the event that a liquidator does not pursue the directors, a creditor may seek to recover against the directors.

Directors have several defences available to them. To successfully defend a claim for insolvent trading, a director must prove one of the following:

- That when the debt was incurred, the director had reasonable grounds to expect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the director expected, on the basis of this information, that the company was solvent and would remain solvent.
- That when the debt was incurred, the director, because of illness or for some other good reasons, did not take part in the management of the company at that time.
- That the director took all reasonable steps to stop the company from incurring the debt.

It must first be shown that at a point in time the Company was insolvent.

6.2.2 Holding Company Liable for Debts of an Insolvent Subsidiary

Where it can be shown:

- a subsidiary company was insolvent at the time of the incurring of a debt, or became insolvent as a result of incurring a debt, and
- at that time there were reasonable grounds for suspecting the company was insolvent, and
- the holding company or its directors were aware, or ought to be aware, that there were grounds for so suspecting

the holding company may be held liable for the debts incurred by the subsidiary.



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6.2.3 Unfair Preference Payments

An unfair preference is a transaction, generally within the six months before the appointment of the Administrator, to which a company and a creditor are parties, which results in the creditor receiving more than it would receive in respect of its debt if the transaction had been set aside and the creditor had to prove for the debt in the winding up of the company. If proven to be an unfair preference, the creditor would have to return the benefit they received to the Liquidator.

To prove a creditor received an unfair preference payment, the Liquidator must first show the company was insolvent at the time of the payment: that is, unable to pay its debts as and when they fell due.

The creditor has a defence to a claim by a Liquidator that a transaction is an unfair preference if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given and a reasonable person in the creditor's circumstances would have no such ground for suspecting.

6.2.4 Uncommercial Transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator.

- The transaction was entered into or given effect to within two years of the commencement of the winding up of the company (ie. the appointment of the Initial Administrators), and
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction, and
- A reasonable person in the company's circumstances would not have entered into the transaction, having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

6.2.5 Unfair Loans

An unfair loan is a loan where, upon analysis, the interests or charges with respect to the loan were extortionate. Unfair loans any time before the appointment of the Initial Administrators may potentially be overturned by a Liquidator appointed subsequently.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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6.3 Further Reports and Impact of Proposed DOCAs

We intend to convene a further meeting of the creditors of the Ansett Group following the sale of the major assets. A report outlining the results of the sale process and our investigations will be prepared before that meeting.

Under the proposed DOCAs, all of Ansett's rights of action are unaffected.

Further, should the creditors vote subsequently to place Ansett in liquidation, all of the potential causes of action available to a liquidator would be able to be pursued. The liquidator's ability to pursue the potential causes of action is not affected by the proposed DOCA.

6.4 ASIC Investigations

6.4.1 Investigations to Date

ASIC announced its investigation into the affairs of the Ansett Group on 14 September 2001. When announcing the investigation, ASIC said in Media Release 01/326:

"the investigation will focus on possible breaches of director duties under the Corporations Act. This will include investigating compliance with the insolvent trading provisions of the Act and the potential liability of Ansett's holding company, Air New Zealand, under those provisions."

ASIC served a number of notices upon us for the production of Ansett Group documents to assist their investigations. We have fully co-operated with ASIC in its enquiries, and will continue to do so.

On 1 March 2002 ASIC announced:

"...extensive enquiries have been conducted in Australia, New Zealand and Singapore involving a comprehensive review of company records and examinations of directors and other officers. Legal advice has been provided by Counsel on a variety of issues."

ASIC has now reached the view that, based on the evidence currently available, there is no realistic prospect for successfully prosecuting the directors of Ansett for breach of their general duties of care under the Corporations Act or for insolvent trading. This view is confirmed by Senior Counsel.

The factors contributing to this conclusion include the steps taken by the Ansett directors to obtain financial support from their parent company, Air New Zealand Limited (AIZ), including a letter of comfort for \$400 million for working capital commitments in August 2001.

It is considered unlikely that evidence exists which would cause these conclusions to be reconsidered but ASIC will reserve its position until all aspects of the investigation are concluded.



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ASIC's attention is now focused on the adequacy of disclosures made to the market by AIZ regarding its financial position in the period prior to 12 September 2001."

ASIC hopes to conclude its investigations by 31 May 2002. A copy of ASIC's full release is attached at Appendix 2. We will co-operate where ever possible with ASIC in its investigation, however, we will continue with our own independent investigation and report to creditors in our next report.

6.4.2 Reports to ASIC by Administrators

As Administrators, we are also required to complete and lodge a report with ASIC (Section 438D of the Act) if we believe that:

- A past or present officer, or member of the Company may have been guilty of an offence in relation to the Company, or
- If a person who has taken part in the formation, promotion, administration, management or winding up of the Company,
 - May have misappropriated money or property of the Company, or
 - May be guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

We have not lodged a report with ASIC and will await the outcome of our investigations to determine whether to lodge such a report.



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7. Proposed Deed of Company Arrangement

7.1 Purpose of DOCA

Where a company is unable to continue in existence, the object of the administration legislation is to administer the affairs of the insolvent company in a way that results in a better return for creditors than an immediate winding up.

Given the nature of the major assets of the Ansett Group, it is possible with a DOCA to create a flexible framework to maximise asset realisations.

The purpose of the DOCA therefore is to:

- Provide for the orderly sale of the assets of the Ansett Group.
- Preserve the assets of the Ansett Group pending their sale.
- Provide a moratorium on unsecured creditors taking action against the Ansett companies.
- Preserve any potential rights of action against third parties and any recovery actions that may be available to a Liquidator.
- Enable a further meeting of creditors to be called after the major assets are realised to consider the pooling of the assets and liabilities of the various Ansett Group companies or determine whether to place the Ansett companies in liquidation.

An outline of the proposed DOCA is attached at Appendix 3. Below is a brief overview of some aspects of the DOCA. We recommend that creditors read the proposed DOCA carefully.

7.2 Outline of DOCA

7.2.1 Role of Deed Administrator

The role of the Deed Administrators will be to:

- Control the Ansett Group companies.
- Carry on the businesses of the Ansett Group companies as required.
- Sell the businesses or assets of the Ansett Group companies.

The Deed Administrators would have the powers necessary to carry out their function.

7.2.2 Moratorium

During the period of the DOCA:

- Unsecured creditors will be restrained from taking or proceeding with any action against the Ansett Group companies.
- Nothing in the DOCA will affect the rights of secured creditors.
- Creditor claims are not released under the DOCA.



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These provisions will enable the orderly sale of the Ansett assets without disruption by legal proceedings initiated by creditors.

7.2.3 Committee of Creditors

The Committees of Creditors appointed during the Administration period would continue during the period of the DOCA.

7.3 Further Reporting to Creditors

After the major assets have been realised, a further report will be prepared outlining the outcome of the asset realisations and details of the investigations conducted. A recommendation would also be made whether all of the assets and liabilities of the companies should be pooled.

Creditors will vote at a meeting of creditors whether to place the companies in liquidation or vary the DOCA to take into account the pooling of assets and the inclusion of mechanisms for distributions to creditors.

7.4 Advantages of DOCA

The advantages for creditors generally of the proposed DOCA are:

- Enhancement of the ability to maximise the proceeds from the sale of major assets.
- Preservation of any rights of action or claims that can be pursued only by a liquidator.
- Greater flexibility for the trading and sale of DTLs, Kendell and Engineering during the DOCA period.
- Significant savings because of mechanisms to realise retention of title disputes.
- Savings of millions of dollars through mechanisms to manage non-cost effective dividend payments.
- Enhancement of debtor recoveries.
- Clarification of the claims of superannuation creditors.
- Preservation of creditors' rights to "pool" assets and liabilities of the Ansett Group.
- Ability to preserve particular assets within an Ansett company.

7.5 Disadvantage of DOCA

The disadvantage of the proposed DOCA is:

- Possible delays in the commencement of potential recovery proceedings (if any) by a liquidator.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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8. Statutory and Legal Matters

8.1 Committees of Creditors Meetings

Section 436F of the Act states the function of a Committee of Creditors is to consult with the Administrators about matters relating to the administration and receive and consider reports prepared by the Administrators. The Committee of Creditors cannot give directions to the Administrators, except to require the Administrators to report to the committee on matters relating to the administration as and when reasonably required.

Six meetings of the Committees of Creditors were held before the release of our First Report. One further meeting has been held on 27 February 2002 to provide an update on the sale process and the reasons for the withdrawal of Tesna's offer.

A further meeting has been convened for 21 March 2002 to:

- Obtain an update on administration matters generally.
- Obtain an update of the strategy for the sale of assets.
- Discuss any matters relating to our Second Report and proceedings for Part 2 of the Second Meetings.
- Approve the Administrators' remuneration.

Under the proposed DOCAs, the Committees of Creditors will continue.

8.2 Court Applications

We have made a number of applications to the Court. Those made since our First Report include:

- Application Regarding Administrators Continuing to Trade.
- Application Regarding Owners of Property.
- Application for Approval of Sale to Tesna.

Applications that were made previously (including those made by other parties) but have continued since 29 January 2002 are:

- Application by Hazelton Administrator for Apportionment of the Funds Received from the Settlement with Air New Zealand.
- Application regarding Superannuation.
- Application by Canberra Airport to retake possession of the Canberra DTL.

Detailed information on a number of the applications made during the administration can be obtained from the Administrators' websites.

Below is a brief summary of the above applications, the reasons why they were made and their current status or their outcome.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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**8.2.1 Application Regarding Administrators Continuing to Trade
(Proceeding no. V3015 of 2002)**

We made an application to the Court for directions that we could properly and justifiably continue to operate the Ansett mainline business for a further period of time ending no later than 28 February 2002, pending resolution of the sale of the Ansett mainline to Tesna.

Justice Goldberg declined to make the directions sought as he held that continuing to trade was a commercial decision for the Administrators to make. Justice Goldberg observed:

"The administrators have made a commercial decision to continue operating the Ansett mainline airline business for a period up to 28 February 2002, notwithstanding the fact that during that period the Ansett group will incur losses of the order of \$6m per week comprising \$2.5m in trading losses and \$3.5m in respect of on-going information technology and infrastructure costs. The administrators have made this decision because they believe that it is in the interests of the creditors of the Ansett group that this decision be made.

No issue as to the power of the administrators to make this decision has been raised. It is within their power to make the decision. No issue has been raised as to the propriety or reasonableness of the decision, nor has any issue been raised which requires the Court to make a judgment on a legal issue."

No creditors challenged the decision to continue to trade.

**8.2.2 Application for Approval of Sale to Tesna
(Proceeding no. V3010 of 2002)**

It was a condition precedent to the Tesna sale that the Court approve the terms of the sale.

In anticipation of completion on 31 January, an application was filed on 25 January 2002 to obtain the Court's approval of the Tesna sale.

A number of directions hearings occurred in the application.

Given the withdrawal by Tesna, the application will not proceed.

**8.2.3 Application by Hazelton Administrator for Apportionment
(Proceeding no. V3051 of 2001)**

The Hazelton Companies, as controlled entities of the Ansett Group, were required to settle their various claims against the Air New Zealand Group for an amount to be determined either by agreement or by Court Order.

A dispute has arisen between the Hazelton Administrator and the Administrators as to what proportion of the \$150m recovered from the Air New Zealand Group should be paid to the Hazelton Administrator.



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The Ansett Administrators have paid the Hazelton Administrator \$1.545m on the basis that the Hazelton Administrator cannot be personally liable to repay that sum. The dispute is ongoing and will be determined by the Court unless the parties can reach agreement.

The matter has been adjourned until 2 April 2002.

**8.2.4 Application re Superannuation
(Proceeding no. V3075 of 2001)**

The Ansett Group has a number of separate superannuation schemes for its employees ("the Superannuation Plans"). The Superannuation Plans are able to pay ordinary retirement benefits in full.

However, the Trustees advise that some of the Superannuation Plans provide that if an employee is retrenched, that employee is entitled to a special benefit on termination. The entitlement to the special benefit is dependent upon a declaration being made by the employer that the member has been retrenched. We have made an application to the Court to determine the declaration of retrenchment question and related issues.

The Trustees have commenced a separate proceeding in the Supreme Court of Victoria seeking various declarations regarding whether the Ansett Group is liable for the shortfall in the Superannuation Plans and whether any shortfall would be afforded a statutory priority of repayment. We have been advised it will not. The Superannuation Plans are claiming there is a shortfall in excess of \$100m.

For the avoidance of doubt, the proposed DOCA provides that if a debt is due by Ansett to the Trustees it will be treated as an ordinary unsecured debt.

**8.2.5 Application by Canberra Airport
(Proceeding no. V3026 of 2002)**

Canberra Airport has commenced proceedings seeking to take possession of the Canberra DTL. We are opposing the application because one of the key interested parties has expressed preliminary interest in obtaining an assignment of the lease for the Canberra DTL.

8.2.6 Potential Further Applications

Further applications to the Court may be made:

- to avoid sending a notice to all 3 million creditors that the Companies have executed a DOCA.
- if it is necessary to "clean up" an Ansett company by transferring its assets and novating its liabilities to another company in the Ansett Group.



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9. Estimated Return to Creditors

The Ansett Group comprises of a large number of businesses and companies with many inter-relationships. This leads to significant complexities when estimating the possible return that may be available to creditors.

The estimated return to creditors has been prepared on a consolidated basis using valuations, estimates and assumptions, many of which are commercially sensitive at this time, and for this reason, have not been detailed in this report. This includes property, aircraft and plant and equipment valuations, some of which have been prepared by independent experts.

The summary assumes all of the assets and liabilities of the Ansett Group are consolidated. There are likely to be varying returns for creditors of different companies if each company is treated separately. The summary also assumes that creditors will vote in favour of a DOCA.

The estimated return is based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in this report.

In our First Report we indicated that if the sale to Tesna did complete, and if all of the assets and liabilities of the Ansett Group companies were consolidated, a dividend to unsecured creditors of approximately 5 cents in the dollar was possible. We also indicated that if the sale did not complete, it was likely that there would be a shortfall in meeting priority payments and there may be no return to the unsecured creditors. This is now the expected outcome.

A broad estimate of the potential return to creditors is as follows:

	(\$m)
Estimated Realisations	
Debtors, Other Receivables and Air New Zealand Settlement	265
Property Assets, Regional Airlines (Business and Aircraft), Engineering and other assets	400
Ansett Aircraft – Owned and Finance Leases with Equity	890
Spare Aircraft Engines, Rotables and Consumables	100
Total Estimated Realisations	1,655
Estimated Payments	
Payouts on Finance Leases with Equity	(640)
Asset Management and Wind Down Costs	(75)
Back Office, Overheads and IT costs	(75)
Mainline and Regionals' Trading Losses	(25)



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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	\$m
Estimated Payments contd...	
Costs Incurred after 28 February 2002	(65)
Valuation, Consulting, Legal, Administrators' Fees and Expenses	(55)
Total Estimated Payments	(935)
Surplus before Employee Entitlements	720
Employee Entitlements	
Total Employee Entitlements	760
Less – Transfers on Sale of Regionals, Engineering and Other Businesses	(40)
Total Employee Entitlements	720
Possible Return to Employees before Contingencies	100c/\$
Less – Contingencies (for averaging of employee entitlements, number of transferring employees, possible taxes on employee entitlements and other issues)	(59)
Possible Return to Employees after Contingencies	92c/\$
Estimated Return to Unsecured Creditors (\$2,057m)	0c/\$

The potential claims by unsecured creditors are summarised as follows:

	\$m
Unsecured Creditors	
Trade Creditors	300
Revenue Paid in Advance	270
Banks	
- Loans and Overdrafts	115
- Bank Guarantees	25
- Hedge Losses	27
Global Rewards	140
Lease Creditors	27
Taxes	
- ATO (Revised Assessments)	66
- GST & other taxes	4



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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	\$m
Unsecured Creditors contd...	
Inter-company Loans (Companies Not in Administration)	20
Other Creditors	208
Possible Superannuation Plan Shortfalls	80
Amounts Claimed as Owing by Air New Zealand	310
Less: Amounts Agreed Not to Claim	(310)
Total Creditors (Before Aircraft Creditors)	1,282
Aircraft Creditors	
- Aircraft Finance Leases Without Equity	230
- Operating Lease Liabilities (total payable approx. \$1.1b)	350
- Other Aircraft Lease/Loan Guarantees	195
Total Aircraft Creditors	775
Total Potential Unsecured Creditors	2,057

The total of all potential creditors of the Ansett Group are summarised below:

	\$m
All Potential Creditors	
Employee and Other Entitlements	779
Unsecured Creditors, excluding Aircraft	1,282
Payments on Finance Leases with Equity	640
Aircraft Creditors	775
Total All Potential Creditors	3,476

Summary

Based on the above assumptions above, the possible return to priority creditors is up to 100 cents in the dollar with a return to ordinary unsecured creditors unlikely. However, many variables can still significantly effect this return. These include:

- Realisation of asset values, particularly aircraft, aircraft engines and spares.
- Costs which unavoidably continue.
- Resolution of contingencies.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

10. Administrators' Opinions

We, Mark Korda and Mark Mentha, as Administrators of the Ansett Group, have formed the opinion, having regard to the information available to us, that it would be in the interests of creditors of the Ansett Group to execute a DOCA as outlined in the attached outline prepared pursuant to Section 439A(4)(c) of the Act.

The object of Part 5.3A is now to provide a better return to creditors than would result from an immediate winding up of the Ansett Group. The advantages of the proposed DOCA over an immediate liquidation are as follows:

- Enhance the ability to maximise the proceeds from the sale of major assets.
- Preservation of rights of action or claims that could only be pursued by a liquidator.
- Greater flexibility for the trading and sale of DTLs, Kendell and Engineering during the DOCA period.
- Significant savings because of mechanisms to realise retention of title disputes.
- Savings of millions of dollars through mechanisms to manage non-cost effective dividend payments.
- Enhancement of debtor recoveries.
- Clarification of the claims of superannuation creditors.
- Preservation of creditors' rights to "pool" assets and liabilities of the Ansett Group.
- Ability to preserve particular assets within an Ansett company.

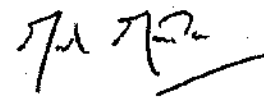
The disadvantage of the proposed DOCA is that it may delay a liquidator's commencement of proceedings, if any.

Therefore, it is our opinion that it would not be in the interests of creditors for the administrations to end. If the administrations end, the Companies would be returned to the control of the Directors in circumstances where they are insolvent.

Further, it is our opinion that it would not be in the interests of creditors for the companies to be wound up at Part 2 of the Second Meetings. Our opinion is that the appointment of a liquidator may cause rights of the Ansett Group to be terminated and restrict our ability to realise some of the major assets of the Ansett Group. A winding-up may also be more costly than a DOCA. Our investigations are continuing to better determine whether there are any claims available only to a liquidator that may justify the winding-up. Creditors may vote at Third Meetings to wind up the Ansett Group companies if our investigations conclude it would be in their interests.

Dated this 15th day of March 2002.


MARK A KORDA
Administrator


MARK F MENTHA
Administrator



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Airlines Limited (ACN 009 607 069)
Airport Terminals Pty Ltd (ACN 053 976 444)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Aldong Services Pty Ltd (ACN 000 258 113)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Ansett Aircraft Finance Limited (ACN 008 643 276)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	(ACN 002 968 989)
Ansett Australia Limited (ACN 004 209 410)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Holdings Limited (ACN 004 216 291)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd)
Ansett Carts Pty Ltd (ACN 055 181 215)	(ACN 000 240 746)
Ansett Equipment Finance Limited (ACN 006 827 989)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd)
Ansett Finance Limited (ACN 006 555 166)	(ACN 000 598 452)
Ansett Holdings Limited (ACN 065 117 535)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett International Limited (ACN 060 622 460)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Bodas Pty Ltd (ACN 002 158 741)	Walgali Pty Ltd (ACN 055 258 921)
Brazson Pty Ltd (ACN 055 259 008)	Westintech Limited (ACN 009 084 039)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Eastwest Airlines Limited (ACN 000 063 972)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Moraal Pty Ltd (ACN 003 286 440)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
	Wridgways Holdings Limited (ACN 004 449 085)
	(All Administrators Appointed)



ANDERSEN

ANSETT GROUP OF COMPANIES

Summary of Second Report by Administrators

Pursuant to Section 439A of the Corporations Act

15 March 2002



ANSETT GROUP SUMMARY OF SECOND REPORT BY ADMINISTRATORS

This is a summary of our Second Report to the creditors of the Companies within the Ansett Group. Our First Report was dated 16 January 2002.

As required by the Act, this report addresses the Companies' business, property, affairs and financial circumstances and provides our opinions on the following matters:

- Whether it would be in the creditors' interests for the Companies to execute a Deed of Company Arrangement ("DOCA"),
- Whether it would be in the creditors' interests for the administration of the Companies to end, and
- Whether it would be in the creditors' interests for the Companies to be wound up and the reasons for those opinions.

Administrators' First Report to Creditors

Our First Report provided an overview of the Ansett Group's operations and our actions. It also outlined that the Second Meetings of Creditors of the Ansett Group companies would be held in two parts:

Date	Purpose of Meetings	To be Referred to as
<ul style="list-style-type: none"> • 29 January 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the conduct of the administration to date. <input type="checkbox"/> To approve the sale of the mainline airline to Tesna. <input type="checkbox"/> To extend the date for completion of the Tesna sale. <input type="checkbox"/> To adjourn the meeting for a period of no more than 60 days. 	"Part 1 of the Second Meetings"
<ul style="list-style-type: none"> • by 30 March 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the investigations into the affairs of the Ansett Group. <input type="checkbox"/> To consider how the proceeds of sale be applied. <input type="checkbox"/> To consider and, if appropriate, approve the proposed DOCAs for the various Ansett Group companies. 	"Part 2 of the Second Meetings"

Part 1 of the Second Meetings was held on 29 January 2002. The creditors approved the proposed sale to Tesna and adjourned the meeting so that work could proceed on completing the sale and other aspects of the administration. The Tesna sale did not complete.



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

Separate meetings of creditors under Section 439A of the Act were held on 25 January 2002 for Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings. Creditors of the excluded companies have been invited to attend Part 2 of the Second Meetings as observers. There will be no resolutions passed for the excluded companies at Part 2 of the Second Meetings.

Administrators' Second Report to Creditors

In accordance with the Orders of Justice Goldberg on 7 January 2002, notices for Part 2 of the Second Meetings were not mailed to creditors, but a notice of the time, date and place of the meeting was placed on the Administrators' web sites within 48 hours of Part 1 of the Second Meetings and in advertisements placed in newspapers nationally on 4 February 2002. This resulted in a substantial cost saving.

This report relates to the Ansett Companies listed at the conclusion of this report and is provided before Part 2 of the Second Meetings on 27 March 2002 convened under Section 439A of the Act.

It is our opinion that it is in the interests of creditors of the Ansett Group that each of the Companies execute a DOCA.

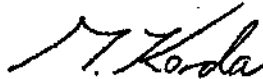
The purpose of this report is to:

- Outline to creditors the reason for this opinion and provide an outline of the DOCAs.
- Provide an update on the administration generally.
- Advise creditors of the strategy for the realisation of the assets of the Companies.
- Advise creditors of the extent of our investigations to date.

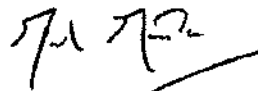
The proposed DOCAs provide a mechanism to enable us to protect and then sell the assets of the Ansett Group in an orderly manner to maximise the return to creditors. The DOCAs provide a general framework for applying the proceeds of the asset sale. However, we intend to convene Third Meetings of Creditors after major sales have been completed. Creditors will make the decision on how proceeds will be distributed and no dividend would be paid to ordinary unsecured creditors until after that meeting. The Third Meetings would also consider whether the assets and liabilities of the companies should be "pooled", that is, treat some or all of the companies as a single entity for the purposes of distributions to creditors. The meetings would also consider whether the Ansett Group should be liquidated.

We intend to provide a further report before the Third Meetings. That report will include an update on our investigations.

Dated this 15th day of March 2002.



MARK A KORDA
Administrator



MARK F MENTHA
Administrator



ANDERSEN

**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

ABBREVIATIONS USED IN EXECUTIVE SUMMARY

Mark Korda and Mark Mentha of Andersen
Australian Aviation Engineering Services a division of
Ansett Australia Limited (ACN 004 209 410)
Aeropelican Air Services Pty Ltd (ACN 000 653 083)
Skywest Airlines Pty Ltd (ACN 008 997 662)
ANST Westsky Aviation Limited
(Formerly Skywest Aviation Limited) (ACN 004 444 866)
ANST Westsky Jet Charter Pty Ltd
(Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
ANST Westsky Holdings Pty Ltd
(Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Aeropelican, Skywest Airlines, Skywest Aviation, Skywest
Jet Charter and Skywest Holdings
Air New Zealand Group of Companies

Corporations Act (2001) Commonwealth

Deed of Company Arrangement

Domestic Terminal Lease

[Http://www.ansett.com.au/administrator](http://www.ansett.com.au/administrator) and

<http://www.abl.com.au/administrator>

Meetings of creditors called pursuant to Section 436E of
the Act

Meetings of creditors called pursuant to Section 439A of
the Act

Consortium associated with Mr Lindsay Fox, Mr Solomon
Lew and Tesna Holdings Pty Ltd

Information Technology

First Report by Administrators of the Ansett Group dated
16 January 2002

Second Report by Administrators to the Creditors of the
Ansett Group dated 15 March 2002

Abbreviated to:

"the Administrators"
"Engineering" or "AAES"

"Aeropelican"
"Skywest"
"Skywest Aviation"

"Skywest Jet Charter"

"Skywest Holdings"

"the excluded companies"
"Air New Zealand" or "the Air New
Zealand Group"

"the Act"

"DOCA"

"DTL"

"the Administrators' web sites"

"the First Meetings"

"the Second Meetings"

"Tesna"

"IT"

"First Report"

"Second Report" or "this report"



 **ANDERSEN**

**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

1. Executive Summary

1.1 Purpose of Report

Our First Report was dated 16 January 2002. This report is an update on matters since then and provides recommendations to creditors for them to consider before Part 2 of their Second Meetings.

1.2 Aim of Administration

The object of the administration legislation is to provide for the business, property and affairs of the Ansett Group to be administered in a way that:

- Maximises the chances of the Ansett Group continuing to exist, or
- If that is not possible, results in a better return for creditors than an immediate winding up.

The sale to Tesna would have achieved both of these objectives. We are now seeking to maximise the proceeds from asset sales by focusing on achieving returns greater than would be achieved in an immediate liquidation or winding up of the Ansett Group.

1.3 Purpose of Meeting

Part 2 of the Second Meetings of the creditors of the Ansett Group will be held on 27 March 2002 at 11.00am at the **Melbourne Exhibition and Convention Centre, 2 Clarendon Street, Southbank, Melbourne, 3006**. It will also be webcast on the Administrators' web sites.

The purpose of Part 2 of the Second Meetings is to consider:

- The Administrators' Second Report concerning the company's business, property, affairs and financial circumstances,
- Whether it would be in the creditors' interests for the Companies to execute a DOCA,
- Whether it would be in the creditors' interests for the administration of the Companies to end, and
- Whether it would be in the creditors' interests for the Companies to be wound up.

1.4 Opinions by Administrators

In our opinion, it is in the interests of creditors for the Ansett Group to enter into the proposed DOCAs. If the Ansett Group Companies are liquidated now, the leases on key assets may be terminated and realised for amounts less than the value which can otherwise be achieved.



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

In our opinion, the interests of creditors are not best served by the administrations of the Companies ending or the Companies being wound up.

1.5 Resolutions to be Proposed

The resolutions for Part 2 of the Second Meetings are as follows:

"That (the relevant Ansett company) execute a Deed of Company Arrangement in accordance with the outline provided with the Second Report by Administrators dated 15 March 2002"; and

"That the creditors of (the relevant Ansett company) do not require a notice to be sent to each creditor advising of the execution of the Deed of Company Arrangement pursuant to Section 450B of the Corporations Act provided that the Voluntary Administrators advertise the execution of the DOCA and give notice on the administrators' web sites".

The resolutions will be voted on a company-by-company basis. It is for the creditors to decide on the resolutions.

1.6 Asset Realisations

As a result of Tesna's withdrawal from the purchase of the mainline airline assets, we have implemented alternative realisation strategies.

1.7 Investigations

Investigations are under way into potential recoveries that would be available to a liquidator and causes of action that may exist against various parties. These investigations are continuing and will be fully reported to creditors later. Creditors may subsequently determine that the Ansett Group be wound up. Potential recoveries and causes of action will not be prejudiced by the execution of a DOCA.

1.8 Proposed Deeds of Company Arrangement

In order to maximise the return to creditors, the proposed DOCAs provide for the orderly sale of the Ansett assets. The proposed DOCAs provide a moratorium on any action against the Ansett Group.

A further meeting of the creditors will be held once the major assets have been sold to consider whether to place the companies in liquidation or vary the DOCAs. These variations may include whether the assets and claims of creditors of the various companies should be "pooled".

1.9 Benefit of Proposed Deeds of Company Arrangement

If the Ansett companies are immediately wound up, leases on certain key assets - including the airport terminals - may be terminated and lessors may exercise rights of buy-back. These provisions will not be triggered by the proposed DOCAs.



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

The ability to pursue any rights of action, including those that would only be available to a liquidator, are not affected by the proposed DOCAs. All of these actions would still be able to be pursued at a later stage. This would include any liquidator's rights, if and when a liquidator was appointed.

1.10 Estimated Returns to Creditors

Based on the above assumptions above, the possible return to priority creditors is up to 100 cents in the dollar with a return to unsecured creditors unlikely. However, many variables can still significantly effect this return. These include:

- Realisation of asset values, particularly aircraft, aircraft engines and spares.
- Costs which unavoidably continue.
- Resolution of contingencies.



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

2. Estimated Return to Creditors

The Ansett Group comprises of a large number of businesses and companies with many inter-relationships. This leads to significant complexities when estimating the possible return that may be available to creditors.

The estimated return to creditors has been prepared on a consolidated basis using valuations, estimates and assumptions, many of which are commercially sensitive at this time, and for this reason, have not been detailed in this report. This includes property, aircraft and plant and equipment valuations, some of which have been prepared by independent experts.

The summary assumes all of the assets and liabilities of the Ansett Group are consolidated. There are likely to be varying returns for creditors of different companies if each company is treated separately. The summary also assumes that creditors will vote in favour of a DOCA.

The estimated return is based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in this report.

In our First Report we indicated that if the sale to Tesna did complete, and if all of the assets and liabilities of the Ansett Group companies were consolidated, a dividend to unsecured creditors of approximately 5 cents in the dollar was possible. We also indicated that if the sale did not complete, it was likely that there would be a shortfall in meeting priority payments and there may be no return to the unsecured creditors. This is now the expected outcome.

A broad estimate of the potential return to creditors is as follows:

	\$m
Estimated Realisations	
Debtors, Other Receivables and Air New Zealand Settlement	265
Property Assets, Regional Airlines (Business and Aircraft), Engineering and other assets	400
Ansett Aircraft – Owned and Finance Leases with Equity	890
Spare Aircraft Engines, Rotables and Consumables	100
Total Estimated Realisations	1,655
Estimated Payments	
Payouts on Finance Leases with Equity	(640)
Asset Management and Wind Down Costs	(75)
Back Office, Overheads and IT costs	(75)
Mainline and Regionals' Trading Losses	(25)



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

	\$m
Estimated Payments contd...	
Costs incurred after 28 February 2002	(65)
Valuation, Consulting, Legal, Administrators' Fees and Expenses	(55)
Total Estimated Payments	(935)
Surplus before Employee Entitlements	720
Employee Entitlements	
Total Employee Entitlements	760
Less – Transfers on Sale of Regionals, Engineering and Other Businesses	(40)
Total Employee Entitlements	720
Possible Return to Employees before Contingencies	100c/\$
Less – Contingencies (for averaging of employee entitlements, number of transferring employees, possible taxes on employee entitlements and other issues)	(59)
Possible Return to Employees after Contingencies	92c/\$
Estimated Return to Unsecured Creditors (\$2,057m)	0c/\$

The potential claims by unsecured creditors are summarised as follows:

	\$m
Unsecured Creditors	
Trade Creditors	300
Revenue Paid in Advance	270
Banks	
- Loans and Overdrafts	115
- Bank Guarantees	25
- Hedge Losses	27
Global Rewards	140
Lease Creditors	27
Taxes	
- ATO (Revised Assessments)	66
- GST & other taxes	4



**ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS**

	\$m
Unsecured Creditors contd...	
Inter-company Loans (Companies Not in Administration)	20
Other Creditors	208
Possible Superannuation Plan Shortfalls	80
Amounts Claimed as Owing by Air New Zealand	310
Less: Amounts Agreed Not to Claim	(310)
Total Creditors (Before Aircraft Creditors)	1,282
Aircraft Creditors	
- Aircraft Finance Leases Without Equity	230
- Operating Lease Liabilities (total payable approx. \$1.1b)	350
- Other Aircraft Lease/Loan Guarantees	195
Total Aircraft Creditors	775
Total Potential Unsecured Creditors	2,057

The total of all potential creditors of the Ansett Group are summarised below:

	\$m
All Potential Creditors	
Employee and Other Entitlements	779
Unsecured Creditors, excluding Aircraft	1,282
Payments on Finance Leases with Equity	640
Aircraft Creditors	775
Total All Potential Creditors	3,476

Summary

Based on the above assumptions above, the possible return to priority creditors is up to 100 cents in the dollar with a return to ordinary unsecured creditors unlikely. However, many variables can still significantly effect this return. These include:

- Realisation of asset values, particularly aircraft, aircraft engines and spares.
- Costs which unavoidably continue.
- Resolution of contingencies.



ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)
SUMMARY OF SECOND REPORT BY ADMINISTRATORS

3. Administrators' Opinions

We, Mark Korda and Mark Mentha, as Administrators of the Ansett Group, have formed the opinion, having regard to the information available to us, that it would be in the interests of creditors of the Ansett Group to execute a DOCA as outlined in the attached outline prepared pursuant to Section 439A(4)(c) of the Act.

The object of Part 5.3A is now to provide a better return to creditors than would result from an immediate winding up of the Ansett Group. The advantages of the proposed DOCA over an immediate liquidation are as follows:

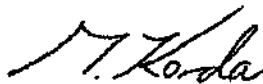
- Enhance the ability to maximise the proceeds from the sale of major assets.
- Preservation of rights of action or claims that could only be pursued by a liquidator.
- Greater flexibility for the trading and sale of DTLs, Kendell and Engineering during the DOCA period.
- Significant savings because of mechanisms to realise retention of title disputes.
- Savings of millions of dollars through mechanisms to manage non-cost effective dividend payments.
- Enhancement of debtor recoveries.
- Clarification of the claims of superannuation creditors.
- Preservation of creditors' rights to "pool" assets and liabilities of the Ansett Group.
- Ability to preserve particular assets within an Ansett company.

The disadvantage of the proposed DOCA is that it may delay a liquidator's commencement of proceedings, if any.

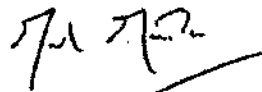
Therefore, it is our opinion that it would not be in the interests of creditors for the administrations to end. If the administrations end, the Companies would be returned to the control of the Directors in circumstances where they are insolvent.

Further, it is our opinion that it would not be in the interests of creditors for the companies to be wound up at Part 2 of the Second Meetings. Our opinion is that the appointment of a liquidator may cause rights of the Ansett Group to be terminated and restrict our ability to realise some of the major assets of the Ansett Group. A winding-up may also be more costly than a DOCA. Our investigations are continuing to better determine whether there are any claims available only to a liquidator that may justify the winding-up. Creditors may vote at Third Meetings to wind up the Ansett Group companies if our investigations conclude it would be in their interests.

Dated this 15th day of March 2002.



MARK A KORDA
Administrator



MARK F MENTHA
Administrator



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
SECOND REPORT BY ADMINISTRATORS**

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Airlines Limited (ACN 009 607 069)
Airport Terminals Pty Ltd (ACN 053 976 444)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Aldong Services Pty Ltd (ACN 000 258 113)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Ansett Aircraft Finance Limited (ACN 008 643 276)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Australia Limited (ACN 004 209 410)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia Holdings Limited (ACN 004 216 291)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Equipment Finance Limited (ACN 006 827 989)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Finance Limited (ACN 006 555 166)	Walgall Pty Ltd (ACN 055 258 921)
Ansett Holdings Limited (ACN 065 117 535)	WestIntech Limited (ACN 009 084 039)
Ansett International Limited (ACN 060 622 460)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Bodas Pty Ltd (ACN 002 158 741)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Brazson Pty Ltd (ACN 055 259 008)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines Limited (ACN 000 063 972)	Wridgways Holdings Limited (ACN 004 449 085)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)	(All Administrators Appointed)
Moraal Pty Ltd (ACN 003 286 440)	



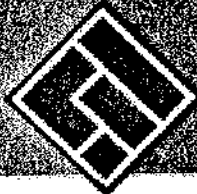
**ANSETT GROUP OF COMPANIES
STATUS OF COMPANIES**

Administrators Appointed	<u>Administrator Appointment</u>		
	ACN	PwC	Andersen
501 Swanston Street Pty Ltd	005 477 618	14 Sept 01	17 Sept 01
Airport Terminals Pty Ltd	053 976 444	14 Sept 01	17 Sept 01
Aldong Services Pty Ltd	000 258 113	14 Sept 01	17 Sept 01
Ansett Aircraft Finance Limited	008 643 276	14 Sept 01	17 Sept 01
Ansett Australia and Air New Zealand Engineering Services Limited	089 520 696	N/A	3 Oct 01
Ansett Australia Holdings Limited	004 216 291	12 Sept 01	17 Sept 01
Ansett Australia Limited	004 209 410	12 Sept 01	17 Sept 01
Ansett Aviation Equipment Pty Ltd	008 559 733	14 Sept 01	17 Sept 01
Ansett Carts Pty Ltd	005 181 215	14 Sept 01	17 Sept 01
Ansett Equipment Finance Limited	006 827 989	14 Sept 01	17 Sept 01
Ansett Finance Limited	006 555 166	14 Sept 01	17 Sept 01
Ansett Holdings Limited	065 117 535	12 Sept 01	17 Sept 01
Ansett International Limited	060 622 460	12 Sept 01	17 Sept 01
Bodas Pty Ltd	002 158 741	12 Sept 01	17 Sept 01
Brazson Pty Ltd	055 259 008	14 Sept 01	17 Sept 01
Eastwest Airlines (Operations) Limited	000 259 469	14 Sept 01	17 Sept 01
Eastwest Airlines Limited	000 063 972	14 Sept 01	17 Sept 01
Kendell Airlines (Aust) Pty Ltd	000 579 680	12 Sept 01	17 Sept 01
Moraal Pty Ltd	003 286 440	14 Sept 01	17 Sept 01
Northern Airlines Limited	009 607 069	14 Sept 01	17 Sept 01
Northern Territory Aerial Work Pty Ltd	009 611 321	14 Sept 01	17 Sept 01
Rock-It-Cargo (Aust) Pty Ltd	003 004 126	14 Sept 01	17 Sept 01
ANST Show Pty Ltd (Formerly Show Group Pty Ltd)	002 968 989	12 Sept 01	17 Sept 01
South Centre Maintenance Pty Ltd	007 286 660	12 Sept 01	17 Sept 01
Spaca Pty Ltd	006 773 593	14 Sept 01	17 Sept 01
Traveland International (Aust) Pty Ltd	000 275 936	14 Sept 01	17 Sept 01
ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd)	000 598 452	12 Sept 01	17 Sept 01
Traveland New Staff Pty Ltd	080 739 037	14 Sept 01	17 Sept 01
ANST Travel Pty Ltd (Formerly Traveland Pty Ltd)	000 240 746	12 Sept 01	17 Sept 01
Walgal Pty Ltd	055 258 921	14 Sept 01	17 Sept 01
Westintech Limited	009 084 039	14 Sept 01	17 Sept 01
Westintech Nominees Pty Ltd	009 302 158	14 Sept 01	17 Sept 01
Whitsunday Affairs Pty Ltd	009 694 553	14 Sept 01	17 Sept 01
Whitsunday Harbour Pty Ltd	010 375 470	14 Sept 01	17 Sept 01
Wridgways Holdings Limited	004 449 085	14 Sept 01	17 Sept 01
Wridgways (Vic) Pty Ltd	004 153 413	14 Sept 01	17 Sept 01

**ANSETT GROUP OF COMPANIES
STATUS OF COMPANIES**

Subject to Deed of Company Arrangement	<u>Administrators Appointed</u>			<u>Deed of Company Arrangement</u>
	ACN	PwC	Andersen	Executed
Aeropelican Air Services Pty Ltd	000 653 083	12 Sept 01	17 Sept 01	15 Feb 02
ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited)	004 444 866	14 Sept 01	17 Sept 01	15 Feb 02
ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd)	008 905 646	14 Sept 01	17 Sept 01	15 Feb 02
ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd)	008 800 155	14 Sept 01	17 Sept 01	15 Feb 02

Companies Sold (Not Under Administrators Control)	<u>Administrators Appointed</u>			<u>Deed of Company Arrangement</u>	
	ACN	PwC	Andersen	Executed	Terminated & Sale Completed
Skywest Airlines Pty Ltd	008 997 662	12 Sept 01	17 Sept 01	15 Feb 02	21 Feb 02



ASIC

Australian Securities & Investments Commission

Media and information releases

02/69 ASIC'S Ansett investigation focuses on financial disclosures by Air New Zealand Limited

Friday 1 March 2002

The Chairman of the Australian Securities and Investments Commission (ASIC), Mr David Knott, today updated the market on ASIC's investigation into the collapse of Ansett Holdings Limited (Ansett).

On 14 September 2001 ASIC commenced a wide-ranging investigation into the Ansett collapse. Since that time, extensive enquiries have been conducted in Australia, New Zealand and Singapore involving a comprehensive review of company records and examinations of directors and other officers. Legal advice has been provided by Counsel on a variety of issues.

ASIC has now reached the view that, based on the evidence currently available, there is no realistic prospect for successfully prosecuting the directors of Ansett for breach of their general duties of care under the Corporations Act or for insolvent trading. This view is confirmed by Senior Counsel.

The factors contributing to this conclusion include the steps taken by the Ansett directors to obtain financial support from their parent company, Air New Zealand Limited (AIZ), including a letter of comfort for \$400 million for working capital commitments in August 2001.

It is considered unlikely that evidence exists which would cause these conclusions to be reconsidered but ASIC will reserve its position until all aspects of the investigation are concluded.

ASIC's attention is now focused on the adequacy of disclosures made to the market by AIZ regarding its financial position in the period prior to 12 September 2001. The Commission believes that, depending on the outcome of further enquiries, the public interest may be served by the commencement of a representative action for damages against AIZ in relation to the level of its financial disclosures.

There are considerable complexities which ASIC must address before making a decision on this matter. These include further consideration of the disclosures made by AIZ; establishing the identity of persons who have suffered damage as a consequence of any failure by AIZ to keep the market properly informed; and determining the damages for which a lawful claim (if any) may be made under Section 50 of the ASIC Act on behalf of such persons.

ASIC has noted the contents of the Report of the New Zealand Stock Exchange (NZSE) Market Surveillance Panel dated 18 February 2002 containing a review of AIZ's compliance with the disclosure requirements of NZSE Listing Rule 10.1. The findings of that Report were carefully considered by ASIC before deciding to proceed with the investigation.

ASIC has established a special task force to work through these issues over the next three months. The task force will be headed by Mr Jamie Orchard, ASIC's Director of Enforcement (South West). It is hoped that the Commission will be in a position by 31 May 2002 to make a final decision in relation to this matter.

Public advertisements will be published next month providing additional information about the possible proceedings, including a process for relevant persons to contact ASIC.

ASIC will not comment further on this matter at this time.

Contact:

Kate Harvey

ASIC Media Manager

Telephone: 03 9280 3553

Mobile: 0401 985 966

Date Printed 18 March 2002
ASIC Website www.asic.gov.au



ANSETT GROUP

**OUTLINE OF DEED OF COMPANY
ARRANGEMENT**

**Statement Pursuant to Section 439A(4)(c)
of the Corporations Act 2001**



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ANSETT GROUP
STATEMENT PURSUANT TO SECTION 439A(4)(C)
OF THE CORPORATIONS ACT 2001

1 PARTIES

The parties to the Deed will be:

- 1.1 The Ansett Group companies (each "an Ansett Group Company" and collectively "the Ansett Group");
- 1.2 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as Administrators of each Ansett Group Company ("the Voluntary Administrators");
- 1.3 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as the Administrators of the Deed ("the Deed Administrators").

2 PURPOSE AND OBJECTS

The purposes and objects of the Deed are to provide for the business, property and affairs of each Ansett Group Company to be administered in a way that:

- 2.1 provides for the maximum possible return from the orderly sale and realisation of assets of the Ansett Group;
- 2.2 does not compromise any Deed Creditors debts;
- 2.3 avoids crystallisation of Domestic Terminal Lessors' rights to terminate Domestic Terminal Leases;
- 2.4 provides for a moratorium on all creditors taking action against any Ansett Group Company;
- 2.5 provides for subsequent meetings of creditors to consider variations to the provisions of the Deed;
- 2.6 results in a better return for the creditors of each Ansett Group Company than would result from an immediate winding-up of the Ansett Group;
- 2.7 facilitates a commercial resolution to the financial difficulties of the Ansett Group without unnecessary impediment or legal dispute; and



- 2.8 has due regard to any orders or directions made by the Court as to how Part 5.3A of the Act is to operate in relation to each Ansett Group Company.

3 DEFINITIONS

- 3.1 **"Act"** means the Corporations Act 2001;
- 3.2 **"Aircraft Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.3 **"Air New Zealand MOU"** means the Memorandum of Understanding dated 3 October 2001 between, amongst others, the Ansett Group, the Voluntary Administrators, the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group;
- 3.4 **"Appointment Date"** means the date of commencement of the voluntary administration of each Ansett Group Company;
- 3.5 **"Asset"** includes a mere cause of action or chose in action;
- 3.6 **"Business Sale"** means a sale by any Ansett Group Company of a business or assets to a third party which occurs during the Voluntary Administration Period or the Deed Period;
- 3.7 **"Claim"** means a debt payable by, and all claims against, an Ansett Group Company (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims circumstances giving rise to which occurred on or before the Appointment Date;
- 3.8 **"Coupon Creditor"** means a person who on the Appointment Date is the holder of a ticket for air travel to be provided by any Ansett Group Company on or after the Appointment Date and which has not been honoured by the carrier;
- 3.9 **"Court"** means the Federal Court of Australia at its Melbourne Registry;
- 3.10 **"Deed Administrators"** means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as Administrators of the Deed;



- 3.11 "Deed Creditor" means any person who has a Claim, including:
- 3.11.1 Employees;
 - 3.11.2 SEESA Payer;
 - 3.11.3 Suppliers;
 - 3.11.4 Non Cost Effective Dividend Recipients;
 - 3.11.5 Aircraft Lessors;
 - 3.11.6 Domestic Terminal Lessors;
 - 3.11.7 Other Lessors;
 - 3.11.8 Secured Finance Lease Creditors;
 - 3.11.9 Coupon Creditors;
 - 3.11.10 Global Rewards Creditors;
 - 3.11.11 Golden Wing Creditors;
- 3.12 "Deed Period" means the period commencing on the Effective Date and ending on the Termination Date;
- 3.13 "Domestic Terminal Leases" means the leases for airport terminals located at Australian airports which are used by, occupied or in the possession of the Ansett Group Company, being the terminals at the following airports:
- 3.13.1 Melbourne;
 - 3.13.2 Sydney;
 - 3.13.3 Brisbane;
 - 3.13.4 Adelaide;
 - 3.13.5 Perth;
 - 3.13.6 Hobart;
 - 3.13.7 Canberra;
 - 3.13.8 Darwin;
 - 3.13.9 Alice Springs;



- 3.13.10 Cairns;
- 3.13.11 Townsville;
- 3.13.12 Coolangatta;
- 3.13.13 Rockhampton;
- 3.14 "Domestic Terminal Lessors" means the lessors under Domestic Terminal Leases;
- 3.15 "Effective Date" means the date of execution of this Deed;
- 3.16 "Employees" means all past and present employees of any Ansett Group Company as at the Effective Date;
- 3.17 "Entitlement" means the amount of a Claim that a Participating Creditor is entitled to be paid as a distribution in accordance with the Deed;
- 3.18 "Finance Lease" means a lease constituting, or accounted for in a similar way to, a finance lease or capitalised lease under Australian Accounting Standards;
- 3.19 "Global Reward Creditor" means a person who is a member of the frequent flyer scheme operated by the Ansett Group known as Global Rewards as at the Appointment Date;
- 3.20 "Global Reward Claim" means a Claim of a Global Rewards Creditor which arises:
 - 3.20.1 because he or she had Global Rewards points standing to his or her credit as at the Appointment Date; or
 - 3.20.2 because as at the Appointment Date, he or she held an airline ticket acquired through redemption of Global Rewards points for air travel to be provided by the Ansett Group or any other airline after the Appointment Date and which has not been honoured by the carrier; or
 - 3.20.3 otherwise by reason of being a member of the Global Rewards Frequent Flyer Scheme;
- 3.21 "Golden Wing Claim" means a Claim of a Golden Wing Creditor which arises:
 - 3.21.1 because the expiry date for their membership falls on or after the Appointment Date;



- 3.21.2 otherwise by reason of being a member of the Golden Wing Club;
- 3.22 **"Golden Wing Creditor"** means a person who was a member of the Golden Wing Club or would be a member of the Golden Wing Club but for the administration of the Ansett Group;
- 3.23 **"Leases"** means any lease, licence or other agreement to use, occupy or possess real property or any other property;
- 3.24 **"Lessor"** means any person (other than an Ansett Group Company) who is the legal or beneficial owner of real property or any other property used, occupied or in the possession of an Ansett Group Company at the Appointment Date, comprising Property Lessors, Aircraft Lessors and Other Lessors;
- 3.25 **"Members"** means shareholders of an Ansett Group Company;
- 3.26 **"Non Cost Effective Claim"** means the Claim of a Deed Creditor whose Claim in the bona fide assessment of the Deed Administrators would receive a dividend for an amount less than \$AUD25 after an accurate estimation of the dividend is made in accordance with Clause 21.4;
- 3.27 **"Non Cost Effective Dividend Recipients"** means a person with a Claim which is a Non Cost Effective Claim;
- 3.28 **"Other Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an asset (other than real property or an aircraft) that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.29 **"Participating Creditors"** means Deed Creditors other than Non Cost Effective Dividend Recipients;
- 3.30 **"Priority Creditors"** means:
 - 3.30.1 the Voluntary Administrators and the Deed Administrators in relation to any amounts due and payable to the Voluntary Administrators or the Deed Administrators pursuant to the terms of the Deed;
 - 3.30.2 Secured Creditors;
 - 3.30.3 Priority ROT Creditors to the extent of their priority amount;



3.30.4 Employees and the SEESA Payer in relation to SEESA Payments;

but does not include Top Up Retrenchment Benefit Creditors;

- 3.31 "Priority ROT Creditor" means a ROT Creditor in relation to such priority amount notified to it by the Deed Administrators under Clause 17, and in the event of a dispute about the notified amount such priority amount agreed between that ROT Creditor and the Deed Administrators or ordered by the Court;
- 3.32 "Property Lessor" means any person other than an Ansett Group Company who is the legal or beneficial owner of real property that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.33 "ROT Claim" means a claim by a supplier pursuant to the terms of trade by which the supplier traded with an Ansett Group Company, the supplier retained an interest in or ownership of goods and in respect of which there is no provision or act undertaken by that supplier inconsistent with those retention of ownership or interest provisions and in respect of which such goods remained in the possession of the Voluntary Administrators as at the Appointment Date and for which payment has not previously been made by an Ansett Group Company;
- 3.34 "ROT Creditor" means a person who has a ROT Claim;
- 3.35 "Secured Creditor" means any person who has the benefit of a Security which was valid at the Appointment Date or which is validated within 14 Business Days after the execution of the Deed over all or any assets of an Ansett Group Company securing all or any of its Claim but only to the extent of that Security as at the Appointment Date;
- 3.36 "Secured Finance Lease Creditor" means any Secured Creditor who has entered into a Financing Lease with an Ansett Group Company and holds, as security for the payment of any debt or liability or the performance of any obligation under that financing lease, a Security over an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date but only to the extent of that Security as at the Appointment Date;
- 3.37 "Security" means any mortgage, chattel mortgage, pledge, charge, agreement, encumbrance, lien, any right of set-off (arising otherwise than by operation of law or as a result of a banker's right



to combine accounts), assignment which provides for and secures the payment of any debt or monetary liability or the performance of any obligation;

- 3.38 **"SEESA Payer"** means SEES Pty Ltd as agent for the Commonwealth of Australia;
- 3.39 **"SEESA Payments"** means payments made by the SEESA Payer pursuant to the Special Employee Entitlement Scheme for Ansett Group employees established under the *Air Passenger Ticket Levy (Collection) Act 2001* and paid to the Voluntary Administrators or the Deed Administrators in accordance with a determination made by the Minister for Employment and Workplace Relations under that Act and the SEESA Payments Deed;
- 3.40 **"SEESA Payments Deed"** means the Deed dated 18 December 2001 between SEES Pty Ltd, the Ansett Group and the Voluntary Administrators setting out the terms on which SEESA Payments are to be paid to the Voluntary Administrators or the Deed Administrators and the priority in which such payments will be repaid;
- 3.41 **"Superannuation Funds"** means the Ansett Australia Ground Staff Superannuation Plan (*trustee - Ansett Australia Ground Staff Superannuation Plan Pty Ltd*); the Ansett Transport Industries Limited Pilots/Management Superannuation Plan (*trustee - Ansett Australia Pilots/Management Superannuation Plan Pty Ltd*); the Ansett Transport Industries Limited Pilots/Management Superannuation Plan (*trustee - Ansett Australia Flight Engineers' Superannuation Plan Pty Ltd*); the Ansett Transport Industries Limited Flight Attendants Superannuation Plan (*trustee - Ansett Australia Flight Attendants Superannuation Plan Pty Ltd*); and Ansett Accumulation Plan (*trustee - Ansett Australia Pilots Accumulation Plan Pty Ltd*);
- 3.42 **"Supplier"** means a person whose Claim arises from or in consequence of the supply of goods;
- 3.43 **"Termination Date"** means the date of termination of the Deed;
- 3.44 **"Top Up Retrenchment Benefit Creditor"** means a person that is or was a trustee of a Superannuation Fund or a Superannuation Fund with a Claim;
- 3.45 **"Voluntary Administration Period"** means the period of time commencing on the Appointment Date and concluding on the Effective Date;



3.46 "Voluntary Administrators" means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as Administrators of each Ansett Group Company.

4 COMMENCEMENT DATE

The Deed will be taken to have commenced on the Effective Date.

5 MORATORIUM

- 5.1 During the Deed Period, all Deed Creditors are restrained from taking any action or proceeding with an action in relation to Claims, including claims for damages, against an Ansett Group Company other than to enforce rights arising pursuant to the terms of the Deed, without the Deed Administrators prior written consent.
- 5.2 The Deed Administrators cannot be liable to an action or other proceeding for damages in respect of a refusal to give an approval or consent for the purposes of this moratorium.
- 5.3 Nothing in the Deed will affect in any way and at any time the rights of the Secured Creditors in relation to the enforcement of their securities during the Deed Period or their interests in the assets of any Ansett Group Company over which they have security.
- 5.4 Nothing in the Deed will affect in any way the Deed Administrators' rights to limit the Secured Creditors in relation to the enforcement of their securities or their interests in the assets of any Ansett Group Company over which they have security, at common law or arising under the Act.
- 5.5 All persons bound by the Deed acknowledge that the Deed does not constitute a compromise or arrangement or other event which would give a Domestic Terminal Lessor the right to terminate its Domestic Terminal Lease, to re-enter or take possession of the relevant domestic terminal or to withhold its consent to the assignment or sub-lease of the Domestic Terminal Lease.
- 5.6 The Deed will not release any Ansett Group Company from any Claims, except to the extent (if any) provided for in any subsequent variation to the Deed which may be approved by Deed Creditors at a meeting of creditors convened under Section 445F of the Act (as contemplated by Clause 21.4).



6 ROLE OF DEED ADMINISTRATORS

During the Deed Period the Deed Administrators:

- 6.1 have control of each Ansett Group Company's business, property and affairs;
- 6.2 may carry on that business and manage that property and those affairs;
- 6.3 may terminate or dispose of all or part of that business and may dispose of any of that property or any other; and
- 6.4 may perform any function and exercise any power that the Ansett Group Company or any of its officers could perform or exercise if the Ansett Group Company were not subject to the Deed;
- 6.5 may sell or dispose of shares in an Ansett Company;
- 6.6 may transfer assets or novate liabilities from one Ansett Company to another for the purpose of maximising the sale of Ansett's assets.

7 DEED ADMINISTRATORS ACT AS ANSETT GROUP COMPANIES' AGENTS

When performing a function or exercising a power as Deed Administrators, the Deed Administrators are taken to be acting as agents of the Ansett Group Companies.

8 POWERS OF OTHER OFFICERS SUSPENDED

- 8.1 While an Ansett Group Company is subject to a Deed of Company Arrangement, a person (other than the Deed Administrators) cannot perform or exercise and must not purport to perform or exercise a function or power as an officer of the Ansett Group Company except with the Deed Administrators prior written approval.
- 8.2 For the avoidance of doubt, the directors of each Ansett Group Company will undertake not to pass a resolution to place any Ansett Group Company into voluntary administration or take any step to wind it up except with the Deed Administrators' prior written approval.



9 DEED ADMINISTRATORS MAY INVESTIGATE AFFAIRS

The Deed Administrators may investigate the Ansett Group Company's business, property, affairs and financial circumstances and may report the results of their investigations to ASIC and Deed Creditors.

10 DEED ADMINISTRATORS' RIGHT TO ANSETT GROUP COMPANIES BOOKS

A person is not entitled as against the Deed Administrators of any Ansett Group Company:

- 10.1 to obtain possession of books of the Ansett Group Company; or
- 10.2 to claim or enforce a lien on such books, but such a lien is not otherwise prejudiced.

11 TRANSFER OF SHARES

During the Deed Period, a Member will not transfer any shares owned by it in any Ansett Group Company except with the Deed Administrators' prior written approval.

12 DOMESTIC TERMINAL LEASES

- 12.1 All persons bound by this Deed acknowledge that if a Domestic Terminal Lessor seeks to take possession of or otherwise recover the property comprised in that Domestic Terminal Lease without the prior written consent of the Deed Administrators, then there would be a material adverse effect on achieving the purposes of the Deed, and in particular the returns to Participating Creditors will be less than what they would be in the absence of the Domestic Terminal Lessors taking such action.
- 12.2 Each Domestic Terminal Lessor acknowledges to each other person bound by this Deed that:
 - 12.2.1 a failure by a Domestic Terminal Lessor to consent to or perfect an assignment of its lease to a purchaser of any of the assets of the Ansett Group may prejudice the sale of those assets and thereby frustrate the objects of Part 5.3A of the Act; and



- 12.2.2 each Domestic Terminal Lessor's interest in its lease will be adequately protected by a purchaser acquiring the assets and abiding by the terms of the Domestic Terminal Lease.

13 SALE AND REALISATION OF ASSETS

- 13.1 The Deed Administrators will endeavour to sell or otherwise realise all property, assets and rights of the Ansett Group for the best price that is reasonably obtainable having regard to the circumstances existing when those assets are sold and having regard to the diminution of Ansett Group liabilities in general and a reduction of payments to Participating Creditors in particular.
- 13.2 Each Ansett Group Company and each person bound by the Deed will do all things and sign all documents required by the Deed Administrators to effect, ratify and perfect any transfer of assets and liabilities of any Ansett Group Company.

14 POSSIBLE POOLING

All persons bound by the Deed acknowledge that:

- 14.1 the Voluntary Administrators are required, pursuant to the terms of the Air New Zealand MOU, to take all reasonable steps to propose and recommend that each Ansett Group Company will seek to pool all of the assets and liabilities of the Ansett Group, so that all Ansett Group Companies are treated as one company;
- 14.2 the Deed Administrators will convene a further meeting of Deed Creditors to consider a variation to the Deed including a regime for the pooling of all assets and liabilities.

15 PROOFS OF DEBT

- 15.1 The Deed will contain a broadly based mechanism for making claims and establishing proofs of debt similar to those that apply in a winding-up, save that there will be no right of set-off and Deed Creditors may not prove in respect of expectation damages, special damages, and damages for incidental and consequential loss.
- 15.2 All persons bound by the Deed agree that each Ansett Group Company and the Deed Administrators may disregard any consolidation or other accumulation of individual Claims (whether by way of sale, assignment or in any other manner whatsoever),



and each Claim which would otherwise form part of an aggregate or consolidated Claim will be treated as a claim in its own right owing to the person originally entitled to the Claim.

16 LESSORS GENERALLY

- 16.1 The Deed Administrators will not adopt, ratify or become liable to the Lessors under any Lease with the Lessors.
- 16.2 Each Lessor will use its best endeavours to mitigate its loss and damage.

17 RETENTION OF TITLE CREDITORS

- 17.1 Each Ansett Group Company and ROT Creditors will provide the Deed Administrators with all relevant documentation relating to its ROT Claim.
- 17.2 The Deed Administrators will on a without-prejudice basis advise ROT Creditors as to their determination of the amounts that will rank as a priority.
- 17.3 If there is any dispute in relation to the classification of the amount determined by the Deed Administrators, such dispute will be mediated.
- 17.4 If any disputes in relation to ROT Claims cannot be resolved by mediation, then ROT Creditors have the right to appeal against the Deed Administrators' failure to admit their ROT Claims in full and have that appeal determined by the Court.

18 TOP UP RETRENCHMENT BENEFIT CREDITOR

The Deed will contain provisions to ensure that each Ansett Group Company's obligation to make further contributions or payments to the Superannuation Funds, if any, will be treated as an ordinary unsecured creditors' debt.

19 NO SPECIAL CLAIMS

The Deed will prohibit all Deed Creditors from claiming in the administration or liquidation of the Ansett Group in respect of expectation damages, special damages and damages for incidental and consequential loss.



20 AIR NEW ZEALAND MOU

- 20.1 The Deed will incorporate the releases of Air New Zealand and the directors in the same terms as the Air New Zealand MOU
- 20.2 In accordance with the Air New Zealand MOU, the Deed Administrators may, after the Deed is entered into, request the Air New Zealand Group to sign and deliver to the Deed Administrators a transfer in blank of all shares held by the Air New Zealand Group in the Ansett Group for nominal value together with the share scrip for those shares.

21 SPECIFIC REALISATIONS FOR EACH ANSETT GROUP COMPANY

- 21.1 Each Ansett Group Company will hold for its own benefit:
- 21.1.1 the proceeds from the sale of any assets owned by that company;
 - 21.1.2 the refunds of stamp duty received on termination or surrender of any lease held by that company; and
 - 21.1.3 the proceeds from the realisation of any other asset of that company, including proceedings.
- 21.2 The funds held by each Ansett Group Company in accordance with Clause 21.1 will be applied in payment of the Voluntary Administrators, the Deed Administrators and the Participating Creditors of that Ansett Group Company as follows:
- 21.2.1 firstly, the Voluntary Administrators and the Deed Administrators in relation to any amounts owing to them and unpaid pursuant to the terms of the Deed, to the extent they would be afforded priority in a winding-up of that Ansett Group Company;
 - 21.2.2 secondly, the Secured Creditors of that Ansett Group Company, to the extent that their Security is valid;
 - 21.2.3 thirdly, Priority ROT Creditors of that Ansett Group Company in relation to their priority amount;
 - 21.2.4 fourthly, Employees of that Ansett Group Company and the SEESA Payers in accordance with the terms of the SEESA Deed and any other Participating Creditor of that Ansett Group Company entitled to a priority under



section 556 of the Act as if that company were to be wound up, in the order of priority set out in section 556 other than Top Up Retrenchment Benefit Creditors; and

21.2.5 fifthly (but subject to Clause 21.4), to other Participating Creditors of that Ansett Group Company on a pro rata basis including Top Up Retrenchment Benefit Creditors,

in the amounts and on the dates determined by the Deed Administrators.

21.3 For the avoidance of doubt, if there is any apparent inconsistency between the Deed and the SEESA Deed concerning the priority of repayment to the SEESA Payer, the terms of the SEESA Deed will prevail.

21.4 When the Deed Administrators have sold or otherwise realised sufficient assets so that they are able to make an accurate estimation of the amounts to be paid to Participating Creditors in accordance with the priority regime set out in Clause 21 and prior to the distribution of any money to Participating Creditors other than Priority Creditors in accordance with Clause 21.2.5, the Deed Administrators will convene a meeting of creditors under Section 445F to consider any proposed variation to the Deed, including the incorporation in the Deed of provisions for releasing Claims of Deed Creditors less their Entitlements and the pooling of assets and liabilities. For the purposes of such a meeting, the Deed Administrators will advertise nationally and make available to the Deed Creditors on the Ansett website:

21.4.1 particulars of the proposed variation; and

21.4.2 such information which would be sent to Deed Creditors as if the meeting were a Second Meeting of Creditors under Section 439A of the Act.

21.5 Without limiting the operation of Clause 21.4 the Deed Administrators will convene a further meeting of Deed Creditors within six months of the Effective Date.

22 MANAGEMENT OF THE ANSETT GROUP

The Deed Administrators will retain day-to-day management and control of all Ansett Group Companies until the Termination Date to the exclusion of the directors.



23 POWERS OF ADMINISTRATORS

- 23.1 The Deed Administrators will be entitled in their capacity as Deed Administrators or in any other capacity to exercise all the powers, authorities and discretions which are ordinarily exercised by or vested in a trustee of a fixed trust.
- 23.2 The Deed Administrators will be given such powers as are necessary for the effective operation of the Deed.
- 23.3 Without limiting Clauses 23.1 and 23.2, the Deed Administrators will have the following powers:
- 23.3.1 the powers conferred on the Members of each Ansett Group Company to the exclusion of those shareholders;
 - 23.3.2 the powers conferred on the directors of each Ansett Group Company to the exclusion of the directors of those companies;
 - 23.3.3 all of the powers set out in paragraph 2 of Schedule 8A of the Corporations Regulations;
 - 23.3.4 the power to alter share capital;
 - 23.3.5 the power to issue shares;
 - 23.3.6 the power to vary class rights attaching to shares;
 - 23.3.7 the power to change each Ansett Group Company's name;
 - 23.3.8 the power to reduce each Ansett Group Company's capital;
 - 23.3.9 the power to alter each Ansett Group Company's constitution;
 - 23.3.10 the power to convene meetings of members of each Ansett Group Company;
 - 23.3.11 in relation to the property and assets of each Ansett Group Company, all the powers of a natural person who is the absolute and beneficial owner of such property and assets; and



23.3.12 the power to assign assets and novate liabilities to another Ansett company for the purposes of maximising the sale of assets.

23.4 In exercising any power of sale, the Deed Administrators will take reasonable care to sell the relevant asset for the best price that is reasonably obtainable, having regard to the circumstances existing when the asset is sold and having regard to the diminution of Ansett Group liabilities in general and any reduction in payments to Participating Creditors in particular.

23.5 The Deed Administrators will have power to engage solicitors and consultants, and the Ansett Group will pay all costs of any solicitors and consultants engaged by the Deed Administrators.

24 TERMINATION OF DEED

24.1 The Deed will, in respect of any Ansett Group Company, terminate on the first to occur of:

24.1.1 the date a Court orders termination of the Deed; or

24.1.2 Deed Creditors of that Ansett Group Company passing a resolution at a meeting of Deed Creditors to terminate the Deed.

24.2 Notice of any meeting of Deed Creditors will be given by advertising nationally and by posting on websites.

25 MEMBERS BOUND BY DEED

All Members consent to the Deed and appoint the Deed Administrators as their proxies or attorneys to vote and pass resolutions to give effect to the terms of the Deed (and to transactions and matters contemplated by the Deed).

26 ADMINISTRATORS' REMUNERATION AND COSTS

Each Ansett Group Company will from time to time pay to the Voluntary Administrators and the Deed Administrators:

26.1 remuneration in respect of any work done by the Voluntary Administrators and the Deed Administrators and any partner or employee of the Voluntary Administrators and the Deed Administrators at the scale of rates charged from time to time for



the provision of services during the period of the Company's administration or as otherwise agreed by the Committee of Creditors and the Deed Administrators; and

- 26.2 reimbursement of all costs, fees and expenses incurred in connection with the performance and attempted performance of their actions, duties, obligations and responsibilities as Administrators or Deed Administrators.

27 VOLUNTARY AND DEED ADMINISTRATORS' INDEMNITY

The Voluntary Administrators and Deed Administrators are entitled to be indemnified by the Ansett Group in accordance with the Deed for their costs, expenses and liabilities incurred during the Voluntary Administration Period and Deed Period, other claims made against the Voluntary Administrators and Deed Administrators and all amounts for which they are entitled to be indemnified under the Deed.

28 VOLUNTARY AND DEED ADMINISTRATORS' RELEASE

All persons bound by the Deed release the Voluntary Administrators and the Deed Administrators from all claims and liability except in the case of fraud, dishonesty, breach of duty or negligence.

29 COMMITTEES OF CREDITORS

- 29.1 There will be Committees of Creditors comprising those persons elected to the Committees of Creditors at the First Meetings of Creditors save for the Air New Zealand and Qantas representatives and any other persons who have resigned or will resign from those Committees.
- 29.2 The representatives will otherwise be selected from amongst the creditor groups by the Deed Administrators from those presently appointed to the Committees of Creditors who nominate themselves for such purpose.
- 29.3 The function of the Committees of Creditors will be:
- 29.3.1 to consult with the Deed Administrators about matters relating to the administration; and
- 29.3.2 to receive and consider reports by the Deed Administrators.



29.3.3 to fix and approve the Deed Administrators' remuneration.

29.4 The Committees of Creditors cannot give directions to the Deed Administrators.

30 MEETINGS OF CREDITORS

30.1 The Deed Administrators:

30.1.1 may at any time convene a meeting of Deed Creditors; and

30.1.2 will convene a meeting of Deed Creditors if requested by Deed Creditors whose claims are more than 10% of the value of all Ansett Group claims.

30.2 Deed Creditors will be entitled to vote at those meetings according to their admitted Claims in each Ansett Group Company.

30.3 All meetings of Deed Creditors will take place on a concurrent basis.

30.4 Written notice will not be sent by post to Deed Creditors of any further meetings. The Notice of Meeting will be advertised in newspapers nationally and a website and hotline.

31 FORUM SHOPPING

All persons bound by the Deed agree that any application will only be made to the Court.

32 GOVERNING LAW

The Deed will be governed by Victorian Law.

33 SEVERANCE PROVISION

If any provision of the Deed is illegal, void or held by the Court to be unfairly prejudicial to a class of creditors, it may be severed from the Deed by Court order or direction and the remainder of the Deed will stand.



34 REPORTING

Except as required by law, the Deed Administrators will not be required to report to Deed Creditors. However, the Deed Administrators may, in their absolute discretion, report to Deed Creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of Deed Creditors.

35 FURTHER ASSURANCES

All persons bound by the Deed agree to do (at their own expense) all things required by the Deed Administrators to give effect to the Deed and the transactions and matters contemplated by it (including signing any documents).

36 LIQUIDATION

Where :

36.1 at a meeting convened under Section 445F of the Act the Deed Creditors pass a resolution terminating the Deed; and

36.2 whether or not the notice of that meeting set out a proposed resolution that the company be wound up

the Deed Creditors may also resolve at the meeting that the company be wound-up.

37 SECTION 513C DAY

37.1 For the avoidance of doubt any resolution by Deed Creditors to wind-up an Ansett Company will have the same effect as if Deed Creditors had resolved to wind-up that company at the Second Meeting of Creditors and that the Section 513C day will be the date on which the administration of that company began.



Schedule One

501 Swanston Street Pty Ltd (A.C.N. 005 477 618)
Airport Terminals Pty Ltd (A.C.N. 053 976 444)
Aldong Services Pty Limited (A.C.N. 000 258 113)
Ansett Aircraft Finance Limited (A.C.N. 008 643 276)
Ansett Australia and Air New Zealand Engineering Services Limited (A.C.N. 089 520 696)
Ansett Australia Holdings Limited (A.C.N. 004 216 291)
Ansett Australia Limited (A.C.N. 004 209 410)
Ansett Aviation Equipment Pty Ltd (A.C.N. 008 559 733)
Ansett Carts Pty Ltd (A.C.N. 005 181 215)
Ansett Equipment Finance Limited (A.C.N. 006 827 989)
Ansett Finance Limited (A.C.N. 006 555 166)
Ansett Holdings Limited (A.C.N. 065 117 535)
Ansett International Limited (A.C.N. 060 622 460)
Bodas Pty Ltd (A.C.N. 002 158 741)
Brazson Pty Ltd (A.C.N. 055 259 008)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)
Eastwest Airlines Limited (ACN 000 063 972)
Kendell Airlines (Aust) Pty Ltd (A.C.N. 000 579 680)
Morael Pty Ltd (A.C.N. 003 286 440)
Northern Airlines Limited (A.C.N. 009 607 069)
Northern Territory Aerial Work Pty Ltd (A.C.N. 009 611 321)
Rock-It-Cargo (Aust) Pty Ltd (A.C.N. 003 004 126)
ANST Show Pty Ltd (formerly Show Group Pty Ltd) (A.C.N. 002 968 989)
South Centre Maintenance Pty Ltd (A.C.N. 007 286 660)
Spaca Pty Ltd (A.C.N. 006 773 593)



Traveland International (Aust) Pty Ltd (A.C.N. 000 275 936)

ANST Travel International Pty Ltd (formerly Traveland International Pty Ltd (A.C.N. 000 598 452)

Traveland New Staff Pty Ltd (A.C.N. 080 739 037)

ANST Travel Pty Ltd (formerly Traveland Pty Limited) (A.C.N. 000 240 746)

Walgall Pty Ltd (A.C.N. 055 258 921)

Westintech Limited (A.C.N. 009 084 039)

Westintech Nominees Pty Ltd (A.C.N. 009 302 158)

Whitsunday Affairs Pty Ltd (A.C.N. 009 694 553)

Whitsunday Harbour Pty Ltd (A.C.N. 010 375 470)

Wridgway Holdings Limited (A.C.N. 004 449 085)

Wridgways (Vic) Pty Ltd (A.C.N. 004 153 413)

(All Administrators Appointed)

IN THE FEDERAL COURT OF AUSTRALIA
DISTRICT REGISTRY

No. V621 of 2005

IN THE MATTER OF ANSETT AUSTRALIA LIMITED
(ACN 004 209 410) & ORS (in accordance with the
Schedule attached) (All Subject to a Deed of
Company Arrangement)

and

MARK ANTHONY KORDA and MARK FRANCIS
XAVIER MENTHA (as Deed Administrators of the
Companies)

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-11**" produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit dated 12 September 2005.

Before me:

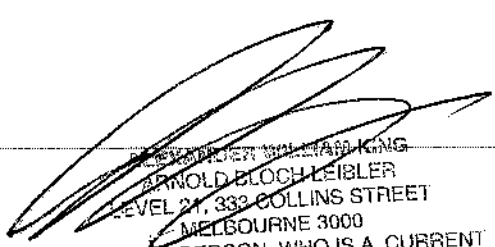

ALEXANDER WOLFRAM KING
ARNOLD BLOCH LEIBLER
LEVEL 21, 333 COLLINS STREET
MELBOURNE 3000
A NATURAL PERSON WHO IS A CURRENT
PRACTITIONER WITHIN THE MEANING OF
THE LEGAL PRACTICE ACT 1996

Exhibit "MAK-11"
Third Report to Creditors

Ansett Group of Companies

Third Report

16 September 2002



ANSETT GROUP THIRD REPORT

This is our Third Report to the creditors of the Ansett Group. Our First Report was dated 16 January 2002 and our Second Report was dated 15 March 2002. All reports are available on the Deed Administrators' web sites at www.ansett.com.au/administrator and www.abl.com.au/administrator.

Purpose of Report

The purpose of this report is to:

- Provide an update on the administration generally.
- Advise creditors of realisations of assets of the Ansett Group.
- Provide an estimated return to creditors of the Ansett Group on a group basis.
- Advise creditors of the extent of our investigations.

Third Meetings of Creditors

The Third Meetings of Creditors of the Ansett Group has been convened in accordance with the Deeds of Company Arrangement ("DOCAs") and will be held on 25 September 2002 at 11.00 am at the Auditorium, Melbourne Exhibition and Convention Centre, 2 Clarendon Street, Southbank, Melbourne 3006.

The purpose of the Third Meetings of Creditors is to consider the Deed Administrators' Third Report concerning the Ansett Group's business, property, affairs and financial circumstances.

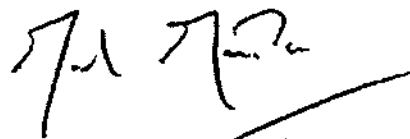
Resolutions to be Proposed

This meeting has been convened in accordance with the DOCAs. There are no resolutions proposed for this meeting. Creditors should note that creditors can only pass a resolution in relation to the variation or termination of the DOCA of which prior notice has been circulated pursuant to Section 445F of the Act.

Dated this 16th day of September 2002.



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT**

The companies for which this report has been prepared are listed at Appendix 1. Any reference to dollars in this report relates to Australian currency unless indicated otherwise.

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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

1. Executive Summary

1.1. Progress of Administration

Since the Second Report, we have aggressively pursued the realisation of the Ansett Group assets in order to maximise proceeds from those assets. We have realised over \$630m out of a potential \$1b of assets, including the sale of three regional airlines and the sale of major property assets. The sale of the property assets included the domestic terminal leases ("DTLs"), which were extremely complex and difficult transactions.

The next stage of the realisation process is focused on the aircraft and the aircraft spares. Due to the depressed state of the aircraft market and the volume of these assets, it will be extremely challenging to sell these assets in the short term at values acceptable to us. However, our strategies are in place and are progressing.

Costs to date are under budget. The majority of future costs relate to the maintenance of the aircraft. These costs are time dependent and will vary if the timeframe is shortened or extended.

1.2. Return to Creditors

1.2.1. Return to Employees

We are aiming to achieve an average total return to employees of 92 cents for each dollar owed. Ultimately, however, the timing and amount employees will receive largely depends on the realisations of aircraft and aircraft spares.

Whilst difficult to predict, we believe aircraft sales yielding \$150m are reasonably achievable (we have written down aircraft valuations by 50% since our First Report), which would result in an average total return to employees of 88 cents for each dollar owed. If aircraft sales yield an additional \$50m, i.e. \$200m, employees would receive an average 92 cents for each dollar owed. Even if no aircraft are sold, we estimate that employees would receive an average of 74 cents for each dollar owed.

A major risk affecting the timing and amount of return to employees is if the courts find that superannuation shortfalls must be paid prior to employee entitlements. This would mean a reduction in funds to the Ansett Group of up to \$200m and there would be no prospect of any further returns to employees for at least two years.

Employees have so far received entitlements of:

- 100 cents in the dollar for unpaid wages;
- 100 cents in the dollar for annual leave, long service leave, time in lieu and other days;
- 100 cents in the dollar for pay in lieu of notice, and for up to 8 weeks of redundancy.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

For more than 3,600 employees, this means that they have been paid 100% of their entitlements.

Subject to the superannuation proceedings finalising shortly and finding that shortfalls do not rank to priority, we have forecasted the following instalments, to be paid to employees who are owed further monies, over the next six months:

- The first instalment forecasted, to be paid in December 2002, will be 10 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 58 cents in the dollar of total entitlements.
- The second instalment forecasted, to be paid in March 2003, will be 5 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 60 cents in the dollar of total entitlements.
- The third instalment forecasted, to be paid in June 2003, will be 5 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 62 cents in the dollar of total entitlements.

Because of the uncertain state of the global aviation market, we will review progressive asset realisations and pay instalments as soon as practicable after funds become available. Throughout the administration, we will advise creditors every six months of anticipated quarterly instalments.

1.2.2. Return to Unsecured Creditors

It is unlikely there will be a return to unsecured creditors unless realisations from aircraft are considerably greater than expected. It is optimistic to think that this would occur.

1.3. Investigations

Our investigations into the affairs of the Ansett Group have progressed significantly since the Second Report. We have examined and continue to examine potential actions available to the Ansett Group and potential actions available to a liquidator. A detailed and confidential report of over 70 pages has been discussed with the Committees of Creditors. Further investigations are required into a number of areas under consideration. We have finalised our investigations in some areas and recommend that no further action be taken in relation to these potential causes as we have concluded either there is no evidence of a breach or there is no recovery available.

A number of investigations relate to Air New Zealand and its directors. In general, these investigations are continuing and we will assess any potential action once these are finalised in terms of whether it was included in the settlement of \$150m with Air New Zealand in October 2001, the estimated costs of litigation and the chance of success.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

2. Communication with Stakeholders

2.1. Communication Updates

We established web sites early in the administration to post documents relating to major issues in the administration. Further information will be placed on the web sites when appropriate.

There have been weekly updates provided to the Committees of Creditors which contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update is as follows:

Update	Date	Major Issues
1	31 May 2002	Update on the sales of Ansett International Cargo Handling, Ansett Australia Headquarters, Kendell Airlines, Sydney Airport Terminal, Melbourne Airport Terminal, Brisbane Hangar and Melbourne Jet Base
2	7 June 2002	Update on the sale of Ansett Interests in the Brisbane Airport Terminal Employee Redundancy Update
3	14 June 2002	Update on the sale of Melbourne Jet Base Details regarding Project Management Transition from Andersen to KordaMentha Detailed property update, including freehold property, domestic terminal leases and other leased property
4	21 June 2002	Update on the sales of Kendell, the Brisbane Airport Terminal and ground support equipment to Virgin Blue Update on the Adelaide furniture and equipment auction Detailed report on the aircraft fleet Web site upgrade
5	28 June 2002	Update on the sale of Kendell Staff debt recovery program
6	5 July 2002	Detailed report on the Ansett continuing workforce Update on Ansett Australian Engineering Services Redundancy program and employee entitlements
7	12 July 2002	Ansett redundancy program update Group certificates
8	15 July 2002	Update on the sale of Kendell
9	19 July 2002	Ansett Australia Engineering Services Update on the sale of Kendell Superannuation funds Summary of auctions to date
10	27 July 2002	Update on the sale of Kendell Summary of court actions associated with the administrations
11	1 August 2002	Update on the sale of Kendell Detailed report on continuing legal matters
12	12 August 2002	Detailed summary of auction results for Ansett equipment Update on sale of Ansett Domestic Cargo Terminal



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

Update	Date	Major Issues
		Ansett web site
13	16 August 2002	Update on superannuation, trademarks and the third meeting of creditors Update on the sale of rotables, consumables and spares
14	22 August 2002	Update on the sale of spare engines
15	30 August 2002	Update on the sales of AASS, Melbourne Jet Base and Flight Kitchen Timetable for Meetings with Creditors
16	6 September 2002	Update on IT infrastructure downscaling

2.2. Committees of Creditors Meetings

Section 436F of the Act states the function of a Committee of Creditors is to consult with the Administrators about matters relating to the administration and receive and consider reports prepared by the Administrators. The Committee of Creditors cannot give directions to the Administrators, except to require the Administrators to report to the committee on matters relating to the administration as and when reasonably required.

Ten meetings of the Committees of Creditors have been held. The Committees of Creditors have continued to approve our remuneration.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

3. Estimated Return to Creditors

The estimated return to creditors has been prepared on a consolidated basis using valuations, estimates and assumptions, many of which are commercially sensitive at this time, and for this reason have not been detailed in the report. The estimated return is based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report.

An estimate of the potential return to creditors on a group basis is as follows:

Estimated Return to Creditors	Section	\$m	Return
Assets (excluding Aircraft & Spares)			
Assets realised to date	3.1	539.4	
Assets sold but not yet settled	3.2	90.6	
Assets still to be realised or collected	3.3	58.6	
Aircraft spares	3.5	100.0	
Total Assets		788.6	
Costs incurred to date & to complete	3.6	(298.6)	
Other Contingencies	3.7	(40.0)	
Total before aircraft realisations		450.0	Total return to employees of up to 74 cents, including 46 cents for redundancy greater than 8 weeks. Total return to employees of up to 88 cents, including 74 cents for redundancy greater than 8 weeks. This additional \$50m increases the total return to employees to 92 cents, including 84 cents for redundancy greater than 8 weeks.
Net realisations from aircraft (last report - \$250m)	3.4	150.0	
Each \$50m of additional net realisations from aircraft if ownership/grouping, valuation and other issues are resolved	3.4	50.0	
Estimated Employee Entitlements	3.8	735.8	
Major Issue Affecting Return			
Claim that shortfalls in the superannuation funds may be a priority creditor up to \$200m.	3.7	Up to (200.0)	
The state of the global aviation market will ultimately determine how much creditors will get and when.			



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

We are aiming to achieve an average total return to employees of 92 cents for each dollar owed. Ultimately, however, the timing and amount employees will receive largely depends on the realisations of aircraft and aircraft spares. The global market is extremely depressed in this area and we are largely dependent upon a revival of the aircraft market.

Even if no aircraft are sold, we estimate that employees would receive an average of 74 cents for each dollar owed. However, whilst difficult to predict, we believe aircraft sales yielding \$150m are reasonably achievable (we have written down aircraft valuations by 50% since our First Report), which would result in an average total return to employees of 88 cents for each dollar owed. If aircraft sales yield \$200m, employees would receive an average 92 cents for each dollar owed.

A major risk affecting the timing and amount of return to employees is if the superannuation proceedings find that superannuation shortfalls rank to priority. This will mean there will be no prospect of any returns to employees for at least two years.

3.1. Assets Realised to Date

Major assets realised to date are as follows:

Assets Realised to Date	Section	\$m
Property	3.1.1	
Ansett Sydney Airport Terminal		192.0
Ansett Melbourne Airport Terminal		25.0
Melbourne Jet Base		7.5
Other Domestic Terminals		5.1
Other Property		0.2
Businesses	3.1.2	
Aeropelican		6.0
Cargo and Ground Handling		14.6
Kendell (to date only)		6.6
Show Group		0.4
Skywest		1.6
Traveland		0.5
Debtors	3.1.3	107.4
Private Sales and Auctions	3.1.4	
Private Sales		10.6
Auctions		3.0
Settlement with Air New Zealand		147.5
Other – cash at appointment, government grants, interest		11.4
Total Assets Realised to Date		539.4



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

3.1.1. Property

Ansett Sydney Airport Terminal

The final agreement for the sale of the Ansett Sydney domestic terminal to SACL was signed on 24 May 2002. Settlement occurred on 2 July 2002. Ansett Australia had occupied premises within Sydney Airport for more than 75 years. The terminal was re-opened in March 2000 after a major redevelopment in preparation for the Sydney 2000 Olympic Games. The 18-gate terminal incorporates 33 walk-through check-ins and ticketing counters, separate departure and arrival levels and an 800-person capacity Golden Wing lounge.

There were a number of difficulties associated with the sale process of the Sydney DTL. These arose from the terms of the lease in general and to the buyback provisions in particular.

The first difficulty with the buyback provisions was that they enabled SACL, as lessor, to acquire the Ansett facilities for "fair market value" on termination of the DTL. We believed that fair market value may have been significantly less than the price which could be achieved in a competitive market environment. We obtained expert advice that confirmed our belief.

The second difficulty with the buyback provisions was that a winding up of Ansett would trigger the buyback provisions. We maintained that a DOCA would not do so. However, shortly before Part 2 of the Second Meetings, SACL submitted that executing the DOCAs would constitute an event that triggered the buyback provisions.

To overcome these difficulties, the following process occurred:

- Prior to executing the DOCAs, an advertisement was placed on 21 March 2002 giving notice of the proposed sale of the Ansett Group's key DTLs. An application was made to the Federal Court to extend the time in which to execute the DOCAs to allow this sale process to occur. On 17 April 2002, the Court extended the time for the execution of the DOCAs by seven days until 24 April 2002, on the basis of drafting and technical difficulties.
- On 17 April 2002, an agreement with SACL was reached to enter into a "status quo agreement" for seven days. The purpose of the status quo agreement was to allow us time to reach agreement with SACL on a sale protocol, which would prescribe a period of time for the sale process of the Sydney DLT to be concluded by 24 May 2002. Between 17 April and 22 April 2002, we were unable to reach agreement with SACL for either an extension of the status quo agreement or agreement to an orderly sale process over a one-month period.
- A second application was therefore made to the Court to extend the time to execute the DOCAs for one further month to allow for the completion of a competitive sale process. As we were unable to reach agreement with SACL, the application was heard by the Court on 23 and 24 April 2002. Justice Goldberg made an order that, pending the



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

Court's determination of the application, the time to execute the DOCAs be extended to a date not later than three days after the Court's determination. As Justice Goldberg indicated that it was his intention to deliver his judgment on 29 April 2002, if the application was not successful, the DOCAs would have to be executed on 2 May 2002. This was communicated to the parties that had expressed interest in purchasing one or all of the DTLs. On 29 April 2002, the application was refused and the DOCAs had to be executed on 2 May 2002.

- We continued discussions with SACL and interested parties. On 1 May 2002, we met with SACL and commenced negotiations that continued for many hours. SACL advised that an agreement with SACL would be easy to consummate and would not require any third party consents. However an agreement for the sale with a third party would require SACL's consent. While SACL would not unreasonably withhold it, it would require a due diligence process to be completed before SACL would do so. Agreement was reached with SACL, with the initial interim agreement with SACL being executed at 5 am on 2 May 2002. The sale price was \$197m, including \$192m in cash and \$5m in concessions. Agreement in principle was also reached to allow the assignment of other SACL property.
- An application was also made to Court to approve the sale process of the Sydney DTL to SACL. Included in the application were our confidential commercial reasons for accepting the proposal. Justice Goldberg held that in the circumstances it was appropriate to give a direction that we may give effect to the agreement of the sale of the Sydney DTL to SACL.

Ansett Melbourne Airport Terminal

The sale of Ansett's Melbourne domestic terminal interests to Australian Pacific Airports Melbourne for \$25m was completed on 17 May 2002. The sale included the Ansett-built Concourse B Gates 12 to 14, Ansett's 300-person capacity Golden Wing lounge and part of existing Ansett terminal facilities.

Melbourne Jet Base

The agreement for the sale of the Ansett Melbourne Jet Base in Tullamarine to Virgin Blue for \$7.5m was reached in June 2002. The sale included the Integrated Operations Centre facility, two hangars, two further office buildings and associated tarmac/apron area. An agreement was also reached for numerous rent-free licence agreements for the ongoing storage of Ansett planes and usage of the IOC building.

Other Domestic Terminals

More than \$5m has been realised from the sales of other domestic terminals, including Brisbane, Canberra, Adelaide, Hobart, Coolangatta, Rockhampton, Townsville, Cairns and Proserpine.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

3.1.2. Businesses

Aeropelican

Details regarding the sale of Aeropelican have been provided previously in the Second Report and in reports to the Committees of Creditors.

After advertising the business for sale, expressions of interest were received for the Aeropelican business and assets. After discussions with a number of interested parties, an agreement for the sale of the business and assets of Aeropelican to IAP Group Australia Pty Ltd was executed on 6 March 2002. The sale completed on 24 April 2002.

The Aeropelican creditors approved the execution of a DOCA on 25 January 2002 to effect the sale. The DOCA was executed on 15 February 2002.

The shares in Aeropelican were sold for \$6m and 15 employees continued in their employment. Employee entitlements of approximately \$200,000 will be met by the new owner of Aeropelican.

Sale of the business was by way of a sale of shares in the company. Accordingly, all creditor claims against Aeropelican (apart from employee entitlements) were released upon the DOCA terminating and substituted by claims against the net proceeds. The proceeds from the sale of the shares are held on trust by Bodas for the creditors of Aeropelican.

Ansett International

The business was closed by the Initial Administrators and we were unable to sell it as a going concern. The major assets of Ansett International were landing slot rights in a number of Asian ports, debtors and some minor plant and equipment. The non-utilisation of the landing slots on closure of the business resulted in the landing slots being forfeited. Debtors are being collected and the plant and equipment has been sold.

Australian Concession Management

This business ceased operating on 4 March 2002. We were unable to sell the business without an operating airline in the various airport terminals.

The major assets of the business are debtors and plant and equipment. Debtors are being collected in the normal course and the plant and equipment has been realised by way of tender, public auction or included in the sale of the DTLs.

Cargo and Ground Handling

After the non-completion of the agreement by Tesna, we contacted the parties who previously expressed an interest in International Cargo Handling. An agreement for the sale of the business to Patrick was executed on 26 April 2002 and the sale completed on 29 May 2002. The sale agreement included the assignment of numerous property leases throughout Australia.

The proceeds from the sale were \$14.6m and 60 employees with employee entitlements of approximately \$2m were transferred.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

The Domestic Cargo and Third Party Ground Handling businesses have ceased operating due to the closure of the mainline airline and loss of major customers. The major assets of these businesses are debtors and plant and equipment. Debtors are being collected and the plant and equipment has been sold.

Kendell

After advertising the business for sale, expressions of interest were received for the Kendell business and assets. After discussions with a number of the interested parties, Australiawide Airlines Ltd ("AWL") was announced as the preferred bidder on 7 May 2002 and an agreement for the sale of the business and assets of Kendell to AWL was executed on 28 June 2002. The sale completed on 1 August 2002.

Significant time was spent identifying and qualifying a suitable purchaser for the business. A number of issues were satisfied during the negotiations, including:

- Establishing appropriate agreements with key suppliers to the business, including airports and leasing companies.
- Resolution of outstanding industrial issues and employment terms and conditions.
- Satisfying regulatory requirements.

Further, it was necessary to co-ordinate the sale of Kendell with the simultaneous sale of Hazelton by AWL. There were a number of difficulties in relation to this.

The Kendell business was sold for \$12m and approximately 350 employees continued in their employment. Employee entitlements of approximately \$3m continue to be met by Kendell under its new owner. AWL acquired seven Metro 23 aircraft and three Saab 340A aircraft. Further, leases of seven Saab 340B aircraft were passed to AWL.

This was a very large and complex transaction. A separate detailed report was prepared for the creditors of Kendell (which is available on the Deed Administrators' web sites) and a meeting of creditors was held on 19 July 2002. At that meeting and its subsequent adjournments, the sale of Kendell was considered and approved. Variations to the Kendell DOCA were also approved but were not necessary when the agreement altered from a sale of shares to a sale of business, due to CASA issuing a new AOC to AWL.

Show Group

Details regarding the sale of Show Group have been provided previously in the Second Report and in reports to the Committees of Creditors.

After advertising the business for sale, expressions of interest were received for the Show Group business and assets.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

Following discussions with a number of the interested parties, a sale was made to Avis Services Ltd on 25 October 2001 for \$400,000 cash and the assumption by Avis Services Ltd of employee entitlements of approximately \$3.6m.

The Show Group debtors are being collected in the normal course.

Skywest

Details regarding the sale of Skywest have been provided previously in the Second Report and in reports to the Committees of Creditors.

Expressions of interest were received for the Skywest business and assets. After discussions with a number of the interested parties, an agreement for the sale of Skywest to Airline Investments Limited ("AIL") was executed on 21 February 2002.

The purchase price for the shares in Skywest was \$6.5m. Under the sale agreement, all of the Skywest employees continued in their employment with Skywest and their entitlements of approximately \$2.2m will continue to be met by Skywest. The amount received for Skywest was reduced by:

- The amount of the employee entitlements (not including redundancy and notice amounts) of \$2.2m.
- An allowance for working capital of approximately \$0.9m.
- The assets excluded from the sale are principally debtors and are being collected.

Traveland

Details regarding the sale of Traveland have been provided previously in the Second Report and in reports to the Committees of Creditors.

The Traveland business was sold to Internova Travel Pty Ltd ("Internova"), on 23 September 2001 for \$500,000 and the transmission of employee liabilities. We agreed to the sale solely on the basis that if we did not do so, Traveland would be required to cease trading and all employees would have been terminated.

In order to facilitate the sale of the Traveland business to Internova, we agreed that the Traveland employees would be no worse off than the Ansett employees.

Unfortunately, Internova was placed into liquidation on 21 December 2001. The former employees of Traveland have since been paid their GEERS entitlements by the Government through the liquidators of Internova. In addition and in accordance with our agreement, we, as Administrators of Traveland, have paid the difference between the GEERS and SEESA entitlement, which was approximately \$300,000. There is, however, ongoing legal action on this matter.

We have continued with the collection of the pre and post administration debtors of the company and settled various expenses of the administration.



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

3.1.3. Debtors

To date, collections of debtor amounts outstanding as at the date of appointment are \$107.4m. A further \$9.0m is expected to be collected. The Ansett finance team have worked very hard and diligently on the collections, which are substantially above expectations.

3.1.4. Private Sales and Auctions

A summary of realisations from private sales and auctions held so far are as follows:

Private Sales and Auctions (Plant and Equipment) Realised to Date		Sm
Private Sales and Treaties		10.6
Auctions		
465 & 489 Swanston Street Offices	26 February 2002	0.1
Astrojet Centre	9 April 2002	0.1
Melbourne Head Office	21 May 2002	0.2
Adelaide Airport	20 June 2002	0.3
Alice Springs and Ayers Rock Airports	2 July 2002	0.2
Perth Airport	3 July 2002	0.5
Darwin Airport	4 July 2002	0.1
Brisbane and Maroochydore Airports	16 July 2002	0.8
Sydney and Canberra Airports	23 July 2002	1.2
Melbourne Head Office	24 July 2002	0.1
Melbourne Engineering	30 July 2002	0.6
Total Private Sales and Auctions Realised to Date		14.8

Approximately \$14.8m has been realised through the sale of airport ground service equipment, general office contents at airports, administration buildings and travel centres throughout Australia. These sales have occurred either by private sale or by public auctions. Ansett goods and equipment have now been sold from 32 second tier airports in regional centres including Ballina, Coffs Harbour, Gove, Broome, Karratha, Newman, Townsville, Groote Island and Denpasar. A total of 880 major equipment items have been sold by private sale. In some cases, entire airport contents were sold in private negotiations.

Much of the ground service equipment and specific airport equipment (conveyors, push back tractors, jacks, water trucks) has been sold to other airlines, ground handling agent companies and airport operators including Qantas, Patrick and Virgin Blue.

The auctions in particular have been very successful. In many cases, results achieved have exceeded our best estimates. This has been the result of a well organised publicity campaign and ongoing interest in the Ansett failure.



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Significant interest has been expressed in relation to Ansett's aircraft tooling. This engineering equipment is highly sought after, but is currently needed to maintain the Ansett fleet of aircraft.

3.2. Assets Sold but Not Yet Settled

Major assets sold but not yet settled are as follows:

Assets Sold but Not Yet Settled	Section	\$m
Property	3.2.1	
Ansett Australia Headquarters		
Ansett Sydney Domestic Cargo Terminal		
Brisbane Hangar		
Businesses	3.2.2	
Call Centres		
Flight Kitchen		
Total Assets Sold But Not Yet Settled		90.6

3.2.1. Property

Ansett Australia Headquarters

The tender for Ansett Australia Headquarters at the northern end of Melbourne's CBD was concluded on 28 May 2002. The successful sale, for in excess of \$30.2m, includes four buildings and a total land parcel of 7,627 square metres with frontages to Swanston, Therry, Victoria and Franklin Streets. The properties were offered individually or as a package. The purchaser has plans for the site, including office space, retail and residential projects, using existing buildings and some new construction. The sale will settle in November 2002.

Ansett Sydney Domestic Cargo Terminal

The sale of interests in the Sydney domestic cargo terminal to Menzies Aviation Group was completed in August 2002. Menzies Aviation Group has been operating in Australia since 1998 when it opened an 11,000 square metre airside facility at Melbourne Airport. The company now handles some 50,000 tonnes of air cargo per annum through Melbourne. In Sydney, the company established a small off-airport presence three years ago as a short-term solution pending availability of an airside facility.

Brisbane Hangar

Agreement has been reached with Qantas for the sale of the Brisbane Hangar. The formal sale process involved a call for expressions of interest. Two parties lodged expressions of interest. Agreement was reached with Qantas and the sale is expected to settle shortly, once issues with Brisbane Airport have been finalised.



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3.2.2. Businesses

Call Centres

The Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth call centres ceased operating as they were excess to Ansett's needs and were unable to be sold as a going concern. All employees have been made redundant and the plant and equipment has been sold or is for sale.

The Launceston call centre continued to operate in order to support the regional airlines and was closed shortly after the sale of Kendell completed. All employees have been made redundant and the plant and equipment is in the process of being sold.

Flight Kitchen

Agreement has been reached to sell the assets from the Flight Kitchen business to Alpha Catering. Included in the sale is the assignment of numerous properties around Australia.

3.3. Assets Still to be Realised

Major assets still to be realised are as follows:

Assets Still to be Realised	Section	\$m
Property	3.3.1	
Ansett Perth Domestic Terminal		
Melbourne Garden Drive Property		
Businesses	3.3.2	
Engineering		
Flight Simulators		
Kendell Remaining Assets		
Debtors and Other Assets		
Total Assets Still to be Realised		58.6

3.3.1. Property

Ansett Perth Domestic Terminal

Discussions are continuing with Westralia Airports Corporation Pty Ltd to finalise the buyback of the Perth domestic terminal. Agreement is expected to be reached shortly.

Garden Drive Site

Ansett's Garden Drive site is a purpose-built, owner-occupied facility incorporating a variety of specialised and conventional style industrial and commercial improvements. These include engineering workshop facilities, warehousing, data centre, a plating shop and a highly specialised flight simulator building. In addition, 30% of the overall site is vacant land.

Critically, the utility of the buildings and their subsequent layout on site is specific to Ansett's airline operations and reflects the fact that the site has been owner-occupied by Ansett for an extended period of time. The current configuration of the site and associated infrastructure (road



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networks, services and position of improvements) is not suitable for multiple tenancies.

Therefore, in determining the most appropriate form of realisation for Garden Drive, various options have been considered. The following factors have contributed to the decision process:

- Return and risks of each option;
- Ansett's ongoing requirement for the various facilities; and
- Anticipated timing of realisation monies for creditors.

In this regard, we have sought advice from a number of parties including town planners, engineers, sale and leasing agents and developers. A process is now under way on the feasibility of the Garden Drive facilities being subdivided by area and services. Based on expert advice, it is envisaged that these superlots and associated facilities can be sold at prices far greater than that which could be achieved by immediate sale as a whole.

3.3.2. Businesses

Engineering

Since our appointment, the operations of Australian Aviation Engineering Services have been maintained in order to seek a going concern sale of the business, preserve the assets of Ansett prior to their realisation and to facilitate the redelivery of aircraft owned by lessors/financiers. The realisation of Ansett's aircraft, engines and other engineering assets is important in maximising the return to creditors of the Ansett Group.

While significant interest has been shown over the last six months in the various businesses within Engineering (being Heavy Engineering, Engine Shop and Components), at this stage a sale has not been achieved. Because of this and reducing workload levels, it has become necessary to reduce AAES staff levels to match current and anticipated workload.

AAES has maintained a core workforce of 99 employees to continue the current needs of the business (being the return of financed aircraft and fulfilling third party contracts in engine overhaul and component repair), supplemented with a variable contract workforce, engaged through a labour hire company with which AAES has contracted.

Discussions are continuing with parties interested in the three businesses. One party is interested in two of the businesses and is expected to advance discussions shortly.

Flight Simulators

This business incorporates seven flight simulators and is continuing to operate on a substantial cash positive basis with customers from a variety of domestic and international airlines, including Qantas and Virgin. A marketing plan for the sale of the business has been prepared and we are



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currently in discussions with a number of parties for the sale of the business.

Kendell

Following the sale of business to AWL, there are further assets to be sold, including aircraft, spares and rotables, which are expected to be realised over the next two years. The four remaining Saab 340A aircraft were leased to AWL and are now in preparation for sale. The spares and rotables in relation to the Metro 23 aircraft and the Saab 340 aircraft are being sold to AWL under a separate agreement.

3.4. Aircraft

The aircraft are the most valuable assets remaining. It is an extremely difficult environment in which to sell the aircraft, as it severely depressed due to the effects of 11 September 2001 on the world aviation market.

3.4.1. Ansett's Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett airlines:

Aircraft Type	Owned	Finance Lease with Equity	Finance Lease with Limited or No Equity	Operating Lease	Total
Airbus A320		2	12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	5	2		2	9
Boeing B767-300				4	4
BAe 146-200	5			2	7
BAe 146-200QT	2				2
BAe 146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	51	9	44	30	134



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Aircraft Type	Owned	Finance Lease with Equity	Finance Lease with Limited or No Equity	Operating Lease	Total
Sold or Leased to Date	(24)	(5)	(7)	n/a	(36)
Redelivered to Date	n/a	n/a	(16)	(26)	(42)
Aircraft Yet to be Sold, Novated or Redelivered	27	4	21	4	56

As at the date of our appointment, the Ansett Group (excluding Hazelton) operated 134 aircraft. The fleet comprised many different aircraft types and were located at airports throughout Australia and overseas. Only 51 aircraft were owned outright by the Ansett Group, with the balance being subject to various complex financing arrangements or operating leases.

3.4.2. Sale Process to Date

Activities to date have concentrated on the marketing and sale of owned aircraft and those financed aircraft in which the Ansett Group is expected to have equity. Concurrently, Ansett has focussed on the orderly return of aircraft subject to operating leases that have been disclaimed, or which were financed and in which Ansett does not have any equity. The sale or return of aircraft is a complicated process due to maintenance and regulatory issues. However 78 aircraft have been sold, leased or redelivered to date.

The realisation strategy varies by type of aircraft and by financier, some of whom have appointed external remarketing agents. However the process is targeted to achieve a sale of each aircraft at a realistic market price. To date the following activities have occurred:

- All aircraft have been listed in specialist trade journals and web-sites – Speednews, Airfax, Back Aviation Solutions, Planemart and Boeing and Airbus Aircraft Trading. The Ansett web site also includes the fleet listing and relevant contact details.
- Aircraft specific information has been provided to current and potential operators of types and all have been pursued to gauge the interest.
- Further enquiries are followed up with the supply of detailed technical information (eg engine disk sheets, AD/SB status).

Interested parties are then invited to conduct a technical evaluation inspection of the aircraft and related records.

The Ansett Fleet Trading Team has co-ordinated numerous physical inspections of aircraft and records within Australia at Melbourne, Sydney,



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Brisbane and Townsville and in New Zealand at Auckland, Blenheim and Christchurch.

The initial emphasis on the outright sale of aircraft has been expanded as a result of many enquiries and potential placements stating a preference for leasing. Current marketing activities include discussions of longer-term leases (4-5 years) which are expected to facilitate the ultimate sale of the aircraft to leasing companies or investors.

This expansion in the marketing efforts has widened the range of potential purchasers. However, it has emphasised the preference amongst lessors for obtaining narrow-bodied Airbus and Boeing products.

Alternative strategies are also being considered to enhance the realisation prospects for certain aircraft types (B767-200, BAe 146-200/300), including conversion to other configurations (eg VIP/executive charter, Cargo or Quick Change, or military). Potential users of converted aircraft are being contacted, as are interested parties who have the capability to undertake such conversions, including Australian Aviation Engineering Services. Joint venture participation in a cargo conversion to maximise realisable value from the assets is being evaluated in conjunction with some investors.

Not all marketing activity for the aircraft is being conducted by the dedicated Ansett Fleet Trading Team. Receivers appointed by some financiers have engaged external remarketing agents over nine aircraft in which Ansett expects to have equity. Financiers of four other aircraft have retained an overseas airline to manage and remarket their aircraft. Financiers of seven other aircraft have appointed both external agents and the Ansett Fleet Trading Team to jointly market the aircraft, based on exclusive geographical areas. The Ansett Fleet Trading Team is working co-operatively with each remarketing agent to ensure that enquiries are appropriately followed up in a timely manner.

The Ansett Fleet Trading Team has also received numerous unacceptably low offers, which have been rejected. Some of these have been at 10% of valuation. Such offers have been made in the mistaken belief that Ansett is conducting a "throw-away sale" and that the aircraft are no longer being supported, or are in a poor condition. It is our continued intention to maximise the price achieved from the realisation of the aircraft fleet.

AAES continues to perform necessary idle maintenance and storage requirements on the Ansett aircraft and a dedicated team is progressing with the preparation of the aircraft records for sale. AAES is also available to contract with third parties to perform engineering checks or aircraft reconfigurations, prior to aircraft being sold or redelivered.



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3.4.3. Future Sale Process

The proceeds from the sale of aircraft and realisation of equity are estimated to be \$150m to \$200m. The aircraft available for sale that are owned or have substantial equity are as follows:

Aircraft	Available Ansett Aircraft	Available Aircraft Worldwide
Airbus A320	2	30
Boeing B737-300	11	49
Boeing B767-200	7	43
BAe 146-200	4	15
BAe 146-200QT	2	3
BAe 146-300	11	17
Fokker F50	4	25
Fokker F27-600	1	-
DC-3	1	-
Total	43	182

Airbus A320

The overall market for Airbus aircraft has been greatly influenced by the manufacturer providing attractive purchase, support and financing packages for aircraft to prospective purchasers. This reduced pricing reflects the continuing intense competition between Boeing and Airbus. However, it also specifically impacts the market for older aircraft (including Ansett's), as newer generation aircraft are now available at greatly discounted prices than compared to previously.

There are approximately 30 aircraft of this type currently listed on the major aircraft web-sites, including Ansett's two aircraft. There has been limited, possibly no, sales activity for this aircraft type in the past 12 months and known market activity is limited to leasing transactions. Due to the relatively large number of currently available aircraft and significant price competition from similar aircraft types (including Boeing 737 aircraft, of which Ansett operated 20), the lease rates being achieved are significantly depressed when compared to pre-September 2001 levels.

The Ansett Fleet Trading Team continues to offer these aircraft for outright sale, or for lease, where the rate and term is considered sufficient to attract a sale with the lease attached. We are not aware of any of the 12 ex-Ansett A320 aircraft that have been redelivered to date being sold by the owners/financiers.



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Boeing B737-300

The market for Boeing B737-300 aircraft faces possibly even greater pricing pressure from manufacturer packages as outlined above, and is further influenced by the number of newer generation B737 models available. In context, the Ansett fleet of aircraft is, on average, 14 years old.

There are approximately 49 Boeing B737-300 aircraft currently listed on the major web sites, including 11 ex-Ansett aircraft. This number may greatly increase as US Airways and United Airlines continue to be restructured. We are only aware of four sales of this model within the past 12 months, at sale prices that were very low.

Receivers have been appointed over five of the remaining aircraft. The receivers have appointed external parties to exclusively remarket the aircraft on their behalf. The financiers of four other aircraft have also appointed an external party to exclusively remarket their aircraft. The remaining aircraft are being jointly remarketed by external agents and the Ansett Fleet Trading Team.

To date, a significant volume of enquiries have been received for these aircraft. Three aircraft have been sold as operating aircraft, one sold for parts and one is being prepared for a long-term lease.

Boeing B767-200

There are approximately 43 of this aircraft type on the market, including the seven Ansett planes. However, 20 aircraft are of the "ER" and "EM" variant, which are more attractive to potential purchasers than the Ansett aircraft due to their extended range and additional features. Although there are many current operators of this fleet type in the world, they are typically not increasing their fleet given the current market environment. Further, it is considered likely that significantly greater numbers of aircraft, and better variants than Ansett's, will be placed on the market as major users, such as Qantas, upgrade their fleet. Accordingly, the target market is primarily second or third tier operators or new operators of this fleet type.

We are not aware of any sales of this aircraft specification worldwide in the past 12 months. However the level of enquiries has greatly increased in recent months. The Ansett Fleet Trading Team is exclusively remarketing these aircraft and finalising a long-term lease for one aircraft (with an option on a second) and negotiating the sale of the aircraft with the lease attached. Given the average age of the Ansett aircraft is approximately 18 years, they are reaching an age and possible valuation range where conversion of the aircraft to cargo planes is considered to be a viable alternative. We are exploring this possibility.

BAe 146-200, BAe 146-200QT and BAe 146-300

Possible wing-corrosion with BAe 146 aircraft has been identified as an issue. This is common to BAe 146 aircraft worldwide and each aircraft must be individually assessed to determine the extent, if any, of the corrosion. A program has been initiated to inspect all the Ansett aircraft,



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which may take a further 12 months. However, until this program is complete, it impacts the ability to sell the aircraft. The results of the wing inspections completed to date have been positive. A further issue impacting the ability to realise the aircraft is confirmation of the status of the Ansett aircraft on the engine manufacturer's maintenance program. This issue has been tied up with certain outstanding issues involving Air New Zealand. However, we expect the issue to be concluded shortly to enable the realisation process for these aircraft to begin in earnest.

The market conditions for BAe 146 aircraft remain very poor and there are currently 15 BAe 146-200 aircraft on the market, including Ansett's four, and 17 BAe 146-300, including eleven from Ansett. This represents a significant proportion of the overall number of aircraft manufactured. Further, these aircraft are no longer in production. These types are also facing significant competition from other aircraft types, including Fokker F100s. Nearly 100 of these have been placed on the market as a result of the recent restructure of US Airways and United Airlines. Given the competing fleet size, future market prices are expected to be extremely depressed.

The aircraft are being exclusively remarketed by the Ansett Fleet Trading Team. This process has been impacted by the possible wing-corrosion and engine issues noted above. However, the sale of one BAe 146-300 is currently being finalised with a European operator. Due to the relatively quiet operating noise of these aircraft, they are ideal for use in areas with noise restrictions. Europe is considered to be a good market for these aircraft. However the cost of converting the aircraft for use in Europe is high and may affect the expected returns from the aircraft.

The two BAe 146-200QT (Quiet Trader) aircraft are cargo aircraft that have attracted a very high level of interest. Discussions are significantly advanced to sell both aircraft, subject to confirmation of the prospective purchaser's financing. Ansett is also continuing to explore the possibility of converting some of the other aircraft to cargo planes, and discussions are advancing with a number of parties to conduct the conversion, including the Ansett engineering facilities, and for the ultimate sale of the converted aircraft.

Fokker F50

A letter of intent for the sale of the four aircraft has been negotiated, but is yet to be signed. The offer provides for the short-term lease of the aircraft, followed by a purchase option which is expected to be exercised.

Fokker F27-600

An offer has been received for the purchase of this aircraft and related spares and is awaiting finalisation of some legal issues prior to settlement.



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3.4.4. Valuation of Aircraft

Following the appointment of the Initial Administrators, an external party was engaged to value the entire fleet of Ansett aircraft. Given the size and extended geographical locations of the fleet at that time, the valuation exercise took a number of months to complete. The valuation process was greatly impacted by the events of 11 September 2001 and its corresponding impact on the global aviation market, when aircraft trading activity was virtually at a standstill. We discounted those independent values by 50% in our First Report and further in our Second Report to reflect expected market conditions. However evidence to date indicates that current market values still remain significantly below expectations and we have further discounted values in this report.

An aircraft industry conference in April 2002 indicated that market values were expected to follow a recovery curve consistent with previous market crashes (eg following the Gulf War), however it was accepted that it would take a number of years to achieve pre-September 2001 levels. Any recovery however will be impacted by continued airline restructures and additional aircraft coming onto the market.

3.5. Engines; Spares Rotables and Consumables; and AASS

3.5.1. Engines

Global market conditions for engine sales remain poor and prices are extremely depressed. Due to the large number of jet aircraft on the market at present (in excess of 1,250), there is a corresponding surplus of engines available for sale or lease. The spare engines currently available for sale by Ansett are some of the most common engine types, including CFM56-3 (for Boeing B737 aircraft) and CFM56-5A (for Airbus A320 aircraft). The value of these engines has been impacted most by the current market surplus.

Our activities to date have concentrated on relocating all financed engines onto the aircraft to which they were originally supplied (and to which the financiers' security attaches). It is common industry practice for operating airlines to swap engines amongst airframes to meet their operational requirements. At the date of the collapse of the Ansett Group, many (if not all) of the aircraft in the fleet did not have their originally supplied engines on-wing.

This program required all aircraft to be physically located in the one place to conduct the necessary engine swaps. Progress with the plan was initially restricted as numerous aircraft were located in remote ports and needed to be prepared for ferry to Melbourne. A shortage of suitably skilled personnel and equipment in remote ports impacted the engine change process. Also, the process was significantly affected by frequent changes in the plan to meet financiers' requirements, in particular, avoiding the cost of double engine changes. As an example of the scale of activity



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required, more than 60 engine changes have been carried out to date on the Boeing B737 fleet alone.

The engine change program is now largely complete and Ansett is progressing with the redelivery of aircraft in which there is no expected equity to financiers and lessors. Due to the number of Ansett-owned spare engines that were on-wing of financed or leased aircraft, it was necessary for the engine change process to be largely complete before commencing the realisation process.

Throughout this process, the engine shop (a division of AAES) has been fully occupied with the maintenance and repair of Ansett-owned and financed engines. The engine shop will continue to carry out this work, assisting with the aircraft redelivery process and enhancing the value of engines and aircraft being sold. Several financiers are currently negotiating to have engines overhauled in the engine shop.

During the course of the engine change program, it was discovered that three CFM56-3 engines were subject to a double charge to financiers due to a clerical oversight in the documentation of past transactions. We worked closely with the relevant financiers in order to reach a commercial settlement on this matter to minimise legal costs and litigation.

The engine types available for sale are as follows:

Engine Type	ALF502	CFM56-5A	CFM56-3	CFM6-80A	Total
Aircraft Type	BAe 146	A320	B737	B767	
Total Engines	93	9	8	20	130
Required on-wing	72	4	-	14	90
Spare engines	21	5	8	6	40
Sold/Under Negotiation	(5)	-	(1)	(4)	(10)
Available	16	5	7	2	30

Due to the number of Ansett-owned spare engines that were on-wing of financed aircraft, or were required to facilitate the engine change process, the start of the spare engine realisation process was delayed.

In relation to the B767 and BAe146 fleets, a project is continuing to borescope and review all of the engines for each fleet type. The aim of this project is to maximise the realisations from both the complete aircraft and the spare engines by matching airframes with engines which have appropriate hours and cycles. Once this project is complete, the spare engines are expected to be realised over the next one to two years.

Notwithstanding, the following engine sales have taken place, or are under negotiation:

- A CFM56-3 engine was leased to a customer while their engine was undergoing an overhaul by AAES. This lease is now complete.
- One CFM56-3 engine is currently leased to an operator in New Zealand.



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- One CFM6-80A engine has been sold to an aircraft lessor for cash and the core of an unserviceable engine, which is likely to be sold for parts.
- One ALF502 engine has been sold to an aircraft lessor in consideration for cash and engine carcasses, which are likely to be sold for parts.
- Two ALF502 engines and one CFM6-80A are likely to be included as spare engines in three separate aircraft sales deals that are currently under negotiation.
- The sale of one CFM6-80A and one CFM56-3 is currently under negotiation (separate deals).

In addition to the above activity, the Ansett Fleet Trading Team has addressed a significant level of enquiries from engine "parting" organisations or brokers whose offers, in general, are significantly below the market value of the engines. It is our continued intention to maximise the value being realised from the spare engines by conducting an orderly sale process.

3.5.2. Spares Rotables and Consumables

Since the date of our appointment, spare parts (around 10 million) have been consolidated from a multitude of locations to three: Melbourne, Los Angeles and London. Concurrently with the spares consolidation program, we have been marketing and selling aircraft spares both directly and through AASS, a 100% wholly-owned Ansett Holdings business. We have also ensured that Ansett spares are used by the Engineering division as part of their ongoing fleet recovery and third party maintenance programs.

It is anticipated that an orderly sale which maximises the value of Ansett's stock of spares may take two to five years and will return realisations to the administration far in excess of that which may be achieved through a bulk sale typical of the current market environment. The difference between the offers we have received to date for the purchase of all Ansett's spares and the prices we are able to achieve through an orderly sale reflect a number of factors that are particular to the realisation of aircraft spares

- The market value ascribed to spares often varies significantly from the carrying value of spares in an airline's records. Spares may sit on the shelf for a number of years before being urgently required for an aircraft "heavy" check. Whilst the book value may be significantly diminished as a result of depreciation, the market value may in fact exceed the original purchase price. An orderly sale over time ensures that market value is realised rather than the depreciated book value.
- The majority of the value in a part lies with its airworthiness certification, supported by detailed history. Where this information is not held, realisation of parts is limited to bulk sales, where the realisations may be as low as 5 cents in the dollar. As Ansett has existing records and spare storage facilities, we are able to pursue an orderly sale process and avoid bulk sale discounting.



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- Highest realisation values for spares are typically achieved when there is an urgent need such as when an aircraft is unable to fly (known as "AOG" or Aircraft on Ground). AASS has existing relationships and industry networks which enables it to rapidly become aware of, and respond to these opportunities.

We will monitor and re-assess the spares realisation strategy regularly and will continue to take advantage of opportunities for packaged "bulk" sales of spares where it is commercially prudent to do so.

3.5.3. AASS

As advised above, AASS is a wholly-owned subsidiary of Ansett Holdings, specialising in spares distribution, inventory management and after-market support. It is operated in the UK by Ansett Airlines Australia Limited and in the USA by Transpacific Enterprises Inc ("TPE").

To date, sales through AASS have been restricted due to bankruptcy proceedings commenced against TPE in the USA. TPE was placed into US bankruptcy shortly after the Ansett Group entered into administration. We have recently concluded protracted negotiations with TPE creditors and have agreed, in principle, to a plan which will remove TPE from bankruptcy. The plan, once implemented, will realise significant proceeds.

Key elements of the plan are as follows:

- Finalise the removal of TPE from bankruptcy.
- Enter into agreement for the sale of the business of AASS – a purchaser has been identified and discussions commenced.
- Resolve banking issues to improve equity position in the A320 aircraft. A German bank is owed \$32m by the USA operations, which can be repaid once TPE is removed from bankruptcy. On the repayment of the amount owing, the two A320 aircraft and three engines will be released from the charge held by the German bank and they will be unencumbered, improving Ansett's equity position.

It is anticipated that TPE's bankruptcy issues will be resolved shortly. Since this agreement was reached, AASS sales have recovered rapidly.



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3.6. Costs of the Administration

3.6.1. Costs Incurred to Date and to Complete

Costs Incurred to Date and to Complete	\$m	\$m
Receipts from trading		371.2
Trading Expenditure	(258.0)	
Employee Costs	(94.7)	
Property, Utility and IT Costs	(78.6)	
Fuel, Air Navigation and Landing Charges	(53.6)	
Administrators' Fees	(32.5)	
Aircraft Leasing	(26.2)	
Insurance	(20.4)	
Legal Fees	(15.6)	
Future	(90.2)	(669.8)
Costs Incurred to Date and to Complete		(298.6)

There are a number of ongoing expenses that are necessary in order to maximise the realisations of the assets and finalise outstanding matters of the administration. Costs to date are under budget.

Costs being incurred to maximise the realisation of assets include the following:

- Trading expenditure relates mainly to the continuation of the mainline business. However, costs continue to be incurred in relation to the Engineering business, which provides maintenance to aircraft as they are sold, leased or returned. The Engineering workforce has been greatly reduced to match current and anticipated workload.
- The majority of the employee costs relate to the mainline business. These costs continue to reduce as the Ansett workforce reduces in size. However, continuation of key Ansett employees, such as the Ansett Fleet Trading Team and the debtors realisation team, is necessary in order to realise assets in the most effective manner.
- The IT infrastructure is required to provide aircraft maintenance systems, finance and other information. However, expenditure on the IT infrastructure has been greatly reduced, from \$20m per month prior to the administration to approximately \$450,000 per month. This amount is continually being reduced as assets are disposed and IT requirements reduced.
- We have budgeted future costs, with the majority of the costs relating to the maintenance of the aircraft. These costs are time dependent and will vary if the timeframe is shortened or extended.



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3.6.2. Administrators' Fees

Administrators' fees to date have amounted to \$32.5m, which are on budget. These fees have been paid to the following firms:

- Andersen/Ernst & Young - \$27.4m;
- KordaMentha- \$2.9m;
- PricewaterhouseCoopers - \$1.8m
- Other firms - \$0.4m

When considering these costs, creditors should take into account:

- The size of the administration, which in many respects is the biggest and most complex in Australian history;
- We have so far have realised assets of more than \$630m from a potential \$1b;
- We have taken every opportunity to make savings. For example, \$20m per report has been saved by deciding not to post each report to creditors.
- We have applied professional fee rates at significantly reduced amounts, as agreed at the beginning of the administration. This is shown by a comparison of the rates charged by the partners on other large administrations, shown by the table below:

	Partner Rates
Current Ansett Rates	\$359 per hour
PricewaterhouseCoopers Initial Administrators Rates	\$420 per hour
Large Melbourne public company administration	\$450 per hour
Large accounting firm standard rate	\$550 per hour

3.7. Contingencies

Contingencies that could affect the return to creditors, other than the realisation of aircraft assets, are:

- Employee entitlements may increase up to \$20m due to a number of employee claims that have been and continue to be lodged with the Deed Administrators.
- Contingent assets of up to \$25m may be realised, depending on successful litigation with a number of debtors.
- Contingent liabilities of up to \$47m may have to be paid.
- Pooling of companies may result in a reduction in funds to the Ansett Group of up to \$60m.

The major issue that could affect the amount and timing of return to creditors is the claim that shortfalls in the superannuation funds may be a priority creditor. This may



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result in a reduction in funds to the Ansett Group of up to \$200m. This would mean there would be no returns to employees for at least two years.

3.7.1. Employee Entitlements

Total employee entitlements of \$735.8m compares to \$720.0m in the Second Report. However we have received notice of \$69.9m of claims and adjustments being sought by employees, including over 1,100 "requests for review", additional claims for pay in lieu of notice over 4-5 weeks, part-time adjustment claims, and other various claims. The amounts involved in these claims are considerable and verification of the claims is itself a significant resource requirement. We have reduced the amount of contingent claims to less than \$20m through the efforts of our team.

3.7.2. Contingent Assets

There are a number of contingent assets that we are currently pursuing. They relate mainly to the recovery of debtors and monies held in trust by travel agents. The recovery of these amounts is largely dependent on the success of litigation proceedings and, at this point, we are unable to estimate the potential recoveries.

We have successfully settled with a travel agent in relation to monies held in trust by travel agents. The settlement of \$1.3m realised over 85% of the amount held in trust. Admissions were also made, which will assist further recovery actions against other travel agents.

In relation to the IATA set-off systems, we have made claims on 12 airlines who owe Ansett money.

3.7.3. Contingent Liabilities

In the Second Report, we noted contingencies of \$59m in relation to expenses, such as group tax and payroll tax. Our estimates have decreased to \$47m and we intend to shortly enter into discussions with the relevant parties to address these issues.

3.7.4. Pooling

The above estimated return to creditors has been calculated on a consolidated basis on the assumption that when the creditors are asked to vote on whether to pool the assets and liabilities of the Ansett Group, that they will vote in favour of it.

However, if some companies do not vote in favour of pooling, this may affect the amount available for distribution. Specifically:

- If the creditors of a company vote against pooling the assets and liabilities of that company with the assets and liabilities of the Ansett Group, and that company has assets available for distribution, then this will reduce the amount available in the consolidated position. There are up to eight companies that may cause a reduction in the amount available to creditors on a consolidation basis if they do not vote in favour of pooling. The reduction in the pool could be up to \$60m.



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- The consolidated basis has been calculated without allocating the distribution of the \$150m received from Air New Zealand pursuant to the MOU on a company by company basis. If it was determined that a company was entitled to a portion of the \$150m and that company was not in the Ansett pool, then this may reduce the amount available to employees on a consolidated basis.

3.7.5. Superannuation Shortfall Funding

The Trustees of the Ansett Ground Staff Superannuation Plan ("the Ground Staff Plan") have taken action in the Supreme Court seeking the Court's determination of three key issues, namely:

- Have employees been retrenched within the meaning of the deed of the Ground Staff Plan;
- Is Ansett liable to pay any shortfall to the Ground Staff Plan; and
- If Ansett is, would those payments be a priority payment if the Ansett Group is liquidated.

The Supreme Court proceeding commenced on 16 July 2002 and was heard before Justice Warren, concluding on 28 August 2002. At the time of writing this report, the judgement had not been handed down.

The shortfall is currently estimated to be up to \$200m. Creditors previously voted at the Second Meetings on DOCAs that provide for any superannuation shortfall to rank as ordinary unsecured debt. If the Trustees of the Ground Staff Plan are successful in the Supreme Court, they will then have to pursue a claim in the Federal Court that the DOCAs are unfairly prejudicial and should be varied.

3.8. Estimated Return to Employees

We are aiming to achieve an average total return to employees of 92 cents for each dollar owed. Ultimately, however, the timing and amount of returns to employees largely depend on the realisations of aircraft and aircraft spares.

Even if no aircraft are sold, we estimate that employees would receive an average of 74 cents for each dollar owed. However, whilst difficult to predict, we believe aircraft sales yielding \$150m are reasonably achievable (we have written down aircraft valuations by 50% since our First Report), which would result in an average total return to employees of 88 cents for each dollar owed. If aircraft sales yield an additional \$50m i.e. \$200m, employees would receive an average 92 cents for each dollar owed.

A major risk affecting the timing and amount of return to employees is if the superannuation proceedings find that superannuation shortfalls rank to priority. This would mean a reduction in funds to the Ansett Group of up to \$200m and there would be no prospect of any returns to employees for at least two years.

Employees have so far received entitlements of:

- 100 cents in the dollar for unpaid wages;



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- 100 cents in the dollar for annual leave, long service leave, time in lieu and other days;
- 100 cents in the dollar for pay in lieu of notice and for up to 8 weeks of redundancy.

For more than 3,600 employees, this means that they have been paid 100% of their entitlements.

Subject to the superannuation proceedings being finalised shortly and finding that the shortfall does not rank to priority, we have forecasted the following instalments to be paid to employees who are owed further monies, over the next six months:

- The first instalment forecasted, to be paid in December 2002, will be 10 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 58 cents in the dollar of total entitlements.
- The second instalment forecasted, to be paid in March 2003, will be 5 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 60 cents in the dollar of total entitlements.
- The third instalment forecasted, to be paid in June 2003, will be 5 cents in the dollar for redundancy greater than 8 weeks. This will represent a total return to employees to date of 62 cents in the dollar of total entitlements.

Because of the uncertain state of the global aviation market, we will review progressive asset realisations and pay instalments as soon as practicable after funds become available. Throughout the administration, we will advise creditors every six months of anticipated quarterly instalments.

3.8.1. Estimated Employee Entitlements

Our latest update, as at 24 August 2002, is as follows:

Gross Entitlements for 13,315 redundancies	\$721.0m
Gross Entitlements for 258 current employees	\$14.8m
Total	\$735.8m

The magnitude and complexity of the Ansett administration is unequalled in relation to size of redundant workforce and entitlement liabilities. Employee entitlements are proving to be very difficult to manage and forecast, and there are many contingencies as individuals and groups of employees continue to lodge reviews of quotes and/or new claims to receive greater entitlements (see Contingencies 3.7). These processes have absorbed much of our manpower and time during the administration.

3.8.2. Redundancy Program

To date the continuing Ansett redundancy program has paid some 12,376 former staff \$370.4m in initial redundancy payments. This has involved more than 25,000 audited transactions, 250 separate bank files and a multi-faceted audit and reconciliation programme.



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Complicating the task was the challenge of working with Ansett company records and databases which were, in many cases, not integrated, required updating, and regularly produced anomalies.

Such was the volume of processing required, a significant investment was first required to build greenfield IT-based systems fundamental to verification, auditing and reconciliation. No such systems were available within the Ansett infrastructure.

During September and October 2001, specialist accounting and IT staff were retained to work solely on the development of the necessary computer models and templates. This group initially managed the task of designing, building and implementing necessary IT databases and processes required to facilitate the volume of redundancies to come. Systems were designed for data collection, auditing and correspondence processing, bank files management, maintaining redundancy data and cross referencing with master Ansett data files.

A Staff Helpline was installed to support the redundancy program. In the early stages of the administration, the help line was staffed by up to 20 Ansett employees. Today it is staffed by two Ansett employees.

As redundancy applications are received, each is verified with payroll records and contracts or awards before individual redundancy calculations are mailed to staff members. Records are also maintained on staff debt, equipment and other assets to be returned to Ansett.

3.8.3. SEESA

The Federal Government and its agent SEES Pty Limited ("the Federal Government") have worked closely with us to establish efficient and timely audit and payment processes.

Tranches of claims (up to several thousand at a time) are lodged with the Government SEESA program as per the established processes. Thirteen tranches of claims had been lodged. The Federal Government and its auditors then provide a responsive and detailed audit of the tranches, before advancing funds. As the Federal Government advances SEESA funds to the administration, we aim to transfer funds to individuals within 48 hours.

To date the Federal Government has provided \$328.7m to pay annual leave, long service leave, payment in lieu of notice and up to eight weeks redundancy. From the administration cash reserves, we have paid \$41.7m, bringing the total amount paid to employees to date to \$370.4m.

3.8.4. Continuing Ansett Workforce

A summary of the status of the Ansett Group employees as at 31 August is as follows:



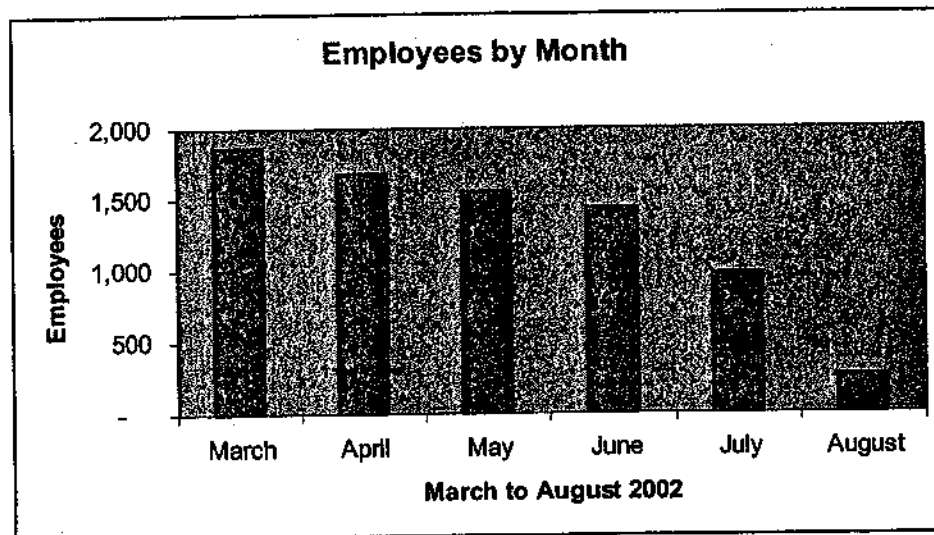
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	Number
Employees transferred with the sale of businesses to date	1,422
Employees terminated or advised of their impending termination	13,315
Employees continuing to assist in asset realisations	258
Total Employees	14,995

A key to maximising the administration outcomes is the retention of Ansett managers and staff who possess specialist knowledge of the businesses, the aviation industry, compliance issues and the ongoing operation of going concerns. As the administration continues and asset realisation and business sales are achieved, workforce requirements are continually reviewed and reduced according to requirements.

A summary of how the reduction of Ansett administration workforce has been managed since the withdrawal of the Tesna offer is as follows:



A summary of the break-up of the current Ansett administration workforce is as follows:

Current Workforce	Employees	Function
Heavy Maintenance	15	Performs maintenance checks on aircraft
Components	6	Sales and administration of aircraft parts
Aircraft Recovery	14	Responsible for redelivery of aircraft
Engine Overhaul	28	Aircraft engine repair and servicing
Quality Assurance	5	
Supply	5	Responsible for selling spare parts and rotables
Tech Services	2	Administering paperwork for Ansett aircraft



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Current Workforce	Employees	Function
Engineering Admin	30	General administration
Simulator	21	Simulator Centre ongoing and profitable
Kendell	35	Assisting with sale of business
Operations	5	Safety and security of assets
Airports	7	Assistance with sale of ground service equipment
Asset Sales	3	Aircraft Fleet Trading Team
Regional Support	14	Supporting post settlement issues in relation to Kendell.
Corporate Services	6	Engineering services
Payroll and HR	12	Payroll, superannuation and employee entitlement payments
Finance	38	Accounting, debt collection
IT	8	Support systems
Records	4	Records management
Total	258	

3.9. Estimated Return to Unsecured Creditors

The potential claims by unsecured creditors are estimated at more than \$2,000m. As the claims are affected substantially by a number of factors, such as the realisations for aircraft and the potential shortfall in superannuation, further analysis has not been performed at this stage.



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4. Investigations

Our Second Report included an outline of issues to be investigated. These matters have now been investigated and legal advice sought and obtained. Some areas of our investigations have been limited by the information available. However, we have been given access by Air New Zealand to the information it provided to ASIC and are in discussions with them about the provision of further information.

A detailed confidential and privileged report has been prepared for the Committees of Creditors on our findings to date and recommendations. Due to the confidential and privileged advice contained within the report, the Committees of Creditors will not retain the report in their possession. A general outline only of these matters is set out below.

4.1. Air New Zealand Investigations

As indicated in our Second Report, ASIC announced an investigation into the affairs of the Ansett Group shortly after the appointment of the Initial Administrators. ASIC interviewed and obtained documents from a large number of stakeholders including directors, Air New Zealand, financiers and suppliers to the Ansett Group.

On 1 March 2002, ASIC announced:

"...there is no realistic prospect for successfully prosecuting the directors of Ansett for breach of their general duties of care under the Corporations Act or for insolvent trading. This view is confirmed by Senior Counsel.

It is considered unlikely that evidence exists which would cause these conclusions to be reconsidered but ASIC will reserve its position until all aspects of the investigation are concluded."

ASIC did however advise that they intended to review the adequacy of disclosures made to the market by Air New Zealand regarding its financial position in the period prior to 12 September 2001.

On 11 July 2002, ASIC announced it had closed its investigation into the collapse of the Ansett Group. More specifically,

"...ASIC has given a high priority to evaluating the prospects of successfully litigating against Air New Zealand on behalf of former shareholders and creditors...

Moreover, Counsel have advised that owing to the differing positions of individual creditors, it would not be possible for ASIC to pursue creditor claims by way of a single group proceeding or class action...

In those circumstances, the Commission has determined that the public interest would not be served by incurring the cost and risk of commencing proceedings against Air New Zealand."

A copy of ASIC's full release (media and information release 02/247) is attached at Appendix 3. As discussed above, we have also conducted and are continuing with our own independent investigation into the collapse of the Ansett Group.



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4.2. Potential Causes of Action Available to Companies

The actions of a number of parties are being considered as part of our investigations into possible causes of action. Some of these are each discussed below.

4.2.1. Potential breaches of duties by directors and officers of the Ansett Group

Sale & Leaseback of Fleet

Ansett had undertaken in the period after its acquisition by Air New Zealand to raise funds via the sale and leaseback of aircraft and the sale of owned aircraft.

There were three major transactions surrounding aircraft subject to sale and leaseback and/or refinancing arrangements during the review period:

- Boeing B737-300s in November and December 2000;
- Airbus A320-200s in June 2001; and
- Airbus A320-200s in July 2001.

It appears that some of the proceeds from the sale and leaseback of aircraft were used to reduce the intercompany debt owed by Ansett to Air New Zealand.

Based on information available to date, we recommend that:

- No further action be taken regarding the November and December 2000 transaction, given it appears to be a debt raising exercise with ownership of the relevant aircraft remaining with AAL and there is no evidence that directors acted in breach of their duties.
- No further action be taken regarding the June 2001 sale and leaseback transaction as, on balance, it appears the aircraft were sold at or in excess of market valuations and there is no evidence that directors acted in breach of their duties.

Purchase of Hazelton Airline

The purchase of Hazelton was completed by Ansett in April 2001 for \$25m. The acquisition was completed less than six months prior to the appointment of the Initial Administrators.

We have considered whether in undertaking the transaction the directors of Ansett exercised their duties in good faith, for a proper purpose and with due care and diligence.

In relation to the question as to whether the directors of Ansett exercised the degree of care and diligence as required by the Act in the acquisition of Hazelton, the directors must have:

- Made the judgment in good faith for a proper purpose;
- No material personal interest in the subject matter of the judgment;



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- Inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and
- Rationally believed that the judgment is in the best interests of the corporation.

Whilst the purchase consideration paid for Hazelton appears high compared to the tangible assets obtained, there were other strategic benefits available to Ansett from the acquisition. These had potentially far reaching implications for Ansett.

The purchase of Hazelton was at a premium of \$9m above an Independent Expert's Report high valuation commissioned by the directors of Hazelton, which excluded the strategic and synergistic benefits obtainable through the purchase. This premium, in addition to the strategic benefit of restricting Qantas' expansion, was driven by the benefits that Ansett believed it could obtain.

As a result, it appears the directors made the acquisition for a proper purpose after informing themselves of the benefits of the acquisition and believed it was in the best interest of Ansett. We have no evidence that any of the directors obtained any personal benefit from the transaction or were reckless in their considerations.

Payment of Management Bonuses

In August 2001, bonuses totalling approximately \$3.3m were paid to various Ansett employees relating to the year ended 30 June 2001. Air New Zealand claims that these payments were made in good faith.

We are continuing our investigations.

4.2.2. Potential claims against Air New Zealand

Asset Stripping

Shortly after the appointment of the Initial Administrators, allegations were made that Air New Zealand had engaged in 'asset stripping' for the benefit of Air New Zealand.

In response to these claims we have sought to ascertain whether there is evidence of any asset stripping, and if so, whether the assets could be recovered.

Based on available information, there is no evidence of asset stripping by Air New Zealand.

We have also considered whether the movement of assets between Ansett and Air New Zealand with no formal asset movement process or register was appropriate or could constitute a breach of the various directors' duties. Ansett and Air New Zealand operated as one group with the main businesses of both Air New Zealand and Ansett being similar with similar assets being used in each business. It is therefore not unusual that there was movement of assets between the companies.



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We have also been successful in retrieving Ansett's assets that we have identified. We are continuing our investigations.

Derivative Policies

Following Air New Zealand's full acquisition of Ansett, the vast majority of Ansett's treasury functions were centralised at Air New Zealand's offices in Auckland. We have sought to assess the various treasury activities that related to Ansett to determine if there were any potential breaches of directors' duties. In particular, we considered Air New Zealand's policies relating to foreign exchange and interest rate risk.

Whilst some non-compliance with Air New Zealand Treasury policy may have occurred due to the largely non-prescriptive nature of the policy and unclear definition of terms, we have found no evidence to suggest that by doing so, the directors breached their duties. Accordingly, we believe no further action should be taken against Air New Zealand and/or its directors with respect to the treasury policies for foreign exchange and interest rate risk management.

Our investigations found no evidence to suggest that the speculative activity had been engaged in or that suggests that the directors have acted in a reckless manner, nor acted without due diligence and care.

Inappropriate Payment of Expenses

Shortly after the collapse of Ansett, various parties made allegations that there had been inappropriate payment of expenses by the Ansett Group where Air New Zealand received the benefit. The major expenditure items claimed were fuel, air navigation charges and IT expenditure.

A large verification process was carried out on a large sample of invoices to determine the source of the cost incurred and which company received the benefit.

Based on the review, there is no evidence to support the allegations that Ansett was paying expenses on behalf of Air New Zealand in relation to fuel and air navigation charges. Where services have been provided jointly to Ansett and Air New Zealand, such as IT services, evidence to date indicates these expenses were recharged to Air New Zealand through the intercompany loan account. No further investigations will be made.

Movements in Intercompany Loan Account

A key part of the centralised treasury function was the daily consolidation of funds held within the combined Ansett/Air New Zealand group. We have sought to determine whether any claims exist against Air New Zealand as a result of the daily consolidation of funds.

The movements in the intercompany advance account represent the overall transactions between Air New Zealand and Ansett during each month, including the effect of the daily consolidation of funds and the provision of goods or services between the groups.



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Due to Air New Zealand initiating all transactions within the AAHL bank account and controlling the information underlying each transaction in the intercompany account, we have not been able to confirm whether the transactions in the intercompany loan account were appropriately recorded.

In entering into the Air New Zealand MOU, we relied on the representations and warranties of Air New Zealand as to the balance of the intercompany loan account. However, we are yet to verify that the representations and warranties are correct.

We have requested Air New Zealand to provide documentation to support the transactions in the intercompany advance account. This information is currently being prepared by Air New Zealand. This will enable us to ascertain whether the consolidation of funds was accurately recorded and the balance of the intercompany loan account was not materially different.

We will continue to seek information from Air New Zealand.

4.2.3. Potential claims against other parties

Advisors and other officers

Our investigation involved the review of work performed by consultants and advisors to the Ansett Group for the period from July 2000 to September 2001, in order to determine whether the services performed were valid and appropriate.

Based on currently available information, there is no evidence to suggest that any claims exist against advisors to the Ansett Group for negligence or any other breaches of duties owed to Ansett.

Actions against Messrs Lew and Fox

We entered into an agreement on 8 November 2001 for the sale of the Ansett mainline business to Tesna, the nominee of Mr Solomon Lew and Mr Lindsay Fox. They did not complete this agreement.

We are investigating whether we have any claims against Tesna as the nominee of Mr Solomon Lew and Mr Lindsay Fox arising out of their failure to complete the purchase of the Ansett mainline business. Our investigations are continuing.

Set-off of funds held in bank accounts

At the close of business on 12 September 2001, there was approximately \$43m in credit funds held by the Ansett Group in various bank accounts. After the appointment of the Initial Administrators, the bank set off these funds against other debts owing to the bank by Ansett companies.

Further, approximately \$7m was paid directly into the same bank accounts of the Ansett Group shortly after the appointment of the Initial Administrators. These funds were paid into the account by debtors who had established direct debit facilities to the Ansett bank accounts. These funds were also set off by the bank against other debts owing.



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We are investigating whether the set off of these funds is valid and enforceable.

4.2.4. Potential Recoveries Available to a Liquidator

In addition, there may be transactions where money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act if the companies are placed into liquidation. The main transactions being considered as part of the investigations include:

Trading Whilst Insolvent

Under the Act, a director is personally liable to the company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent or becomes insolvent by incurring the debt.

This claim must be proven by a liquidator against each individual director. In the event that a liquidator does not pursue the directors, a creditor may seek to recover against the directors.

Directors have several defences available to them. To successfully defend a claim for insolvent trading, a director must prove one of the following:

- That when the debt was incurred, the director had reasonable grounds to expect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the director expected, on the basis of this information, that the company was solvent and would remain solvent.
- That when the debt was incurred, the director, because of illness or for some other good reasons, did not take part in the management of the company at that time.
- That the director took all reasonable steps to stop the company from incurring the debt.

It must first be shown that at the relevant time, Ansett was insolvent.

Considerable investigation has been undertaken into the financial position of the Ansett Group in the 14 months prior to the appointment of the Initial Administrators.

Our investigations are continuing.

Holding Company Liable for Debts of an Insolvent Subsidiary

Where it can be shown:

- a subsidiary company was insolvent at the time of the incurring of a debt, or became insolvent as a result of incurring a debt;



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- at that time there were reasonable grounds for suspecting the company was insolvent; and
- the holding company or its directors were aware, or ought to be aware, that there were grounds for so suspecting;

the holding company may be held liable for the debts incurred by the subsidiary.

The ultimate ownership and management control of the Ansett Group was with Air New Zealand and its board of directors. Accordingly, Air New Zealand was the holding company for all of the Ansett companies for the purposes of considering whether Air New Zealand is potentially liable for the debts of the Ansett Group as insolvent subsidiaries.

Our investigations are continuing.

Unfair Preference Payments

An unfair preference is a transaction, generally within the six months before the appointment of the Initial Administrators, to which a company and a creditor are parties, which results in the creditor receiving more than it would receive in respect of its debt if the transaction had been set aside and the creditor had to prove for the debt in the winding up of the company. If proven to be an unfair preference, the creditor would have to return the benefit they received to the liquidator.

To prove a creditor received an unfair preference payment, the liquidator must first show the company was insolvent at the time of the payment, that is, it was unable to pay its debts as and when they fell due.

The creditor has a defence to a claim by a liquidator that a transaction is an unfair preference if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given and a reasonable person in the creditor's circumstances would have no such ground for suspecting.

Unfair preferences can be difficult to prove and recover, and the exercise is often time-consuming and expensive.

Our investigations included the testing of round amounts paid or unusual payments above \$10,000. The nature of the payment was then investigated to determine if the transaction was commercial by way of vouching to supporting documentation and discussions with relevant Ansett employees.

Our investigations have not provided any evidence of any unfair preference payments by the Ansett Group. Accordingly, no further investigations will be made.



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Uncommercial Transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a liquidator:

- The transaction was entered into or given effect to within two years of the commencement of the winding up of the company (i.e. the appointment of the Initial Administrators);
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction; and
- A reasonable person in the company's circumstances would not have entered into the transaction, having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

From our investigations to date, including the purchase of Hazelton Airlines and the sale and leaseback of aircraft transactions discussed above, we have seen no evidence of any unfair uncommercial transactions being entered into by the Ansett Group.

Unfair Loans

An unfair loan is a loan where, upon analysis, the interest or charges with respect to the loan were extortionate. Unfair loans any time before the appointment of the Initial Administrators may potentially be overturned by a liquidator appointed subsequently.

During our investigations, a review was performed to determine whether the interest charged on amounts owing to Air New Zealand may be potentially classed as an unfair loan. Based on the information available, it is not conclusive as to how the interest was calculated or the reasonableness of the monthly charge in relation to the amounts owing. To progress our investigation, further information has been requested from Air New Zealand, which are still to be provided.

Accordingly, we are not able to conclude on whether the amounts owing were an unfair loan and whether any further action should be taken.

Our investigations are continuing.

4.2.5. Reports to ASIC by Deed Administrators

As Administrators, we are also required to complete and lodge a report with ASIC (section 438D of the Act) if we hold an opinion that:

- A past or present officer, or member of the company may have been guilty of an offence in relation to the company;
- If a person who has taken part in the formation, promotion, administration, management or winding up of the company;



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
THIRD REPORT BY DEED ADMINISTRATORS**

- May have misappropriated money or property of the company; or
- May be guilty of negligence, default, breach of duty or breach of trust in relation to the company.

To date, we have not lodged a report with ASIC. We will conclude our investigations and then consider this further.



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5. Benefits of DOCA

5.1. Advantages of Continuation of DOCAs

The advantages for creditors generally of the DOCAs are:

- Enhancement of the ability to maximise the proceeds from the sale of major assets.
- Preservation of any rights of action or claims that can be pursued only by a liquidator.
- Greater flexibility for the trading and sale of Engineering during the DOCA period.
- Significant savings because of simplification of procedural requirements. For example, not having to distribute creditor reports except on the Deed Administrators' web sites creates savings in excess of \$20m per report.
- Significant savings because of mechanisms to resolve retention of title disputes.
- Savings of millions of dollars through mechanisms to manage non-cost effective dividend payments.
- Enhancement of debtor recoveries.
- Clarification of the claims of superannuation creditors.
- Preservation of creditors' rights to "pool" assets and liabilities of the Ansett Group.

To date, a number of these advantages have been realised, such as maximisation of the proceeds from the sale of major assets, and other advantages will continue to be realised during the course of the administration.

5.2. Disadvantages of Continuation of DOCAs

The disadvantage of the DOCAs is:

- Possible delays in the commencement of potential recovery proceedings (if any) by a liquidator.



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6. Statutory and Legal Matters

6.1. Court Applications

We have made a number of applications to the Court. Those made since our Second Report include:

- Application Regarding Extension of Time to Execute DOCAs.
- Application Regarding Further Extension of Time to Execute DOCAs.
- Application Regarding Notification of Execution of DOCAs.
- Application Regarding Approval of Sale of Sydney Terminal.

Applications that were made previously (including those made by other parties) but have continued since 29 January 2002 are:

- Application by Hazelton Administrator for Apportionment of the Funds Received from the Settlement with Air New Zealand.
- Application regarding Superannuation.
- Application regarding Indemnity in Traveland Sale.

Detailed information on a number of the applications made during the administration can be obtained from the Deed Administrators' web sites.

Below is a brief summary of the above applications (excluding the application regarding Superannuation, which was discussed previously), the reasons why they were made and their current status or their outcome.

6.1.1. Application Regarding Extension of Time to Execute DOCAs (Proceeding No. V3062 of 2002)

An application was made to the Court to extend the time in which we were required to execute the DOCAs approved at the Second Meetings of Creditors on 27 March 2002 for a period of seven days. The application was opposed by SACL and Canberra Airport.

After the application was heard, but before orders were made, it transpired that there were a number of outstanding drafting issues relating to the DOCAs which required further time to resolve. In the circumstances, SACL and Canberra Airport withdrew their opposition to the application and the Court made orders granting a seven day extension of time to execute the DOCAs to enable us to resolve drafting issues with various parties relating to the DOCAs.

6.1.2. Application Regarding Further Extension of Time to Execute DOCAs (Proceeding No. V3065 of 2002)

Before the expiry of the seven day extension granted by the Court in the first application, we applied to the Court for a further extension of time to execute the DOCAs. The purpose of the application was to preserve the status quo for a period of time to enable us to dispose of the DTLs in an orderly fashion.



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SACL and other DTL lessors maintained that the "buy-back" provisions in the DTLs, which were the Ansett Group's most valuable assets, would be triggered by executing the DOCAs. The "buy-back" provisions enabled the DTL lessors to "buy-back" the DTLs at "fair market value" which would be significantly less than the amount which could be obtained in a competitive market. By extending the time to execute the DOCAs to enable us to sell the DTLs, we would avoid the dispute arising.

On 29 April 2002, the Court dismissed the application on the basis that it was not an appropriate exercise of discretion to extend the time to execute the DOCAs for the purpose of prolonging the administration in order to avoid a result which execution of the DOCAs may bring about. However, an interlocutory order made on 24 April 2002 had the result of extending the time by which the Companies must execute the DOCAs for a further period after judgment was delivered until 2 May 2002. Within that time, we were able to sell the Sydney DTL.

**6.1.3. Application Regarding Notification of Execution of DOCAs
(Proceeding No. V3063 of 2002)**

An application was made to the Court for an order to allow us to dispense with the requirement to send to each creditor notice of execution of the DOCAs. Compliance with the requirement would have cost the administrations approximately \$1.35m in printing and postage.

On 24 April 2002, the Court consented that we need not send to each creditor written notice of execution of the DOCAs provided that notice was published in newspapers nationally and posted on the Deed Administrators' websites and that we maintained a telephone hotline, thereby reducing the costs of the administration by in excess of \$1m.

**6.1.4. Application Regarding Approval of Sale of Sydney Terminal
(Proceeding No. V3075 of 2002)**

In order to avoid a dispute as to whether execution of the DOCAs triggered the "buy-back" provisions under Sydney DTL, we negotiated the sale of the Sydney DTL to SACL prior to expiration of the time to execute the DOCAs (as extended by the Court in the first and second extension applications). It was a commercial decision made by us in order to maximise the return to creditors from the disposition of the Sydney DTL. In our view, the sale of the Sydney DTL to SACL in a competitive market would have yielded more than under the "buy-back" provisions of the Sydney DTL.

The sale was negotiated at breakneck speed. We did not comply with the sale process for the sale of the Sydney DTL with which we had previously announced we would comply. In addition, SACL had submitted in the second extension application that it was inappropriate for us to sell the assets prior to the execution of the DOCAs where there had been a resolution of the creditors that the DOCAs be executed and where a principal objective or purpose of the DOCAs was to enable the sale of the assets. In these circumstances, we made an application to the Court for approval of the sale of the Sydney DTL.



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Justice Goldberg held that in all the circumstances it was appropriate to give a direction that we may properly perform and give effect to the agreement of the sale of the Sydney DTL. Although our decision was a commercial decision, the issues raised by SACL in the second extension application went to its propriety.

6.1.5. Application by Hazelton Administrator for Apportionment (Proceeding No. V3051 of 2001 and V3060 of 2001)

The Hazelton Companies, as controlled entities of the Ansett Group, were required to settle their various claims against the Air New Zealand Group for an amount to be determined either by agreement or by Court Order.

The Hazelton Administrator applied to the Court seeking a direction as to the manner of apportionment between the Ansett Group and the Hazelton Companies of the \$150m recovered from Air New Zealand pursuant to the MOU. We have paid to the Hazelton Administrator \$2.45m on account of the entitlement of Hazelton Administrator to be paid a portion of the \$150m received from Air New Zealand pursuant to the MOU without prejudice to the ultimate determination of the Court dispute and on the basis that the Hazelton Administrator cannot be personally liable to repay the \$2.45m. We contend that this litigation was resolved at the time that Kendell and Hazelton were sold to AWL. The Hazelton Administrator denies this. The proceeding is listed for hearing in October 2002.

6.1.6. Application Regarding Indemnity in Traveland Sale (Proceeding No. V3061 of 2002)

We have sought directions about the operation of an indemnity in relation to employee entitlements provided by us as part of a sale of business and assets to Internova on or about 23 September 2001. If the sale from Traveland to Internova had not occurred, all Traveland employees would have lost their jobs immediately and made claims for SEESA payments.

The indemnity was given to ensure that any Traveland employees who would be ineligible to make a SEESA claim because they had accepted jobs with Internova would not be disadvantaged if Internova went into liquidation before 23 September 2002, which it did.

GEERS payments were made to those former Traveland employees and Ansett provided an amount representing the difference between was paid under GEERS and what they would have been paid under SEESA. This ensured the former Traveland employees received the equivalent of SEESA entitlements. The liquidators of Internova claim an amount equivalent to the amount of the GEERS payment from Traveland and the Deed Administrators personally.

6.1.7. Application to Recover Trust Funds from Agents (Proceeding No. 2031 of 2002)

We have continued to progress the recovery of travel agency monies held in trust for Ansett in respect of issued Ansett tickets or transportation orders for the period 27 August 2001 and 13 September 2001. On 10 April 2002,



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we commenced proceedings on behalf of Ansett against one such agent, CW Travel Australia Pty Ltd ("CWT") and Darryl George Lavery, a director of CWT, in the Commercial List of the Supreme Court of Victoria. Through a Supreme Court ordered mediation, Ansett and CWT reached agreement whereby a substantial portion of the monies which we maintained were held in trust for Ansett were remitted to Ansett by CWT.

Subsequent to the settlement of the above action, we have instructed Arnold Bloch Leibler to send a Letter of Demand to remaining agents holding agency trust funds on behalf of Ansett. The letter included considered responses to all substantive queries raised by agents. In the event that any agent does not pay the outstanding trust funds, legal action may be taken without further notice. Such legal action would include demand for interest and costs.



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THIRD REPORT BY DEED ADMINISTRATORS**

Dated this 16th day of September 2002.



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
APPENDIX 1 TO THIRD REPORT**

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Moraal Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
APPENDIX 2 TO THIRD REPORT**

ABBREVIATIONS USED IN THIS REPORT

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"the Initial Administrators"	Allan Watson, Greg Hall and Peter Hedge of PricewaterhouseCoopers
"the Hazelton Administrator"	Michael Humphris of Sims Lockwood as Administrator of: <ul style="list-style-type: none">- Hazelton Air Charter Pty Ltd (ACN 065 221 356)- Hazelton Air Services Pty Ltd (ACN 000 242 928)- Hazelton Airlines Limited (ACN 061 965 642)
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
"Aeropelican"	Aeropelican Air Services Pty Ltd (ACN 000 653 083)
"Ansett International"	Ansett International Limited (ACN 060 622 460)
"Bodas"	Bodas Pty Ltd (ACN 002 158 741)
"Kendell"	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
"Show Group"	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
"Skywest"	Skywest Airlines Pty Ltd (ACN 008 997 662)
"Skywest Aviation"	ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)
"Skywest Jet Charter"	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
"Skywest Holdings"	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
"Traveland"	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
"TPE"	Transpacific Enterprises Inc
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"Air New Zealand" or "the Air New Zealand Group"	Air New Zealand Group of Companies
Memorandum of Understanding	Settlement agreement between Air New Zealand and the Deed Administrators
"Tesna"	Consortium associated with Mr Lindsay Fox, Mr Solomon Lew and Tesna Holdings Pty Ltd
"Canberra Airport"	Canberra International Airport Corporation Pty Ltd
"SACL"	Sydney Airports Corporation Limited
"Patrick"	Patrick Corporation Limited (formerly Lang Corporation)



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"Singapore Airlines"	Limited)
"DTL"	Singapore International Airlines
"ASIC"	Domestic Terminal Lease
"Commonwealth Government"	Australian Securities and Investments Commission
"EBA"	Commonwealth Government of Australia
"GEERS"	Enterprise Bargaining Agreement
"SEESA"	General Employee Entitlement Redundancy Scheme
	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Deed Administrators' web sites"	http://www.ansett.com.au/administrator and http://www.abl.com.au/administrator
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report" or "this report"	Third Report by Deed Administrators to the Creditors of the Ansett Group dated 16 September 2002



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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
APPENDIX 3 TO THIRD REPORT**

**ASIC MEDIA RELEASE 02/247
ASIC closes Ansett and Air NZ investigations
Thursday 11 July 2002**

The Australian Securities and Investments Commission (ASIC) today announced that it had closed its investigation into the collapse of the Ansett Holding Ltd group (Ansett).

On 1 March 2002, ASIC advised that while no action would be commenced against Ansett or its former directors, consideration would be given to commencing a representative action for damages against Air New Zealand Limited (AIZ) in relation to the level of its financial disclosures during 2001.

ASIC's March statement made it clear that several complex issues would require additional investigation and assessment before ASIC could finally decide on the merits of commencing proceedings against AIZ.

Over the intervening four months, ASIC has given a high priority to evaluating the prospects of successfully litigating against AIZ on behalf of former shareholders or creditors. The investigation has included interviewing more than 350 parties who say they suffered financial loss as a result of Ansett's failure; consultation with market and other experts; and obtaining legal advice from external counsel on a range of legal issues.

On the basis of the advice received, ASIC is unable to dismiss the possibility that AIZ's level of disclosure concerning its own and/or Ansett's forecast losses for the 2000-2001 financial year may have been, at certain times during that year, misleading and deceptive within the meaning of the Trade Practices Act.

However, after considering the evidence compiled by ASIC since March, Counsel, including Senior Counsel, have concluded that only a minority of purchasers of shares are likely to be in a position to prove that they relied directly on AIZ's conduct and suffered financial loss.

Moreover, Counsel have advised that owing to the differing positions of individual creditors, it would not be possible for ASIC to pursue creditor claims by way of a single group proceeding or class action. Instead, ASIC would be required to bring each claim as a separate proceeding or, at best, as a number of proceedings on behalf of different groups of plaintiffs.

In those circumstances, the Commission has determined that the public interest would not be served by incurring the cost and risk of commencing proceedings against AIZ.

'The decision to close this investigation has been reached only after exhaustive assessment of opportunities to assist former shareholders, creditors and employees of Ansett', said ASIC Chairman Mr David Knott.

'It has become clear that the legal and logistical obstacles confronting ASIC are such that only a handful of those who suffered loss would be likely to benefit from the commencement of proceedings.

'Importantly, any action by ASIC would be of no assistance to former employees of Ansett or to the general body of small creditors (including frequent flyers). In those circumstances, ASIC has decided to close its file on this matter', Mr Knott said.

ASIC acknowledges that AIZ has cooperated fully with ASIC throughout the course of the investigation.



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Ansett Group of Companies

Fourth Report To Creditors

31 March 2004

ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

FOURTH REPORT TO CREDITORS

The companies for which this report has been prepared are listed at Appendix 1. Any reference to dollars in this report relates to Australian currency unless indicated otherwise.

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**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

1. EXECUTIVE SUMMARY

1.1. Introduction

This is our Fourth Report to Creditors for the Ansett Group of Companies. We have also provided 51 updates to the Committees of Creditors and 23 updates to employees.

1.2. Major Litigation Settled

The major matter resolved since our Third Report was the settlement of the legal action taken against Ansett Australia Limited (AAL) by the Trustees of the Ground Staff Plan. The Trustees were seeking AAL to pay up to \$200m to the members of the Ground Staff Plan, rather than to employees of AAL. It took until 25 November 2003 to settle this matter. The settlement was very favourable for employees.

1.3. Asset Realisations

Assets realised to date (net) total \$490.3m, with an estimated \$102.1m (excluding aircraft) still to be realised. This is approximately \$30m more than was reported in the Third Report. We would like to particularly thank the continuing employees that have worked hard in difficult circumstances to deliver this result.

Aircraft are proving very difficult to sell. In the First Report, we estimated realisations from aircraft at \$300m (this was based on an independent expert valuation). In subsequent reports, we revised estimates to \$200m, \$150m and in this report, \$70m for the remaining aircraft. The state of the global aviation market, whilst now showing some signs of improvement, continues to be depressed when compared to pre-September 2001 levels and the rise in the value of the Australian dollar against the US dollar has further reduced values.

1.4. Return to Employees

Employees have received \$547.7m of the total employee entitlements which are currently estimated at \$766.4m.

We estimate employees will receive a further \$85.1m. Changes in conditions may materially impact this estimate. We are predominantly reliant on the state of the global aviation market to determine the ultimate return to creditors.

To enable employees to receive a large dividend payment on 10 December 2003, the Commonwealth Government deferred payment of \$67m due to it, which we anticipate will be paid during 2004. To date we have paid \$152m to employees. Accordingly, distributions to employees will not resume until 2005.

1.5. Return to Commonwealth Government

The Commonwealth Government advanced the Administrators through the SEESA scheme \$334.9m, of which \$159.5m has been repaid. Of the \$67m



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FOURTH REPORT TO CREDITORS**

deferred by the Commonwealth Government, \$49.2m remains to be paid prior to any further distributions to employees. It is expected the Commonwealth Government will receive \$273.2m in total.

1.6. Return to Unsecured Creditors

It is unlikely that there will be any return to unsecured creditors of AAL. Certain asset realisations in certain Ansett Group companies of up to \$40m may be available to other creditors of those particular companies and we will report separately on this.

1.7. Creditors Meetings

We regularly report to the Committees of Creditors and provide updates to employees. We also meet frequently with representatives of key stakeholders including employees and the Commonwealth Government.

It is probable that certain Deeds of Company Arrangement (DOCAs) will need to be varied to deal with future distributions. Accordingly, to save time and costs, we will defer any creditors meetings until variations of the DOCAs are known and ready to be voted on by the creditors.

For further information, creditors can call the Administrators and their staff or view the Deed Administrators' web sites.



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FOURTH REPORT TO CREDITORS**

2. COMMUNICATION WITH STAKEHOLDERS

2.1. The Deed Administrators' Web Sites

We established web sites early in the administration to post documents relating to major issues in the administration. Further information is placed on the web sites when appropriate. The web addresses are <http://www.ansett.com.au>, and <http://www.abl.com.au/administrator>

2.2. Committees of the Creditors

The function of a Committee of Creditors is to consult with the Administrators about matters relating to the administration and receive and consider updates and reports prepared by the Administrators.

Ten meetings of the Committees of Creditors have been held. Regular meetings have also been held with key stakeholders, including representatives of the employees and the Commonwealth Government.

Updates and reports provided to the Committees of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update since the Third Report is as follows:

Update	Date	Major Issues Reported
18	27 September 2002	Third meeting of creditors
19	7 October 2002	Details of property settlements Proposed sale of engine shop How to access the employee entitlement calculator
20	11 October 2002	Ongoing insurance and costs related to aircraft fleet Consolidation on one floor at 501 Swanston Street IT and furniture auction
21	21 October 2002	Extensive details of Ansett memorabilia auction
22	1 November 2002	Update on AAES heavy maintenance activities
23	11 November 2002	Update of areas of responsibility in administration Outline of priority tasks in administration
24	28 November 2002	Sale of Ansett Australia headquarters Qantas named as preferred bidder for engine shop Sale of CFM56-3 engine Ground Staff Superannuation proceedings Ansett brands tender Subdivision process of Garden Drive
25	13 December 2002	Ground Staff Plan proceedings



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Update	Date	Major Issues Reported
		Ansett Perth Airport Terminal interests settled
26	20 December 2002	Recovery of trust funds from travel agents Debt recoveries Claim against Air NZ IATA interline project Global Rewards project Information technology team report
27	17 January 2003	Update on operations of AASS Update on other (non mainline) Ansett businesses
28	24 January 2003	Statistics on ROT and third party claims Update on Supreme Court Ground Staff Plan proceedings
29	3 February 2003	Goods and equipment sales upon vacating premises Sydney Terminal final settlement Ansett memorabilia
30	11 February 2003	Judge's decision regarding Ground Staff Plan proceedings
31	17 February 2003	Recap of the status of Ansett fleet sales activities
32	24 February 2003	Negotiations with Air NZ regarding aircraft, engines and IT
33	14 March 2003	Divestment and realisation of Garden Drive
34	24 March 2003	Ground Staff Plan trustees to appeal decision
35	31 March 2003	Recovery of trust funds from travel agents Debtor recoveries Update on Air NZ matters under investigation IATA issues Global Rewards participants' revenue recovery project
36	11 April 2003	Sale of Ansett data centre Sale of Kendell CRJ engine Global aviation industry conditions worsening AAES staff downscaling Fleet outlook



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Update	Date	Major Issues Reported
		Insurance coverage and claims
37	30 April 2003	Finalisation of sale of Ansett data centre IBM plant and equipment purchase Subdivision and planning of Garden Drive Update on sale of AASS
38	20 May 2003	Debt recovery update Settlement of Global Rewards debt Settlement with Hazelton administrator
39	10 June 2003	Ground Staff Plan proceedings Proof of debt process Breakdown of the areas of Administration
40	23 June 2003	Engine sales Clarification of Skywest transaction Whether payroll tax is payable on entitlements Dealing with employee concerns
41	14 July 2003	Sale of AASS Sale of spare parts
42	25 July 2003	Ansett fleet remarketing activities Details of remaining aircraft Flight Simulator Centre update Information technology rationalisation program
43	15 August 2003	Aircraft sales forecast Details of workforce and major activities Outline of current employee litigation
44	10 September 2003	Garden Drive subdivision update
45	6 October 2003	Information regarding the sale of the engine shop Debt recovery program for all areas of Ansett
46	17 October 2003	Analytical summary of the proof of debt process Ground Staff Plan proceedings
47	21 November 2003	Agreement in principle of Ansett payments
48	25 November 2003	Federal Court approval for settlement proposal
49	10 December 2003	Details of dividend



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Update	Date	Major Issues Reported
50	18 December 2003	B Ae146 Aircraft sale Financial summary
51	10 March 2004	Sale and Leasing of Engines Litigation Claims

Employees have also been provided with updates on the Deed Administrators' web sites. A summary of the major issues covered in each update since the Third Report is as follows:

Update	Date	Major Issues Reported
1	25 September 2002	Employee entitlement payments Asset sales
2	7 October 2002	Employee entitlements calculator
3	2 December 2002	Update on Ground Staff Plan proceedings
4	11 December 2002	Supreme Court ruling delay Proof of debt proceeding
5	20 December 2002	Supreme Court ruling Proof of debt process
6	24 December 2002	Supreme Court ruling update
7	21 January 2003	Supreme Court ruling update
8	11 February 2003	Supreme Court ruling update
9	14 February 2003	ALAEA proceedings
10	24 February 2003	Supreme Court ruling update
11	24 March 2003	Ground Staff Plan trustees to appeal Frequently asked questions
12	10 June 2003	Appeal date set for Ground Staff Plan proceedings Proof of debt process Superannuation enquiries
13	26 June 2003	Frequently asked questions 2002-2003 payment summaries
14	4 August 2003	Ansett Aircraft Spares and Services Sale of spare parts



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Update	Date	Major Issues Reported
		Fleet remarketing activities Ansett Fleet Trading Employee claims
15	18 August 2003	Update on Ground Staff Plan appeal
16	21 August 2003	Update on Ground Staff Plan appeal
17	27 August 2003	Ground Staff Plan Federal Court Proceedings
18	3 November 2003	Debt recovery program AAES contribution Garden Drive subdivision Global Rewards Sale of engine shop Aircraft sales forecast Recovery of trust funds from travel agents Continuing workforce Proof of debt process Ground Staff Plan proceedings update
19	13 November 2003	Ground Staff Plan proceedings update
20	21 November 2003	Ground Staff Plan proceedings update on settlement
21	25 November 2003	Approval of further payments to Ansett employees
22	2 December 2003	Proofs of debt Change of address Change of bank account details Superannuation
23	18 December 2003	Distribution of dividend to employees Frequently asked questions



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3. ESTIMATED REALISATIONS

The estimated return to creditors has been prepared on a consolidated basis using valuations, estimates and assumptions, many of which are commercially sensitive at this time, and for this reason have not been detailed in the report. The estimated return is based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report.

An estimate of the realisations for creditors on a group basis is as follows:

Estimated Realisations	Section	\$m
Assets realised to date (net)	3.1	490.3
Assets still to be realised	3.2	102.1
Assets sold but not yet settled		
Assets still to be realised or collected		
Aircraft spares		
Total Assets		592.4
Costs to complete (including aircraft costs)	3.4	(72.4)
Total before remaining aircraft realisations		520.0
Net expected realisations from aircraft	3.3	70.0
Total Realisations		590.0
Contingent Assets and Liabilities	3.5	

The following stakeholders are expected to receive by the completion of the administration the following distributions:

- Employees have received \$547.7m of the total employee entitlements which are currently estimated at \$766.4m. We estimate employees will receive a further \$85.1m. Changes in conditions may materially impact this estimate. We are predominantly reliant on the state of the global aviation market to determine the ultimate return to creditors.
- The Commonwealth Government advanced the Administrators through the SEESA scheme \$334.9m, of which \$159.5m has been repaid. Of the \$67m deferred by the Commonwealth Government, \$49.2m remains to be paid prior to any further distributions to employees. It is expected the Commonwealth Government will receive \$273.2m in total.
- It is unlikely that there will be any return to unsecured creditors of AAL. Certain asset realisations in certain Ansett Group companies of up to \$40m may be available to other creditors of those particular companies and we will report separately on this.



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3.1. Assets Realised Since Third Report (excluding Aircraft)

In our Third Report, we said that total realisations excluding aircraft were expected to be \$490.0m. In this report, we estimate total realisations are expected to be \$520.0m, \$30.0m more. This is due to the following asset realisations being greater than expected:

Asset Realisations greater than estimated in Third Report	\$m
Debtors	10.9
Property	4.7
Spare Parts	12.6
Settlement of contingent claims	11.7
Other items	(3.4)
Total realisations	36.5
Costs incurred to complete (have increased due to extended timeframe) net of interest received	(6.5)
Net Total	30.0

The assets realised since our Third Report are as follows:

Assets	Section	\$m
Property	3.1.1	51.9
Ansett Australia Headquarters		
Ansett Perth Domestic Terminal		
Brisbane Hangar		
Ansett Data Centre		
Ansett Sydney Domestic Cargo Terminal		
Businesses	3.1.2	21.0
AASS		
Call Centres		
Debtors	3.1.3	18.3
Sale of spares	3.1.4	35.3
Global Rewards	3.1.5	11.6
Insurance Claims	3.1.6	7.5
Engines		24.5
Other		10.4
Total Assets Realised Since Third Report		180.5



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3.1.1. Property

Ansett Australia Headquarters

Settlement of the sale of the Ansett Australia Headquarters complex at the northern end of Melbourne's CBD occurred on 28 November 2002. The sale comprised four buildings and a total land area of 7,627 square metres with frontages to Swanston Street, Therry Street, Victoria Street and Franklin Street.

Ansett Perth Domestic Terminal

In December 2002, an agreement was made with Westralia Airports Corporation to take control of the former Ansett Domestic Terminal at Perth Airport. The consideration was payable in instalments, with the first instalment been received in September 2003. The second instalment is secured by a bank guarantee.

Brisbane Hangar

The sale of the Brisbane Hangar to Qantas settled in October 2002 in a tripartite agreement which saw Qantas accommodate the continued operation of the Queensland State Government Air Wing service.

Ansett Data Centre

The sale of the former Ansett Data Centre, which formed part of the Ansett Facility at 50-68 Garden Drive, Tullamarine occurred in April 2003. The sale will settle on completion of the subdivision of the Garden Drive site. The sale transaction involved the re-purchase of plant and equipment and a separate tender process of the property, which was formerly sited within a larger title.

Ansett Sydney Domestic Cargo Terminal

This has been sold since the Third Report.

3.1.2. Businesses

AASS

The Ansett Aircraft Spares and Services (AASS) business operated internationally from facilities in the USA and UK and was 100% owned by AAL. In the USA, the business was placed into Chapter 11 bankruptcy on 24 September 2001 by the directors of that business. We worked extensively with management, particularly during the period from June 2002 to December 2002, to restructure the business and as a result, the company was taken out of bankruptcy on 31 January 2003.

Since the exit from bankruptcy, we continued discussions on a management buyout ("MBO") and attempted to strengthen the MBO through a joint venture with a spare parts company in the UK. After significant effort, the MBO and joint venture was unable to be concluded by April/May 2003.

Given the significant competitive threats and other matters, we proceeded with a revised MBO and set a deadline for completion of 30 June 2003, which was achieved.



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For our Third Report, we estimated a return from the sale of AASS of \$16m. We have received \$17.5m to date. In addition, AAL financed the balance of the purchase price of USD\$5.5m (repayable USD\$1m in January 2004 and then monthly instalments from 30 June 2004 over two years with early repayment options).

In addition, rather than AAL finance AASS' inventory, the inventory was transferred back to AAL. The total net realisable value of this inventory over the next three years is expected to be \$4.5m.

Call Centres

All call centres have now been surrendered and returned to the landlords. The contents of the remaining centres in Adelaide, Perth, and Launceston have been sold.

3.1.3. Debtors

To date, collections of debtor amounts outstanding as at the date of appointment are \$126.3m. A further \$6-10m is expected to be collected. The finance team have worked very hard and diligently on the collections, which are substantially above expectations.

3.1.4. Sale of Spares

Refer to section 3.5.2.

3.1.5. Global Rewards

We sought to recover amounts owed by participants in the Global Rewards program, which necessitated the initiation of a number of legal proceedings. AAL commenced proceedings against one major participant seeking to recover a sum which AAL claimed was owed by the participant under a Participation Agreement dated 9 April 2001. The participant denied any liability and counter-claimed against AAL for damages and restitution. A mediation hearing was ordered by the court and a settlement was reached shortly afterwards. The terms of the settlement are subject to a confidentiality agreement.

AAL has since successfully settled similar claims against other participants in the Global Rewards program and is considering pursuing further claims against other participants.

3.1.6. Insurance Claims

As at the date of appointment, Ansett was managing a large number of insurance claims relating to damaged aircraft, engines and aviation related components. To date certain claims have been settled resulting in the recovery of US\$5.1m. A significant portion of these funds (US\$4m) related to two claims for "loss of use" that arose from pre-appointment incidents and represented lost revenue while the aircraft were under repair and unable to generate passenger revenue.

Five BAe 146-300 aircraft suffered damage in a severe windstorm whilst parked at Essendon Airport, Melbourne on 3 August 2002. An insurance claim is ongoing in respect of these aircraft. Two of the aircraft have been ferried to the



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Maintenance Base at Tullamarine and are currently undergoing repair. The remaining three aircraft are more extensively damaged. Negotiations with the insurers are continuing in relation to the repair or settlement with respect to these aircraft.

3.1. Assets Still to be Realised

Assets Still to be Realise	Section	\$m
Property	3.2.1	19.8
Perth Airport		
Maintenance Base		
Garden Drive		
Business	3.2.2	33.7
Engine Shop		
AASS		
Simulator Business		
Kendell Assets		
Other	3.2.3	48.6
Pre-Administration Debts		
Engines		
Consumables & Rotables		
Total Assets Sold But Not Yet Settled		102.1

3.2.1. Property

Melbourne Garden Drive Property

In determining the most appropriate method of realisation of this property, we pursued a strategic subdivision in order to add value to the asset prior to realisation.

We estimate the return through subdivision will contribute a net realisation of \$18-22m (inclusive of sites such as the data center and engine shop) after subdivision costs in the order of \$2.5-3.0m. This is being achieved through the subdivision of the properties and buildings into "Superlots". The individual Superlots and existing facilities will then be marketed to potential investors, developers and owner occupiers. The subdivision, known as "Melbourne Gateway", significantly enhanced the value of the site as it allows AAL to market each purpose built facility in the site to the interested parties rather than developers. The alternative, to sell the Garden Drive holding in a single property



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transaction was estimated to return a net realisation of \$10-13m less ongoing rental costs charged by any new owner for property occupied by AAL during the asset realisation process.

The subdivision of "Melbourne Gateway" is a time-consuming exercise due to the interdependence of each lot on the existing infrastructure within the site. The planned sequence of subdivision is:

1. Subdivision of Lot 1 (Catering Building) from the remainder of the site (already sold).
2. Subdivision of Lot 9 (Data Centre and associated buffer land) from the residual site (already sold).
3. Subdivision of Lots 4, 5, 6, 8 & 10 from the residual site.
4. Subdivision of Lots 2 & 3 from the residual site and amalgamation of Lot 2 (already sold) into the adjoining Pickles site.

The "Melbourne Gateway" subdivision is on schedule for completion as forecast, and attracting strong interest from potential owner/occupiers and investors indicating a maximised return for the asset.

Ansett Perth Domestic Terminal

As mentioned previously in this report, the final payment instalment of the settlement amount is due in September 2004 and is secured by way of a bank guarantee.

3.2.2. Businesses

Engine Shop

Qantas Airways and Patrick Corporation announced formally to the ASX on 29 September 2003 that they had entered a joint venture called Engine Services Company ("ESCO"), to acquire the former engine maintenance facility at Garden Drive, Tullamarine in Melbourne.

The Chief Executive Officer of Qantas, Geoff Dixon said the former AAL facility would become a Centre of Excellence for General Electric and CFMI engines and ESCO will maintain all Qantas' General Electric and CFMI engines. Patrick Corporation's managing Director Mr Chris Corrigan said the investment is another step in Patrick Corporation's strategy to provide a wide range of services to the airline industry in the Asia-Pacific.

We are proceeding to finalise the sale, however the timing of completion is dependent on the subdivision of the Garden Drive property.

Flight Simulator Centre

The sale process for the Flight Simulator Centre is continuing with a number of interested parties. However the timing has been affected by the continued downturn in the aviation market.



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In the interim, the Centre continues to trade and attract new customers both locally and from around the world. The Centre continues to trade in a cashflow positive manner. Monthly cash inflows have been in excess of budget over the past few months.

After labour costs, repairs and maintenance is the Centre's biggest expenditure with the simulators requiring regular maintenance in line with CASA requirements.

AAES

The major activities of AAES are:

- Aircraft maintenance
- Engine and Component overhaul and sales
- Aircraft recovery and technical services
- Materials and sales

These activities are currently supported by approximately 80 permanent employees of AAL. When required, the workforce is supplemented by up to 170 contractors provided by the labour firm, IMS.

Apart from the engine shop, which is already under contract, these businesses are available for sale and all opportunities continue to be pursued.

The major activities of each AAES division are detailed below:

Aircraft maintenance

Current work includes completion of a heavy maintenance check on a BAe146 aircraft to enhance its sales prospects; the parting of two further BAe146 aircraft as net recoveries are likely to be greater from part-out; and the continuing idle maintenance and storage program for the owned fleet.

Future work includes the continued support of Ansett aircraft sales and third party work.

Engine and Component Overhaul

Current work includes overhaul of ALF engines to support owned aircraft, electroplating and rotor grinding for third parties, engine part recovery and military work. Also includes management of the engine sale process, co-ordination and monitoring of relationship with AASS and monitoring and pursuing military/component work.

Future work includes the continued support of the relationship with AASS and sale of engines.

Aircraft Recovery & Technical Services

Current work includes aircraft technical data recovery for owned and previously leased aircraft and the aircraft maintenance program upkeep.

Future work is dependent on aircraft and engine sales.



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Materials & Sales

Current and ongoing work includes the management of physical inventory, shipping inventory to AASS and customers, preparation and maintenance of records and review of valuable items for repair.

3.2.3. Other

Engines

The engine types available for sale are as follows:

Engine Type	CFM56-5A	CFM56-3	CF6-80A
Aircraft Type	A320	B737	B767
Spare Engines	5	8	9
Sold/Under Negotiation	(2)	(8)	(3)
Available	3	0	6

Due to the number of AAL-owned spare engines that were “on-wing” of financed aircraft, or were required to facilitate the engine change process previously reported, the start of the spare engine realisation process was delayed.

Notwithstanding, the following sales of serviceable and unserviceable engines have taken place for USD\$17.5m since the Third Report:

- In November 2002, a CFM56-3 engine was sold.
- In April 2003, a Kendell CRJ engine (not included in table above) and the associated QEC kit was sold to a purchaser in the United States.
- In June 2003, two CFM56-5A engines were sold in two separate transactions to parties in the US and Europe. One of those transactions required the reconfiguration of an engine to meet the customer’s specific requirements and this work was undertaken by AAES Engine Shop staff at the Melbourne Maintenance facility.
- In October 2003, a contract for the sale of the remaining 6 CFM56-5As was concluded with a party in the US.

In addition to the above activity, AAL has addressed a significant level of enquiries from engine “parting” organisations or brokers whose offers, in general, are significantly below the market value of the engines. It is our continued intention to maximise the value being realised from the spare engines by conducting an orderly sale process.

Spares Rotables and Consumables

In the Third Report, we estimated future receipts from the sale of spare parts of \$43m over the next three years. To date, we have received \$18.8m, leaving a balance of \$24.8m (after exchange rate re-valuations).



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In June 2003, following the sale of AASS, we entered into a consignment and marketing agreement with AASS for the exclusive sale of rotables and consumables. The contract does not include engines or aircraft. The contract has minimum performance standards and AASS has committed to the sale of US\$47m of spare parts over the next three years. After commission, overhaul costs and costs of freight, we expect this agreement to deliver at a minimum \$31m.

3.2. Aircraft

The aircraft fleet is the largest asset remaining. However, it continues to be an extremely difficult environment in which to sell the aircraft, because of the severely depressed global aviation market.

The original independent expert valuation of the owned aircraft, or those in which we originally expected to have equity, received in November 2001 was in excess of \$600m. By the time of the First Report, due to significant global industry issues, the value of the fleet was reassessed at not more than \$300m. By the Second Report, the value had continued to erode to \$250m, and was estimated in the Third Report to be not in excess of \$150m. Most recently, taking into account aircraft sales to date, the remaining aircraft types, their age and, of most impact, competing and increasing available aircraft stocks, we have been advised to value the remaining fleet value at not more than \$70m. This estimate is also subject to movements in currency.

The depressed aviation market conditions were summarised in a Reuter's report, which reported, "Never in the history of the aviation industry has it been hit with so many negative factors out of its control, and there are fears that more of the world's leading airlines could be forced into bankruptcy. The spiral began with a slump in travel after the September 11, 2001 hijack in the United States, a slowdown in the world economy, a rise in aviation fuel prices, the outbreak of a new respiratory ailment in Asia that has further discouraged travel, and a war in Iraq that has inflamed the Middle East."

A reassessment taking into account the advice of the remarketing agents, the market response to remarketing efforts to date and signs of new or improved interest (evidenced by an increasing number of aircraft lease and/or purchase enquiries) has resulted in the forecast timing of the sale of remaining aircraft being extended by nine months from the original 30 months estimated in the Third Report.



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3.3.1. The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe 146-200	5			2	7
BAe 146-200QT	2				2
BAe 146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold to Date	(25)	(5)	n/a	n/a	(30)
Redelivered to Date	n/a	n/a	(44)	(30)	(74)
Aircraft Yet to be Sold	30	-	-	-	30



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Since the Third Report:

- All remaining financed aircraft with no equity have been redelivered to the respective owners or financiers;
- 4 owned aircraft have been sold;
- 7 of the above 30 aircraft remain on lease with third parties; and
- 3 aircraft have been broken up for sale as parts.

3.3.2. Sales Process to Date

As a result of an evaluation process carried out in late 2002, we appointed Pembroke Capital Limited as the exclusive remarketing agent for the two remaining owned Airbus A320 aircraft in March 2003. At the same time Cabot Aviation Limited was appointed as the exclusive remarketing agent for six owned Boeing 767-200 aircraft. The remarketing agents were selected on the basis of their established presence in key markets for aircraft enquiries and financiers and their reputation and experience in placing aircraft of these type and age.

The Ansett Fleet Trading team (“AFT”) continues to work closely with the remarketing agents to assist them in their efforts and AAES provides valuable on-going technical support. AFT also continues to re-market all British Aerospace BAe146 aircraft, the four Fokker 50 aircraft (currently on lease in Sweden) and the remaining Saab 340A aircraft owned by Kendell (currently on lease with Regional Express).

All remarketing agents have been instructed to focus on the out-right sale of the aircraft, or alternatively, a lease that would reasonably be expected to lead to the ultimate sale of the aircraft.

Options that would generate short-term cash funds, including “power-by-the-hour” arrangements are also being considered, where the credit and operator risks are deemed acceptable.

We also continue to reassess the various realisation options for the fleet, e.g. conversion to VIP/freighters, all economy/charter configurations or parting.

Both Boeing and Airbus have estimated that of the now 2,600+ commercial aircraft currently in storage, only 500-600 are expected to return to service. If the aircraft are moved to the desert for storage, this would significantly hamper the remarketing efforts and would be considered likely that they would not return to service, therefore their ultimate realisation value would be lower than current estimates.

Accordingly, AAES continues to perform necessary idle maintenance and storage requirements on the aircraft and a dedicated team is progressing with the preparation of the aircraft records for sale. This is a vital exercise even if the aircraft are ultimately sold for parts.



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3.3.3. Future Sale Process

World-wide, the aircraft remaining available for sale are as follows:

Aircraft type	Model	Available Ansett Aircraft	Available Aircraft Worldwide (by model)	Total Available Aircraft (by type)
Narrowbody	Airbus A320	2	53	1,147
Widebody	Boeing B767-200	6	57	475
Regional Jet	Bae 146-200	2	37	173
	Bae 146-200QT	1		
	Bae 146-300	10		
Turboprop	Fokker F50 (on lease)	4	21	848
	Fokker F27-600	1	-	
	Saab 340A (on lease)	3	106	
	DC-3	1	-	-
Total		30		

Source: Speednews, at December 2003

Airbus A320

There are currently in excess of 50 A320 aircraft listed as stored which are being remarketed by their owners. Pembroke are actively offering the two AAL aircraft which are fresh from heavy maintenance check and have identified current prospects in Europe, Africa and the Middle East.

The overall market for Airbus aircraft remains greatly influenced by the manufacturer providing attractive purchase, support and financing packages for new aircraft to prospective purchasers. This reduced pricing reflects the continuing intense competition between Boeing and Airbus. However, it also significantly impacts the market for older aircraft, as newer generation aircraft are now available at greatly discounted prices.

Of the 20 A320 aircraft previously operated by AAL, 18 have been redelivered to the respective financier or lessor. As at December 2003, seven of those aircraft remain listed on major web sites for sale or leases by major lessors including AWAS, GATX, SALE and Airbus. Known market activity is limited to leasing transactions and due to the large number of currently available aircraft and significant price competition from similar aircraft types, the lease rates being achieved are less than half the pre-September 2001 levels.



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Boeing B767-200

There are in excess of 70 Boeing 767 aircraft (including 14 –300 models) currently advertised as available. We are aware of a limited number of aircraft being taken off the market as they have been broken up for parts. Many owners have maintained their asking prices at a high level due to their high remaining book values and their estimates of the long-term value in these aircraft.

We are currently pursuing numerous active lines of enquiry for one or more of the B767 aircraft, involving parties in Europe, USA, Russia, South America and Africa. At this stage it is not possible to estimate the chances of these prospects concluding successfully, however all prospects are being fully explored.

While Eastern Europe and Russia are considered prime markets for aircraft of this type and age, the import duties and VAT payable on importation of foreign aircraft make many possible deals too expensive for local operators. We are considering alternative structures to access these markets.

One AAL 767 aircraft has been broken up for sale as parts, as it was determined that this action would result in the best net realisation due to excessive return-to-service costs.

Negotiations for a long-term lease for one aircraft (with an option for a second) were unfortunately terminated in December 2002 as a result of the inability to finalise suitable security arrangements (we could have been in a position of having a lease in default and unable to get our aircraft back).

Given the average age of the AAL aircraft is approximately 19 years, they are reaching an age and possible valuation range where conversion of the aircraft to cargo planes is considered to be a viable alternative. We are exploring this possibility.

BAe 146-200, BAe 146-200QT and BAe 146-300

There is a significant proportion of the overall number of BAe aircraft manufactured currently available on the market. These types are also facing significant competition from other aircraft types, including Fokker F100s. Nearly 100 of these have been placed on the market as a result of the restructure of US Airways, United Airlines and others. Given the competing fleet size, future market prices are expected to be extremely depressed.

However, in February 2003 we sold a BAe146-300 to Albanian Airlines, being only the second BAe aircraft owned by this carrier. The sale price achieved was good, being significantly above the other reported sales prices of similar aircraft due to the quality of the aircraft.

In December 2003, we also concluded the sale and delivery of one BAe146-200 QT freighter aircraft to an operator in the UK.



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There are a number of key issues continuing to impact the ability to realise the Ansett BAe146 aircraft:

- Possible wing corrosion has been identified as an issue with all BAe146 aircraft world-wide. A program to inspect all the AAL aircraft has been completed and unfortunately corrosion has been identified on certain aircraft. AAL has worked with the aircraft manufacturer, British Aerospace, to determine the appropriate action. Due to the expected costs of repair, two of the impacted aircraft have now been parted out. Other aircraft have received a clean bill of health or repairs are being carried out.
- As a result of extreme wind conditions during a storm in August 2002, five BAe146 aircraft sustained damage, some of which is significant. AAL has been working with the aircraft manufacturer and the insurers to determine the appropriate course of action regarding these aircraft.
- A further issue was confirmation of the status of the AAL aircraft on the engine manufacturer's maintenance program, which was a critical issue for many potential buyers. This issue was tied up with certain outstanding issues involving Air New Zealand. We finalised a settlement with Honeywell in July 2003 which allowed further sales to occur.

In early June 2003, we visited many current and potential operators of BAe146 aircraft in the UK, Italy and other European locations. The meetings reaffirmed that a market for these aircraft (of which production ceased in 1994/95) continues to exist, albeit it is impacted due to the current state of the global aviation industry.

Following these meetings, AFT are following up several identified opportunities for the sale and/or lease of a number of aircraft and firm offers are being solicited by the operators.

The remaining BAe146-200QT (Quiet Trader) cargo aircraft is also attracting a very high level of interest, particularly since the sale of the other BAe146-200QT aircraft.

AAL is also continuing to explore the possibility of converting some of the other aircraft to cargo planes, and discussions are advancing with a number of parties to conduct the conversion, including AAL's engineering facilities, and for the ultimate sales of the converted aircraft.

Fokker F50

The four aircraft have continued on lease with an operator in Sweden generating good rental income, pending the finalisation of on-going purchase negotiations with a party in the US.

Fokker F27-600

A contract for the sale of the aircraft was signed and non-refundable progress payments amounting to approximately 35% of the purchase price were received. However the contract was subsequently terminated as a result of default in remaining payments. We are seeking alternative offers for this aircraft.



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3.3. Costs of the Administration

3.4.1. Costs Incurred Since the Third Report

In the Third Report, we estimated the total costs of the administration to be \$298.6m. These included trading costs, salaries, wages, IT, property costs, fuel, air navigation landing charges, insurance, legal fees and administrators fees. Our current estimate of total costs is \$305.1m.

The estimated costs to complete are as follows:

Costs to Complete	\$m
Aircraft	19.4
Spares	10.7
Engines	3.8
Other AAES Businesses	0.8
Flight Simulator	(1.4)
Garden Drive Realisation	1.3
Recoveries/Head Office	5.1
Non-Revenue Generating Cost Centres	14.7
Regionals & International	5.4
Other/Contingencies	12.6
Costs to Complete	72.4

There are a number of ongoing expenses that are necessary in order to maximise the realisations of the assets and finalise outstanding matters of the administration.

Costs being incurred to maximise the realisation of assets include the following:

- Trading expenditure relates mainly to the AAES, which provides maintenance to aircraft as they are sold, leased or returned, and considerable to support on-going spare sales. The AAES workforce has been greatly reduced to match current and anticipated workload.
- The majority of the employee costs relate to the continuation of key employees, such as the head office finance and debtors realisation teams, Ansett Fleet Trading team and key personnel in AAES required to maintain licences and regulatory approvals, in order to realise assets in the most effective manner.
- The IT infrastructure is required to provide aircraft maintenance systems, finance and other information. However, expenditure on the IT



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infrastructure has been greatly reduced, to approximately \$200,000 per month. This amount is continually being reduced as assets are disposed and IT requirements reduced.

- We have budgeted future costs, with the majority of the costs relating to the maintenance of the aircraft and support of the spares sales process. These costs are time dependent and will vary if the timeframe is shortened or extended.

3.3.2. Administrators' Fees

Costs to date and to complete include Administrators' fees. We note:

- Fees are charged on an hourly basis
- The rates are a substantial discount to our normal rates and in comparison of the rates charged on other large administrations. Examples of the partner rates are shown below:

	Partner Rates
Current Ansett Rates	\$359 per hour
PriewaterhouseCoopers Initial Administrators rates	\$420 per hour
Large Melbourne public company administration	\$450 per hour
Large accounting firm standard rate	\$550 per hour

- The rates have not changed since September 2001.
- The Committee of Creditors approves the fees each month.
- Currently fees are approximately \$400,000 to \$500,000 per month and will continue to decline as issues are resolved.



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3.4. Contingent Assets and Liabilities

Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft:

- Contingent assets of up to \$27m may be realised, depending on the success of litigation against a number of debtors.
- Contingent liabilities of up to \$42m may have to be paid.

These amounts have not been included in the estimated realisations for creditors.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

4. ESTIMATED RETURN TO CREDITORS

4.1. Employee Entitlements

Total employee entitlements are currently estimated at \$766.4m compared to \$735.8m in the Third Report. The additional claims relate mainly to the claim by ALAEA that redundancy and pay in lieu of notice entitlements should be calculated differently than the way it has been calculated by the Deed Administrators.

There is a further claim by the Ansett Pilots Association ("APA") on behalf of its members that redundancy entitlements should be calculated pursuant to the Compulsory Redundancy Policy, rather than calculated pursuant to the Enterprise Bargaining Agreement 1999. This matter is being vigorously defended.

4.2. Payment of Dividends

As advised in the Third Report, the major impediment to the payment of further amounts to employees was the Federal Court Superannuation proceeding. The Trustees of the Ground Staff Plan sought the variation or termination of the AAL DOCA on the grounds that the provisions of the AAL DOCA that relegated the Trustees' claim to the retrenchment benefit shortfall were unfairly prejudicial on the basis that their claim for the superannuation shortfall of approximately \$200m ranked to priority.

Between July 2003 and November 2003, we conducted a series of confidential meetings with the Trustees of the Ground Staff Plan, the Commonwealth Government, unions representing the Ansett Group employees, and other key stakeholders to resolve the outstanding issues with the Ground Staff Plan.

The Federal Court Superannuation proceeding commenced before Justice Goldberg in the Federal Court of Australia on 12 November 2003.

We successfully submitted to the court that, while the trial continues, compulsory mediation should proceed between the interested parties. The mediation commenced on 18 November 2003 before Deputy Registrar Efthim. Late on 20 November 2003, the Deed Administrators and the Trustees of the Ground Staff Superannuation Plan reached agreement in principle to settle all issues.

The settlement provided for \$300m of dividends to be made, including a \$150m dividend to employees. Of the \$150m dividend to employees, \$39m was paid to the Ground Staff Plan members so as to cover their shortfall in vested benefits.

At midnight on 10 December 2003, a payment of \$150m was made by electronic transfer into the bank accounts of former Ansett Group staff.

As part of the settlement, the Commonwealth Government agreed to defer the payment of \$67m, which enabled the employees to be paid the total of \$152m. The Commonwealth Government was due \$209m from the first dividend and after the \$67m deferral, was paid \$142m. Since the dividend was paid to the Government a further three payments in relation to the deferred \$67m have been made totaling \$17.8.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

Employees have so far received entitlements of:

- 100 cents in the dollar for unpaid wages;
- 100 cents in the dollar for annual leave, long service leave, time in lieu and other days;
- 100 cents in the dollar for pay in lieu of notice and for up to 8 weeks of redundancy;
- Special dividend of \$67m, which reduced redundancy owing greater than 8 weeks;
- 27.5 cents in the dollar for redundancy greater than 8 weeks owing after the special dividend.

Employees have received \$547.7m of the total employee entitlements, which are currently estimated at \$766.4m.

We estimate employees will receive a further \$85.1m. Changes in conditions may materially impact this estimate. We are predominantly reliant on the state of the global aviation market to determine the ultimate return to creditors.

To enable employees to receive a large dividend payment on 10 December 2003, the Commonwealth Government deferred a payment of \$67m due to it. To date \$17.8m of the \$67m has been paid. We anticipate the remaining \$49.2m will be paid to the Commonwealth Government during 2004. Accordingly, distributions to employees will not resume until 2005.

4.3. Estimated Return to Commonwealth Government

The Commonwealth Government and its agent, SEES Pty Limited, have worked closely with us to establish efficient and timely audit and payment processes.

Tranches of claims (up to several thousand at a time) are lodged with the Government SEESA program as per the established processes. Twenty one tranches of claims have been lodged. The Commonwealth Government and its auditors then provide a responsive and detailed audit of the tranches, before advancing funds. Once the Commonwealth Government advances SEESA funds to the administration, we aim to transfer funds to individuals within 48 hours.

The Commonwealth Government advanced the Administrators through the SEESA scheme \$334.9m, \$159.5m has been repaid. A further \$49.2m must be repaid prior to any further distributions to employees. It is expected the Commonwealth Government will receive \$273.2m in total.

4.4. Estimated Return to Unsecured Creditors

It is unlikely that there will be any return to unsecured creditors of AAL. Certain asset realisations in certain Ansett Group companies of up to \$40m may be available to other creditors of those particular companies and we will report separately on this.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

5. INVESTIGATIONS

Our Third Report included an outline of issues to be investigated. These matters have now been investigated and legal advice sought and obtained. A detailed confidential and privileged report has been prepared on our findings to date and recommendations.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

6. STATUTORY AND LEGAL MATTERS

6.1. Court Applications

We have made and are continuing a number of applications to the Court. Those made since our Third Report include:

- Application to Recover Trust Funds from Travel Agents.

Applications that were made previously (including those made by other parties) but which have continued or resolved since the Third Report are as follows:

- Application by Hazelton Administrator for apportionment of the funds received from the settlement with Air New Zealand.
- Applications regarding the Ground Staff Plan.
- Application regarding indemnity in Traveland sale.
- Applications regarding Global Rewards.
- Application regarding IATA.
- Application regarding the Ansett Australia Flight Engineers Superannuation Plan.
- Applications in relation to various employment matters.

Detailed information on a number of the applications made during the administration can be obtained from the Deed Administrators' web sites.

Below is a brief summary of the above applications and their current status or outcome since the Third Report in so far as they are material. Applications which are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Deed Administrators are not included.

**6.1.1. Application to Recover Trust Funds from Travel Agents
(Proceeding No. 2097 of 2003)**

We are continuing to progress the recovery of funds held by travel agents who sold AAL tickets prior to 14 September 2001 but are yet to remit the proceeds to AAL. In our Third Report to Creditors, we advised that AAL had successfully reached a mediated settlement with one such agent, CW Travel Australia Pty Ltd ("CWT") whereby a substantial portion of the monies which we claimed were held in trust for AAL were remitted to AAL by CWT. This settlement was made possible by the commencement of proceedings in April 2002 against CWT.

On 4 December 2003, AAL commenced new proceedings in the Supreme Court of Victoria to recover \$4m held in trust by travel agents within the Flight Centre Group of companies. These proceedings are being run as a 'test case' to determine AAL's entitlement to those funds. Ansett's position is that Flight Centre holds the monies in trust for Ansett. Depending on the outcome of the proceedings, we intend to pursue AAL's claims against other travel agents holding agency trust funds on AAL's behalf.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

**6.1.2. Application by Hazelton Administrator for Apportionment
(Proceeding No. V3051 of 2001 and V3060 of 2001)**

In October 2001, the Hazelton Administrator applied to the Court seeking a direction as to the manner of apportionment between the Ansett Group and the Hazelton companies (that were subsidiaries of the Ansett Group on 12 September 2001) of the \$150m recovered from Air New Zealand pursuant to the MOU. By Notice of Motion filed by us on 12 September 2002, we sought a declaration that the Hazelton Administrator was bound by a Settlement Deed executed on 28 June 2002 and the ambit of the dispute was broadened.

On 8 May 2003, we reached agreement with the Hazelton Administrator to settle these court proceedings. Pursuant to the Terms of Settlement, we agreed to pay the Hazelton Administrator \$3.2m in full and final settlement of the Hazelton Administrator's MOU apportionment claim. Of the settlement sum, we had already paid to the Hazelton Administrator \$2.5m on account of his entitlement to be paid a portion of the \$150m received from Air New Zealand pursuant to the MOU. Accordingly, a further \$0.7m was paid to the Hazelton Administrator. Pursuant to the Terms of Settlement, the Hazelton Administrator and the Ansett Group also released each other from certain inter-company debts.

**6.1.3. Application Regarding Shortfall in Ground Staff Plan (Proceeding
No. 2115 of 2001)**

This matter has been covered previously in this report (Ref s1.1).

**6.1.4. Application Regarding Indemnity in Traveland Sale (Proceeding
No. V3061 of 2002)**

These proceedings originally commenced as an application by the Deed Administrators for directions about the operation of an indemnity in relation to employee entitlements provided by us as part of a sale of the business and assets of Traveland to Internova on about 23 September 2001. If the sale from Traveland to Internova had not occurred, all Traveland employees would have lost their jobs immediately and made claims for SEESA payments.

The indemnity was given to ensure that any Traveland employees who would be ineligible to make a SEESA claim because they had accepted jobs with Internova would not be disadvantaged if Internova subsequently went into liquidation, which it did.

GEERS payments were made to those former Traveland employees. AAL provided an amount representing the difference between what was paid under GEERS and what the employees would have been paid under SEESA to ensure the former Traveland employees received the equivalent of their full SEESA entitlements. However, the Liquidators of Internova claim an amount equivalent to the amount of the GEERS payment from Traveland and from the Deed Administrators personally.

In March 2004, following a Court ordered mediation, the parties settled the proceedings.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

6.1.5. Application Regarding Global Rewards (Proceeding No. 2073 of 2002)

On 17 September 2002, AAL commenced proceedings in the Supreme Court of Victoria against a participant in the Global Rewards scheme seeking to recover a sum in excess of \$16m which AAL claimed was owed by the participant to AAL under a Participation Agreement dated 9 April 2001. Under the Participation Agreement, the participant agreed to pay AAL a certain amount for each point that AAL credited to Global Rewards members' accounts for purchases made using a Westpac Global Rewards visa card. In April 2003, the matter settled on terms satisfactory to AAL. The terms of and the amount of the settlement are confidential.

AAL has since successfully settled similar claims against other participants of the Global Rewards program. The terms of and the amount of the settlements are also confidential.

We are considering launching further claims against other Global Rewards participants in the near future.

6.1.6. Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

On 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL's entry into voluntary administration. IATA operates a Clearing House for the netting and settlement of mutual transactions between participating airlines. AAHL was a member of the IATA Clearing House on the appointment of voluntary administrators. If IATA is successful in the litigation, it will be a creditor of AAHL for an amount estimated to be approximately US\$6.7m.

We are defending the claims brought by IATA and are counter-claiming for orders including that the Clearing House regulations ceased to apply to AAHL upon its entry into voluntary administration. If the Clearing House regulations ceased to apply to AAHL upon the appointment of Voluntary Administrators, then AAHL is liable to pay and receive payment directly from the participating airlines rather than from the Clearing House so that AAHL will then be entitled to receive payment from individual debtor airlines while airlines that were owed money by AAHL would have to prove in the administration along with other unsecured creditors. AAHL's potential claims against debtor airlines in this event amount to approximately US\$6.9m. However, how much of this amount is ultimately recoverable depends on AAHL firstly succeeding in the IATA litigation and then on the pressures of litigating and enforcing judgment against foreign airlines. The proceedings involve complicated questions of law and policy.

On 27 November 2003, the parties agreed to mediate the dispute. However this was subsequently unsuccessful and the court has been informed. The matter will proceed to trial some time in mid to late 2004.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
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6.1.7. Applications regarding the Ansett Australia Flight Engineers Superannuation Plan (Proceeding Nos. 2025 of 2003 and 2030 of 2003)

These proceedings were issued in the Supreme Court of Victoria by the Trustees of the Ansett Australia Flight Engineers Superannuation Plan seeking directions from the Court in relation to, among other things, how the surplus in the Plan was to be dealt with.

In December 2003, following a Court ordered mediation, the parties settled the proceedings. The terms of settlement are confidential and are subject to the approval of the Court. The application to the Court to approve the terms of settlement has been successful.

6.1.8. Applications in relation to various employment matters (Proceeding Nos. V3133 of 2003, V7678 of 2003, and V3155 of 2003)

A number of applications have been made by various unions and employees in relation to the Deed Administrators' decision to reject certain redundancy claims made under the relevant Award, Enterprise Bargaining Agreement, or the Ansett Airlines of Australia and Subsidiary Airlines Non Voluntary Redundancy Plan and Procedures Document May 1991 (the "CR Policy"). We are seeking to have each of these matters dealt with expeditiously so that distributions can be finalised as soon as possible.

In Federal Court proceeding no V3155/03, representative proceedings were brought on behalf of the pilots to set aside the decision of the Deed Administrators to reject the pilots claim that redundancy entitlements should be calculated pursuant to the CR Policy. If the pilots are successful in their claim, they will be entitled to additional redundancy payments of up to \$18m. This matter did not settle at the mediation on 4 March 2004. The trial is expected to take place on or after 1 September 2004. The Deed Administrators are currently preparing for the trial.



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

Dated this 31st day of March 2004



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

APPENDIX 1

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

APPENDIX 2

ABBREVIATIONS USED IN THIS REPORT

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"the Initial Administrators"	Allan Watson, Greg Hall and Peter Hedge of PricewaterhouseCoopers
"the Hazelton Administrator"	Michael Humphris of Sims Lockwood as Administrator of: <ul style="list-style-type: none">- Hazelton Air Charter Pty Ltd (ACN 065 221 356)- Hazelton Air Services Pty Ltd (ACN 000 242 928)- Hazelton Airlines Limited (ACN 061 965 642)
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
"Aeropelican"	Aeropelican Air Services Pty Ltd (ACN 000 653 083)
"Ansett International"	Ansett International Limited (ACN 060 622 460)
"Bodas"	Bodas Pty Ltd (ACN 002 158 741)
"Kendell"	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
"Show Group"	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
"Skywest"	Skywest Airlines Pty Ltd (ACN 008 997 662)
"Skywest Aviation"	ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)
"Skywest Jet Charter"	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
"Skywest Holdings"	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
"Traveland"	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
"TPE"	Transpacific Enterprises Inc
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"Air New Zealand" or "the Air New Zealand Group"	Air New Zealand Group of Companies
Memorandum of Understanding	Settlement agreement between Air New Zealand and the Deed Administrators
"Tesna"	Consortium associated with Mr Lindsay Fox, Mr Solomon Lew and Tesna Holdings Pty Ltd
"Canberra Airport"	Canberra International Airport Corporation Pty Ltd
"SACL"	Sydney Airports Corporation Limited
"Patrick"	Patrick Corporation Limited (formerly Lang Corporation Limited)



**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
FOURTH REPORT TO CREDITORS**

"Singapore Airlines"	Singapore International Airlines
"DTL"	Domestic Terminal Lease
"ASIC"	Australian Securities and Investments Commission
"Commonwealth Government"	Commonwealth Government of Australia
"EBA"	Enterprise Bargaining Agreement
"GEERS"	General Employee Entitlement Redundancy Scheme
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Deed Administrators' web sites"	http://www.ansett.com.au/administrator and http://www.abl.com.au/administrator
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Deed Administrators to the Creditors of the Ansett Group dated 16 September 2002





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Fifth Report to Creditors

31 March 2005

Level 24, 333 Collins Street

GPO Box 2985

Melbourne VIC 3001

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**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

1 Executive Summary

1.1 Introduction

This is our Fifth Report to Creditors for the Ansett Group of Companies, which provides a general update to creditors on the status of the administrations as at 31 December 2004. We have also issued 64 Committees of Creditors' updates, 32 Employee updates and detailed quarterly reports to the Commonwealth Government and to representatives of employees.

1.2 What Has Been Achieved?

We realised \$113m of assets during 2004. Over 90% of assets, other than aircraft, have now been realised. Net assets realised in 2004, other than aircraft, were \$26m over budget (more than \$56m over budget since the Third Report).

13 aircraft were sold in 2004 and one parted.

As set out in our previous report, the Commonwealth Government deferred a dividend of \$67.0m to facilitate the settlement of the superannuation dispute. The Commonwealth Government's deferred dividend of \$67.0m was all paid by October 2004, ahead of schedule. We were pleased to make a distribution on 15 December 2004 of \$26.4m, being the third dividend, which equalled a return of:

- \$16.0m to employees, being 7.5% of each employee's outstanding balance after payment of the first and second dividends, and
- \$10.4m to the Commonwealth Government, being part repayment of monies forwarded to employees under SEESA.

The 7.5% dividend was paid ahead of our anticipated schedule of March 2005, because of better than anticipated realisations.

Employees have now received \$564.1m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$253.0m of the \$386.4m of its estimated total advances.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

1.3 Where Are We Going?

This remains a complex administration. Overall we expect to achieve total net realisations of at least \$590.0m.

Of \$151.1m in the bank at 31 December 2004, \$122.8m remains unavailable for distribution. \$22.5m is held for continuing and past employees or for the Commonwealth Government. A further \$100.3m relates to Ansett entities other than AAL (the entity which employed most of the employees). We need to apply to Court to determine if we can:

- Combine all of the assets and liabilities of all the Ansett entities under administration, and
- Make distributions from the combined “pool” of assets and liabilities.

This process is known as pooling, and may take up to December 2005 to resolve.

Future asset realisations other than aircraft are estimated at \$32.0m. Future realisations from aircraft are estimated at \$61.5m. Of the original fleet of 134 aircraft, 14 remain to be sold, being two A320 aircraft (both aircraft are now on lease), one BAe146-200, one BAe146-200QT, and 10 BAe146-300.

There are large contingencies, both assets and liabilities, which are to be resolved.

Costs to complete the administrations are estimated at \$42.3m. \$21.8m of the total cost to complete the administrations is for external labour requirements.

1.4 Future Distributions

We estimate employees will receive a further \$68.9m, to be paid over the next few years, being 35% of each employees current outstanding balance. Accordingly, we anticipate total payments of \$633.0m of the \$760.0m of total employee entitlements owed.

We estimate the Commonwealth Government will ultimately receive \$303.4m of its total advance of \$386.4m.

No further large distributions can be made until pooling is resolved. If it is determined that pooling can occur, we can immediately pay a further dividend of approximately half of the 35% outstanding to employees, together with the relevant amount payable to the Commonwealth Government. Approximately \$40m may be distributed to unsecured creditors.

This Executive Summary is forward looking and based on a series of assumptions. It is very important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.4.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

2 Communication With Stakeholders

2.1 The Administrators' Websites

We established web sites early in the administrations to post documents relating to major issues in the administrations. Further information is placed on the web sites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

2.2 Committees of Creditors' Updates

The functions of the Ansett Committees of Creditors are to consult with the Administrators about matters relating to the administrations, receive and consider updates and reports prepared by the Administrators and to approve our remuneration from time to time.

Updates and reports provided to the Committees of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update since the Fourth Report is as follows:

Update	Date	Major Issues Reported
52	2 April 2004	Fourth Report to Creditors
53	8 April 2004	Sale of Four Fokker 50 Aircraft
54	25 May 2004	Hangar Licence Agreement Traveland Litigation Settled Dividend Payments to Commonwealth Government A320 Aircraft Status Upcoming Auction of Subdivided Land at Garden Drive
55	2 June 2004	Status of Garden Drive Subdivision
56	28 June 2004	Realisations – 1 January 2004 to 31 May 2004 A320 Aircraft Status Pre-Administration Debtor Recoveries Information Technology Projects
57	30 July 2004	Sale of Ansett Engine Shop Repayment of Monies from AASS Receipt of Monies from Garden Drive Subdivision Dividend Payments to Commonwealth Government Financial Information 767 Aircraft
58	31 August 2004	Sale of Three Remaining Kendell Owned Aircraft Remaining Aircraft Summary Financial Position/Dividend Payments



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

Update	Date	Major Issues Reported
		IATA Litigation Status
59	15 September 2004	Sale of Boeing 767 Aircraft and Engines
60	5 October 2004	Commonwealth Dividend Payments Sale of Two A320 Engines Final Payment Received for Sale of Perth Airport Status of Information Technology Projects
61	9 November 2004	Sale of Ansett Flight Simulator Sales to Aeroturbine Resolution of a Dispute with AASS Continuing Recovery of Trust Funds from Travel Agents
62	15 December 2004	Payment of Third Dividend Update on Status of Administration
63	21 January 2005	Membership of the Committees Committees of Creditors Meetings Ansett Remuneration
64	21 February 2005	Update on Status of Administration – December 2004 – January 2005

2.3 Employee Updates

Employees have also been provided with updates on the Administrators' web sites. A summary of the major issues covered in each update since the Fourth Report is as follows:

Update	Date	Major Issues Reported
24	18 February 2004	Ground Staff Fund – Clarification of Status Withholding of Pilots' Salaries Sale of Aircraft
25	2 April 2004	Fourth Report to Creditors Frequently Asked Questions
26	15 June 2004	Dividend Payments Garden Drive Subdivision Other Asset Realisations Ansett Superannuation Plans
27	30 July 2004	Sale of Ansett Engine Shop Repayment of Monies from AASS Receipt of Monies from Garden Drive Subdivision Update on Remaining Airbus A320 Aircraft Status Dividend Payments Financial Information Payment of Increased PILN to Qualifying ALAEA Members



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

Update	Date	Major Issues Reported
28	3 September 2004	Payment of Increased PILN to Other Awards Sale of Three Remaining Kendell Owned Aircraft Remaining Aircraft Summary of Financial Position/Dividend Payments IATA Litigation Status
29	15 September 2004	Sale of Boeing 767 Aircraft and Engines
30	5 October 2004	Sale of Two A320 Engines Final Payment Received for Sale of Perth Airport Information Technology Project Status
31	9 November 2004	Sale of Ansett Flight Simulator Sales to Aeroturbine Resolution of a Dispute with AASS Continuing Recovery of Trust Funds from Travel Agents
32	15 December 2004	Payment of Third Dividend Update on Status of Administration

2.4 Key Stakeholders Communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed quarterly reports have been provided to the Commonwealth Government and to representatives of the employees.



Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors

3 What Has Been Achieved?

3.1 Assets Realised During 2004

We realised \$113m of assets during 2004. We have now realised over 90% of the assets, other than aircraft. Assets other than aircraft realised in 2004 totalled \$80.5m, which was \$26m over our prior budget.

The non-aircraft assets realised during 2004 are as follows:

Non-Aircraft Assets Realised During 2004		\$m
Businesses:	3.1.1	
Including AASS, Engine Shop, Simulator Centre and Kendell		26.6
Property:	3.1.2	
Including the Ansett Perth Domestic Terminal, the Ansett Data Centre and Garden Drive Subdivision Proceeds		16.5
Debtors	3.1.3	2.3
Spares, Rotables and Consumables	3.1.4	14.2
Engines	3.1.5	20.9
Total		80.5

3.1.1 Businesses

- On 30 June 2003, AASS was sold to a management buy out team in the United States. As part of the sale, AAL provided vendor finance, repayable in instalments until 1 June 2006, with a discount if paid in full by 30 June 2004. On 30 June 2004 AASS paid AAL in full.

AASS continues to sell AAL's rotables and consumables under a consignment and marketing agreement.

- In July 2004, after six months of negotiations, agreements for the sale of the engine and overhaul workshops to JTS were signed. JTS is a joint venture between Qantas Airways and Patrick Corporation.



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3.1.2 Property

- In December 2002, an agreement was made with Westralia Airports Corporation to take control of the former Ansett Domestic Terminal at Perth Airport. The consideration was payable in instalments, with the first instalment received in September 2003. The second and final instalment was received in September 2004.
- Our subdivision strategy of Garden Drive, forming “Melbourne Gateway Business Park” will achieve total realisations of about \$27m, (compared to estimated realisations of approximately \$10m - \$13m, if that property had been realised in a single property transaction).

Prior to the Fourth Report, we sold a number of the key facilities with settlement to occur on completion of the subdivision process, which occurred in May 2004 and issue of new certificates of title. These facilities included the catering facility (Lot 1) and data-centre (Lots 7 and 9), both of which were sold for continued use as purpose built facilities.

The vacant land (Lots 2, 4, 6, 8) was successfully sold at auction in May 2004 and yielded an above-expected result.

The Engine Shop (Lot 3) was sold in July 2004 and the Flight Simulator (Lot 10) in October 2004.

The Supply Division (Lot 5) continues to be used by the Administrators.

3.1.3 Debtors

During 2004, the collection team has recovered a further \$2.3m in pre-administration debtors. This has increased total collections to \$132.9m.

3.1.4 Spares, Rotables and Consumables

During 2004, we realised \$14.2m from the sales of spares, rotables and consumables.

Our consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which were met during 2004. In September 2004, we agreed to effectively extend the term of the AASS agreement from three to four years to 30 June 2007. In consideration, AASS’s performance standards under the agreement were increased by US\$10.0m of gross sales.



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3.1.5 Engines

The following table shows engines realised during 2004, and those available to be realised as at 31 December 2004:

Engine Type	Aircraft Type	Spare Engines	Sold/ Under Negotiation	Available at 31 December 2004
CFM56-5A	A320	3	(2)	1
CFM56-3	B737	8	(8)	0
CF6-80A	B767	6	(6)	0

Due to an increased demand for A320 engines and increasing lease rentals, two of the remaining CFM56-5A engines were placed on short-term lease with Iberia in Spain in March 2004. During the lease, the sale of both engines was negotiated with Aeroturbine Inc and the first engine was delivered to Aeroturbine Inc following the lease expiry in August 2004. The second engine is undergoing an overhaul by Iberia in order to meet lease return conditions.

The six CF6-80A engines were sold in three separate transactions to parties in the US. The first engine was sold to AAR in February 2004, the second to GATX in June 2004 for fitment to an ex-AAL aircraft operating in Russia and four were sold to Aeroturbine Inc in September 2004, together with the sale of the Boeing 767 aircraft, detailed below. All CF6-80A engines, including one engine that remains on lease with Transaero in Russia, have been contracted for sale. We are obliged to retain part of the purchase price for periods of up to 12 months following the date of sale to meet possible warranty claims relating to the engines sold.

3.2 Aircraft Realised During 2004

Despite the difficult market, we achieved reasonable sales during 2004. 13 aircraft were sold and one parted. Aircraft sales achieved were:

- April 2004: Sale of four Fokker 50 aircraft to a party in the US.
- August 2004: Sale of the three remaining Kendell-owned SAAB 340A aircraft to Regional Express.
- September 2004: Sale of the six remaining Boeing 767 aircraft to Aeroturbine Inc.

We have also negotiated the lease of the remaining two AAL-owned A320 aircraft. While it is our clear preference and intention to sell the remaining AAL-owned aircraft, our remarketing efforts had not identified any investors making acceptable offers for a non-operating aircraft. Our remarketing advisors, Pembroke Capital, therefore recommended placing the two remaining AAL-owned A320 aircraft on lease to attract potential investors.

The significant flow-on benefits arising from leasing the aircraft include: improved market perception of an operating aircraft; generating cash flow to contribute towards the cost of heavy maintenance



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check, which accrue through the passage of time, irrespective of usage; and, saving on parking, idle maintenance and insurance costs. In summary, if leased, our costs are eliminated and the aircraft become more attractive for sale.

In May 2004, we leased one of the A320 aircraft to an operator based in Tunisia, North Africa for two years. In June 2004, we leased the final A320 aircraft in the fleet to an operator in France for a period of four years with a further two-year option.

The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(41)	(5)	N/A	N/A	(46)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft Yet to be Sold	14	-	-	-	14



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It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two-year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. 11 of the remaining aircraft have been or are being sold for parts and 13 have been sold on the market.

In summary, aircraft remaining to be sold are:

- Two A320 aircraft (currently on lease); and
- The fleet of BAe146 aircraft (one BAe146-200; one BAe146-200QT; 10 BAe146-300)

3.3 Distributions Made During 2004

We paid the Commonwealth Government's deferred dividend of \$67.0m by October 2004.

We made a distribution on 15 December 2004 of \$26.4m, being the third dividend, which equalled a return of:

- \$16.0m to employees, being 7.5% of each employee's outstanding balance after payment of the first and second dividends, and
- \$10.4m to the Commonwealth Government, being a part repayment of monies forwarded to employees under SEESA.

The 7.5% dividend was paid ahead of our anticipated schedule of March 2005, because in 2004 we realised assets ahead of our anticipated schedule.

Following payment of the third dividend:

- Employees have now received \$564.1m of the \$760.0m owed to them; and
- SEES has now received \$253.0m of \$386.4m of SEES' estimated total advances.



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4 Where Are We Going?

This remains a complex administration. Overall, we expect to achieve total net realisations of at least \$590.0m.

Estimated Realisations	Section	4 th Report	
		31 December 2003 \$m	31 December 2004 \$m
Cash at Bank	4.1	169.7	151.1
Proceeds from Asset Sales used for entitlements		320.6	413.5
Assets still to be realised, including Aircraft Engines and Spares, Rotables and Consumables	4.2	102.1	32.0
Costs to complete (including aircraft costs)	4.4	(59.7)	(42.3)
Contingency reserve	4.5	(12.7)	(25.8)
Total before remaining aircraft realisations		520.0	528.5
Net expected realisations from aircraft	4.3	70.0	61.5
Total Realisations		590.0	590.0
Contingent Assets and Liabilities			

Ultimately we expect the \$590.0m to be distributed as follows:

Estimated Distributions	Section 6	31 Dec 2003 \$m	31 Dec 2004 \$m
Distributions to Date			
Employees		162.5	177.7
SEES		188.7	258.3
Unsecured creditors		-	-
		351.2	436.0
Amounts To Be Distributed			
Employees		85.1	68.9
SEES		113.7	45.1
Unsecured Creditors		40.0	40.0
		238.8	154.0
Total Distributions			
Employees		302.4	246.6
SEES		247.6	303.4
Unsecured Creditors		40.0	40.0
		590.0	590.0



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4.1 Cash at Bank - \$151.1m

Of \$151.1m in the bank on 31 December 2004, \$122.8m was unavailable for distribution and remains so:

- \$22.5m is either held in trust for continuing employees or for SEES.
- A further \$100.3m relates to Ansett entities other than AAL (the entity which holds most employees). We need to apply to Court to determine if we can:
 - Combine all of the assets and liabilities of all the Ansett entities under administration, and
 - Make distributions from the combined “pool” of assets and liabilities.

This process is known as pooling, and may take up to December 2005 to finalise.

4.2 Assets Still To Be Realised - \$32.0m

By the end of 2005 we expect to realise most of the remaining assets, estimated at \$32.0m.

Businesses

AAL continued to trade its Flight Simulator Business. Sale of the Flight Simulator Business was completed in October 2004, with all of the business’ employees achieving ongoing employment as a result. The terms of the sale involved vendor finance, so proceeds from the sale will be progressively received.

Property

The administration continues to utilise the Supply Centre, Maintenance Base and other miscellaneous property.

Debtors

A further \$2m - \$4m is estimated to be collected. As part of the collection process, many matters have been referred to various courts for determination.



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The following table summaries the actions before the court (and pending), and provides approximations in regard to potential outcomes:

Court	No. of Claims	\$m
Supreme Court	2	
County Court	9	
Magistrates Court	51	
Matters Pending	21	
Total	83	2 - 4

Spares, Rotables and Consumables

In the Fourth Report, we estimated future realisations from the sale of spare parts of \$24.8m over the next three years. Since the Fourth Report, we have realised \$15.3m. We expect \$9.5m of future sales estimations to be achieved.

Our consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which are currently being met. In September 2004, we agreed to effectively extend the term of the AASS agreement from three to four years to 30 June 2007. In consideration, AASS's performance standards under the agreement have been increased by US\$10m of gross sales. At this time, we have not incorporated the increased performance standard into our estimated future realisations.

AAL is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, AAL's information technology and personnel to support the continuing sales of remaining spare aircraft parts.

Engines

There is one remaining CFM56-5 engine to be sold. It has been retained as a replacement for an engine currently on-wing on an AAL owned A320 aircraft that is on lease to Nouvelair in Tunisia. By replacing the engine, it shall avoid a potentially expensive overhaul of the on-wing engine during the term of the lease, and the removed engine shall then be sold "as is".

4.3 Aircraft Still To Be Realised - \$61.5m

Of the original fleet of 133 aircraft, 14 remain to be sold, being:

- Two A320 aircraft (currently on lease); and
- The fleet of BAe146 aircraft (one BAe146-200; one BAe146-200QT; 10 BAe146-300)

The aircraft are valued at \$61.5m, however given the uncertain aviation market this figure may need to be written down again.



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- Pembroke Capital, our remarketing agent for the A320 aircraft, is currently marketing both aircraft for sale, with the leases attached. Interest has been low to date due to the age of the aircraft (they are two of the earliest built A320 aircraft). In the interim, the leases continue to generate positive cash returns and have eliminated substantially all holding costs associated with the aircraft.
- The BAe146 aircraft are no longer being produced and a reasonable proportion of the total number of these aircraft manufactured are currently available on the market. These aircraft are also facing competition from other aircraft types, including Fokker F100. Given the competing fleet, future market prices may be depressed.

Our Fourth Report detailed the key issues impacting our ability to realise the BAe146 aircraft and the sales activities have been focused on realising sales of these aircraft. We have continued to follow up targeted BAe operators and potential cargo operators to explore the possibility of converting some of the aircraft to cargo planes and are in active discussions with a number of parties interested in operating these aircraft in the Australian market.

4.4 Costs of the Administrations - \$42.3m

4.4.1 Estimated Costs to Complete

Costs to complete are estimated at \$42.3m. \$21.8m of the total cost to complete is for external labour.

There are a number of ongoing expenses that are necessary in order to maximise the realisations of the assets and finalise outstanding matters of the administrations.

The following table summarises our updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Cost to Complete 31 December 2004 \$m
Aircraft	14.4
Spares	7.1
Engines	1.4
Regionals	2.6
Non-Asset Specific Costs	16.8
Total	42.3

We have budgeted future costs, with the majority of the costs relating to the maintenance of the aircraft and support of the spares sales process. These costs are time dependent and will vary if the timeframe is shortened or extended.

The following table shows our costs to complete budget from January 2004, forecast to the completion of the administrations:



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Costs to Complete – Timetable	4 th Report 31 Dec 2003 \$m	31 Dec 2004 \$m	Actual \$m	Under (Over) Budget - Cumulative \$m
Jan – Mar 2004	7.7		7.2	0.5
Apr – Jun 04	7.7		7.5	0.7
Jul – Sep 04	7.0		9.2	(1.5)
Oct – Dec 04	6.8		6.2	(0.9)
Jan – Jun 05	12.0	14.7		
Jul – Dec 05	6.4	13.0		
Jan – Jun 06	3.8	4.3		
Jul – Dec 06	3.0	2.7		
Jan – Jun 07		2.5		
Jul – Dec 07		2.5		
Regionals/Other	5.3	2.6		
Total	59.7	42.3		

4.4.2 Administrators' Remuneration

Costs to date and to complete include Administrators' remuneration. The Committees of Creditors approves Administrators' remuneration each month.

In February 2005, we prepared a detailed Ansett Administrators' Remuneration Policy Manual, which we provided to the Committees. The manual provided the Committees with detailed disclosure of our 2004 remuneration and of our budgeted 2005 remuneration. It also documented in detail, the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committees of Creditors held on the 28 February 2005, the Committees agreed that sufficient disclosure of information had been provided to them, and also agreed with the approval process as outlined in the manual.

An extract of the manual is provided here, which illustrates our current approach to conducting the administrations, and in preparing remuneration claims:



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Specific Factors Comprising the Companies Remuneration Process

People Involved

- In staffing the Ansett engagement, our philosophy has been to achieve effective results in the most efficient way. Specifically, we aim to use:
 - The minimum number of staff necessary to do the work,
 - Where possible or appropriate, Ansett staff to do the work,
 - Insolvency personnel in mainly supervisory positions and with the lowest charge-out rate to perform the required work.
- Workforce planning has been in place since the commencement of the administrations. The plans are reviewed monthly to ensure that we employ the minimum number of staff with the right mix of skills necessary to do the work...
- In 2004, 255 full time equivalent (FTE) Ansett or ex-Ansett people worked on the administrations of the Ansett Group, compared to 15 FTE insolvency personnel. By retaining Ansett staff, we have retained business knowledge and employed their skills at rates much lower than professional insolvency personnel.
- We also believe that significant benefit is achieved for creditors by the continuity of the same senior insolvency personnel in key positions. This can be a great challenge in staffing large administrations: i.e. to keep quality insolvency personnel interested in staying on the same engagement for a sustained period of time.
- In the case of the Ansett administrations, our senior insolvency personnel have remained intact since our appointment. Résumés of key KordaMentha personnel working on the administrations can be downloaded from our website. Ansett continues to offer our people a breadth of complex issues to resolve.

Hours Worked

- Each person working on administrations tasks details the hours that person worked and outlines what work that person did, on a daily basis. This is then collated weekly.
- The individual weekly timesheets are collated into a schedule the “Weekly Remuneration Summary by Person Schedule”, which support each monthly invoice submitted to the Committees.
- This manual contains the 2004 Weekly Remuneration Summary by Person Schedule, which supports all of the 2004 monthly invoices.



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- The Weekly Remuneration Summary by Person Schedule is reviewed by the Administrators for accuracy and to ensure that it reflects the level of work performed on the administrations.

Hourly Rates

- In accordance with the Insolvency Practitioners Association of Australia – Statement of Best Practice on Remuneration, our remuneration is calculated based on the time spent on the administrations.
- The hourly rates used for the Ansett Group administrations, were initially negotiated and agreed with the ACTU prior to our appointment on 17 September 2001 and subsequently accepted by Goldberg J in fixing our remuneration for the first month.
- At the time of our appointment, the rates were approximately 35% lower than the rates normally charged by Andersen, which Goldberg J, recognised was partly because there could have been some duplication of work as a result of the change in Administrators, following the first five days of administrations.
- These rates have not changed for the last three years.
- Our rates are still less than standard rates charged by KordaMentha, as well as the Initial Administrators, and other firms of insolvency personnel for administrations of large and complex administrations. For example, the hourly charge out rate of Mark Korda and Mark Mentha for the Ansett administration is \$359 compared to their current standard hourly rate of \$525, and the Initial Administrators hourly rate of \$420.



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Remuneration Claims 2004

During the 2004 calendar year, the remuneration claims for the Ansett Group by month was as follows:

Month	Total \$
January 2004	492,254
February 2004	484,552
March 2004	568,075
April 2004	383,577
May 2004	435,142
June 2004	450,994
July 2004	316,454
August 2004	357,148
September 2004	462,156
October 2004	348,247
November 2004	352,129
December 2004	346,580

The table shows that generally the amount per month declined.

4.5 Contingency Reserve - \$25.8m

There are large contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced during 2004. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are:

- Contingent assets of up to \$25m may be realised, depending on the success of litigations.
- Contingent liabilities of up to \$31m may have to be paid (reduced from \$42m in the Fourth Report).

These amounts have not been included in the estimated realisations for creditors. However, as assets are realised, any amounts received above book values are used to build up a contingency reserve, to be applied in the event that contingent assets and contingent liabilities actually result in a deficit. The amount of contingency reserve at 31 December 2004 is \$25.8m.



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5 Future Distributions

The estimated returns to creditors have been prepared on a consolidated basis and are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is very important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.4.

5.1 Return to Employees

We estimate employees will ultimately receive a further \$68.9m. Accordingly, we anticipate total payments of \$633.0m of the \$760.0m total entitlements owed, being 83.3% of total entitlements. For individual employees, this means that we estimate each will receive 35% of their current outstanding balance (following payment of the third dividend).

The following table illustrates by example, dividends made and expected to be made to the total group of employees.

	Time	Total Owed to Employees \$m
Total Outstanding		
Includes Estimated Future Amounts Owed to Government		760.0
First Dividend		
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks	When employee became redundant	(386.4)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		(13.9)
Total of Redundancy >8 Weeks Owing		359.7
Special Dividend		
Amounts Varied Between Employees	10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing		292.7
Second Dividend		
Calculated as % of Balance Owed 27.5%	10-Dec-03	(80.8)
Balance of Redundancy >8 Weeks Owing		211.9
Third Dividend		
Calculated as % of Balance Owed 7.5%	15-Dec-04	(16.0)
Balance Now Outstanding		195.9
Future Dividends Estimated 35.2%		(68.9)
Estimated Shortfall		127.0
Total Amount Estimated to be Distributed		633.0



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5.2 Return to Commonwealth Government

We estimate SEES will ultimately receive \$303.4m of the total SEES advance of \$386.4m.

5.3 Return to Other Creditors and Pooling

No further large distributions can be made until pooling is resolved which may take up to December 2005. Of the \$100.3m cash at 31 December 2004 that relates to non AAL Group entities, we estimate that should pooling be resolved, approximately \$60m would be distributed to SEES and employees and \$40m may be distributed to unsecured creditors.

If the Ansett Group is not pooled, in the worst case up to \$70m may not be available to be distributed as dividends to SEES and employees.

Issues affecting whether or not the companies ought to pool, include:

- The Memorandum of Understanding between Air New Zealand, the administrators and other parties to the agreement
- The set-off of related Ansett companies bank accounts by the Ansett Group's pre-appointment banker
- Class orders
- Ownership of property issues
- Related company use of Ansett Group assets, e.g. the use of cash, brand, intellectual property and the sharing of employees across companies
- Allocation of costs across the Ansett Group
- Charge back issues
- Tax and tax losses issues
- Issues within individual companies e.g. Traveland trust money dispute, use of AAL assets by Kendell, intercompany loan balances, etc.

We are currently preparing a detailed report on pooling. There are many complex issues relating to the Ansett Group as a whole and to individual companies that need to be understood before decisions are made on whether or not companies ought to pool. We anticipate this detailed report to be completed by the end of the first half of 2005.



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5.4 Major Risks And Assumptions

It is very important to note the major risks in delivering the estimated returns:

- Resolution of pooling of individual companies. It will require court involvement and /or meetings of creditors to determine which companies are to be pooled. The outcome of the process will determine the proportion of funds available to employees.
- Aircraft values. Realisations of aircraft will depend on the state of the world aviation market. This may give rise to further adjustments to aircraft values.
- Costs to Complete. Costs are largely driven by the shutdown date for the Tullamarine facility, which in turn is dependent on meeting commitments to purchasers of AAL assets as well as an assessment of the expected realisations from assets compared to the costs to maintain the assets.
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided.
- Realisation of contingent assets.
- Realisation of consumables and rotables. The forecast amount achieved through realisation of consumables and rotables is included at an original estimate of \$100.0m less cash receipts to date leaving a balance of \$9.5m. These assets are contracted to be sold on a commission basis with upside expected on the \$9.5m dependent on the state of the aviation spares market.
- Exchange rate variations.
- Resolution of litigation and disputes.



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6 Statutory and Legal Matters

6.1 Court Applications

We have made and are continuing a number of applications to various courts. Those made since our Fourth Report include:

- On 3 November 2004, AAL issued an application in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Global Reward Participation Agreement. The statement of claim particularises claims by AAL in the amount of \$9,632,793 together with interest and costs. Diners filed its defence and counterclaim denying any liability and claiming from AAL payment in respect of points transferred from the defendant, which were, by virtue of Ansett's collapse, unredeemable, together with interest and costs. Mediation between the parties commenced on 11 March 2005.
- In addition, and in the same proceeding, AAL made a separate claim against Diners under a Master Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Credit Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs (however the quantum may be reduced if Diners can substantiate valid credit card charge backs). The parties have agreed that this particular claim be referred to Arbitration in New York in accordance with the terms of the Master Merchant Agreement.
- Applications concerning recovery of trade receivables; in both the Supreme and County Courts.

Applications that were made previously (including those made by other parties) and which have continued or been resolved since the Fourth Report are as follows:

- Application to Recover Trust Funds from Travel Agents
- Applications regarding Global Rewards
- Application regarding IATA
- Applications regarding Trade Debtors
- Applications in relation to various employment matters

Detailed information on a number of the applications made during the administrations can be obtained from the Administrators' web sites.

Below is a brief summary of the above applications and their current status or outcome since the Fourth Report in so far as they are material. Applications which are not material or in which no



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substantive claims are made on behalf of or against the Ansett Group or the Administrators are not included.

6.1.1 Application to Recover Trust Funds from Travel Agents (Proceeding No. 2097 of 2003)

In our Fourth Report, we advised that on 4 December 2003, AAL commenced proceedings in the Supreme Court of Victoria to recover \$4m held in trust by travel agents within the Flight Centre Group of companies.

At the last directions hearing in this matter on 5 November 2004 the court ordered that the parties attend mediation by the end of March 2005. The court also fixed a trial date of 26 May 2005. The trial was estimated to take seven to eight days. Both parties to this proceeding agreed to prepare an “Agreed Statement of Facts” and also resolved many quantum issues, in order that the trial would be limited to resolving legal issues only.

On 11 March 2005, the parties participated in the Court ordered mediation. We are pleased to advise that the parties have resolved the dispute on confidential terms satisfactory to AAL.

Following the settlement of the Flight Centre proceeding, we are continuing to recover funds from BSP travel agents who sold pre administration flight tickets on AAL’s behalf. BSP is a system established by IATA to simplify and facilitate the ticketing, reporting and remittance procedures of IATA accredited agents. BSP functions as a Clearing House between IATA accredited agents and the participants of BSP including AAL.

Receipts for BSP Australia trading now total \$6.8m; this includes in excess of \$1.5m collected since the Fourth Report.

Inclusive of the Flight Centre Proceedings, \$13m remains outstanding from agents. As is evident from the above, AAL continues to negotiate settlements with the agents.



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6.1.2 Application Regarding Global Rewards (Proceeding No. 2073 of 2002)

We have previously reported that in April 2003, AAL and Westpac resolved the dispute between the parties on confidential terms satisfactory to AAL. The dispute that had been listed in the Supreme Court of Victoria respected the Global Rewards scheme previously administered by AAL.

Other than the Diners proceeding 2071 of 2004, AAL has since successfully settled similar claims, on confidential terms, against other participants of the Global Rewards program without reverting to litigation and have recovered in total \$10.4m.

6.1.3 Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

On 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL's entry into voluntary administration. IATA operates a Clearing House for the netting and settlement of transactions between participating members and other organisations that are international air transport enterprises. AAHL was a member of the IATA Clearing House at the time of the appointment of voluntary administrators.

AAHL defended the claims brought by IATA and counter-claimed seeking orders including that the Clearing House regulations ceased to apply to AAHL upon its entry into voluntary administration. AAHL claims that the Clearing House Regulations do not apply to AAHL's credits and debits that were not cleared as at 12 September 2001, but rather those debits and credits must be dealt with in the administration of AAHL pursuant to, and in accordance with, the provisions of the DOCA.

IATA's and AAHL's proceedings were heard together. In accordance with orders dated 19 March 2004, IATA and AAHL filed and served their statements of claim on 28 April 2004 and 5 May 2004, respectively.

His Honour Justice Mandie, heard the matter between 2 February 2005 to 7 February 2005 and the Court has reserved its decision.

Potential Recoveries From Clearing House Members

In the event of a decision confirming AAHL's position in the litigation, AAHL intends to pursue the Clearing House members that were net debtors of AAHL as at 12 September 2001 and debtors whose claims were submitted to the Clearing House after 12 September 2001. As AAHL does not have access to potential inward claims from debtor airlines, the amount of such claims is not capable of accurate quantification at this time.

In the event that AAHL is unsuccessful in the current litigation, AAHL may only be able to pursue certain members in respect of claims submitted to the Clearing House by those members, which the AAHL has rejected.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

We have always taken the position that we should await the determination of the litigation before commencing any proceedings against members, which according to AAHL's records are net debtors of AAHL. The amount of documentation that will need to be reviewed in order to determine the quantum of the amounts outstanding between AAHL and the members of IATA is voluminous and may take some time to complete.

6.1.4 Applications in relation to various Trade Debtors

The status of debt collections and actions currently before the courts is presented in Section 4.2 Debtors.

6.1.5 Applications in relation to various employment matters (Proceeding Nos. V3133 of 2003, V7678 of 2003, and V3155 of 2003)

A number of applications have been made by various unions and employees in relation to the Administrators' decision to reject certain redundancy claims made under the relevant award, Enterprise Bargaining Agreement, or the Ansett Airlines of Australia and Subsidiary Airlines Non Voluntary Redundancy Plan and Procedures Document May 1991 (the "CR Policy"). We are seeking to have each of these matters dealt with expeditiously so that distributions can be finalised as soon as possible.

In Federal Court proceeding No. V3155/03, heard in February 2005, the Court found that the Administrators ought to calculate redundancy entitlements for AAL pilots pursuant to the CR Policy. This resulted in adjustments of redundancy entitlements for pilots, which have now been completed.

Dated this 31st day of March 2005



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



Appendix 1 Listing of Companies For Which This Report Has Been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)

Appendix 2 Abbreviations Used in This Report

"the Administrators" or "the Deed Administrators"

Mark Korda and Mark Mentha of KordaMentha

"Engineering" or "AAES"

Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)

"AASS"

Ansett Aircraft Spares and Services

"AAL"

Ansett Australia Limited (ACN 004 209 410)

"AAHL"

Ansett Australia Holding Limited (ACN 004 216 291)

"Aeropelican"

Aeropelican Air Services Pty Ltd (ACN 000 653 083)

"Ansett International"

Ansett International Limited (ACN 060 622 460)

"Bodas"

Bodas Pty Ltd (ACN 002 158 741)

"Kendell"

ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)

"Show Group"

ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)

"Skywest"

Skywest Airlines Pty Ltd (ACN 008 997 662)

"Skywest Aviation"

ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)

"Skywest Jet Charter"

ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)

"Skywest Holdings"

ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)

"Traveland"

ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)

Collectively "the Companies" or "the Ansett Group"

All companies listed in Appendix 1

"non AAL Group Entities"

All companies listed in Appendix 1, except for Ansett Australia Limited

"Air New Zealand" or "the Air New Zealand Group"

Air New Zealand Group of Companies

Memorandum of Understanding

Settlement agreement between Air New Zealand and the Administrators

"JTS"

Jet Turbine Services

"IATA"

The International Air Transport Authority

"BSP"

The Billing and Settlement Plan established by IATA

"Diners"

Diners Club Pty Limited

"ASIC"

Australian Securities and Investments Commission

"Commonwealth Government"

Commonwealth Government of Australia

"EBA"

Enterprise Bargaining Agreement

"SEES"

The body administering the Special Employee Entitlement Scheme for Ansett Group Employees

"SEESA"

Special Employee Entitlement Scheme for Ansett Group Employees

"the Act"

Corporations Act (2001) Commonwealth

"the Court"

The Federal Court of Australia



"DOCA"	Deed of Company Arrangement
"the Administrators' web sites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Sixth Report to Creditors

31 March 2006

Level 24, 333 Collins Street

GPO Box 2985

Melbourne VIC 3001

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**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

1 Executive Summary

1.1 Introduction

This is the Sixth Report to Creditors of the Ansett Group of Companies, which provides a general update to creditors on the status of the administrations as at 31 December 2005. The Administrators have also issued 76 Committees of Creditors' updates, 40 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been Achieved?

The Administrators realised \$60.5m of assets during 2005. Over 95% of assets, other than aircraft, have now been realised.

Significantly, the Administrators are now able to increase the net asset realisation estimate by a further \$50.0m from \$590.0m to \$640.0m as a result of:

- higher than budget assets actually realised to date;
- higher than budget future estimated asset realisations;
- lower than budget costs to date; and
- elimination or mitigation of contingent claims.

The Administrators paid a dividend on 12 December 2005 of \$41.1m, being the fourth dividend, as follows:

- \$25.0m to employees, being 12.5% of each employee's outstanding balance after payment of the first, second and third dividends; and
- \$16.1m to the Commonwealth Government.

Employees have now received \$586.3m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$270.8m of the \$384.0m of its total advances.



Ansett Group (Subject To Deeds Of Company Arrangement) Sixth Report to Creditors

1.3 Where are we Going?

This remains a complex group of administrations. Overall, the Administrators expect to achieve total net realisations of at least \$640.0m, which is an increase of \$50.0m on the previous estimate of \$590.0m as at 31 December 2004.

Of \$142.4m in the bank at 31 December 2005, \$118.1m relates to Ansett entities other than AAL (the entity which employed most of the employees). The Administrators have applied to the Court to determine if they can:

- combine all of the assets and liabilities of all the Ansett entities under administration; and
- pay dividends from the combined “pool” of assets and liabilities.

This process is known as pooling and the Administrators have made an application to the Federal Court in relation to this issue. The Administrators are in the process of preparing supplementary affidavits as requested by the Federal Court so the Federal Court may consider the matter further.

Future asset realisations other than aircraft are estimated at \$33.6m. Future realisations from aircraft are estimated at \$37.1m. Of the original fleet of 134 aircraft, four remain to be sold, being one A320 aircraft (the aircraft is now on lease), one BAe146-200QT and two BAe146-300's.

Costs to complete the administrations are estimated at \$24.0m. \$8.1m of the total cost to complete the administrations is for external labour requirements.

The Administrators expect a number of legal actions in regard to potential recoveries to be resolved during 2006.

There are large contingencies, both assets and liabilities, which are being resolved on a continuing basis.

1.4 Future Dividends

The Administrators estimate employees will receive a further \$84.2m, to be paid over the next few years. **This means each employee will receive 48% of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$670.5m of the \$760.0m of total employee entitlements owed.

The Administrators estimate the Commonwealth Government will ultimately receive \$326.6m of its total advance of \$384.0m.



Ansett Group (Subject To Deeds Of Company Arrangement) Sixth Report to Creditors

No further large dividends can be made until pooling is resolved. If it is determined that pooling can occur, the Administrators can pay a further dividend of **approximately 25%** of the employees' current outstanding balance, together with the relevant amount payable to the Commonwealth Government. The balance of dividends will be paid over the next few years as assets are realised.

It is very important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.3.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

2 Communication with Stakeholders

2.1 The Administrators' Websites

The Administrators established websites early in the administrations to post documents relating to major issues in the administrations. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

2.2 Committees of Creditors' Updates

The functions of the Ansett Committees of Creditors are to consult with the Administrators about matters relating to the administrations, receive and consider updates and reports prepared by the Administrators and to approve the Administrators' remuneration from time to time.

Updates and reports provided to the Committees of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update since the Fifth Report is as follows:

Update	Date	Major Issues Reported
66	18 April 2005	Fifth report to Creditors Sale of AAES Aeroturbine aircraft sales Flight Centre litigation BSP Australia Recovery Project
67	19 May 2005	Aircraft sales Sale of AAES IATA legal proceedings
68	23 June 2005	Aircraft leases and sales AAES update Federal Court pooling application
69	21 July 2005	Aircraft engine sales Federal Court pooling application
70	15 September 2005	AAE compromise
71	29 September 2005	Federal Court pooling application
72	7 October 2005	Federal Court pooling application
73	19 October 2005	Ansett Engineering
	12 December 2005	Dividend Payment (Media Release)



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

Update	Date	Major Issues Reported
74	18 January 2006	Aircraft sales Overhead reductions Administrators' remuneration
75	15 February 2006	Aircraft and engine sales Ansett Engineering Simulation Centre Refinancing
76	22 March 2006	Federal Court pooling application

2.3 Employee Updates

Employees have also been provided with updates on the Administrators' websites. A summary of the major issues covered in each update since the Fifth Report is as follows:

Update	Date	Major Issues Reported
33	1 April 2005	Fifth Report to Creditors What Has Been Achieved? (in 2004) Where Are We Going? Future Distributions
34	25 May 2005	Aircraft Movements Ansett Engineering Pilots' Court Decision Ansett Superannuation Funds
35	30 June 2005	Pooling Application Process Payment for Further Dividends
36	31 August 2005	Asset Realisations in First Half of 2005 Pooling Application Process - Progress Pooling Application Process - Next Steps
37	24 November 2005	Pooling Application Process - Progress
38	12 December 2005	Payment of Fourth Dividend Pooling Application Process – Progress Employee Queries
39	28 February 2006	Pooling Application Process Payment for Further Dividends Sixth Report Preparation Aircraft Movements
40	22 March 2006	Pooling Application Process - Progress



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2.4 Key Stakeholder Communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

3 What has been Achieved?

3.1 Assets realised during 2005

The Administrators realised \$60.5m of assets during 2005. The Administrators have now realised over 95% of assets, other than aircraft. Assets other than aircraft realised in 2005 totalled \$31.3m.

The non aircraft assets realised during 2005 are as follows:

Non Aircraft Assets realised during 2005		\$m
Businesses	3.1.1	0.3
Debtors	3.1.2	4.7
Spares, Rotables and Consumables	3.1.3	15.0
Engines	3.1.4	11.3
Total		31.3

3.1.1 Businesses

The Ansett Flight Simulation Centre was sold in October 2004 with vendor finance provided for part of the consideration. During 2005 the purchasers made the payments under the terms of the finance agreement.

Subsequent to 31 December 2005, the Administrators worked with the purchaser in the refinancing of the loan. As a result, on 1 February 2006 the Administrators realised \$4.2 million in repayment of the vendor loan.

3.1.2 Debtors

During 2005, the collection team has recovered a further \$4.7m in pre administration debtors. This has increased total collections to \$137.6m. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP Agents.

The amount collected in 2005 includes \$2.9m collected from BSP travel agents who sold pre administration flight tickets on AAL's behalf.

3.1.3 Spares, Rotables and Consumables

During 2005, \$15.0m was realised from the sale of spares, rotables and consumables.

The Administrators' consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which were again met during 2005.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

3.1.4 Engines

All of the 17 spare engines listed as available on commencement of the administrations have now been sold. The remaining uncontracted engine at 31 December 2004, being a CFM56-5A (A320 engine), was sold in 2005. This engine was previously on lease with Iberia and was sold upon completion of an overhaul required in order to meet lease return conditions.

During 2005, the Administrators realised \$11.3m from the sale of engines. This included the realisation of the balance of funds for three engines contracted for sale as at 31 December 2004.

3.2 Aircraft realised during 2005

As at 31 December 2004, the 14 aircraft remaining to be sold were:

- Two A320 aircraft (currently on lease); and
- The fleet of BAe146 aircraft (one BAe146-200; one BAe146-200QT; ten BAe146-300).

Four of the six Boeing 767's sold to Aeroturbine in September 2004 were still in the Administrators' possession awaiting checks and delivery as per the terms of settlement. The delivery of these aircraft formed a substantial portion of the work requirement in 2005 as expected, with deliveries available on schedule as follows:

- RMG - February 2005;
- RMH – April 2005;
- RML – June 2005; and
- RMF – August 2005.

In addition to the delivery of the 767's, three aircraft were sold and three aircraft were parted during 2005. The aircraft sold were:

- November 2005: Sale to European Skybus of two BAe146-300's; and
- December 2005: Sale of one A320 (MSN 025) to Aeroturbine and novation of the existing lease.

The settlement of the A320 took place in January 2006. \$8.9m was realised being the total sale price less the deposit previously received and maintenance reserves. The lease stream from the two BAe146's continues with those amounts offsetting the final settlement amount.



Ansett Group (Subject To Deeds Of Company Arrangement) Sixth Report to Creditors

As stated in the Fifth Report, while it is the Administrators' clear preference and intention to sell the remaining A320, during 2004 remarketing efforts had not identified any investors making acceptable offers for a non-operating aircraft. The Administrators' remarketing advisors, Pembroke Capital, therefore recommended placing the two (at the time) remaining A320 aircraft on lease to attract potential investors.

Since this time, one A320 has been sold and the other, whilst unsold is attracting interest whilst on lease.

The significant flow on benefits arising from leasing the aircraft include improved market perception of an operating aircraft; generating cash flow to contribute towards the cost of heavy maintenance checks, which accrue through the passage of time, irrespective of usage; and, saving on parking, idle maintenance and insurance costs. In summary, if leased, costs are eliminated and aircraft become more attractive for sale.

In May 2004, the Administrators leased one of the A320 aircraft to an operator based in Tunisia, North Africa for two years. This was the aircraft sold in December 2005 and settled in January 2006.

In June 2004, the Administrators leased the final A320 aircraft in the fleet to an operator in France for a period of four years with a further two year option. This aircraft is still on lease and is the aircraft still available for sale.

This lease to sell approach has also been successful with recent delivery to European Skybus of the two BAe146-300's (NZG and NZJ).

At 31 December 2005, the four aircraft remaining to be sold are:

- One A320 aircraft (currently on lease); and
- Three BAe146 aircraft (one BAe146-200QT and two BAe146-300's) currently in the UK.

The remaining four aircraft held at 31 December 2005 are currently being parted (one BAe146-200 and three BAe146-300's).



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(47)	(5)	N/A	N/A	(52)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft to be Sold/Parted	8	-	-	-	8

It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the four Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. Of the remaining aircraft, 14 have been or are being sold for parts and 16 have been sold on the market.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors**

3.3 Dividends paid during 2005

The Administrators paid a dividend on 12 December 2005 of \$41.1m, being the fourth dividend, as follows:

- \$25.0m to employees, being 12.5% of each employee's outstanding balance after payment of the first, second and third dividends; and
- \$16.1m to the Commonwealth Government.

Employees have now received \$586.3m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$270.8m of the \$384.0m of its estimated total advances.

3.4 Pooling Application made in 2005

The Pooling application was lodged with the Federal Court of Australia on 21 June 2005. This application is discussed in detail in Section 6.



Ansett Group (Subject To Deeds Of Company Arrangement)
Sixth Report to Creditors

4 Where are we Going?

This remains a complex group of administrations. Overall, the Administrators expect to achieve total net realisations of at least \$640m. Significantly, the net asset realisations estimate has increased by \$50m from the \$590m previously reported. This is as a result of:

- higher than budget assets actually realised to date;
- higher than budget future estimated asset realisations;
- lower than budget costs to date; and
- elimination or mitigation of contingent claims.

Estimated Realisations	Section	4 th Report 31 December 2003 \$m	5 th Report 31 December 2004 \$m	6 th Report 31 December 2005 \$m
Cash at Bank	4.1	169.7	151.1	142.4
Proceeds from Asset Sales used for entitlements		320.6	413.5	467.5
Assets still to be realised	4.2	102.1	32.0	33.6
Costs to complete (including aircraft costs)	4.4	(59.7)	(42.3)	(24.0)
Contingency reserve	4.5	(12.7)	(25.8)	(16.6)
Total before remaining aircraft realisations		520.0	528.5	602.9
Aircraft still to be realised	4.3	70.0	61.5	37.1
Total Realisations		590.0	590.0	640.0

Ultimately, the Administrators expect the \$640.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003 \$m	31 Dec 2004 \$m	31 Dec 2005 \$m
Dividends to Date			
Employees	162.5	177.7	202.3
SEES	188.7	258.3	272.5
Unsecured creditors	-	-	-
	351.2	436.0	474.8
Amounts To Be Distributed			
Employees	85.1	68.9	84.2
SEES	113.7	45.1	54.0
Unsecured Creditors	40.0	40.0	27.0
	238.8	154.0	165.2
Total Dividends			
Employees	247.6	246.6	286.5
SEES	302.4	303.4	326.5
Unsecured Creditors	40.0	40.0	27.0
	590.0	590.0	640.0



Ansett Group (Subject To Deeds Of Company Arrangement) Sixth Report to Creditors

4.1 Cash at Bank - \$142.4m

Of \$142.4m in the bank on 31 December 2005, \$125.4m was unavailable for distribution as follows:

- \$7.3m is either held in trust for continuing employees or for SEES.
- A further \$118.1m relates to Ansett entities other than AAL (the entity which holds most employees) and cannot be distributed until pooling is resolved.

4.2 Assets still to be Realised - \$33.6m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses

The Flight Simulator business was sold in October 2004 to Aviation Training Australasia Pty Limited. The terms of the sale involved vendor finance.

In late 2005, the Administrators worked with the purchaser on refinancing the loan. As a result, \$4.2 million was received on 1 February 2006 in repayment of the vendor loan. The settlement included a reduction of the principal outstanding by \$150,000 in exchange for removing certain contingent liabilities to the purchaser under the original sale contract. The Administrators do, however, retain a limited guarantee for employee entitlements in the event of the ongoing business being unsuccessful.

This was the last significant business asset to realise.

Property

The administrations continue to utilise the Supply Centre, Maintenance Base and other miscellaneous property.

Debtors and Travel Agents

The Administrators are continuing in efforts to recover funds from debtors and Ansett trust funds from BSP travel agents. Anticipated further collections are between \$2.0m to \$4.0m. It is likely that recovery of the anticipated collections will require litigation, mainly through the Magistrates Court.



Ansett Group (Subject To Deeds Of Company Arrangement) Sixth Report to Creditors

There are currently 28 actions before the Magistrates Court and two actions before the County Court. There are further matters pending that make up the balance of the anticipated further collections.

In addition, the Administrators have significant confidential legal actions on foot. We record these assets as we receive the cash proceeds.

Spares, Rotables and Consumables

In September 2004, the Administrators agreed to effectively extend the term of the AASS agreement from three to four years to 30 June 2007. In consideration, AASS's performance standards under the agreement have been increased by US\$10m of gross sales.

As a result of the increased performance standard being consistently met, the Administrators have incorporated the increased performance standard into estimated future realisations.

During 2005, \$15.0m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$21.3m over the next two years. The estimated realisation value is net of costs required to realise the assets. The gross cost required to realise the assets is approximately \$1.7m

AAL is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, AAL's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and this is discussed in Section 4.3.

4.3 Aircraft still to be Realised - \$37.1m

Of the original fleet of 134 aircraft, at 31 December 2005, the four aircraft to be sold are:

- One A320 aircraft (currently on lease); and
- Three BAe146 aircraft (one BAe146-200QT and two BAe146-300's) currently in the UK.

The remaining four BAe146 aircraft held at 31 December 2005 are currently being parted.

These aircraft, plus the remaining realisations from those aircraft sold but not yet settled, are valued at \$37.1m, however, given the uncertain aviation market this figure may need to be written down again.



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Pembroke Capital, the remarketing agent for the A320 aircraft, is currently marketing the remaining A320 for sale, with the lease attached. Interest has been reasonable to date, however, an important factor is the age of the aircraft (it is one of the earliest built A320 aircraft). In the interim, the lease continues to generate positive cash returns and has also eliminated substantially all holding costs associated with the aircraft.

The BAe146 aircraft are no longer being produced and a reasonable proportion of the total number of these aircraft manufactured are currently available on the market. These aircraft are also facing competition from other aircraft types, including the Fokker F100.

Three of the aircraft (one BAe146-200QT and two BAe146-300's) have been checked and ferried to the UK as the majority of interest in the aircraft has been from European and Eastern European operators. Representatives of AAL have visited a number of parties in Europe to discuss acquisition of the aircraft and the Administrators continue to facilitate inspections.

The remainder of the BAe146 aircraft will be parted in the 2006 year. The parts undergo a certification process upon removal. These parts will then be remarketed as part of the ongoing spares agreement with AASS in the US.

There appears to be a stronger market for the BAe146 ALF engines, as opposed to the market for the aircraft as a whole. As a result of the decision to part the remaining BAe146's, the Administrators have been able to enter into contracts of sale for three of these engines during December 2005 to January 2006. As part of the transactions, the Administrators received three low value swap engines in addition to the cash proceeds. It was necessary to accept a combination of engine carcass and cash due to the historical practices of engine providers in this market. The engines received represented less than 15% of the total consideration and will be salvaged for parts.

These sales were the direct result of contacts gained from the last visit to Europe by representatives of AAL.



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4.4 Costs to Complete the Administrations - \$24.0m

4.4.1 Estimated Costs to Complete

Costs to complete are estimated at \$24.0m. \$8.1m of the total cost to complete is for external labour.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administrations.

The following table summarises the updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2005 \$m
Aircraft – Note 1	2.3
Engines	0.6
Regionals	0.4
Non Asset Specific Costs – Note 2	20.7
Total	24.0

Note 1. The Aircraft Cost to Complete is **net** of trading revenue generated in completing work for third parties. The gross cost is approximately \$4.3m. These costs are time dependent and will vary if the parting timeframe is shortened or extended.

Note 2. Non Asset Specific Costs include:

- the working capital deficiency (excluding cash) at 31 December 2005 of \$7.3m (this amount includes provisions for trade creditors, deposits, warranty coverage and maintenance reserves);
- shared services costs (clerical and accounting costs, IT, insurance, non asset specific payroll costs) of \$6.9m; and
- administration and legal fees of \$6.5m.

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft.

Costs to date have, however, been significantly below budget. Costs for 2005 were approximately \$20.7m, significantly less than the budget of \$27.7m as set out in the Fifth Report for 2005 due to:

- interest received (not budgeted);
- lower than budget administration fees; and
- greater than budget trading revenues in part offset by increased trading costs.



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The following table shows the costs to complete budget from January 2004, forecast to the completion of the administrations and the revised budget on which future reporting will be based:

Costs to Complete – Timetable	5 th Report	6 th Report
	31 Dec 2004	31 Dec 2005
	\$m	\$m
Working Capital	5.3	7.3
Jan – Jun 05	13.3	
Jul – Dec 05	11.5	
Jan – Jun 06	3.7	7.7
Jul – Dec 06	2.1	3.6
Jan – Jun 07	1.9	2.6
Jul – Dec 07	1.9	2.4
Regionals/Other	2.6	0.4
Total	42.3	24.0

The costs budget for the 2006 calendar year has increased due to the assets taking longer than expected to realise, particularly the aircraft parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

4.4.2 Administrators’ Remuneration

Costs to date and to complete include Administrators’ remuneration. The Committees of Creditors approve Administrators’ remuneration each month.

In February 2005, the Administrators prepared a detailed Ansett Administrators’ Remuneration Policy Manual (of approximately 23 pages plus attachments), which was provided to the Committees. The manual and subsequent updates provided the Committees with detailed disclosure of the 2004 remuneration, the 2005 remuneration as compared to the 2005 budget and budgeted 2006 remuneration. It also documented in detail, the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committees of Creditors held on 28 February 2005, the Committees agreed sufficient disclosure of information had been provided to them and also agreed with the approval process as outlined in the manual. This detailed disclosure continued on a monthly basis and is used by the Committees to review each remuneration claim.



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During the 2005 calendar year, the remuneration claims for the Ansett Group as approved by the Committees of Creditors by month were as follows:

Month	Monthly Total \$
January 2005	227,841
February 2005	292,845
March 2005	315,618
April 2005	272,607
May 2005	279,229
June 2005	309,685
July 2005	222,493
August 2005	279,257
September 2005	275,178
October 2005	217,720
November 2005	222,165
December 2005	181,199

As expected, the table shows that the 2005 monthly claims peaked during the preparation of the Pooling application (February to June 2005) and have generally declined during the remainder of the calendar year.



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4.5 Contingency Reserve - \$16.6m

There are large contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced during 2004 and 2005. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are:

- contingent assets of up to \$20m may be realised, depending on the success of litigation; and
- contingent liabilities of up to \$16.6m may have to be paid (reduced from \$42m in the Fourth Report and from \$31m in the Fifth Report).

These amounts have not been included in the estimated realisations for creditors.

At 31 December 2005 we were more than \$96m over budget realisations (other than aircraft). After the release of a further \$50m, the amount of contingency reserve at 31 December 2005 is \$16.6m.

The table below shows the history of asset realisations over budget (before aircraft), the build-up of the contingency and the release of the contingency:

Details	3 rd Report 31 Dec 2002 \$m	4 th Report 31 Dec 2003 \$m	5 th Report 31 Dec 2004 \$m	6 th Report 31 Dec 2005 \$m	Total \$m
Contingency at 1 January	0.0	0.0	12.7	25.8	0.0
Assets realised over budget / revalued in calendar year	0.0	42.7	13.1	40.8	96.6
Contingency released		(30.0)		(50.0)	(80.0)
Contingency at 31 December	0.0	12.7	25.8	16.6	16.6



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5 Future Dividends

The estimated returns to creditors have been prepared on a consolidated basis and are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is very important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.3.

5.1 Return to Employees

The Administrators estimate employees will ultimately receive a further \$84.2m. Accordingly, the Administrators anticipate total payments of \$670.5m of the \$760.0m total entitlements owed, being 88.2% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 48% of their current outstanding balance (following payment of the fourth dividend). Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the \$760.0m total entitlements owed, being 83.3% of total entitlements.

The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			760.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(384.0)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
Total of Redundancy >8 Weeks Owing			362.1
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			295.1
Second Dividend - Calculated as % of Balance Owed		10-Dec-03	(80.3)
27.5%			214.8
Balance of Redundancy >8 Weeks Owing			214.8
Third Dividend - Calculated as % of Balance Owed		15-Dec-04	(16.1)
7.5%			198.7
Balance of Redundancy >8 Weeks Owing			198.7
Fourth Dividend - Calculated as % of Balance Owed		12-Dec-05	(25.0)
12.5%			173.7
Balance Now Outstanding			173.7
Future Dividends Estimated			(84.2)
48.0%			89.5
Estimated Shortfall			89.5
Total Amount Estimated to be Distributed			670.5



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5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$326.6m of the total SEES advance of \$384.0m.

5.3 Major Risks and Assumptions

It is important to note the major risks in delivering the estimated returns:

- Resolution of pooling of individual companies as set out in Section 6. The outcome of the process will determine the proportion of funds available to employees;
- Aircraft values. Realisations of aircraft will depend on the state of the world aviation market. This may give rise to further adjustments to aircraft values;
- Costs to Complete. Costs are largely driven by the shutdown date for the Tullamarine facility, which in turn is dependent on meeting commitments to purchasers of AAL assets as well as an assessment of the expected realisations from assets compared to the costs to maintain the assets;
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotables. These assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;
- Exchange rate variations; and
- Resolution of litigation and disputes.



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6 Pooling

6.1 Pooling Application made in 2005

The Pooling application was lodged with the Federal Court of Australia on 21 June 2005 (Victorian District Registry VID621 of 2005).

The application and consultation processes are outlined below.

Further to the application, six affidavits have been sworn together with 84 exhibits to those affidavits. All documents lodged are available on the websites for further review under “Creditor Information” and by clicking on “Pooling Application”. A full transcript of each of the Federal Court hearings is also on the websites.

The application seeks orders or directions from the Court that:

- The Deed Administrators may properly cause each of the Ansett Group Companies to vote in favour of Pooling, to the extent each Ansett Group Company is entitled to vote as a Deed Creditor at any meeting of creditors of that Ansett Group Company, or further or alternatively, in the capacity as Deed Administrator of each Ansett Group Company, the Administrators may properly and justifiably exercise a casting vote, as chairman of the Pooling Meeting, in favour of Pooling;
- The Court approve the compromises documented in the deed entitled “AAE Pooling Compromise Deed” made 29 August 2005, or further or alternatively, in the capacity as Deed Administrators the Administrators may properly perform and give effect to the AAE Pooling Deed; and
- Notice of each Pooling Meeting is to be given by posting on the Ansett Websites notice of those meetings and causing details of the said websites and meetings to be published in a national newspaper, or in each jurisdiction in which the Ansett Group carries or carried on business, in a daily newspaper that circulates generally in that jurisdiction.

The AAE Pooling Compromise Deed is posted on and may be downloaded from the websites (see exhibit MAK 5 of Mark Korda’s affidavit sworn 12 September 2005). The reasons we believe that the compromises documented in the AAE Pooling Compromise Deed are in the best interests of the Ansett Group as a whole are set out in paragraphs 212 to 217 of Mark Korda’s affidavit sworn 12 September 2005 and paragraphs 8 to 16 of Mark Korda’s affidavit sworn 30 September 2005.

The affidavits sworn have been:

- First Affidavit of Mark Anthony Korda, sworn 21 June 2005;
- Second Affidavit of Mark Anthony Korda, sworn 12 September 2005;



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- First Affidavit of Alexander William King, sworn 23 September 2005;
- Third Affidavit of Mark Anthony Korda, sworn 30 September 2005;
- Fourth Affidavit of Mark Anthony Korda, sworn 13 October 2005; and
- Second Affidavit of Alexander William King, sworn 18 October 2005.

Subsequent to the lodgement of the First Affidavit of Mark Anthony Korda, we:

- provided copies of the affidavit to the Commonwealth, ASIC and the three bank creditors of AAE;
- placed copies of the affidavit and all the relevant court documents on the Ansett websites;
- wrote to 126 of the creditors of six companies or entities that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- wrote to the three non AAL employees that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- placed an advertisement in “The Australian” on 21 September 2005;
- circulated Update 70 to the Committees of Creditors providing an explanation of the reasons for the AAE compromise; and
- held meetings or discussions with ASIC, the Commonwealth, unions and possible contradictors.

The Administrators also advised the Court (within the further affidavits) that the responses received to the various steps above were as follows:

- a letter from ASIC which raised a number of questions and the Administrators had meetings with ASIC to discuss those issues;
- three responses to the letters sent to 126 creditors;
- no responses to the advertisement; and
- WTH Pty Ltd agreed to act as a contradictor to the proceeding. Note that Justice Goldberg expressly requested the Administrators find a party to act as a contradictor.

As a result of the responses and questions from various parties, the Administrators filed details (within the further affidavits) in relation to:

- confidential and privileged legal advice and commercial reasons for the AAE Pooling Deed and associated compromises;



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- the discussions with the three responders to the 126 letters to disaffected creditors;
- the ASIC letter and subsequent discussions, additional and supplementary Dividend Tables, further to Dividend Table 3 in the Second Affidavit of Mark Anthony Korda, showing the likely dividends to Deed Creditors if Pooling were to occur without approval of the AAE Pooling Deed (referred to as Scenario 3) or if the Ansett Group companies were to continue to be separately administered without Pooling and without approval of the AAE Compromise (referred to as Scenario 4);
- the ASIC letter and subsequent discussions, estimates of the likely costs of resolving the issues posed if Pooling does not occur and the Ansett Group companies continue to be separately administered, and the likely costs of holding the proposed creditor meetings to consider Pooling outlining two further scenarios (to those provided in the First Affidavit of Mark Anthony Korda) dealing with pooling or no pooling;
- the current and potential litigation in which various Ansett Group companies are or may become involved;
- the Administrators' communications with other stakeholders (such as the ACTU and other Unions); and
- a table showing the proportion of proposed Ansett Group intercompany votes as a percentage of total possible creditor votes in the asset holding Ansett Group companies and entities.

The matter was heard on 24 October 2005 before Justice Goldberg.

On 22 March 2006, Justice Goldberg handed down written reasons for judgement. At this stage, His Honour has not made any specific orders. The reasons for judgement are also available on the websites. We are to return to court for directions shortly.

The Court has indicated that it requires further evidence about the position of disadvantaged creditors generally, and the effect on the potential return to those creditors of the additional administration costs if the Ansett Group is not pooled before it can determine whether to give the voting direction sought by the Administrators.

This information is currently being prepared in the form of supplementary affidavits.

In relation to the AAE Deed of Compromise, the Court is disposed to approve the deed, on the basis that it provides benefits and advantages for AAE and its creditors generally which would not otherwise be obtainable. There are two conditions precedent to the operation of the deed. The first is satisfied by the Court's approval of it. The second depends on the outcome of the meeting of creditors of AAE.



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6.2 Further Dividends

No further large dividends can be paid until pooling is resolved. Of the \$118.1m cash in the bank at 31 December 2005 that relates to non AAL Group entities, the Administrators estimated (in December 2005) that should pooling be resolved, approximately \$73m could be distributed to the employees and SEES and \$27m may be distributed to financiers with the benefit of guarantees by AAL.

If the Ansett Group is not pooled, up to \$60m may not be available to be distributed as dividends to SEES and employees.

6.3 Pooling Issues

Issues affecting whether or not the companies ought to pool, include:

- Memorandum of Understanding between Air New Zealand, the Administrators and other parties to the agreement;
- set off of related Ansett companies' bank accounts by the Ansett Group's pre-appointment banker;
- class orders;
- ownership of property issues;
- related company use of Ansett Group assets, e.g. the use of cash, brand, intellectual property and the sharing of employees across companies;
- allocation of costs across the Ansett Group;
- charge back issues;
- tax and tax losses issues; and
- issues within individual companies eg Traveland trust money dispute, use of AAL assets by Kendell, intercompany loan balances, etc.

The Administrators have prepared detailed reports on pooling in the form of the affidavits as sworn by Mark Korda for the Pooling application as described in Section 6.1. There are many complex issues relating to the Ansett Group as a whole and to individual companies which are covered in detail in these reports.



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6.4 Resolution of Pooling

Further to the provision of the supplementary affidavits currently being prepared as referred to in Section 6.1, the following is an example of the events that would need to take place (at a minimum) before the Administrators could be in a position to pay a further dividend:

- The Federal Court approves each of the three parts to the Pooling application as previously set out, or variations thereof as the court sees fit;
- the Administrators give the appropriate notice (minimum of one week) to priority and non-priority creditors of the Ansett Group of Companies of meetings of the Creditors of the Ansett Group of Companies;
- the Administrators make publicly available the proposed Pooling resolutions to be put to meetings of the Creditors of the Ansett Group of Companies together with the proposed amendments to the Deeds of Company Arrangement and the AAE Pooling Compromise Deed;
- the Administrators hold properly constituted meetings of the Creditors of the Ansett Group of Companies;
- a quorum of Creditors vote in favour of all of the aforementioned Pooling resolutions;
- the Administrators allow an appropriate length of time for objections to the above process to be lodged; and
- payment is arranged.

At a minimum, the above process could take two months from the receipt of the orders from the Federal Court given the required notice periods and statutory reporting obligations.



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7 Statutory and Legal Matters

7.1 Court Applications

The Administrators have made and are continuing a number of applications to various courts. Those made since the Fifth Report include:

- pooling application as detailed in Section 6;
- applications concerning recovery of trade receivables; and
- four (further) applications to Recover Trust Funds from Travel Agents.

Applications made previously (including those made by other parties) and which have continued or been resolved since the Fifth Report are as follows:

- application to Recover Trust Funds from Travel Agents;
- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Master Merchant Agreement from Diners Club Australia;
- application regarding IATA; and
- applications regarding Trade Debtors.

Detailed information on a number of the applications made during the administrations can be obtained from the Administrators' websites.

Below is a brief summary of the above applications and their current status or outcome since the Fifth Report in so far as they are material. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators are not included.

7.1.1 Application to recover Trust Funds from Travel Agents (Proceeding No. 2097 of 2003)

In the Fifth Report, the Administrators advised that AAL commenced proceedings in the Supreme Court of Victoria to recover \$4m held in trust by travel agents within the Flight Centre Group of companies. On 11 March 2005, the parties participated in the Court ordered mediation. The Administrators are pleased to advise that the parties have resolved the dispute on confidential terms satisfactory to AAL.

The status of recovery of Trust Funds from Travel Agents and actions currently before the courts is presented in Section 4.2 "Debtors and Travel Agents".



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7.1.2 Applications regarding Global Rewards

The Administrators have previously reported that AAL has successfully settled claims, on confidential terms, against certain participants of the Global Rewards program and have recovered in total \$10.4m (proceeding number 2073 of 2002).

In the Fifth Report, the Administrators also outlined two applications made by AAL against Diners Club Australia (“Diners”). In summary those applications are as follows:

- On 3 November 2004, AAL issued an application in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Global Reward Participation Agreement. The statement of claim particularises claims by AAL in the amount of \$9,632,793 together with interest and costs. Diners filed its amended defence and counterclaim on 25 October 2005 denying any liability and claiming from AAL for a number of defences (including set off defences) to Ansett’s claim.

The Court’s interlocutory proceedings are still in progress, however His Honour Justice Hargrave has set a trial date and fixed the hearing for 1 August 2006 following a court ordered mediation. The trial has an estimated duration of 10 days.

- In addition, and in the same proceeding, AAL made a separate claim against Diners under a Master Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Credit Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs (however the quantum will be reduced if Diners can substantiate valid credit card charge backs which are currently subject to discussions between the parties). The parties have agreed that this particular claim be referred to Arbitration in New York in accordance with the terms of the Master Merchant Agreement. By further agreement between the parties this proceeding will not be commenced until the Global Rewards Application detailed above is completed.

7.1.3 Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

The Administrators have previously reported that on 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL’s entry into voluntary administration. IATA operates a Clearing House for the netting and settlement of transactions between participating members and other organisations that are international air transport enterprises and members of IATA. AAHL was a member of the IATA Clearing House at the time of the appointment of Voluntary Administrators.



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AAHL defended the claims brought by IATA and counter claimed seeking orders including that the Clearing House regulations ceased to apply to AAHL upon its entry into voluntary administration. AAHL claimed that the Clearing House Regulations did not apply to AAHL's credits and debits that were not cleared as at 12 September 2001, but rather those debits and credits must be dealt with in the administration of AAHL pursuant to, and in accordance with, the provisions of the Deed of Company Arrangement.

IATA's and AAHL's proceedings were heard together with His Honour Justice Mandie, presided during 2 February 2005 to 7 February 2005. The key issue raised in the proceedings was whether the Regulations continued to apply to AAHL, notwithstanding AAHL's execution of the Deed of Company Arrangement.

Justice Mandie delivered his judgement on 22 April 2005. Contrary to AAHL's defence and counterclaim, Justice Mandie accepted IATA's submissions that by virtue of the Regulations that the only "property" that AAHL could ever be entitled to in relation to services provided to IATA Clearing House members by AAHL, was a debt owed to it by the Clearing House.

AAHL filed a notice of appeal to the Supreme Court of Appeal on 20 June 2005. AAHL's decision to appeal occurred only after carefully considering the decision of Justice Mandie and following receipt of advice from the Administrators' lawyers. The decision to appeal was also made with regard to the costs of an appeal and the potential ability of AAHL, in subsequent proceedings, to recover substantial amounts of money from net debtor airlines in the event of a successful appeal.

Details of the potential recoveries from Clearing House members in the event of a successful appeal by AAHL were outlined in 6.1.3 of the Fifth Report.

The Administrators anticipate the Appeal to be heard in the second half of 2006.

Dated this 31st day of March 2006



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



Appendix 1 Listing of Companies for which this Report has been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Moraël Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



Appendix 2 Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
"AAE"	Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)
"Aeropelican"	Aeropelican Air Services Pty Ltd (ACN 000 653 083)
"Ansett International"	Ansett International Limited (ACN 060 622 460)
"Bodas"	Bodas Pty Ltd (ACN 002 158 741)
"Kendell"	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
"Show Group"	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
"Skywest"	Skywest Airlines Pty Ltd (ACN 008 997 662)
"Skywest Aviation"	ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)
"Skywest Jet Charter"	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
"Skywest Holdings"	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
"Traveland"	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"non AAL Group Entities"	All companies listed in Appendix 1, except for Ansett Australia Limited
"Air New Zealand" or "the Air New Zealand Group"	Air New Zealand Group of Companies
Memorandum of Understanding	Settlement agreement between Air New Zealand and the Administrators
"JTS"	Jet Turbine Services
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"ASIC"	Australian Securities and Investments Commission
"Commonwealth Government"	Commonwealth Government of Australia
"EBA"	Enterprise Bargaining Agreement
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees



"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Seventh Report to Creditors

31 March 2007

Level 24, 333 Collins Street

GPO Box 2985

Melbourne VIC 3001

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**Ansett Group (Subject To Deeds Of Company Arrangement)
Seventh Report to Creditors**

1 Executive Summary

1.1 Introduction

This is the Seventh Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2006. The Administrators have also issued 83 Committee of Creditors' updates, 48 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been achieved?

The Administrators realised \$60.8m of assets during 2006. All aircraft and over 95% of the other assets have now been sold or leased.

The Administrators paid three dividends during 2006. The fifth, sixth and seventh dividends totalled \$132.5m of which \$80.6m was paid to employees and \$51.9m to the Commonwealth Government.

Employees have now received \$666.9m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$322.7m of the \$384.0m of its total advances.

The Ansett Group has been pooled in its entirety. Meetings of creditors took place in August 2006 and the Ansett Group creditors approved pooling resolutions across 40 of the Ansett Group companies and trusts. Pooling was the primary reason for the higher dividends in the year than in 2004 and 2005.

A distribution of \$27 million was also paid to various AAE creditors under the AAE Pooling Compromise Deed.

The Administrators are now able to increase the net asset realisation estimate by a further \$30.0m from \$640.0m to \$670.0m as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.



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1.3 Where are we going?

This still remains a comparatively complex administration. The Administrators will:

- continue to sell spare parts;
- collect in amounts still owing from travel agents and pursue legal actions;
- collect aircraft lease revenue; and
- either sell or wind down the engineering business.

The above is expected to realise \$31.5m.

Costs to complete the administration are estimated at \$12.5m. \$3.1m of the total cost to complete the administration is for trade creditors and employee provisions accrued during the administration period to 31 December 2006. \$2.9m of the total cost to complete the administration is for external labour requirements.

There are contingencies, both assets and liabilities, which are being resolved on a continuing basis.

1.4 Future dividends

The Administrators estimate employees will receive a further \$21.7m, to be paid over the next few years. **This means each employee will receive 23% of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$688.6m of the \$760.0m of total employee entitlements owed (approximately 90.6 cents in the dollar on average).

The Administrators estimate the Commonwealth Government will ultimately receive \$338.3m of its total advance of \$384.0m.

Further dividends will be paid over the next few years as assets are realised.

It is very important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.3.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Seventh Report to Creditors**

2 Communication with Stakeholders

2.1 The Administrators' websites

The Administrators established websites early in the administration to post documents relating to major issues in the administration. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

2.2 Committee of Creditors' updates

The functions of the Ansett Committee of Creditors are to consult with the Administrators about matters relating to the administration, receive and consider updates and reports prepared by the Administrators and to approve the Administrators' remuneration from time to time.

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2006 is as follows:

Update	Date	Major Issues Reported
74	18 January 2006	Pooling Application Process – Progress, Aircraft sales, Overheads, Administrators' remuneration
75	15 February 2006	Pooling Application Process – Progress, Aircraft and engine sales, Ansett Engineering, Ansett Simulator Refinancing, Cash at Bank
76	22 March 2006	Pooling Application Process – Progress, Dividend payments
77	31 March 2006	Pooling Application Process – Progress, AAE pooling compromise
78	3 April 2006	Sixth Report to Creditors
79	27 April 2006	Pooling Application Process – Progress, Payment of fifth dividend
80	22 June 2006	General Update to 31 May 2006 including Financial Summary, Pooling Application Process – Progress, Major Risks and Assumptions and Further Financial Schedules
81	17 August 2006	Pooling Application Process – meetings
82	21 September 2005	General Update to 31 August 2006 including Financial Summary, Pooling Application Process – Progress, Major Risks and Assumptions and Further Financial Schedules
83	7 December 2006	General Update to 30 November 2006 including Financial Summary, Major Risks and Assumptions, IATA and Further Financial Schedules



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2.3 Employee updates

Employees have also been provided with updates on the Administrators' websites. A summary of the major issues covered in each update during 2006 is as follows:

Update	Date	Major Issues Reported
39	28 February 2006	Pooling Application Process – Progress, Asset Sales in 2005, Aircraft Movements, Ansett Engineering
40	22 March 2006	Pooling Application Process – Progress
41	31 March 2006	Pooling Application Process – Progress
42	3 April 2006	Sixth Report to Creditors, What Has Been Achieved? (in 2005) Where Are We Going? Future Distributions
43	27 April 2006	Payment of Fifth Dividend, AAE Pooling, Pooling Application Process - Progress
44	11 May 2006	Payment of Fifth Dividend – Q&A, Source of Funds Pooling Application Process - Progress
45	5 June 2006	Pooling Application Process – Progress, Payment of further dividends
46	17 August 2006	Pooling Application Process – meetings
47	31 August 2006	Payment of Sixth Dividend Pooling Application Process – meeting results
48	14 December 2006	Payment of Seventh Dividend, Superannuation

2.4 Key stakeholder communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.

2.5 Pooling communications

The most significant issue dealt with during 2006 was Pooling. In addition to the information in the updates to the Committee of Creditors and Employees as set out above, special purpose reports, proposed DOCA and Trust Deed amendments, notices, affidavits and various other information was made available to all stakeholders throughout the process.

A complete review of the entire pooling process is set out Section 6.



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Detailed reports to creditors were issued for each Ansett Group entity for the creditors review and consideration in advance of the 31 August 2006 meetings of creditors. The reports set out for each entity the Administrators' recommendation as to whether pooling of that entity into AAL was in the best interests of the creditors of that entity. The reports made reference to the detailed affidavits and the court documents that were, and remain, available on the web site.

A listing of all the information available on the web sites in relation to the pooling application is included at Appendix 3 to this report.



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Seventh Report to Creditors**

3 What has been achieved?

3.1 Assets realised during 2006

The Administrators realised \$60.8m of assets during 2006. The Administrators have now realised over 95% of assets. There are no aircraft remaining for sale. Assets other than aircraft realised in 2006 totalled \$28.2m.

The non aircraft assets realised during 2006 are as follows:

Non Aircraft Assets realised during 2006	Section	\$m
Businesses	3.1.1	5.6
Debtors	3.1.2	8.9
Spares, Rotables and Consumables	3.1.3	13.7
Total		28.2

3.1.1 Businesses

The Ansett Flight Simulation Centre

The Ansett Flight Simulation Centre was sold in October 2004 with vendor finance provided for part of the consideration. During 2005 the purchasers made the payments under the terms of the finance agreement.

In early 2006 the Administrators worked with the purchaser in the refinancing of the loan. As a result, on 1 February 2006 the Administrators received the repayment of the vendor loan.

Skywest Security Payment

The Administrators completed the sale of shares in Skywest in February 2002 with an interest bearing security payment outstanding for part of the consideration.

During March and April 2006, the Administrators worked with the purchaser in the refinancing of the deposit. As a result, in April 2006 the Administrators received the repayment of the facility.

3.1.2 Debtors

Debtor Recoveries

During 2006, the collection team has recovered a further \$8.9m in pre administration debtors. This has increased total collections to \$146.5 million. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on AAL's behalf.



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Air New Zealand

\$4.0m was collected from Air New Zealand on 14 July 2006. The Administrators negotiated a full and final settlement with Air New Zealand which was approved by the Committee of Creditors. The settlement included dealing with post administration debts, IATA claims and trust monies amongst other things. The terms of the settlement are confidential.

IATA

On 10 November 2006 the Victorian Supreme Court, Court of Appeal handed down judgement allowing Ansett's appeal against the Victorian Supreme Court decision of His Honour, Justice Mandie, in favour of IATA (further details are contained in section 7.3 of this report).

3.1.3 Spares, Rotables and Consumables

During 2006, \$13.7m was realised from the sale of spares, rotatables and consumables.

The Administrators' consignment and marketing agreement with AASS for the sale of rotatables and consumables has minimum performance standards, which were again met during 2006.

The Administrators are currently in negotiations with AASS to extend the terms of the consignment and marketing agreement.

3.2 Aircraft realised during 2006

The settlement of the A320 (MSN 025) took place in January 2006. The balance of funds outstanding were collected being the total sale price less the deposit previously received and maintenance reserves.

In addition to the settlement of the A320 (MSN 025), all four remaining aircraft were sold or leased during 2006 as follows:

- June 2006: Lease to Orion Air (with option to purchase) of the two BAe146-300's (EWR and EWM);
- August 2006: Sale to Westair Sweden of the BAe146-200QT; and
- October 2006: Sale of remaining A320 (MSN 030).

Therefore there are now four aircraft on lease with the lessees holding options for purchase as follows:

- Orion Air - two BAe146-300's (EWR and EWN) over two years from June 2006; and
- European Skybus – two BAe146-300's (NZG and NZJ) over two years from November 2005.



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It has always been the expectation that the lessees will exercise their purchase options due to the structure of the contracts whereby the lease payments offset the final settlement amount.

The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(55)	(5)	N/A	N/A	(60)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft to be Sold/Parted	0	-	-	-	0

It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the four Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. Of the remaining aircraft, 18 have been or are being sold for parts and 20 have been sold on the market.



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3.3 Dividends paid during 2006

The Administrators paid three dividends in 2006 totalling \$132.5m, being the fifth, sixth and seventh dividends, as follows:

- the fifth dividend on 27 April 2006 of \$28.6m of which \$17.3m was paid to employees, being 10.0% of each employee's outstanding balance after payment of the first, second, third and fourth dividends; and \$11.3m to the Commonwealth Government;
- the sixth dividend on 7 September 2006 of \$76.9m of which \$46.9m was paid to employees, being 30.0% of each employee's outstanding balance after payment of the first, second, third, fourth and fifth dividends; and \$30.0m to the Commonwealth Government; and
- the seventh dividend on 14 December 2006 of \$27.0m of which \$16.4m was paid to employees, being 15.0% of each employee's outstanding balance after payment of the first, second, third, fourth, fifth and sixth dividends; and \$10.6m to the Commonwealth Government.

Employees have now received \$666.9m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$322.7m of the \$384.0m of its estimated total advances.

A distribution of \$27 million was also paid to various AAE creditors under the AAE Pooling Compromise Deed. This compromise is discussed in detail in Section 6.



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Seventh Report to Creditors

4 Where are we going?

This still remains a comparatively complex administration. Overall, the Administrators expect to achieve total net realisations of at least \$670m. Significantly, the net asset realisations estimate has increased by \$30m from the \$640m previously reported in the Sixth Report. This is as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.

Estimated Realisations	Section	4 th Report 31 December 2003 \$m	5 th Report 31 December 2004 \$m	6 th Report 31 December 2005 \$m	7 th Report 31 December 2006 \$m
Cash at Bank	4.1	169.7	151.1	142.4	32.3
Proceeds from Asset Sales used for distributions		320.6	413.5	467.5	628.4
Assets still to be realised	4.2	102.1	32.0	33.6	27.1
Costs to complete (including aircraft costs)	4.4	(59.7)	(42.3)	(24.0)	(12.5)
Contingency reserve	4.5	(12.7)	(25.8)	(16.6)	(9.7)
Total before remaining aircraft realisations		520.0	528.5	602.9	665.6
Aircraft still to be realised	4.3	70.0	61.5	37.1	4.4
Total Realisations		590.0	590.0	640.0	670.0

Ultimately, the Administrators expect the \$670.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003 \$m	31 Dec 2004 \$m	31 Dec 2005 \$m	31 Dec 2006 \$m
Dividends to Date				
Employees	162.5	177.7	202.3	282.9
SEES	188.7	258.3	272.5	322.7
Unsecured creditors	-	-	-	27.0
	351.2	436.0	474.8	632.6
Amounts To Be Distributed				
Employees	85.1	68.9	84.2	21.8
SEES	113.7	45.1	54.0	15.6
Unsecured Creditors	40.0	40.0	27.0	-
	238.8	154.0	165.2	37.4
Total Dividends				
Employees	247.6	246.6	286.5	304.7
SEES	302.4	303.4	326.5	338.3
Unsecured Creditors	40.0	40.0	27.0	27.0
	590.0	590.0	640.0	670.0



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4.1 Cash at bank - \$32.3m

The \$32.3m in the bank on 31 December 2006 was unavailable for distribution as follows:

- \$3.5m is either held in trust for continuing employees or for SEES.
- The balance is required temporarily to act as working capital for existing operations and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

4.2 Assets still to be realised - \$27.1m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

The administration continues to utilise the Supply Centre, Maintenance Base and other miscellaneous property.

Negotiations are currently under way for the sale of the Maintenance Base including:

- business assets such as trade stock, selected IT and Quality Assurance systems; and
- transfer of existing leases (note: the buildings and hangers are on leased land).

A prospective buyer has substantially completed a due diligence program and negotiations are currently taking place. Existing staff are likely to be made redundant.

The terms of the sale are confidential however the sale specifically excludes the Spares and the Supply Centre and the existing Debtors and IT systems required by the Administrators to facilitate further recoveries.

The Supply Centre will not be sold in the short term given the AASS agreement referred to below and potential further extensions.



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Debtors and Travel Agents

Recovery of funds from debtors and funds held in trust from BSP travel agents is continuing.

In respect of outstanding debtors funds, the recovery is predominantly through the Magistrates Court.

BSP Travel agents are being served with a final letter of demand by Ansett solicitors. Failing an appropriate response, Ansett intends to pursue the claims through the appropriate court.

There are currently 60 actions before the Magistrates Court and 1 action before the County Court. Anticipated further collections are between \$1.0 to \$4.0m.

Spares, Rotables and Consumables

The Administrators are currently negotiating to extend the term of the AASS agreement.

During 2006, \$13.7m was realised from the sale of spares, rotatables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$20.1m over the next two and a half years. The estimated realisation value is net of costs required to realise the assets. The gross cost required to realise the assets is approximately \$3.1m

AAL is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, AAL's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and this is discussed in Section 4.3.

4.3 Aircraft still to be realised - \$4.4m

Of the original fleet of 134 aircraft, at 31 December 2006, there are no aircraft remaining to be sold.

There are however remaining revenue streams to be realised as follows:

- Orion Air – lease of two BAe146-300's (EWR and EWN) over two years from June 2006;
- European Skybus – lease of two BAe146-300's (NZG and NZJ) over two years from November 2005; and
- Sale of parts, including ALF engines, from the BAe146 aircraft parted during 2006.



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BAe146 aircraft are no longer being produced. A reasonable proportion of the total number of these aircraft manufactured are currently available on the market. These aircraft are also facing competition from other aircraft types, including the Fokker F100. Given the prohibitive cost of the modifications required to bring many of the Ansett BAe146 aircraft to market, the ongoing storage costs and heavy maintenance requirements, the decision was made to part the balance of the BAe146 aircraft.

As such, the realisation strategy employed for the BAe146 aircraft has proved a success to date, the strategy has seen:

- the lease of four BAe146 aircraft (with purchase options for the lessees);
- the sale of the BAe146-200QT to Westair Sweden; and
- the parting of the balance of the BAe146 aircraft.

The parts undergo a certification process upon removal. These parts are now being remarketed as part of the ongoing spares agreement with AASS in the US.

Given the continued uncertainty in the market with regard to the BAe146 aircraft, a continuation of the conservative approach to the valuation of aircraft is appropriate.

The Administrators now expect to receive a further \$4.4m from the aircraft assets detailed above.



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4.4 Costs to complete the Administration - \$12.5m

4.4.1 Estimated costs to complete

Costs to complete are estimated at \$12.5m. \$3.1m of the total cost to complete the administration is for the trade creditors and employee provisions as at 31 December 2006. \$2.9m of the total cost to complete the administration is for external labour requirements.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administration.

The following table summarises the updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2006 \$m
Aircraft costs	1.0
Working Capital – includes trade creditors and employee entitlements accrued during the administration period	3.1
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	4.9
Administration and legal fees	3.5
Total	12.5

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft and the spares, rotables and consumables.

Costs to date have, however, been significantly below budget. Costs for 2006 were approximately \$6.1m, significantly less than the budget of \$11.3m as set out in the Sixth Report for 2006 due to:

- interest received (not budgeted); and
- greater than budget trading revenues in part offset by increased trading costs.



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The following table shows the costs to complete budget from January 2004, forecast to the completion of the administration and the revised budget on which future reporting will be based:

Costs to Complete – Timetable	5 th Report 31 Dec 2004	6 th Report 31 Dec 2005	7 th Report 31 Dec 2006
	\$m	\$m	\$m
Working Capital	5.3	7.3	3.1
Jan – Jun 05	13.3		
Jul – Dec 05	11.5		
Jan – Jun 06	3.7	7.7	
Jul – Dec 06	2.1	3.6	
Jan – Jun 07	1.9	2.6	3.3
Jul – Dec 07	1.9	2.4	2.5
Jan – Jun 08			1.9
Jul – Dec 08			1.7
Regionals/Other	2.6	0.4	
Total	42.3	24.0	12.5

The budgets for the 2007 and 2008 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

4.4.2 Administrators' remuneration

Costs to date and to complete include Administrators' remuneration. The Committee of Creditors approve Administrators' remuneration on a monthly basis.

In February 2005, the Administrators prepared a detailed Ansett Administrators' Remuneration Policy Manual (of approximately 23 pages plus attachments) which was provided to the Committee. The manual and subsequent updates issued in February 2006 and 2007 continually provide the Committee with detailed disclosure of:

- Annual remuneration paid;
- Calculation of the remuneration including hours, staff and detailed task analysis;
- Annual remuneration compared to the previously approved annual budget; and
- Annual remuneration budget for the forthcoming year.



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The Policy Manual also documents in detail the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committee of Creditors held on 28 February 2005, the Committee agreed sufficient disclosure of information had been provided to them and also agreed with the approval process as outlined in the manual. This detailed disclosure continued on a monthly basis and is provided to the Committee to assist in its review of each remuneration claim.

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates. The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim.

The 2006 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2006	229,224
February 2006	250,255
March 2006	324,886
April 2006	237,431
May 2006	282,225
June 2006	232,332
July 2006	263,097
August 2006	363,314
September 2006	213,959
October 2006	216,648
November 2006	183,507
December 2006	136,263

As expected, the table shows that the 2006 monthly claims peaked during the preparation for the Pooling documents for the Court (March, April, May) and during preparation and circulation of the special purpose reports and other documents for the Pooling meetings in August. Generally the remuneration claims have declined during the remainder of the calendar year.



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4.5 Contingency reserve - \$9.7m

There are large contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced during 2004, 2005 and 2006. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are:

- contingent assets of up to \$20m may be realised, depending on the success of litigation; and
- contingent liabilities of up to \$16.6m may have to be paid (reduced from \$42m in the Fourth Report and from \$31m in the Fifth Report).

These amounts have not been included in the estimated realisations for creditors.

At 31 December 2006 the administration was more than \$119.7 over budget realisations (other than aircraft). After the release of a further \$30m, the amount of contingency reserve at 31 December 2006 is \$9.7m.

The table below shows the history of asset realisations over budget (before aircraft), the build-up of the contingency and the release of the contingency:

Details	3 rd Report 31 Dec 2002 \$m	4 th Report 31 Dec 2003 \$m	5 th Report 31 Dec 2004 \$m	6 th Report 31 Dec 2005 \$m	7 th Report 31 Dec 2006 \$m	Total \$m
Contingency at 1 January	0.0	0.0	12.7	25.8	16.6	0.0
Assets realised over budget / revalued in calendar year	0.0	42.7	13.1	40.8	23.1	119.7
Contingency released		(30.0)		(50.0)	(30.0)	(110.0)
Contingency at 31 December	0.0	12.7	25.8	16.6	9.7	9.7



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5 Future Dividends

5.1 Return to Employees

The Administrators estimate employees will ultimately receive a further \$21.7m. Accordingly, the Administrators anticipate total payments of \$688.6m of the \$760.0m total entitlements owed, being 90.6% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 23% of their current outstanding balance (following payment of the seventh dividend).

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the \$760.0m total entitlements owed, being 83.3% of total entitlements. The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			760.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(384.0)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
Total of Redundancy >8 Weeks Owing			362.1
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			295.1
Second Dividend - Calculated as % of Balance Owed	27.5%	10-Dec-03	(80.3)
Balance of Redundancy >8 Weeks Owing			214.8
Third Dividend - Calculated as % of Balance Owed	7.5%	15-Dec-04	(16.1)
Balance of Redundancy >8 Weeks Owing			198.7
Fourth Dividend - Calculated as % of Balance Owed	12.5%	12-Dec-05	(25.0)
Balance of Redundancy >8 Weeks Owing			173.7
Fifth Dividend - Calculated as % of Balance Owed	10.0%	27-Apr-06	(17.3)
Balance of Redundancy >8 Weeks Owing			156.4
Sixth Dividend - Calculated as % of Balance Owed	30.0%	7-Sept-06	(46.9)
Balance of Redundancy >8 Weeks Owing			109.5
Seventh Dividend - Calculated as % of Balance Owed	15.0%	14-Dec-06	(16.4)
Balance Now Outstanding			93.1
Future Dividends Estimated			(21.7)
Estimated Shortfall			71.4
Total Amount Estimated to be Distributed			688.6



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The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is very important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.3.

5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$338.3m of the total SEES advance of \$384.0m.

5.3 Major risks and assumptions

It is important to note the major risks in delivering the estimated returns:

- Aircraft values. Realisations of aircraft will depend on the state of the world aviation market. This may give rise to further adjustments to aircraft values;
- Costs to Complete. Costs are largely driven by the shutdown date for the Tullamarine facility, which in turn is dependent on meeting commitments to purchasers of AAL assets as well as an assessment of the expected realisations from assets compared to the costs to maintain the assets;
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotables. These assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;
- Exchange rate variations; and
- Resolution of litigation and disputes.



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6 Pooling

The Ansett Group has now been pooled in its entirety. Meetings of creditors took place in August and the Ansett Group creditors approved pooling resolutions across 40 of the Ansett Group companies and trusts. Pooling was the primary reason for the higher dividends in the year than in 2004 and 2005.

The application and consultation processes are outlined below.

6.1 Pooling application made in 2005

The Pooling application was lodged with the Federal Court of Australia on 21 June 2005 (Victorian District Registry VID621 of 2005).

Further to the application, ten affidavits were sworn together with 89 exhibits to those affidavits. All documents lodged are available on the websites for further review under “Creditor Information” and by clicking on “Pooling Application”. A full transcript of each of the Federal Court hearings is also on the websites.

The application sought orders or directions from the Court that:

- The Deed Administrators may properly cause each of the Ansett Group Companies to vote in favour of Pooling, to the extent each Ansett Group Company is entitled to vote as a Deed Creditor at any meeting of creditors of that Ansett Group Company, or further or alternatively, in the capacity as Deed Administrator of each Ansett Group Company, the Administrators may properly and justifiably exercise a casting vote, as chairman of the Pooling Meeting, in favour of Pooling;
- The Court approve the compromises documented in the deed entitled “AAE Pooling Compromise Deed” made 29 August 2005, or further or alternatively, in the capacity as Deed Administrators the Administrators may properly perform and give effect to the AAE Pooling Deed; and
- Notice of each Pooling Meeting is to be given by posting on the Ansett Websites notice of those meetings and causing details of the said websites and meetings to be published in a national newspaper, or in each jurisdiction in which the Ansett Group carries or carried on business, in a daily newspaper that circulates generally in that jurisdiction.

The AAE Pooling Compromise Deed is posted on and may be downloaded from the websites (see exhibit MAK 5 of Mark Korda’s affidavit sworn 12 September 2005). The reasons the Administrators believe that the compromises documented in the AAE Pooling Compromise Deed are in the best interests of the Ansett Group as a whole are set out in paragraphs 212 to 217 of Mark Korda’s affidavit sworn 12 September 2005 and paragraphs 8 to 16 of Mark Korda’s affidavit sworn 30 September 2005.



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The affidavits sworn have been:

- First Affidavit of Mark Anthony Korda, sworn 21 June 2005;
- Second Affidavit of Mark Anthony Korda, sworn 12 September 2005;
- First Affidavit of Alexander William King, sworn 23 September 2005;
- Third Affidavit of Mark Anthony Korda, sworn 30 September 2005;
- Fourth Affidavit of Mark Anthony Korda, sworn 13 October 2005;
- Second Affidavit of Alexander William King, sworn 18 October 2005;
- Third Affidavit of Alexander William King, affirmed 31 March 2006;
- Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006;
- First Affidavit of Sebastian David Hams sworn 24 May 2006; and
- Second Affidavit of Sebastian David Hams sworn 24 July 2006.

Subsequent to the lodgement of the First Affidavit of Mark Anthony Korda, we:

- provided copies of the affidavit to the Commonwealth, ASIC and the three bank creditors of AAE;
- placed copies of the affidavit and all the relevant court documents on the Ansett websites;
- wrote to 126 of the creditors of six companies or entities that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- wrote to the three non AAL employees that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- placed an advertisement in “The Australian” on 21 September 2005;
- circulated Update 70 to the Committee of Creditors providing an explanation of the reasons for the AAE compromise; and
- held meetings or discussions with ASIC, the Commonwealth, unions and possible contradictors.

The Administrators also advised the Court (within the further affidavits) that the responses received to the various steps above were as follows:

- a letter from ASIC which raised a number of questions and the Administrators had meetings with ASIC to discuss those issues;



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- three responses to the letters sent to 126 creditors;
- no responses to the advertisement; and
- WTH Pty Ltd agreed to act as a contradictor to the proceeding. Note that Justice Goldberg expressly requested the Administrators find a party to act as a contradictor.

As a result of the responses and questions from various parties, the Administrators filed details (within the further affidavits) in relation to:

- confidential and privileged legal advice and commercial reasons for the AAE Pooling Deed and associated compromises;
- the discussions with the three responders to the 126 letters to disaffected creditors;
- the ASIC letter and subsequent discussions, additional and supplementary Dividend Tables, further to Dividend Table 3 in the Second Affidavit of Mark Anthony Korda, showing the likely dividends to Deed Creditors if Pooling were to occur without approval of the AAE Pooling Deed (referred to as Scenario 3) or if the Ansett Group companies continued to be separately administered without Pooling and without approval of the AAE Compromise (referred to as Scenario 4);
- the ASIC letter and subsequent discussions, estimates of the likely costs of resolving the issues posed if Pooling did not occur and the Ansett Group companies continued to be separately administered, and the likely costs of holding the proposed creditor meetings to consider Pooling outlining two further scenarios (to those provided in the First Affidavit of Mark Anthony Korda) dealing with pooling or no pooling;
- the current and potential litigation in which various Ansett Group companies are or may become involved;
- the Administrators' communications with other stakeholders (such as the ACTU and other Unions); and
- a table showing the proportion of proposed Ansett Group intercompany votes as a percentage of total possible creditor votes in the asset holding Ansett Group companies and entities.

The matter was heard on 24 October 2005 before Justice Goldberg.

On 22 March 2006, Justice Goldberg handed down written reasons for judgement. At this stage, His Honour did not make any specific orders. The reasons for judgement are also available on the websites.

The Court did however note in its judgment that *“the pooling proposal by the Administrators is sensible and advantageous to most of the creditors from a practical point of view.”*



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Further evidence

The Administrators returned to court on 31 March 2006 for further directions. The Court indicated that it required further evidence about the position of disadvantaged creditors generally, and the effect on the potential return to those creditors of the additional administration costs if the Ansett Group is not pooled before it can determine whether to give the voting direction sought by the Administrators.

This information was prepared in the form of supplementary affidavits being the:

- Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006;
- First Affidavit of Sebastian David Hams sworn 24 May 2006; and
- Second Affidavit of Sebastian David Hams sworn 24 July 2006.

AAE Deed of Compromise

On 31 March 2006 and in relation to the AAE Deed of Compromise, the Court approved the deed, on the basis that it provided benefits and advantages for AAE and its creditors generally which would not otherwise be obtainable. There were two conditions precedent to the operation of the deed. The first was satisfied by the Court's approval of it. The second depended on the outcome of the meeting of creditors of AAE.

The Administrators held the meeting of the creditors of AAE on Friday 21 April 2006. At the meeting, the creditors of AAE approved resolutions to pool AAE by varying the Deed of Company Arrangement.

The assets of AAE of approximately \$38m were then pooled into AAL. Of that amount, \$27m was paid to various AAE creditors under the AAE Pooling Compromise Deed with the balance of \$11m being paid out in the fifth dividend on 27 April 2006 as detailed previously.

Orders and Administrators proposal

A further hearing was held on Friday, 26 May 2006. 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, held no assets. There were 32 such companies ("Non Asset Holding Companies").

The orders obtained in relation to the 32 Non Asset Holding Companies allowed the Administrators to convene meetings of the creditors of those companies in a cost effective manner, and allowed the Administrators (on behalf of the related party debt) 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").



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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 held assets which might ultimately have been available for distribution to creditors (and not only employee creditors, but also trade and other creditors).

The main issues the Administrators faced in relation to the Asset Holding Entities were as follows:

- The pooling of the assets of the Asset Holding Entities into AAL would improve the position for employees. That is because there were likely to be more assets available for distribution to priority creditors (chiefly, employees) and significant potential administration costs (in the many millions of dollars) were likely to be saved if pooling occurred.
- However, even if pooling did not occur, that did not mean that the creditors (whether employee or other creditors) of the Asset Holding Entities would do better than they would do if the Asset Holding Entities were pooled. That was 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 existed 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 held by the Asset Holding Entities, which would go into the AAL "pool" if pooling did occur, 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 were 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 that stage, the Administrators would 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 at soon to be convened pooling meetings.

While the Federal Court made no formal ruling or comment about the Administrators' proposal, Justice Goldberg noted that the Administrators' proposal gave creditors (including employee creditors) *"an opportunity to determine their own destiny"*.



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Meetings and special purpose reports

Meetings of creditors of 40 of the Ansett Group companies and trusts were convened for 10am on Thursday 31 August 2006 at the Mercure Hotel Melbourne, 13 Spring Street, Melbourne.

At the meetings, creditors were asked to vote on resolutions to "pool" the Ansett Group company or trust of which they are a creditor.

Special purpose reports to creditors were posted on the websites with copies of the Ansett Group Deeds of Company Arrangement and Trust Deeds showing the "pooling" variations to be voted on at the 31 August 2006 meetings.

Special purpose reports were only posted to creditors who might have been disadvantaged if the company of which they were a creditor was pooled, including former Aeropelican and Show Group employees. The majority of employees did not receive reports by post because the majority of employees were employed by AAL and pooling of AAL and the Ansett Group as a whole was beneficial to AAL employees. Similarly, former Kendell employees did not receive reports as pooling of Kendell was beneficial to the Kendell employees.

There were nine reports. Eight of them concerned six specific companies and two specific trusts as set out in Appendix Three of this report. The ninth report concerned the 32 Non Asset Holding Companies, which had no assets and in respect of which the Deed Administrators issued a single generic report.

The special purpose reports set out:

- Our estimates of the likely effect of pooling on the creditors of each company;
- Our estimates of the likely effect of pooling on the Ansett Group creditors as a whole;
- A summary of the financial affairs of each company;
- The basis for our estimates, opinions and recommendations;
- Our recommendations; and
- Relevant documents (meeting notice, proxy form, proof of debt form, example DOCA).



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Recommendations

The Administrators recommended to all Ansett Group creditors that they vote in favour of pooling, except where our duties and obligations as Administrators prevented it. The exceptions related to Aeropelican (The Pelican Trust) and Show Group.

For all employees, including AAL employees, the Administrators recommended reading the relevant report(s) carefully and obtaining advice about it as each employee saw fit.

The issues were very complex and therefore the Administrators have attached a flow chart summarising the effect (if any) on creditors including employees for each of the 40 companies and trusts. This flowchart is also attached to this report as Appendix Four.

Pooling meetings

The meetings of creditors took place on 31 August 2006. Ansett Group creditors approved pooling resolutions across the 40 remaining Ansett Group companies and trusts. The Ansett Group was pooled in its entirety.

The pooling of the Ansett Group allowed the Administrators to pay the sixth dividend of \$76.9 million to former Ansett employees and to the Commonwealth on Thursday 7 September 2006. Employees received \$46.9 million being 30% of their balance outstanding at the time.



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7 Statutory and legal matters

7.1 Court applications

The Administrators have made and are continuing a number of applications to various courts. Those made since the Sixth Report include an application regarding Travel Software Solution (“TSS”) (Proceeding No. 2062 of 2006) (refer section 7.1.3 below)

Applications made previously (including those made by other parties) and which have continued or been resolved since the Sixth Report include:

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to Recover Trust Funds from Travel Agents; and
- pooling application as detailed in Section 6.

More detailed information on a number of these applications made during the administration can be obtained from the Administrators’ websites.

Below is a brief summary of the above applications and their current status or outcome since the Sixth Report. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators have not been included.

7.2 Proceedings regarding Diners Club

In the Sixth and Fifth Reports, the Administrators outlined two proceedings issued by AAL against Diners Club Australia (“Diners”). In summary, those proceedings are outlined below:

Global Rewards

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Global Rewards Participation Agreement. The statement of claim particularises claims by AAL in the amount of approximately \$9.6m together with interest and costs. Diners filed its amended defence and counterclaim on 25 October 2005 and filed a Further Amended Defence and Counterclaim on 17 February 2007, denying any liability on a number of grounds and setting out a counterclaim.



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His Honour Justice Hargrave, heard the matter between 6 February 2007 and 22 February 2007. The Court has reserved its decision.

Diners Merchant Agreement

In addition, and in the same proceeding, AAL made a separate claim against Diners under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. The quantum of Ansetts' claim will be reduced if Diners can substantiate valid charge card "charge backs" or refunds. Diners has recently alleged that of the \$20.5m claim, \$17m relates to charge backs.

The proceeding was initially issued in the Supreme Court of Victoria but Diners referred the matter to Arbitration in New York in accordance with the terms of the Merchant Agreement. Pursuant to a standstill agreement between the parties, the arbitration will not be commenced until the Global Rewards proceeding (outlined above) is completed.

7.3 Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

Victorian Supreme Court, Court of Appeal decision

On 10 November 2006 the Victorian Supreme Court, Court of Appeal handed down judgement allowing Ansett's appeal by a 2-1 majority. On 14 December 2006 IATA filed an application for special leave to appeal to the High Court. Ansett is opposing IATA's application for special leave and on 2 March 2007 filed and served Summary of Argument. The Parties are currently awaiting a date on which the application for Special Leave will be heard.

Background to IATA proceeding

IATA operates a Clearing House for the clearing and settlement of transactions between participating members (largely international airlines) and other organisations. AAHL was a member of the IATA Clearing House at the time of the appointment of Voluntary Administrators.

The Administrators previously reported that on 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL's entry into voluntary administration.



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AAHL defended the claims brought by IATA and issued a cross-motion seeking orders (among others) that the Clearing House regulations ceased to apply to AAHL upon the execution of its Deed of Company Arrangement on 2 May 2002. AAHL claimed that the Clearing House Regulations did not apply to AAHL's credits and debits that were not cleared as at 12 September 2001, but rather those debits and credits must be dealt with in the administration of AAHL pursuant to, and in accordance with, the provisions of the Deed of Company Arrangement.

AAHL relied upon a standing House of Lords decision of *British Eagle International Airlines Ltd v Compagnie National Air France* [1975] ("British Eagle") in support of its claim. IATA's and AAHL's proceedings were heard together before His Honour Justice Mandie.

Justice Mandie delivered judgement in favour of IATA on 22 April 2005.

AAHL filed a notice of appeal to the Supreme Court of Victoria, Court of Appeal on 20 June 2005 and the appeal was heard on 19 June 2006. On 10 November 2006, the Court of Appeal handed judgment in favour of Ansett by a 2-1 majority. The Court of Appeal agreed with Ansett's contentions that, notwithstanding the purported effect of the IATA Clearing House regulations, Ansett remained the true debtor and creditor vis a vis the other transacting IATA member airlines. The Court of Appeal also agreed that the Clearing House arrangements deprived Ansett of the debts owed to it by the other net debtor airlines and that, as such, the Clearing House arrangements were contrary to public policy and could not prevail over Ansett's Deed of Company Arrangement.

Copies of the decisions of the Supreme Court of Victoria and the Supreme Court of Victoria, Court of Appeal can be viewed on the Administrators web site.

Potential Recoveries From Clearing House Members

Subject to the outcome of the High Court application by IATA, AAHL intends to pursue the Clearing House members that were net debtors of AAHL as at 12 September 2001. AAHL has already taken steps to preserve all of its rights to recover such monies from debtor members.

As AAHL has not yet obtained access to all the potential cross-claims from debtor airlines, it is not possible at this time to definitively quantify AAHL's claims. Preliminary investigations indicate that if the Court of Appeal's decision is sustained, AAHL may potentially be able to pursue considerable claims.



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7.4 Application regarding Travel Software Solutions (Proceeding No. 2062 of 2006)

Ansett Australia Ltd (AAL) issued a writ and Statement of Claim in the Commercial List in the Supreme Court of Victoria at Melbourne against Travel Software Solutions (“TSS”). The statement of claim alleges that TSS is indebted to AAL for monies due pursuant to a dividend declared by TSS on 21 December 2005 and for which AAL as a shareholder of TSS is entitled to receive the sum of \$4 million, plus interest and costs.

TSS is defending AAL’s claim on the basis of an alleged right of set-off. The proceeding is set down for trial and fixed for hearing on 17 May 2007 with an estimated duration of two days.

Dated this 2nd day of April 2007



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



Appendix 1 Listing of Companies for which this Report has been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



Appendix 2 Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
"AAE"	Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)
"Aeropelican"	Aeropelican Air Services Pty Ltd (ACN 000 653 083)
"Ansett International"	Ansett International Limited (ACN 060 622 460)
"Bodas"	Bodas Pty Ltd (ACN 002 158 741)
"Kendell"	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
"Show Group"	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
"Skywest"	Skywest Airlines Pty Ltd (ACN 008 997 662)
"Skywest Aviation"	ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)
"Skywest Jet Charter"	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
"Skywest Holdings"	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
"Traveland"	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"non AAL Group Entities"	All companies listed in Appendix 1, except for Ansett Australia Limited
"Air New Zealand" or "the Air New Zealand Group"	Air New Zealand Group of Companies
Memorandum of Understanding	Settlement agreement between Air New Zealand and the Administrators
"JTS"	Jet Turbine Services
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"ASIC"	Australian Securities and Investments Commission
"Commonwealth Government"	Commonwealth Government of Australia
"EBA"	Enterprise Bargaining Agreement
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth



"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005
"Sixth Report"	Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006



Appendix 3 Pooling documents available on the Ansett websites

Applications

Federal Court of Australia: Victorian District Registry: VID621 of 2005, 21 June 2005

Orders

Orders - 30 August 2005

Orders - 26 September 2005

Orders - 10 October 2005

Notice of Listing - 11 October 2005

Orders - 22 March 2006

Orders - 26 May 2006

First Korda Affidavit

First Affidavit of Mark Anthony Korda, sworn 21 June 2005

Exhibits to First Korda Affidavit

Exhibit MAK 1 - Historical Company Extracts of Plaintiff Companies (pages 1-617)15MB

Exhibit MAK 2 - Copy Deed of Company Arrangement executed by Ansett Australia Holdings Ltd ("AAHL"), dated 2 May 2002

Exhibit MAK 3 - Copy MOU, dated 3 October 2001

Exhibit MAK 4 - Copy SEESA Deed, dated 14 December 2001

Second Korda Affidavit

Second Affidavit of Mark Anthony Korda, sworn 12 September 2005

Exhibits to Second Korda Affidavit

Exhibit MAK 5 - AAHL Deed of Compromise

Exhibit MAK 6 - Court's final orders, Justice Goldberg's reasons for judgment and corrigenda in the MOU Application

Exhibit MAK 7 - Court's final orders, and Justice Goldberg's reasons for judgment in the SEESA Application

Exhibit MAK 8 - Second Meeting resolutions and results of poll

Exhibit MAK 9 - First Report to Creditors



Exhibit MAK 10 - Second Report to Creditors

Exhibit MAK 11 - Third Report to Creditors

Exhibit MAK 12 - Fourth Report to Creditors

Exhibit MAK 13 - Fifth Report to Creditors

Exhibit MAK 14 - The Ansett Group Entities

Exhibit MAK 15 - Intranet memorandum dated 10 August 2000

Exhibit MAK 16 - Extract of Kendell loan account with AAL for January 2001 to July 2001

Exhibit MAK 17 - Extract from May 2000 edition of "Panorama"

Exhibit MAK 18 - AAL trade-marks

Exhibit MAK 19 - Extract of July-August 2000 edition of "Flight Safety Australia"

Exhibit MAK 20 - Except from AAL Asset Register

Exhibit MAK 21 - Numbered bundle of documents relating to Head Office, 501 Swanston Street and Other Ansett Melbourne CBD Properties matters

Exhibit MAK 22 - Schedule of inter-company loan balances

Exhibit MAK 23 - Numbered bundle of documents relating to Head Office Proceeds

Exhibit MAK 24 - Class A Cross-Guarantee and Revocation Deeds

Exhibit MAK 25 - Class B Cross-Guarantee, Revocation Deeds and Assumption Deed

Exhibit MAK 26 - Class C Cross-Guarantee

Exhibit MAK 27 - Affidavit of Mark Francis Xavier Mentha sworn 8 October 2001 (excluding exhibits)

Exhibit MAK 28 - Affidavit of Mark Francis Xavier Mentha sworn 10 October 2001 (excluding exhibits)

Exhibit MAK 29 - Affidavit of the Hazelton Group Administrator sworn 22 October 2001 (excluding exhibits)

Exhibit MAK 30 - Affidavit of Mark Anthony Korda sworn 1 November 2001 (excluding exhibits)

Exhibit MAK 31 - Affidavit of Leon Zwier sworn 20 September 2002 (excluding exhibits)

Exhibit MAK 32 - Affidavit of Mark Anthony Korda sworn 26 September 2002 (excluding exhibits)

Exhibit MAK 33 - Affidavit of Bradley Fowler sworn 13 March 2003 (excluding exhibits)

Exhibit MAK 34 - Hazelton Deed of Settlement



Exhibit MAK 35 - Ansett written contentions dated 5 May 2003 in the Allocation Applications

Exhibit MAK 36 - Further Hazelton Terms of Settlement

Exhibit MAK 37 - Court's orders in the Hazelton Allocation Application

Exhibit MAK 38 - Affidavit of Mark Anthony Korda sworn 3 December 2001(excluding exhibits)

Exhibit MAK 39 - Loan Deed

Exhibit MAK 40 - AAL DOCA Variation Application terms of settlement

Exhibit MAK 41 - AAL DOCA Variation Orders and Justice Goldberg's reasons for judgment

Exhibit MAK 42 - Skywest/Aeropelican reports to creditors dated 15 January 2002

Exhibit MAK 43 - Skywest/Aeropelican DOCAs

Exhibit MAK 44 - Skywest Sale Agreement

Exhibit MAK 45 - Aeropelican Sale Agreement and Variation Documents

Exhibit MAK 46 - Skywest Transfer Agreement and the Westsky Trust Deed

Exhibit MAK 47 - Aeropelican Transfer Agreement and the Pelican Trust Deed

Exhibit MAK 48 - Abbreviated Notice Application

Exhibit MAK 49 - Affidavit Of Leon Zwier sworn 27 December 2001

Exhibit MAK 50 - Affidavit Of Leon Zwier sworn 3 January 2002

Exhibit MAK 51 - Final orders of the Court and Justice Goldberg's reasons for judgment in the Abbreviated Notice Application

First King Affidavit

First Affidavit of Alexander William King, affirmed 23 September 2005

Exhibits to First King Affidavit

Exhibit AWK-1 - Letter dated 2 September 2005 regarding proposed affidavit of Mark Anthony Korda

Exhibit AWK-2 - Email dated 7 September 2005 regarding proposed affidavit of Mark Anthony Korda

Exhibit AWK-3 - Email dated 8 September 2005 enclosing unsworn affidavit of Mark Anthony Korda, without exhibits

Exhibit AWK-4 - Letter dated 8 September 2005 enclosing exhibit "MAK-14" to unsworn affidavit of Mark Anthony Korda



Exhibit AWK-5 - Email dated 8 September 2005 enclosing exhibit "MAK-14" to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-6 - Letter dated 8 September 2005 enclosing proposed exhibits to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-7 - Letter dated 9 September 2005 enclosing proposed exhibits to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-8 - Extracts from Websites

Exhibit AWK-9 - Form of letter dated 15 September 2005 sent to certain Ansett Group creditors

Exhibit AWK-10 - Form of letter dated 15 September 2005 sent to certain Skywest creditors

Exhibit AWK-11 - Form of letter dated 15 September 2005 sent to certain Aeropelican creditors

Exhibit AWK-12 - List of letter recipients (of 15 September 2005 letter)

Exhibit AWK-13 - Copy notice to Ansett Group creditors published in "The Australian" on 21 September 2005

Exhibit AWK-14 - Email dated 19 September 2005 to Ansett Committees of Creditors

Exhibit AWK-15 - Letter dated 19 September 2005 from ASIC to ABL

Third Korda Affidavit

Third Affidavit of Mark Anthony Korda, sworn 30 September 2005

Exhibit to Third Korda Affidavit

Exhibit MAK-52 - ASIC request dated 19 September 2005

Fourth Korda Affidavit

Fourth Affidavit of Mark Anthony Korda, sworn 13 October 2005

Exhibits to Fourth Korda Affidavit

Exhibit MAK-53: Letter from Contradictor dated 29 September 2005

Exhibit MAK-54: Letter from ASIC dated 7 October 2005

Exhibit MAK-55: Email from Rockwell Collins dated 20 September 2005

Exhibit MAK-56: Email from Skippers Aviation dated 22 September 2005

Exhibit MAK-57: Minutes of 23 September 2005 meeting between Mark Korda and union representatives (and others)



Exhibit MAK-58: Written presentation from 23 September 2005 meeting between Mark Korda and union representatives (and others)

Exhibit MAK-59: Email from KordaMentha to ACTU dated 23 September 2005

Exhibit MAK-60: Email from AGS to ABL dated 26 September 2005

Exhibit MAK-61: Email from ABL to AGS dated 28 September 2005

Exhibit MAK-62: Email from AGS to ABL dated 28 September 2005

Exhibit MAK-63: Email from Steven Parbery to Mark Korda dated 28 September 2005

Exhibit MAK-64: Letter from ABL to various parties dated 29 September 2005

Exhibit MAK-65: Email from ABL to ASIC dated 29 September 2005

Exhibit MAK-66: Email from ABL to various parties dated 30 September 2005

Exhibit MAK-67: Letter from AGS to ABL dated 3 October 2005

Exhibit MAK-68: Letter from AGS to ABL dated 5 October 2005

Exhibit MAK-69: Letter from Mark Korda to Steven Parbery and Ross McClure (for the Commonwealth) dated 5 October 2005

Second King Affidavit

Second Affidavit of Alexander William King, affirmed 18 October 2005

Third King Affidavit

Third Affidavit of Alexander William King, affirmed 31 March 2006

Exhibit to Third King Affidavit

Exhibit AWK-17: AAE Pooling Compromise Deed (as amended)

Fifth Korda Affidavit

Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006

Exhibits to Fifth Korda Affidavit

Exhibit MAK-70: Notice as published in “The Australian”

Exhibit MAK-71: Special purpose report, proposed form of amended DOCA and notice of meeting

Exhibit MAK-72: Update 79 to the members of the Ansett Committees of Creditors dated 27 April 2006

First Hams Affidavit



First Affidavit of Sebastian David Hams sworn 24 May 2006

Second Hams Affidavit

Second Affidavit of Sebastian David Hams sworn 24 July 2006

Submissions

Plaintiffs' Outline of Submissions dated 20 October 2005

Submissions of Commonwealth of Australia dated 20 October 2005

Outline of Submissions to be made on behalf of WTH Pty Ltd in its capacity as Contradictor dated 21 October 2005

Transcripts of Proceedings

Transcript - 23 June 2005

Transcript - 19 July 2005

Transcript - 16 August 2005

Transcript - 30 August 2005

Transcript - 26 September 2005

Transcript - 24 October 2005

Transcript - 22 March 2006

Transcript - 31 March 2006

Transcript - 26 May 2006

Transcript - 4 August 2006

Judgement

Judgement – 22 March 2006

Proposed Amendments to Ansett Group Deeds of Company Arrangement/Trust Deeds for:

39 Ansett Group Companies

The Pelican Trust (re Aeropelican Air Services Pty Ltd (ACN 000 653 083) (formerly subject to Deed of Company Arrangement))

The Westsky Trust (re Skywest Airlines Pty Ltd (ACN 008 997 662) (formerly subject to Deed of Company Arrangement))



Special Purpose Reports

There are nine reports. Eight of them concern six specific companies and two specific trusts. The ninth report concerns 32 companies, all of which have no assets and in respect of which the Deed Administrators have issued a single generic report. The six specific companies and two specific trusts are:

Ansett Australia Limited (ACN 004 209 410) (subject to Deed of Company Arrangement)

Ansett Australia Holdings Limited (ACN 004 216 291) (subject to Deed of Company Arrangement)

Ansett Holdings Limited (ACN 065 117 535) (subject to Deed of Company Arrangement)

Ansett International Limited (ACN 060 622 460) (subject to Deed of Company Arrangement)

ANST Lednek Airlines (Aust) Pty Ltd (formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680) (subject to Deed of Company Arrangement)

ANST Show Pty Ltd (formerly Show Group Pty Ltd) (ACN 002 968 989) (subject to Deed of Company Arrangement)

The Westsky Trust (re Skywest Airlines Pty Ltd (ACN 008 997 662) (formerly subject to Deed of Company Arrangement))

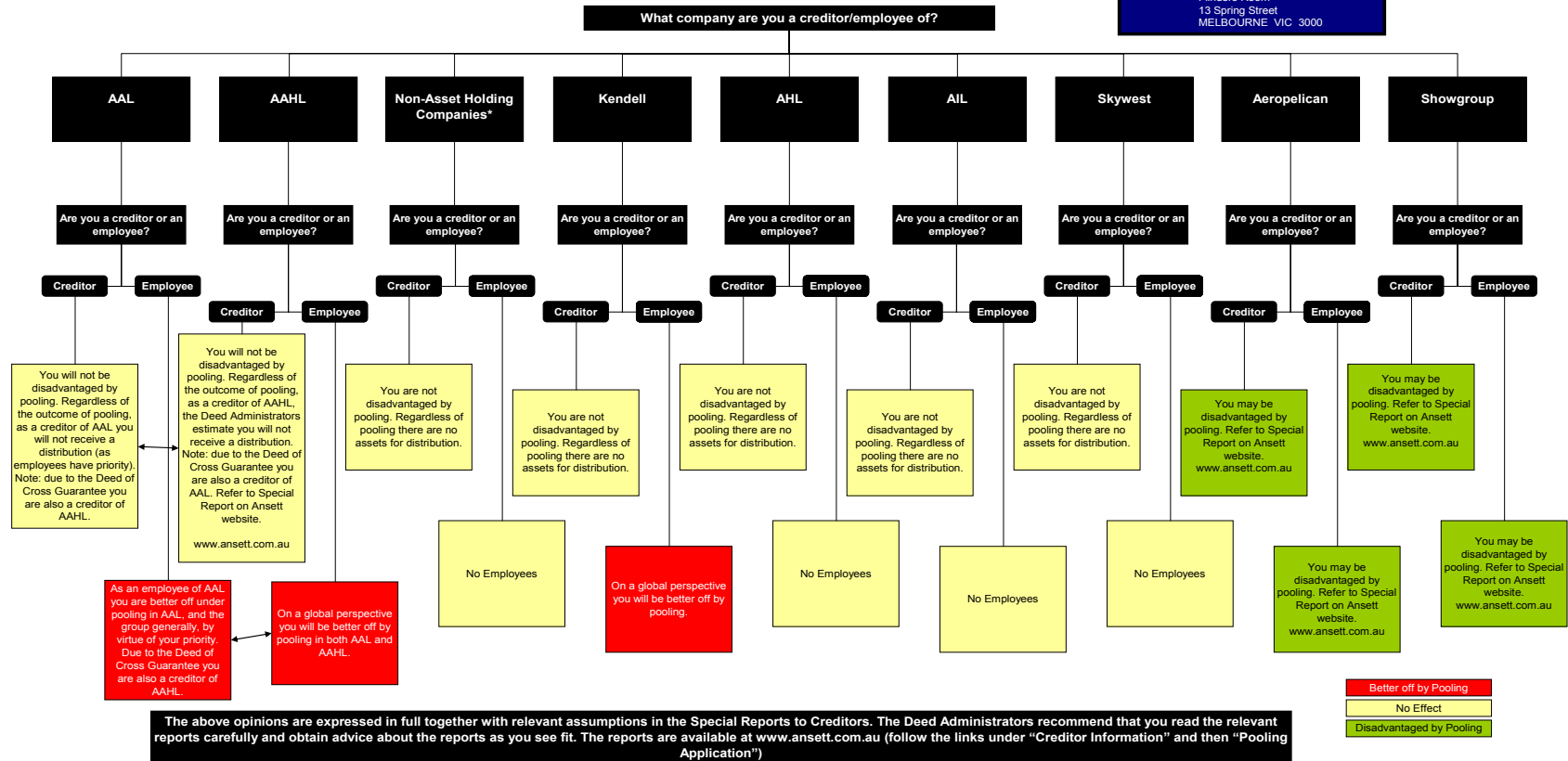
The Pelican Trust (re Aeropelican Air Services Pty Ltd (ACN 000 653 083) (formerly subject to Deed of Company Arrangement))



Appendix 4 Pooling flowchart

Pooling Query Flowchart

Meetings
 Time: 10:00am
 Date: 31 August 2006
 Location: Mercure Hotel Melbourne
 Flinders Room
 13 Spring Street
 MELBOURNE VIC 3000



* Refer to the relevant Special Report available at www.ansett.com.au for a listing of companies included





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Eighth Report to Creditors

11 April 2008

Level 24, 333 Collins Street

GPO Box 2985

Melbourne VIC 3001

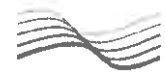


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**Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors**

1 Executive Summary

1.1 Introduction

This is the Eighth Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2007. The Administrators have also issued 88 Committee of Creditors' updates, 52 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been achieved?

The Administrators realised \$20.7m of assets during 2007. All aircraft and over 95% of the other assets have now been sold, parted or leased.

The Administrators paid two dividends during 2007. The eighth and ninth dividends totalled \$29.1m, of which \$17.7m was paid to employees and \$11.4m to the Commonwealth Government.

Employees have now received \$682.8m of the revised total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$334.0m of the \$382.4m of its total advances.

Subsequent to 31 December 2007, the SEES scheme has also been closed. The total employee entitlements and SEES advances have also been finalised and marginally reduced due to the elimination of contingent liabilities and certain warranties expiring.

The Administrators are now able to increase the net asset realisation estimate by a further \$40.0m from \$670.0m to \$710.0m as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.



Ansett Group (Subject To Deeds Of Company Arrangement) Eighth Report to Creditors

1.3 Where are we going?

The Administrators will:

- continue to sell spare parts;
- collect in amounts still owing from travel agents and pursue legal actions; and
- collect aircraft lease revenue.

The above is expected to realise \$49.0m.

Costs to complete the administration are estimated at \$8.0m. \$2.2m of the total cost to complete the administration is for trade creditors and employee provisions accrued during the administration period to 31 December 2007. \$2.7m of the total cost to complete the administration is for external labour requirements.

There are contingencies, both assets and liabilities, which are being resolved on a continuing basis.

1.4 Future dividends

The Administrators estimate employees will receive at least a further \$29.8m, to be paid over the next few years. **This means each employee will receive at least 40 cents in the \$ of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$712.6m of the \$758.0m of total employee entitlements owed (approximately 94 cents in the dollar on average).

We note this is a significant increase of \$24.0m to the employees since the last report. The increase is due largely to litigation success that has crystallised in the last month.

The Administrators estimate the Commonwealth Government will ultimately receive \$353.2m of its total advance of \$382.4m. Further dividends will be paid over the next few years as assets are realised.

It is important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.3.

1.5 Subsequent Events Update

Subsequent to 31 December 2007, the Administrators have concluded the Diners Global Rewards and TSS litigation. Further details are documented in Section 6. The funds from these pieces of litigation will be used to pay a further dividend in April 2008.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors**

2 Communication with Stakeholders

2.1 The Administrators' websites

The Administrators established websites early in the administration to post documents relating to major issues in the administration. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

2.2 Committee of Creditors' updates

The functions of the Ansett Committee of Creditors are to consult with the Administrators about matters relating to the administration, receive and consider updates and reports prepared by the Administrators and to approve the Administrators' remuneration from time to time.

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2007 is as follows:

Update	Date	Major Issues Reported
84	28 February 2007	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
85	4 May 2007	Update as to Diners Club and IATA litigation and sale of AAES assets.
86	31 May 2007	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
87	31 August 2007	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
88	30 November 2007	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.

2.3 Employee updates

Employees have also been provided with updates on the Administrators' websites. A summary of the major issues covered in each update during 2007 is as follows:

Update	Date	Major Issues Reported
49	2 April 2007	Release of Seventh Report to Creditors.
50	19 July 2007	Payment of Eighth Dividend and sale of AAES assets.
51	29 October 2007	Update on current litigation.
52	13 December 2007	Payment of Ninth Dividend and update on litigation.



Ansett Group (Subject To Deeds Of Company Arrangement) Eighth Report to Creditors

2.4 Key stakeholder communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors**

3 What has been achieved?

3.1 Assets realised during 2007

The Administrators realised \$20.7m of assets during 2007. The Administrators have now realised over 95% of assets. There are no aircraft remaining for sale. Assets other than aircraft realised in 2007 totalled \$18.7m.

The non aircraft assets realised during 2007 are as follows:

Non Aircraft Assets realised during 2006	Section	\$m
Businesses	3.1.1	5.0
Debtors	3.1.2	2.7
Spares, Rotables and Consumables	3.1.3	11.0
Total		18.7

3.1.1 Businesses

Ansett Australia Engineering Services

On 1 June 2007, the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to John Holland Aviation Services ("JHAS").

These assets were sold for \$10.0m. The sale also saw employment opportunities for approximately 150 existing Ansett staff going forward.

Fifty percent of the purchase price was received on 1 June 2007. The balance of the purchase price was received in January 2008. The payment of the balance of funds was dependent on JHAS achieving CASA and EASA certifications or 1 June 2008 – whichever was the earliest date. There were interim measures in place whereby JHAS traded utilising the AAES CASA and EASA approvals whilst providing AAES with the appropriate indemnities.

The sale excluded the supply centre, the spare parts, the ALF engines from the parted BAe146 aircraft and the IT systems. In addition Ansett allowed JHAS to have use of the Ansett IT systems by JHAS in the short term.

The sale was a complicated transaction due to the on-going certification requirements, employee issues and the on-going requirements of Ansett to maintain control over the IT systems in order to maximise the sale of spare parts.



Ansett Group (Subject To Deeds Of Company Arrangement) Eighth Report to Creditors

3.1.2 Debtors

Debtor Recoveries

During 2007, the collection team has recovered a further \$2.7m in pre administration debtors. This has increased total collections to \$149.3m. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on Ansett's behalf.

IATA, Diners Club and TSS

Details of recoveries and proceedings during the 2007 year are contained in section 6 of this report. Further events subsequent to 31 December 2007 are also discussed.

3.1.3 Spares, Rotables and Consumables

During 2007, \$11.0m was realised from the sale of spares, rotables and consumables.

The Administrators' consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which were again met during 2007.

The Administrators are currently in negotiations with AASS to possibly extend the terms of the consignment and marketing agreement.

3.2 Aircraft realised during 2007

As of 1 January 2007, there were no aircraft available for sale.

There were however four aircraft on lease with the lessees holding options for purchase as follows:

- Orion Air - two BAe146-300's (EWR and EWN) over two years from June 2006; and
- European Skybus – two BAe146-300's (NZG and NZJ) over two years from November 2005.

It has always been the expectation that the lessees will exercise their purchase options due to the structure of the contracts whereby the lease payments offset the final settlement amount.

These leases are currently being wound up – the terms of which will be announced on completion of the negotiations.

There is one BAe146-300 located in Melbourne which is in the process of being parted.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors**

The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(55)	(5)	N/A	N/A	(60)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft to be Sold/Parted	0	-	-	-	0

It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the four Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. Of the remaining aircraft, 18 have been or are being sold for parts and 20 have been sold on the market.

3.3 Dividends paid during 2007



**Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors**

The Administrators paid two dividends in 2007 totalling \$29.1m, being the eighth and ninth dividends, as follows:

- the eighth dividend on 19 July 2007 of \$15.3m of which \$9.3m was paid to employees, being 10.0% of each employee's outstanding balance after payment of the first to seventh dividends; and \$6.0m to the Commonwealth Government; and
- the ninth dividend on 13 December 2007 of \$13.8m of which \$8.4m was paid to employees, being 10.0% of each employee's outstanding balance after payment of the first to eighth dividends; and \$5.4m to the Commonwealth Government.

Employees have now received \$682.8m of the estimated total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$334.0m of the \$382.4m of its total advances.



Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors

4 Where are we going?

Overall, the Administrators expect to achieve total net realisations of at least \$710.0m. Significantly, the net asset realisations estimate has increased by \$40.0m from the \$670.0m previously reported in the Seventh Report. This is as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.

Estimated Realisations	Section	5th Report 31 December 2004 \$m	6th Report 31 December 2005 \$m	7th Report 31 December 2006 \$m	8th Report 31 December 2007 \$m
Cash at Bank	4.1	151.1	142.4	32.3	18.4
Proceeds from Asset Sales used for distributions		413.5	467.5	628.4	658.3
Assets still to be realised	4.2	32.0	33.6	27.1	44.5
Costs to complete (including aircraft costs)	4.4	(42.3)	(24.0)	(12.5)	(8.0)
Contingency reserve	4.5	(25.8)	(16.6)	(9.7)	(5.7)
Total before remaining aircraft realisations		528.5	602.9	665.6	707.5
Aircraft still to be realised	4.3	61.5	37.1	4.4	2.5
Total Realisations		590.0	640.0	670.0	710.0



Ansett Group (Subject To Deeds Of Company Arrangement)
Eighth Report to Creditors

Ultimately, the Administrators expect the \$710.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
	\$m	\$m	\$m	\$m	\$m
Dividends to Date					
Employees	162.5	177.7	202.3	282.9	300.0
SEES	188.7	258.3	272.5	322.7	334.0
Unsecured creditors	-	-	-	27.0	27.0
	351.2	436.0	474.8	632.6	661.0
Amounts To Be Distributed					
Employees	85.1	68.9	84.2	21.8	29.8
SEES	113.7	45.1	54.0	15.6	19.2
Unsecured Creditors	40.0	40.0	27.0	-	-
	238.8	154.0	165.2	37.4	49.0
Total Dividends					
Employees	247.6	246.6	286.5	304.7	329.8
SEES	302.4	303.4	326.5	338.3	353.2
Unsecured Creditors	40.0	40.0	27.0	27.0	27.0
	590.0	590.0	640.0	670.0	710.0



Ansett Group (Subject To Deeds Of Company Arrangement) Eighth Report to Creditors

4.1 Cash at bank - \$18.4m

The \$18.4m in the bank on 31 December 2007 consists of:

- \$2.7m is being held in trust for either continuing employees or for SEES.
- The balance is required temporarily to act as working capital for existing operations and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

Trust Monies – not reported as Cash at Bank

We also note the Administrators were holding the following amounts in separate trust accounts pending the resolution of litigation at 31 December 2007:

- Diners Club - as previously advised, Diners were ordered by the Supreme Court to pay Ansett the sum of \$9.6m plus interest of \$5.5m therefore a total sum of \$15.1m. Diners were also ordered to pay Ansett's costs of the proceeding up until 13 April 2006 on a party/party basis and thereafter on an indemnity basis. Diners have paid the claim and interest amounts with the costs currently being determined. Diners exercised its right of appeal, and as such, Ansett was required to hold the monies in trust until the appeal was heard and a decision handed down. The matter was heard on 8 October and on 28 February 2008, the Supreme Court of Victoria, Court of Appeal dismissed Diners appeal. The amount in the account at 31 December 2007 was \$15.6m.
- TSS – the TSS trial was heard in the Supreme Court in May 2007. Justice Hargrave handed down a decision in Ansett's favour on 19 September 2007 and TSS paid the \$4.0m claim plus interest – a total of \$4.9m. TSS exercised its right of appeal, and as such, Ansett was required to hold the monies in trust until the appeal was heard. The matter was settled through mediation at the end of March 2008.

These litigation trust monies are not recorded as cash assets at 31 December 2007. The litigation has concluded subsequent to 31 December 2007 and the trust funds will be released and will be available to pay dividends at around the date this report is released. Further details of the settlements are available in Section 6.

4.2 Assets still to be realised - \$44.5m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice and settlements subsequent to the 31 December 2007 balance date;



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- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

As previously detailed, the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to JHAS.

Fifty percent of the \$10.0m purchase price was received on 1 June 2007. The balance of the purchase price was received in January 2008 and as such, is part of the Assets yet to be realised.

The administration continues to utilise the Supply Centre at Garden Drive, Tullamarine and have recently moved all remaining engineering staff to the existing offices in the Supply building.

The Supply Centre will not be sold in the short term given the AASS agreement referred to below.

Debtors and Travel Agents

Recovery of funds from debtors and funds held in trust from BSP travel agents is continuing.

In respect of outstanding debtors funds, the recovery is predominantly through the Magistrates Court.

BSP Travel Agents have been served with a final letter of demand by Ansett solicitors. Failing an appropriate response, Ansett has initiated claims through the appropriate court.

There are currently 52 actions before the Courts. Anticipated further collections are between \$0.5 to \$1.0m. We also hold default judgements of approximately \$0.5m, however significant recovery on these debtors is unlikely.

Spares, Rotables and Consumables

The Administrators are currently negotiating to extend the term of the AASS agreement.

During 2007, \$11.0m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$14.4m over the next year and a half. The estimated realisation value is net of costs required to realise the assets.

Ansett is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, Ansett's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No spare engines remain to be sold.



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Engines from the parted BAe146's will be sold in isolation and this is discussed in Section 4.3.

4.3 Aircraft still to be realised - \$2.5m

Of the original fleet of 134 aircraft, at 31 December 2007, there are no aircraft remaining to be sold or leased.

There are however remaining revenue streams to be realised as follows:

- Orion Air – lease of two BAe146-300's (EWR and EWN) over two years from June 2006;
- European Skybus – the balance of the lease payments of two BAe146-300's (NZG and NZJ) – the leases have now expired; and
- Sale of parts, including ALF engines, from the BAe146 aircraft parted during 2006 and 2007.

BAe146 aircraft are no longer being produced. A reasonable proportion of the total number of these aircraft manufactured are currently available on the market. These aircraft are also facing competition from other aircraft types, including the Fokker F100. Given the prohibitive cost of the modifications required to bring many of the Ansett BAe146 aircraft to market, the ongoing storage costs and heavy maintenance requirements, the decision was made to part the balance of the BAe146 aircraft.

As such, the realisation strategy employed for the BAe146 aircraft has proved a success to date, the strategy has seen:

- the sale of a BAe146-300 to Albanian Airways;
- the lease of four BAe146 aircraft (with purchase options for the lessees);
- the sale of two BAe146-200QT aircraft to Westair Sweden and Titan; and
- the parting of the balance of the BAe146 aircraft.

For the parted aircraft, the parts removed undergo a certification process upon removal. These parts are now being remarketed as part of the ongoing spares agreement with AASS in the US.

Given the continued uncertainty in the market with regard to the BAe146 aircraft, a continuation of the conservative approach to the valuation of aircraft is appropriate.

The Administrators now expect to receive a further \$2.5m from the aircraft assets detailed above.



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4.4 Costs to complete the Administration - \$8.0m

4.4.1 Estimated costs to complete

Costs to complete are estimated at \$8.0m. \$2.2m of the total cost to complete the administration is for the trade creditors and employee provisions as at 31 December 2007. \$2.7m of the total cost to complete the administration is for external labour requirements.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administration.

The following table summarises the updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2007 \$m
Aircraft costs	0.7
Working Capital – includes trade creditors and employee entitlements accrued during the administration period	2.2
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	2.4
Administration and legal fees	2.7
Total	8.0

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft and the spares, rotables and consumables.

Costs to date have, however, been significantly below budget. 2007 costs were approximately \$5.7m, marginally less than the budget of \$5.8m as set out in the Seventh Report.

We also note that a considerable cost mitigation exercise was undertaken in the second half of 2007 particularly with regard to IT. New software and hardware is being used to replace the expensive Ansett legacy systems that were necessary whilst amongst other things, AAES was operating and aircraft were held on the Ansett register.

The Administrators have replaced the aviation maintenance and stock systems, the accounting system and the communications systems with “off the shelf” packages that have been tailored to our requirements. These systems and the hardware are considerably more robust than the Ansett legacy systems thereby mitigating a major business risk, and given the technology advances, significantly cheaper to purchase, host and operate.

Even with the implementation and hardware costs for the new systems, the savings are expected to be in excess of \$1.0m per annum as of 1 January 2008.



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The following table shows the costs to complete budget from January 2004, forecast to the completion of the administration and the revised budget on which future reporting will be based:

Costs to Complete – Timetable	5 th Report 31 Dec 2004	6 th Report 31 Dec 2005	7 th Report 31 Dec 2006	8 th Report 31 Dec 2006
	\$m	\$m	\$m	\$m
Working Capital	5.3	7.3	3.1	2.2
Jan – Jun 05	13.3			
Jul – Dec 05	11.5			
Jan – Jun 06	3.7	7.7		
Jul – Dec 06	2.1	3.6		
Jan – Jun 07	1.9	2.6	3.3	
Jul – Dec 07	1.9	2.4	2.5	
Jan – Jun 08			1.9	2.2
Jul – Dec 08			1.7	1.6
Jan – Jun 09				1.0
Jul – Dec 09				1.0
Regionals/Other	2.6	0.4		
Total	42.3	24.0	12.5	8.0

The budgets for the 2008 and 2009 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

Subsequent to the sale of AAES, the Administrators now have far more discretion over incurring costs of any nature. Costs are only incurred once a cost benefit analysis has been completed.

4.4.2 Administrators' remuneration

Costs to date and to complete include Administrators' remuneration. The Committee of Creditors approve Administrators' remuneration on a monthly basis.

In February 2005, the Administrators prepared a detailed Ansett Administrators' Remuneration Policy Manual (of approximately 23 pages plus attachments) which was provided to the Committee. The manual and subsequent updates issued in February 2006, 2007 and 2008 continually provide the Committee with detailed disclosure of:

- Annual remuneration paid;
- Calculation of the remuneration including hours, staff and detailed task analysis;
- Annual remuneration compared to the previously approved annual budget; and
- Annual remuneration budget for the forthcoming year.



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The Policy Manual also documents in detail the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committee of Creditors held on 28 February 2005, the Committee agreed sufficient disclosure of information had been provided to them and also agreed with the approval process as outlined in the manual. This detailed disclosure continued on a monthly basis and is provided to the Committee to assist in its review of each remuneration claim.

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates. The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim. There has been no change to the remuneration process since 2006.

In March 2007, the Committee of Creditors reviewed the 2007 Remuneration budget of \$2.1m.

The 2007 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2007	144,329
February 2007	181,261
March 2007	167,771
April 2007	119,403
May 2007	179,777
June 2007	166,930
July 2007	173,367
August 2007	157,037
September 2007	157,757
October 2007	189,884
November 2007	162,252
December 2007	126,900

The Remuneration claim for 2007 was \$0.2m under budget.



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4.5 Contingency reserve - \$5.7m

There are contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced since 2004. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are contingent liabilities of up to \$16.6m (reduced from \$42.0m in the Fourth Report and from \$31.0m in the Fifth Report).

These amounts have not been included in the estimated realisations for creditors.

At 31 December 2007, the administration was \$155.7m over budget realisations (other than aircraft). After the release of a further \$40.0m, the amount of contingency reserve at 31 December 2007 is \$5.7m.

The table below shows the history of asset realisations over budget (other than aircraft), the build-up of the contingency and the release of the contingency:

Details	4 th Report 31 Dec 2003 \$m	5 th Report 31 Dec 2004 \$m	6 th Report 31 Dec 2005 \$m	7 th Report 31 Dec 2006 \$m	8 th Report 31 Dec 2007 \$m	Total \$m
Contingency at 1 January	0.0	12.7	25.8	16.6	9.7	0.0
Assets realised over budget / revalued in calendar year	42.7	13.1	40.8	23.1	36.0	155.7
Contingency released	(30.0)		(50.0)	(30.0)	(40.0)	(150.0)
Contingency at 31 December	12.7	25.8	16.6	9.7	5.7	5.7



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5 Future Dividends

5.1 Return to Employees

The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			758.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(382.4)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
Total of Redundancy >8 Weeks Owing			361.7
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			294.7
Second Dividend - Calculated as % of Balance Owed	27.5%	10-Dec-03	(80.3)
Balance of Redundancy >8 Weeks Owing			214.4
Third Dividend - Calculated as % of Balance Owed	7.5%	15-Dec-04	(16.1)
Balance of Redundancy >8 Weeks Owing			198.3
Fourth Dividend - Calculated as % of Balance Owed	12.5%	12-Dec-05	(25.0)
Balance of Redundancy >8 Weeks Owing			173.3
Fifth Dividend - Calculated as % of Balance Owed	10.0%	27-Apr-06	(17.3)
Balance of Redundancy >8 Weeks Owing			156.0
Sixth Dividend - Calculated as % of Balance Owed	30.0%	7-Sept-06	(46.9)
Balance of Redundancy >8 Weeks Owing			109.1
Seventh Dividend - Calculated as % of Balance Owed	15.0%	14-Dec-06	(16.2)
Balance of Redundancy >8 Weeks Owing			92.9
Eighth Dividend - Calculated as % of Balance Owed	10.0%	19 Jul-07	(9.3)
Balance of Redundancy >8 Weeks Owing			83.6
Ninth Dividend - Calculated as % of Balance Owed	10.0%	13-Dec-07	(8.4)
Balance Now Outstanding			75.2
Future Dividends Estimated	40%		(29.8)
Estimated Shortfall			45.4
Total Amount Estimated to be Distributed			712.6



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The Administrators estimate employees will ultimately receive a further \$29.8m. Accordingly, the Administrators anticipate total payments of \$712.6m of the \$758.0m total entitlements owed, being 94.0% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 39.6% of their current outstanding balance (following payment of the ninth dividend) on average.

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the then \$760.0m estimated total entitlements owed, being 83.3% of total entitlements.

The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.3.

Furthermore, it should be noted that the total employee entitlements owed has decreased from \$760.0m to \$758.0m. This \$2.0m provision was made up of contingent employee claims that could potentially have been made on Ansett.

As such, we have previously held monies in trust to cover the notional dividends that would have been payable (in arrears) should the contingencies have been required. These trust monies were included in the amounts deemed as paid, or put aside, for the employees. Now the requirement to hold the contingency has expired, the monies will be released and as such are deducted from the notional amount paid to date.

5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$353.2m of the total SEES advance of \$382.4m.

5.3 Major risks and assumptions

It is important to note the major risks in delivering the estimated returns:

- Costs to Complete – costs are largely driven by litigation and labour for the provision of consumables and rotables to market;
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotables – these assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;



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- Exchange rate variations; and
- Resolution of litigation and disputes.



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6 Statutory and legal matters

6.1 Court applications

The Administrators have made a number of applications to various courts. There have however been no further applications made since the Seventh Report.

Applications made previously (including those made by other parties) and which have continued or been resolved since the Seventh Report include:

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to recover Trust Funds from Travel Agents; and
- application regarding monies due to Ansett from Travel Software Solutions,

More detailed information on a number of these applications made during the administration can be obtained from the Administrators' websites.

Below is a brief summary of the above applications and their current status or outcome since the Seventh Report. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators have not been included.

6.2 Proceedings regarding Diners Club

In the Fifth, Sixth and Seventh Reports, the Administrators outlined two proceedings issued by AAL against Diners Club Australia ("Diners"). In summary, those proceedings are outlined below:

Global Rewards

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Global Rewards Participation Agreement. The statement of claim particularises claims by AAL in the amount of approximately \$9.6m together with interest and costs. Diners filed its amended defence and counterclaim on 25 October 2005 and filed a Further Amended Defence and Counterclaim on 17 February 2007, denying any liability on a number of grounds and setting out a counterclaim.



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His Honour Justice Hargrave, heard the matter between 6 February 2007 and 22 February 2007. On 4 May 2007, Diners were ordered by the Supreme Court to pay AAL the sum of \$9.6m plus interest of \$5.5m, therefore a total sum of \$15.1m.

Diners were also ordered to pay AAL's costs of the proceeding up until 13 April 2006 on a party/party basis and thereafter on an indemnity basis. Diners have paid the claim and interest amounts with the costs currently being determined.

Diners exercised their right of appeal, and as such, AAL was required to hold the monies in trust until the appeal was heard and the decision handed down. The matter was heard on 8 October 2007.

On 28 February 2008, the Supreme Court of Victoria, Court of Appeal handed down Judgement in favour of AAL, thus dismissing Diner's appeal.

Diners had the right to seek leave to appeal to the High Court of Australia. Diners had 28 days in which to seek leave. The 28 day period has now expired and Diners have not exercised their right of appeal. The trust account balance at 31 March 2007 was \$16.1m, which will now be available to pay a dividend in April.

Diners Merchant Agreement

In addition, and in the same proceeding, AAL made a separate claim against Diners under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. The quantum of the claim will be reduced if Diners can substantiate valid charge card "charge backs" or refunds. Diners alleged that of the \$20.5m claim, \$18.0m relates to charge backs.

The proceeding was initially issued in the Supreme Court of Victoria but Diners referred the matter to Arbitration in New York in accordance with the terms of the Merchant Agreement. Pursuant to a standstill agreement between the parties, the arbitration will not be commenced until the Global Rewards proceeding (outlined above) is completed.

We are now in the process of enlivening these proceedings.

6.3 Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

Victorian Supreme Court, Court of Appeal decision

On 10 November 2006, the Victorian Supreme Court, Court of Appeal handed down judgement allowing Ansett's appeal by a 2-1 majority. On 14 December 2006, IATA filed an application for special leave to appeal to the High Court. The High Court Justices granted IATA leave to appeal.



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IATA gave the required undertaking to pay Ansett's costs of the High Court appeal (irrespective of the outcome of the appeal).

High Court of Australia, Court of Appeal decision

The matter was heard on 4 September 2007.

The High Court, by majority, overturned the judgement of the Victorian Court of Appeal and decided in IATA's favour on the basis that IATA, and not the transacting IATA member airlines, possessed the debtor/creditor relationship with Ansett.

As a result of the High Court judgment, Ansett will not now be able to recover the monies set off in the IATA clearances after the appointment of Voluntary Administrators on 12 September 2001 from the other relevant IATA member airlines. However, there is a possibility that Ansett may be able to recover amounts in respect of rejections from other IATA member airlines. Ansett is considering these potential claims further.

Background to IATA proceeding

IATA operates a Clearing House for the clearing and settlement of transactions between participating members (largely international airlines) and other organisations. AAHL was a member of the IATA Clearing House at the time of the appointment of Voluntary Administrators.

The Administrators previously reported that on 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL's entry into voluntary administration.

AAHL defended the claims brought by IATA and issued a cross-motion seeking orders (among others) that the Clearing House regulations ceased to apply to AAHL upon the execution of its Deed of Company Arrangement on 2 May 2002. AAHL claimed that the Clearing House Regulations did not apply to AAHL's credits and debits that were not cleared as at 12 September 2001, but rather those debits and credits must be dealt with in the administration of AAHL pursuant to, and in accordance with, the provisions of the Deed of Company Arrangement.

AAHL relied upon a standing House of Lords decision of *British Eagle International Airlines Ltd v Compagnie National Air France [1975]* ("British Eagle") in support of its claim. IATA's and AAHL's proceedings were heard together before His Honour Justice Mandie.

Justice Mandie delivered judgement in favour of IATA on 22 April 2005.

AAHL filed a notice of appeal to the Supreme Court of Victoria, Court of Appeal on 20 June 2005 and the appeal was heard on 19 June 2006. On 10 November 2006, the Court of Appeal handed judgment in favour of Ansett by a 2-1 majority. The Court of Appeal agreed with Ansett's contentions that, notwithstanding the purported effect of the IATA Clearing House regulations, Ansett remained the true debtor and creditor vis a vis the other transacting IATA member airlines. The Court



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of Appeal also agreed that the Clearing House arrangements deprived Ansett of the debts owed to it by the other net debtor airlines and that, as such, the Clearing House arrangements were contrary to public policy and could not prevail over Ansett's Deed of Company Arrangement.

IATA subsequently appealed to the High Court as discussed above.

Copies of the decisions of the High Court, Supreme Court of Victoria and the Supreme Court of Victoria, Court of Appeal can be viewed on the Administrators' websites.

6.4 Application regarding Travel Software Solutions (Proceeding No. 2062 of 2006)

Ansett issued a writ and Statement of Claim in the Commercial List in the Supreme Court of Victoria at Melbourne against Travel Software Solutions ("TSS"). The statement of claim alleges that TSS is indebted to Ansett for monies due pursuant to a dividend declared by TSS on 21 December 2005 and for which Ansett as a shareholder of TSS is entitled to receive the sum of \$4.0m, plus interest and costs.

TSS was defending Ansett's claim on the basis of an alleged right of set-off.

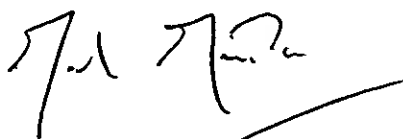
The matter was heard in the Supreme Court in May 2007. Justice Hargrave handed down a decision in Ansett's favour on 19 September 2007 and TSS paid the \$4.0m claim plus interest – a total of \$4.9m. TSS exercised their right of appeal, and as such, Ansett as required to hold the monies in trust until the appeal was heard. A hearing date had not been set, however mediation was agreed to between the parties.

Mediation took place on 27 March 2008 whereby the parties agreed to a settlement. Subject to the discontinuance being filed and relevant share transfers being completed, the funds (the trust account balance on 31 March 2007 was \$5.0m) will be available for distribution in the April dividend.

Dated this 11th day of April 2008



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator





Appendix 1 Listing of Companies for which this Report has been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)





Appendix 2 Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"Commonwealth Government"	Commonwealth Government of Australia
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005
"Sixth Report"	Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006
"Seventh Report"	Seventh Report by Administrators to the Creditors of the Ansett Group dated 31 March 2007





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Ninth Report to Creditors

27 March 2009

Level 24, 333 Collins Street

GPO Box 2985

Melbourne VIC 3001

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**Ansett Group (Subject To Deeds Of Company Arrangement)
Ninth Report to Creditors**

1 Executive Summary

1.1 Introduction

This is the Ninth Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2008. The Administrators have also issued 95 Committee of Creditors' updates, 56 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been achieved?

The Administrators realised \$16.1m of assets during 2008. All aircraft and over 95% of the other assets have now been sold, parted or leased.

The Administrators paid two dividends during 2008. The tenth and eleventh dividends totalled \$44.3m, of which \$24.6m was paid to employees and \$19.7m to the Commonwealth Government.

Employees have now received \$709.8m of the revised total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$351.7m of the \$382.4m of its total advances.

The SEES scheme has now been closed.

The Administrators are now able to increase the net asset realisation estimate by a further \$10.0m from \$710.0m to \$720.0m as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.



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1.3 Where are we going?

The Administrators will:

- continue to sell spare parts;
- collect amounts from legal actions; and
- collect lease revenue from aviation assets.

The above is expected to realise \$16.4m.

Costs to complete the administration are estimated at \$5.4m. \$1.0m of the total cost to complete is for trade creditors and employee provisions accrued during the administration period to 31 December 2008.

There are contingencies, both assets and liabilities, which are being resolved on a continuing basis. \$6m is held as a contingency.

1.4 Future dividends

The Administrators estimate employees will receive at least a further \$8.5m, to be paid over the next few years. **This means each employee should receive at least 18 cents in the \$ of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$718.3m of the \$758.0m of total employee entitlements owed (approximately 94.8 cents in the \$ on average).

We note this is an increase of \$5.7m to employees since the last report due largely to successful legal actions.

The Administrators estimate the Commonwealth Government will ultimately receive \$357.1m of its total advance of \$382.4m. Further dividends will be paid over the next few years as assets are realised.

It is important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.3.

1.5 Subsequent Events Update

Subsequent to 31 December 2008, the Administrators have successfully concluded the Diners Global Master Merchants Agreements litigation through mediation and banked \$5.25m. Further details are documented in Section 6.



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2 Communication with Stakeholders

2.1 The Administrators' websites

The Administrators established websites early in the administration to post documents relating to major issues in the administration. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

2.2 Committee of Creditors' updates

The functions of the Ansett Committee of Creditors are to consult with the Administrators about matters relating to the administration, receive and consider updates and reports prepared by the Administrators and to approve the Administrators' remuneration from time to time.

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2008 is as follows:

Update	Date	Major Issues Reported
89	6 February 2008	Update on IATA
90	28 February 2008	Update on Diners Club litigation
91	28 March 2008	Update as to Diners Club and TSS litigation
92	15 April 2008	Advice on the 10 th Dividend
93	31 May 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
94	31 August 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
95	30 November 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.



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2.3 Employee updates

Employees have also been provided with updates on the Administrators' websites. A summary of the major issues covered in each update during 2008 is as follows:

Update	Date	Major Issues Reported
53	29 February 2008	Update on Current Litigation and the sale of AAES assets
54	15 April 2008	Payment of Tenth dividend, Update on Current Litigation and outline of the Eighth Report to Creditors
55	11 November 2008	Update on Administration strategy, Litigation and further dividends
56	11 December 2008	Payment of Eleventh Dividend and update on litigation.

2.4 Key stakeholder communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.



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3 What has been achieved?

3.1 Assets realised during 2008

The Administrators realised \$16.1m of assets during 2008. The Administrators have now realised over 95% of assets. Assets other than aircraft realised in 2008 totalled \$14.4m.

The non aircraft assets realised during 2008 are as follows:

Non Aircraft Assets realised during 2008	Section	\$m
Business	3.1.1	5.0
Debtors	3.1.2	0.8
Spares, Rotables and Consumables	3.1.3	8.6
Total		14.4

3.1.1 Businesses

Ansett Australia Engineering Services

As mentioned in our last report, on 1 June 2007 the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to John Holland Aviation Services (“JHAS”).

These assets were sold for \$10.0m. The sale also saw employment opportunities for approximately 150 existing Ansett staff going forward.

Fifty percent of the purchase price was received on 1 June 2007. The balance of the purchase price was received in January 2008. The payment of the balance of funds was dependent on JHAS achieving CASA and EASA certifications or 1 June 2008 – whichever was the earliest date. There were interim measures in place whereby JHAS traded utilising the AAES CASA and EASA approvals whilst providing AAES with the appropriate indemnities.

The sale excluded the supply centre, the spare parts, the ALF engines from the parted BAe146 aircraft and the IT systems. In addition Ansett allowed JHAS to have use of the Ansett IT systems by JHAS in the short term.



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3.1.2 Debtors

Debtor Recoveries

During 2008, the collection team recovered a further \$0.8m in pre administration debtors. This increased total collections to \$150.1m. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on Ansett's behalf.

IATA, Diners Club and TSS

Details of recoveries and proceedings during the 2008 year are contained in section 6 of this report. Further events subsequent to 31 December 2008 are also discussed.

3.1.3 Spares, Rotables and Consumables

During 2008, \$8.6m was realised from the sale of spares, rotables and consumables.

The Administrators' consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which were again met during 2008.

The Administrators are currently in negotiations with AASS to possibly extend the terms of the consignment and marketing agreement.

3.2 Aircraft realised during 2008

In our Eighth Report we made reference to Ansett's remaining 5 aircraft. An update on these aircraft is below:

- Ansett completed the sale of two BAe146-300's (NZG and NZJ), which were subject to lease purchase agreements with European Skybus.
- Parting was completed for the one BAe146-300 located in Melbourne.
- The two BAe146-300's (EWR and EWN) leased to Orion Air are to be re delivered due to Orion Air's lease default. These two aircraft will be realised in the United Kingdom.



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The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(55)	(5)	N/A	N/A	(60)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft to be Sold/Parted	0	-	-	-	0

It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the four Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. Of the remaining aircraft, 18 have been or are being sold for parts and 20 have been sold on the market.



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3.3 Dividends paid during 2008

The Administrators paid two dividends in 2008 totalling \$44.3m, being the tenth and eleventh dividends, as follows:

- the tenth dividend on 15 April 2008 of \$24.6m of which \$15.0m was paid to employees, being 20.0% of each employee's outstanding balance after payment of the first to ninth dividends; and \$9.6m to the Commonwealth Government; and
- the eleventh dividend on 11 December 2008 of \$19.7m of which \$12.0m was paid to employees, being 20.0% of each employee's outstanding balance after payment of the first to tenth dividends; and \$7.7m to the Commonwealth Government.

Employees have now received \$709.8m of the estimated total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$351.7m of the \$382.4m of its total advances.



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4 Where are we going?

Overall, the Administrators expect to achieve total net realisations of at least \$720.0m. Significantly, the net asset realisations estimate has increased by \$130.0m from the \$590.0m previously reported in the Fifth Report. This is as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.

Estimated Realisations	Section	5 th Report 31 December 2004 \$m	6 th Report 31 December 2005 \$m	7 th Report 31 December 2006 \$m	8 th Report 31 December 2007 \$m	9 th Report 31 December 2008 \$m
Cash at Bank	4.1	151.1	142.4	32.3	18.4	9.9
Proceeds from Asset Sales used for distributions		413.5	467.5	628.4	658.3	705.1
Assets still to be realised	4.2	32.0	33.6	27.1	44.5	15.5
Costs to complete (including aircraft costs)	4.4	(42.3)	(24.0)	(12.5)	(8.0)	(5.4)
Contingency reserve	4.5	(25.8)	(16.6)	(9.7)	(5.7)	(6.0)
Total before remaining aircraft realisations		528.5	602.9	665.6	707.5	719.1
Aircraft still to be realised	4.3	61.5	37.1	4.4	2.5	0.9
Total Realisations		590.0	640.0	670.0	710.0	720.0



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Ultimately, the Administrators expect the \$720.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003 \$m	31 Dec 2004 \$m	31 Dec 2005 \$m	31 Dec 2006 \$m	31 Dec 2007 \$m	31 Dec 2008 \$m
Dividends to Date						
Employees	162.5	177.7	202.3	282.9	300.0	327.4
SEES	188.7	258.3	272.5	322.7	334.0	351.7
Unsecured creditors	-	-	-	27.0	27.0	27.0
	351.2	436.0	474.8	632.6	661.0	706.1
Amounts To Be Distributed						
Employees	85.1	68.9	84.2	21.8	29.8	8.5
SEES	113.7	45.1	54.0	15.6	19.2	5.4
Unsecured Creditors	40.0	40.0	27.0	-	-	-
	238.8	154.0	165.2	37.4	49.0	13.9
Total Dividends						
Employees	247.6	246.6	286.5	304.7	329.8	335.9
SEES	302.4	303.4	326.5	338.3	353.2	357.1
Unsecured Creditors	40.0	40.0	27.0	27.0	27.0	27.0
	590.0	590.0	640.0	670.0	710.0	720.0



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4.1 Cash at bank - \$9.9m

The \$9.9m in the bank on 31 December 2008 consists of:

- \$1.0m is being held in trust for either continuing employees, rental deposits or unclaimed dividends.
- The balance is required temporarily to act as working capital for existing operations and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

4.2 Assets still to be realised - \$15.5m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice and settlements subsequent to the 31 December 2008 balance date;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

As previously detailed, the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to JHAS.

The administration continues to utilise the Supply Centre at Garden Drive, Tullamarine and have recently moved all remaining engineering staff to the existing offices in the Supply building.

The Supply Centre will not be sold in the short term given the AASS agreement referred to below.

Debtors and Travel Agents

Recovery of funds from debtors and funds held in trust from BSP travel agents is near complete.

Anticipated further collections are expected to minimal. We also hold default judgements of approximately \$0.3m, however significant recovery on these debtors is unlikely.

Subsequent to 31 December 2008, the Administrators have concluded the Diners Global Master Merchants Agreements litigation through mediation and the funds will be recovered in 2009. Further details are documented in Section 6.



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Spares, Rotables and Consumables

The Administrators are currently negotiating to extend the term of the AASS agreement.

During 2008, \$8.6m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$5.8m over the next year and a half. The estimated realisation value is net of costs required to realise the assets.

Ansett is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, Ansett's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No substantial spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and this is discussed in Section 4.3.

4.3 Aircraft still to be realised - \$0.9m

Of the original fleet of 134 aircraft, at 31 December 2008, there are no aircraft remaining to be sold or leased.

During 2008 the balance of the lease payments owed by European Skybus for two BAe146-300's (NZG and NZJ) was collected.

For the two BAe146-300's (EWR and EWN) leased to Orion Air, due to the difficulty in Orion Air obtaining finance we are in the process of reprocessing the aircraft. Due to the low estimated realisable value of these aircraft and the long time period required to sell them due to the large number of aircraft on the market we are likely to part them in the United Kingdom. The parts will be remarketed as part of the ongoing spares agreement with AASS.

The Administrators now expect to receive a further \$0.9m from the aircraft assets detailed above.



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4.4 Costs to complete the Administration - \$5.4m

4.4.1 Estimated costs to complete

Costs to complete are estimated at \$5.4m. \$1.0m of the total cost to complete the administration is for the trade creditors and employee provisions as at 31 December 2008. \$1.9m of the total cost to complete the administration is for external labour requirements.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administration.

The following table summarises the updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2008 \$m
Working Capital – includes trade creditors and employee entitlements accrued during the administration period	1.0
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	2.0
Administration and legal fees	2.4
Total	5.4

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft and the spares, rotables and consumables.

Costs to date have, however, been significantly below budget. 2008 costs were approximately \$3.5m, marginally less than the budget of \$3.8m as set out in the Seventh Report.

We also note that a considerable cost mitigation exercise was undertaken in the first half of 2008 particularly with regard to IT. New software and hardware is being used to replace the expensive Ansett legacy systems that were necessary whilst amongst other things, AAES was operating and aircraft were held on the Ansett register.

The Administrators have replaced the aviation maintenance and stock systems, the accounting system and the communications systems with “off the shelf” packages that have been tailored to our requirements. These systems and the hardware are considerably more robust than the Ansett legacy systems thereby mitigating a major business risk, and given the technology advances, significantly cheaper to purchase, host and operate.

Even with the implementation and hardware costs for the new systems, the savings are in excess of \$1.0m per annum as of 1 January 2008.

The following table shows the costs to complete budget from January 2004, forecast to the completion of the administration and the revised budget on which future reporting will be based:



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Costs to Complete – Timetable	5 th Report	6 th Report	7 th Report	8 th Report	9 th Report
	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
	\$m	\$m	\$m	\$m	\$m
Working Capital	5.3	7.3	3.1	2.2	1.0
Jan – Jun 05	13.3				
Jul – Dec 05	11.5				
Jan – Jun 06	3.7	7.7			
Jul – Dec 06	2.1	3.6			
Jan – Jun 07	1.9	2.6	3.3		
Jul – Dec 07	1.9	2.4	2.5		
Jan – Jun 08			1.9	2.2	
Jul – Dec 08			1.7	1.6	
Jan – Jun 09				1.0	1.4
Jul – Dec 09				1.0	1.2
Jan – Dec 10					1.8
Regionals/Other	2.6	0.4			
Total	42.3	24.0	12.5	8.0	5.4

The budgets for the 2009 and 2010 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

Costs are only incurred once a cost benefit analysis has been completed.

4.4.2 Administrators' remuneration

Costs to date and to complete include Administrators' remuneration. The Committee of Creditors approve Administrators' remuneration on a monthly basis.

In February 2005, the Administrators prepared a detailed Ansett Administrators' Remuneration Policy Manual (of approximately 23 pages plus attachments) which was provided to the Committee. The manual and subsequent updates issued in February 2006, 2007, 2008 and 2009 continually provide the Committee with detailed disclosure of:

- Annual remuneration paid;
- Calculation of the remuneration including hours, staff and detailed task analysis;
- Annual remuneration compared to the previously approved annual budget; and
- Annual remuneration budget for the forthcoming year.

The Policy Manual also documents in detail the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committee of Creditors held on 28 February 2005, the Committee agreed sufficient disclosure of information had been



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provided to them and also agreed with the approval process as outlined in the manual. This detailed disclosure continued on a monthly basis and is provided to the Committee to assist in its review of each remuneration claim.

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates. The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim.

In February 2008, the Committee of Creditors reviewed the 2008 Remuneration budget of \$1.7m.

The 2008 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2008	143,161
February 2008	153,443
March 2008	116,741
April 2008	122,695
May 2008	122,479
June 2008	81,308
July 2008	117,209
August 2008	109,337
September 2008	65,534
October 2008	147,015
November 2008	114,717
December 2008	85,973

The Remuneration claim for 2008 was \$0.3m under budget.



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4.5 Contingency reserve - \$6.0m

There are contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced since 2004. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are contingent liabilities of up to \$10.0m (reduced from \$42.0m in the Fourth Report and from \$31.0m in the Fifth Report).

These amounts have not been included in the estimated realisations for creditors.

At 31 December 2008, the administration was \$166.0m over budget realisations (other than aircraft). After the release of a further \$10.0m, the amount of contingency reserve at 31 December 2008 is \$6.0m.

The table below shows the history of asset realisations over budget (other than aircraft), the build-up of the contingency and the release of the contingency:

Details	4 th Report 31 Dec 2003 \$m	5 th Report 31 Dec 2004 \$m	6 th Report 31 Dec 2005 \$m	7 th Report 31 Dec 2006 \$m	8 th Report 31 Dec 2007 \$m	9 th Report 31 Dec 2008 \$m	Total \$m
Contingency at 1 January	0.0	12.7	25.8	16.6	9.7	5.7	0.0
Assets realised over budget / revalued in calendar year	42.7	13.1	40.8	23.1	36.0	10.3	166.0
Contingency released	(30.0)		(50.0)	(30.0)	(40.0)	(10.0)	(160.0)
Contingency at 31 December	12.7	25.8	16.6	9.7	5.7	6.0	6.0



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5 Future Dividends

5.1 Return to Employees

The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			758.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(382.4)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
Total of Redundancy >8 Weeks Owing			361.7
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			294.7
Second Dividend - Calculated as % of Balance Owed	27.5%	10-Dec-03	(80.3)
Balance of Redundancy >8 Weeks Owing			214.4
Third Dividend - Calculated as % of Balance Owed	7.5%	15-Dec-04	(16.1)
Balance of Redundancy >8 Weeks Owing			198.3
Fourth Dividend - Calculated as % of Balance Owed	12.5%	12-Dec-05	(25.0)
Balance of Redundancy >8 Weeks Owing			173.3
Fifth Dividend - Calculated as % of Balance Owed	10.0%	27-Apr-06	(17.3)
Balance of Redundancy >8 Weeks Owing			156.0
Sixth Dividend - Calculated as % of Balance Owed	30.0%	7-Sept-06	(46.9)
Balance of Redundancy >8 Weeks Owing			109.1
Seventh Dividend - Calculated as % of Balance Owed	15.0%	14-Dec-06	(16.2)
Balance of Redundancy >8 Weeks Owing			92.9
Eighth Dividend - Calculated as % of Balance Owed	10.0%	19 Jul-07	(9.3)
Balance of Redundancy >8 Weeks Owing			83.6
Ninth Dividend - Calculated as % of Balance Owed	10.0%	13-Dec-07	(8.4)
Balance of Redundancy >8 Weeks Owing			75.2
Tenth Dividend - Calculated as % of Balance Owed	20.0%	19 Apr-08	(15.0)
Balance of Redundancy >8 Weeks Owing			60.2
Eleventh Dividend - Calculated as % of Balance Owed	20.0%	11-Dec-08	(12.0)
Balance Now Outstanding			48.2
Future Dividends Estimated	18%		(8.5)
Estimated Shortfall			39.7
Total Amount Estimated to be Distributed			718.3



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The Administrators estimate employees will ultimately receive a further \$8.5m. Accordingly, the Administrators anticipate total payments of \$718.3m of the \$758.0m total entitlements owed, being 94.8% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 18% of their current outstanding balance (following payment of the eleventh dividend) on average.

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the then \$760.0m estimated total entitlements owed, being 83.3% of total entitlements.

The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.3.

Furthermore, it should be noted that the total employee entitlements owed decreased from \$760.0m to \$758.0m during 2007. This \$2.0m provision was made up of contingent employee claims that could potentially have been made on Ansett.

As such, we have previously held monies in trust to cover the notional dividends that would have been payable (in arrears) should the contingencies have been required. These trust monies were included in the amounts deemed as paid, or put aside, for the employees. When the requirement to hold the contingency expired, the monies were released and as such were deducted from the notional amount paid to date.

5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$357.1m of the total SEES advance of \$382.4m.

5.3 Major risks and assumptions

It is important to note the major risks in delivering the estimated returns:

- Costs to Complete – costs are largely driven by litigation and labour for the provision of consumables and rotables to market;
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotables – these assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;



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- Exchange rate variations; and
- Resolution of litigation and disputes.



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6 Statutory and legal matters

6.1 Court applications

The Administrators have made a number of applications to various courts. There have however been no further applications (other than small debtor recoveries) made since the Seventh Report.

Applications made previously (including those made by other parties) and which have continued or been resolved since the Seventh Report include:

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to recover Trust Funds from Travel Agents; and
- application regarding monies due to Ansett from Travel Software Solutions,

More detailed information on a number of these applications made during the administration can be obtained from the Administrators' websites.

Below is a brief summary of the above applications and their current status or outcome since the Eighth Report. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators have not been included.

6.2 Proceedings regarding Diners Club

In the Fifth, Sixth, Seventh and Eighth Reports, the Administrators outlined two proceedings, issued by AAL against Diners Club Australia ("Diners"), being the firstly the Master Merchants Agreement and secondly Global Rewards. These proceedings are outlined below:

Diners Merchant Agreement

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. Diners in response alleged that of the \$20.5m claim, \$18.0m relates to charge backs.



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The proceeding was initially issued in the Supreme Court of Victoria but Diners referred the matter to Arbitration in New York in accordance with the terms of the Merchant Agreement. Pursuant to a standstill agreement between the parties, the arbitration was not to be commenced until the Global Rewards proceeding (outlined above) was completed.

During 2008, these proceedings were enlivened. The matter was mediated in December 2008 and settled for \$5.25m. The amount was paid to the Administrators in February 2009. The remaining details of the settlement are confidential.

Global Rewards

As mentioned in the Eighth Report, his Honour Justice Hargrave, heard the matter between 6 February 2008 and 22 February 2008. On 4 May 2008, Diners were ordered by the Supreme Court to pay AAL the sum of \$9.6m plus interest. On 28 February 2008, the Supreme Court of Victoria, Court of Appeal handed down Judgement in favour of AAL, thus dismissing Diners' appeal. Diners did not seek to appeal and as a result Ansett received \$16.1 million which was used to pay a dividend in April 2008.

6.3 Applications regarding IATA and IATA member airlines (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

As discussed in the Eighth Report, the High Court, by majority, overturned the judgment of the Victorian Court of Appeal and decided in IATA's favour on the basis that it was IATA, and not the transacting IATA member airlines, that stood in a debtor/creditor relationship with Ansett.

As a result of the High Court's decision, Ansett is unable to recover the monies set off in the IATA Clearing House clearances that occurred after the appointment of Ansett's Voluntary Administrators on 12 September 2001 from individual IATA member airlines.

Since the High Court judgment was handed down, Ansett has been recovering amounts in respect of services performed by Ansett for IATA member airlines after Ansett ceased participating in the IATA Clearing House clearance process.

Copies of the decisions of the High Court, the Court of Appeal of the Supreme Court of Victoria and the Trial Division of the Supreme Court of Victoria are available on the Administrators' websites.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Ninth Report to Creditors**

Dated this 27th day of March 2009



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator





Appendix 1 Listing of Companies for which this Report has been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



Appendix 2 Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"Commonwealth Government"	Commonwealth Government of Australia
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005
"Sixth Report"	Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006
"Seventh Report"	Seventh Report by Administrators to the Creditors of the Ansett Group dated 31 March 2007
"Eighth Report"	Eighth Report by Administrators to the Creditors of the Ansett Group dated 11 April 2008





KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Tenth Report to Creditors

12 April 2010



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Executive Summary

Introduction

This is the Tenth Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2009. The Administrators have also issued 97 Committee of Creditors updates, 58 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

What has been achieved?

The Administrators realised \$13.5m of assets during 2009. All aircraft and over 95% of the other assets have now been sold, parted or leased.

The Administrators paid one dividend during 2009. The twelfth dividend totalled \$13.8m, of which \$8.4m was paid to employees and \$5.4m to the Commonwealth Government.

Employees have now received \$718.2m of the revised total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$357.1m of the \$382.4m of its total advances.

The SEES scheme has now been closed.

The Administrators are now able to increase the net asset realisation estimate by a further \$8.0m from \$720.0m to \$728.0m as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- elimination or mitigation of known contingent claims.

Where are we going?

The Administrators will:

- continue to sell spare parts;
- collect amounts from legal actions; and
- collect lease revenue from aviation assets.

The above is expected to realise \$7.1m.

There are no longer any known material contingent liabilities that could affect the return to creditors. As such, we no longer hold a contingency reserve.

Future dividends

The Administrators estimate employees will receive at least a further \$4.9m, to be paid over the next few years. **This means each employee should receive at least 12 cents in the \$ of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$723.1m of the \$758.0m of total employee entitlements owed (approximately 95.4 cents in the \$ on average).

We note this is an increase of \$4.8m to employees since the last report due largely to successful legal action recoveries and the sale of aircraft.



KordaMentha

The Administrators estimate the Commonwealth Government will ultimately receive \$360.2m of its total advance of \$382.4m. Further dividends will be paid over the next few years as assets are realised.

It is important to note the risks in delivering the estimated returns. These risks are documented in Section 4.3.

1 Communication with Stakeholders

1.1 The Administrators websites

The Administrators established websites early in the administration to post documents relating to major issues in the administration. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

1.2 Committee of Creditors updates

The functions of the Ansett Committee of Creditors are to consult with the Administrators about matters relating to the administration, receive and consider updates and reports prepared by the Administrators and to approve the Administrators remuneration from time to time.

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2009 is as follows:

Update	Date	Major Issues Reported
96	28 February 2009	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
97	31 August 2009	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.

1.3 Employee updates

Employees have also been provided with updates on the Administrators websites. A summary of the major issues covered in each update during 2009 is as follows:

Update	Date	Major Issues Reported
57	27 March 2009	Update on Current Litigation and outline of the Ninth Report to Creditors
58	10 December 2009	Payment of Twelfth Dividend. Update on Administration strategy, litigation and further dividends

1.4 Key stakeholder communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.

2 What has been achieved?

2.1 Assets realised during 2009

The Administrators realised \$13.5m of assets during 2009. The Administrators have now realised over 95% of assets.

The assets realised during 2009 are as follows:

Assets realised during 2009	Section	\$m
Business	2.1.1	Nil
Debtors	2.1.2	5.4
Spares, Rotables and Consumables	2.1.3	5.2
Aircraft	2.1.4	2.9
Total		13.5

2.1.1 Businesses

Ansett Australia Engineering Services

As mentioned in our last report, on 1 June 2007 the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to John Holland Aviation Services (“JHAS”).

These assets were sold for \$10.0m. The sale also saw employment opportunities for approximately 150 existing Ansett staff going forward.

The sale was finalised in 2008. The sale excluded the supply centre, the spare parts, the ALF engines from the parted BAe146 aircraft and the IT systems. In addition Ansett allowed JHAS to have use of the Ansett IT systems by JHAS in the short term.

2.1.2 Debtors

Debtor Recoveries

During 2009, we recovered a further \$0.03m in pre administration debtors. This increased total collections to \$150.2m. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on Ansett’s behalf. The BSP recovery team has now finished and responsibility for finalising various proceedings and recovery arrangements have been handed over to general staff.

IATA, Diners Club and TSS

Details of recoveries and proceedings during the 2009 year are contained in section 5 of this report.

2.1.3 Spares, Rotables and Consumables

During 2009, \$5.2m was realised from the sale of spares, rotables and consumables.

The Administrators have extended the consignment and marketing agreement with AASS to 30 June 2010.

2.1.4 Aircraft realised during 2009

At 31 December 2008, Ansett had two remaining aircraft. The two BAe146-300's (EWR and EWN) had previously been leased to Orion Air and were to be re delivered due to Orion Air's lease default.

The Administrators continued to negotiate a settlement on these aircraft and in June 2009 we finalised the contracts and received payment of US\$2.2m for the two aircraft.

The Administrators also reached terms with Albanian Air for the sale of an ALF engine in June 2009.

During 2009 we have received approximately \$2.9m from aircraft and engines. These sales were approximately \$2m above budget.

2.2 Dividend paid during 2009

The Administrators paid one dividend in 2009 totalling \$13.8m. The twelfth dividend was paid on 10 December 2009 of which \$8.4m was paid to employees, being 17.5% of each employee's outstanding balance after payment of the first to eleventh dividends, and \$5.4m to the Commonwealth Government.

Employees have now received \$718.2m of the estimated total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$357.1m of the \$382.4m of its total advances.

3 Where are we going?

Overall, the Administrators expect to achieve total net realisations of at least \$728.0m. Significantly, the net asset realisations estimate has increased by \$138.0m from the \$590.0m previously reported in the Fifth Report. This is as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.

Estimated Realisations	Section	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report
		31 Dec 2004 \$m	31 Dec 2005 \$m	31 Dec 2006 \$m	31 Dec 2007 \$m	31 Dec 2008 \$m	31 Dec 2009 \$m
Cash at Bank	3.1	151.1	142.4	32.3	18.4	9.9	6.0
Proceeds from Asset Sales used for distributions		413.5	467.5	628.4	658.3	705.1	719.5
Assets still to be realised	3.2	32.0	33.6	27.1	44.5	15.5	7.1
Costs to complete (including aircraft costs)	3.4	(42.3)	(24.0)	(12.5)	(8.0)	(5.4)	(4.6)
Contingency reserve	3.5	(25.8)	(16.6)	(9.7)	(5.7)	(6.0)	-
Total before remaining aircraft realisations		528.5	602.9	665.6	707.5	719.1	728.0
Aircraft still to be realised	3.3	61.5	37.1	4.4	2.5	0.9	-
Total Realisations		590.0	640.0	670.0	710.0	720.0	728.0

Ultimately, the Administrators expect the \$728.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003 \$m	31 Dec 2004 \$m	31 Dec 2005 \$m	31 Dec 2006 \$m	31 Dec 2007 \$m	31 Dec 2008 \$m	31 Dec 2009 \$m
Dividends to Date							
Employees	162.5	177.7	202.3	282.9	300.0	327.4	335.9
SEES	188.7	258.3	272.5	322.7	334.0	351.7	357.1
Unsecured creditors	-	-	-	27.0	27.0	27.0	27.0
	351.2	436.0	474.8	632.6	661.0	706.1	720.0
Amounts To Be Distributed							
Employees	85.1	68.9	84.2	21.8	29.8	8.5	4.9
SEES	113.7	45.1	54.0	15.6	19.2	5.4	3.1
Unsecured Creditors	40.0	40.0	27.0	-	-	-	-
	238.8	154.0	165.2	37.4	49.0	13.9	8.0
Total Dividends							
Employees	247.6	246.6	286.5	304.7	329.8	335.9	340.8
SEES	302.4	303.4	326.5	338.3	353.2	357.1	360.2
Unsecured Creditors	40.0	40.0	27.0	27.0	27.0	27.0	27.0
	590.0	590.0	640.0	670.0	710.0	720.0	728.0

3.1 Cash at bank - \$6.0m

The \$6.0m in the bank on 31 December 2009 consists of:

- \$0.5m is being held in trust for either continuing employees or unclaimed dividends.
- The balance is required temporarily to act as working capital for existing operations, rental deposits and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

3.2 Assets still to be realised - \$7.1m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice and settlements subsequent to the 31 December 2009 balance date;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

As previously detailed, the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to JHAS.

The administration continues to utilise the Supply Centre at Garden Drive, Tullamarine and have recently moved all remaining engineering staff to the existing offices in the Supply building.

The Supply Centre will not be sold in the short term given the AASS agreement referred to below.

Debtors and Travel Agents

Recovery of funds from debtors and funds held in trust from BSP travel agents is near complete.

Anticipated further collections are expected to be minimal. We also hold default judgements of approximately \$0.2m however significant recovery on these debtors is unlikely.

The Administrators have concluded the Diners Global Master Merchants Agreements litigation through mediation and the funds were recovered in 2009. Further details are documented in Section 5.

Spares, Rotables and Consumables

The Administrators have extended the consignment and marketing agreement with AASS to 30 June 2010.

During 2009, \$5.2m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts and engines of \$2.9m over the two years. The estimated realisation value is net of costs required to realise the assets.

Ansett is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, Ansett's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No substantial spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and the realisation estimates are included in Spares, Rotables and Consumables above.

3.3 Aircraft still to be realised - Nil

Of the original fleet of 134 aircraft, at 31 December 2009, there are no aircraft remaining to be sold or leased.

During 2009 the last remaining aircraft, the two BAe146-300's (EWR and EWN) previously leased to Orion Air, were sold as detailed previously.

As such, the Administrators will not receive any further funds from the sale of aircraft assets.

3.4 Costs to complete the Administration - \$4.6m

3.4.1 Estimated costs to complete

Costs to complete are estimated at \$4.6m. \$0.7m of the total cost to complete the administration is for the trade creditors, engine deposits and employee provisions as at 31 December 2009. \$2.2m of the total cost to complete the administration is for external labour requirements.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administration.

The following table summarises the updated estimated costs to complete, by asset type:

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2009 \$m
Working Capital – includes trade creditors, engine deposits and employee entitlements accrued during the administration period	0.7
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	2.1
Administration and legal fees	1.8
Total	4.6

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft and the spares, rotables and consumables.

Costs to date over the course of the Administration have been below budget. 2009 costs were approximately \$2.8m, slightly more than the budget of \$2.6m as set out in the Ninth Report.

We also note that a considerable cost mitigation exercise was undertaken in the first half of 2008 particularly with regard to IT. New software and hardware is being used to replace the expensive Ansett legacy systems that were necessary whilst amongst other things, AAES was operating and aircraft were held on the Ansett register.

The Administrators have replaced the aviation maintenance and stock systems, the accounting system and the communications systems with “off the shelf” packages that have been tailored to our requirements. These systems and the hardware are considerably more robust than the Ansett legacy systems thereby mitigating a major business risk, and given the technology advances, significantly cheaper to purchase, host and operate.

Even with the implementation and hardware costs for the new systems, the savings are in excess of \$1.0m per annum as of 1 January 2008.



The following table shows the costs to complete budget from January 2004, forecast to the completion of the administration and the revised budget on which future reporting will be based:

Costs to Complete – Timetable	5th Report 31 Dec 2004 \$m	6th Report 31 Dec 2005 \$m	7th Report 31 Dec 2006 \$m	8th Report 31 Dec 2007 \$m	9th Report 31 Dec 2008 \$m	10th Report 31 Dec 2009 \$m
Working Capital	5.3	7.3	3.1	2.2	1.0	0.7
Jan – Jun 05	13.3					
Jul – Dec 05	11.5					
Jan – Jun 06	3.7	7.7				
Jul – Dec 06	2.1	3.6				
Jan – Jun 07	1.9	2.6	3.3			
Jul – Dec 07	1.9	2.4	2.5			
Jan – Jun 08			1.9	2.2		
Jul – Dec 08			1.7	1.6		
Jan – Jun 09				1.0	1.4	
Jul – Dec 09				1.0	1.2	
Jan – Dec 10					1.8	2.3
Jan – Dec 11						1.6
Regionals/Other	2.6	0.4				
Total	42.3	24.0	12.5	8.0	5.4	4.6

The budgets for the 2010 and 2011 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft realisations and parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

Costs are only incurred once a cost benefit analysis has been completed.

3.4.2 Administrators remuneration

Costs to date and to complete include Administrators' remuneration. The Committee of Creditors approve Administrators remuneration on a monthly basis.

In February 2005, the Administrators prepared a detailed Ansett Administrators Remuneration Policy Manual (of approximately 23 pages plus attachments) which was provided to the Committee. The manual and subsequent updates issued in February or March 2006, 2007, 2008, 2009 and 2010 continually provide the Committee with detailed disclosure of:

- Annual remuneration paid;
- Calculation of the remuneration including hours, staff and detailed task analysis;
- Annual remuneration compared to the previously approved annual budget; and
- Annual remuneration budget for the forthcoming year.

The Policy Manual also documents in detail the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committee of Creditors held on 28 February 2005, the Committee agreed sufficient disclosure of information had been provided to them and also agreed with the approval process as outlined in the manual. This detailed

disclosure continued on a monthly basis and is provided to the Committee to assist in its review of each remuneration claim.

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates.

At the meetings of Committee of Creditors held on 26 March 2009, the Committee agreed to move forward with half yearly committee meetings and as such, a half yearly remuneration approval process.

The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim.

In March 2009, the Committee of Creditors reviewed the 2009 Remuneration budget of \$1.4m.

The 2009 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2009	95,068
February 2009	103,550
March 2009	127,696
April 2009	105,923
May 2009	132,630
June 2009	89,419
July 2009	79,580
August 2009	67,684
September 2009	63,850
October 2009	56,408
November 2009	46,068
December 2009	71,451

The Remuneration claim for 2009 was \$0.4m under budget.

3.5 Contingency reserve - Nil

There are no longer any known material contingent liabilities that could affect the return to creditors. This has been reduced from \$42.0m in the Fourth Report and from \$31.0m in the Fifth Report as the Administrators have worked to mitigate these risks.

4 Future Dividends

4.1 Return to Employees

The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			758.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(382.4)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
			361.7
Special Dividend - Amounts Varied Between Employees		10-Dec-03	(67.0)
			294.7
Second Dividend - Calculated as % of Balance Owed	27.5%	10-Dec-03	(80.3)
			214.4
Third Dividend - Calculated as % of Balance Owed	7.5%	15-Dec-04	(16.1)
			198.3
Fourth Dividend - Calculated as % of Balance Owed	12.5%	12-Dec-05	(25.0)
			173.3
Fifth Dividend - Calculated as % of Balance Owed	10.0%	27-Apr-06	(17.3)
			156.0
Sixth Dividend - Calculated as % of Balance Owed	30.0%	7-Sept-06	(46.9)
			109.1
Seventh Dividend - Calculated as % of Balance Owed	15.0%	14-Dec-06	(16.2)
			92.9
Eighth Dividend - Calculated as % of Balance Owed	10.0%	19 Jul-07	(9.3)
			83.6
Ninth Dividend - Calculated as % of Balance Owed	10.0%	13-Dec-07	(8.4)
			75.2
Tenth Dividend - Calculated as % of Balance Owed	20.0%	19 Apr-08	(15.0)
			60.2
Eleventh Dividend - Calculated as % of Balance Owed	20.0%	11-Dec-08	(12.0)
			48.2
Twelfth Dividend - Calculated as % of Balance Owed	17.5%	10-Dec-09	(8.4)
Balance Now Outstanding			39.8
Future Dividends Estimated	12%		(4.9)
Estimated Shortfall			34.9
Total Amount Estimated to be Distributed			723.1



The Administrators estimate employees will ultimately receive a further \$4.9m. Accordingly, the Administrators anticipate total payments of \$723.1m of the \$758.0m total entitlements owed, being 95.4% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 12% of their current outstanding balance (following payment of the twelfth dividend) on average.

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the then \$760.0m estimated total entitlements owed, being 83.3% of total entitlements.

The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is important to note the risks in delivering the estimated returns. These risks are documented at Section 4.3.

Furthermore, it should be noted that the total employee entitlements owed decreased from \$760.0m to \$758.0m during 2007. This \$2.0m provision was made up of contingent employee claims that could potentially have been made on Ansett.

As such, we have previously held monies in trust to cover the notional dividends that would have been payable (in arrears) should the contingencies have been required. These trust monies were included in the amounts deemed as paid, or put aside, for the employees. When the requirement to hold the contingency expired, the monies were released and as such were deducted from the notional amount paid to date.

4.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$360.2m of the total SEES advance of \$382.4m.

4.3 Risks and assumptions

It is important to note the risks in delivering the estimated returns:

- Costs to Complete – costs are largely driven by labour for the provision of consumables and rotatables to market;
- Resolution of minor contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotatables – these assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;
- Exchange rate variations; and
- Resolution of litigation and disputes.

5 Statutory and legal matters

5.1 Court applications

The Administrators have made a number of applications to various courts. There have however been no further applications (other than small debtor recoveries) made since the Seventh Report.

Applications made previously (including those made by other parties) and which have continued or been resolved since the Seventh Report include:

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to recover Trust Funds from Travel Agents; and
- application regarding monies due to Ansett from Travel Software Solutions,

More detailed information on a number of these applications made during the administration can be obtained from the Administrators' websites.

Below is a brief summary of the above applications and their current status or outcome since the Ninth Report. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators have not been included.

5.2 Proceedings regarding Diners Club

In each of the Fifth to the Ninth Reports, the Administrators outlined two proceedings, issued by AAL against Diners Club Australia ("Diners"), being the firstly the Master Merchants Agreement and secondly Global Rewards. These proceedings are outlined below:

Diners Merchant Agreement

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. Diners in response alleged that of the \$20.5m claim, \$18.0m relates to charge backs.

The proceeding was initially issued in the Supreme Court of Victoria but Diners referred the matter to Arbitration in New York in accordance with the terms of the Merchant Agreement. Pursuant to a standstill agreement between the parties, the arbitration was not to be commenced until the Global Rewards proceeding (outlined above) was completed.

During 2008, these proceedings were enlivened. The matter was mediated in December 2008 and settled for \$5.25m. The amount was paid to the Administrators in February 2009. The remaining details of the settlement are confidential. This finalises the proceedings.

Global Rewards

As mentioned in the Eighth and Ninth Reports, his Honour Justice Hargrave, heard the matter between 6 February 2008 and 22 February 2008. On 4 May 2008, Diners were ordered by the Supreme Court to pay AAL the sum of \$9.6m plus interest. On 28 February 2008, the Supreme Court of Victoria, Court of Appeal handed down Judgement in favour of AAL, thus dismissing Diners' appeal. Diners did not seek to appeal and as a result Ansett received \$16.1 million which was used to pay a dividend in April 2008.

AAL was also awarded costs. These costs are currently being finalised and will be received in the first half of 2010. This finalises the proceedings.

5.3 Applications regarding IATA and IATA member airlines (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

As discussed in the Eighth Report, the High Court, by majority, overturned the judgment of the Victorian Court of Appeal and decided in IATA's favour on the basis that it was IATA, and not the transacting IATA member airlines, that stood in a debtor/creditor relationship with Ansett.

As a result of the High Court's decision, Ansett is unable to recover the monies set off in the IATA Clearing House clearances that occurred after the appointment of Ansett's Voluntary Administrators on 12 September 2001 from individual IATA member airlines.

Since the High Court judgment was handed down, Ansett has been recovering amounts in respect of services performed by Ansett for IATA member airlines after Ansett ceased participating in the IATA Clearing House clearance process.

Copies of the decisions of the High Court, the Court of Appeal of the Supreme Court of Victoria and the Trial Division of the Supreme Court of Victoria are available on the Administrators' websites.

Dated this 12th day of April 2010



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



Appendix 1 - Listing of Companies for which this Report has been Prepared

501 Swanston Street Pty Ltd (ACN 005 477 618)	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
Airport Terminals Pty Ltd (ACN 053 976 444)	Morael Pty Ltd (ACN 003 286 440)
Aldong Services Pty Ltd (ACN 000 258 113)	Northern Airlines Limited (ACN 009 607 069)
Ansett Aircraft Finance Limited (ACN 008 643 276)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Ansett Australia Limited (ACN 004 209 410)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Australia Holdings Limited (ACN 004 216 291)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Carts Pty Ltd (ACN 055 181 215)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Equipment Finance Limited (ACN 006 827 989)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Finance Limited (ACN 006 555 166)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Holdings Limited (ACN 065 117 535)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett International Limited (ACN 060 622 460)	Walgali Pty Ltd (ACN 055 258 921)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Westintech Limited (ACN 009 084 039)
Brazson Pty Ltd (ACN 055 259 008)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Eastwest Airlines Limited (ACN 000 063 972)	



Whitsunday Harbour Pty Ltd
(ACN 010 375 470)

Wridgways (Vic) Pty Ltd
(ACN 004 153 413)

Wridgways Holdings Limited
(ACN 004 449 085)

ANST Westsky Aviation Pty Ltd (Formerly
Skywest Aviation Pty Ltd)
(ACN 004 444 866)

ANST Westsky Jet Charter Pty Ltd (Formerly
Skywest Jet Charter Pty Ltd)
(ACN 008 800 155)

ANST Westsky Holdings Pty Ltd (Formerly
Skywest Holdings Pty Ltd)
(ACN 008 905 646)

(All Deed Administrators Appointed)

Appendix 2 - Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"Commonwealth Government"	Commonwealth Government of Australia
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth
"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005
"Sixth Report"	Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006
"Seventh Report"	Seventh Report by Administrators to the Creditors of the Ansett Group dated 31 March 2007
"Eighth Report"	Eighth Report by Administrators to the Creditors of the Ansett Group dated 11 April 2008
"Ninth Report"	Ninth Report by Administrators to the Creditors of the Ansett Group dated 27 March 2009
