

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)

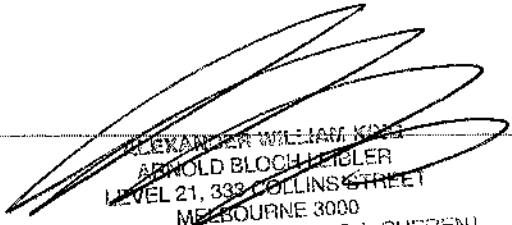
and

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

**CERTIFICATE IDENTIFYING EXHIBIT**

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

Before me:

  
ALEXANDER WILLIAM KIBEL  
ARNOLD BLOCH LETSLER  
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-12"**  
**Fourth Report to Creditors**

# **Ansett Group of Companies**

## **Fourth Report To Creditors**

**31 March 2004**



**KordaMentha**

**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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1. Listing of Ansett Group companies
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**KordaMentha**

**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 Superannuation Plan. The Trustees were seeking AAL to pay up to \$200m to the members of the Ground Staff Superannuation 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 \$250m, \$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. Accordingly, distributions to employees will resume in 2005.



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**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 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 Other Creditors**

It is unlikely that there will be any return to other 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, 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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**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.kordamentha.com/national/creditor.aspx> and <http://www.ansett.com.au>.

**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:

<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
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 Superannuation Plan proceedings



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<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
26	20 December 2002	Ansett Perth Airport Terminal interests settled 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 Superannuation 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 Superannuation 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 Superannuation 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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<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
		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 Superannuation 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 Superannuation 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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<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
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:

<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
1	25 September 2002	Employee entitlement payments Asset sales
2	7 October 2002	Employee entitlements calculator
3	2 December 2002	Update on Ground Staff Superannuation 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 Superannuation Plan trustees to appeal Frequently asked questions
12	10 June 2003	Appeal date set for Ground Staff Superannuation Plan proceedings Proof of debt process Superannuation enquiries
13	26 June 2003	Frequently asked questions 2002-2003 payment summaries



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<b>Update</b>	<b>Date</b>	<b>Major Issues Reported</b>
14	4 August 2003	Ansett Aircraft Spares and Services Sale of spare parts Fleet remarketing activities Ansett Fleet Trading Employee claims
15	18 August 2003	Update on Ground Staff Superannuation Plan appeal
16	21 August 2003	Update on Ground Staff Superannuation Plan appeal
17	27 August 2003	Ground Staff Superannuation 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 Superannuation Plan proceedings update
19	13 November 2003	Ground Staff Superannuation Plan proceedings update
20	21 November 2003	Ground Staff Superannuation 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:

<b>Estimated Realisations</b>	<b>Section</b>	<b>\$m</b>
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		
<b>Total Assets</b>		<b>592.4</b>
Costs to complete (including aircraft costs)	3.4	(72.4)
<b>Total before remaining aircraft realisations</b>		<b>520.0</b>
Net expected realisations from aircraft	3.3	70.0
<b>Total Realisations</b>		<b>590.0</b>
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 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)
<b>Total realisations</b>	<b>36.5</b>
Costs incurred to complete (have increased due to extended timeframe) net of interest received	(6.5)
<b>Net Total</b>	<b>30.0</b>

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
<b>Total Assets Realised Since Third Report</b>		<b>180.5</b>



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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 received in September 2003. The second and final 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 US\$5.5m (repayable US\$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 page 15.

**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 BAe146-300 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.

**3.2. Assets Still to be Realised**

<b>Assets Still to be Realised</b>	<b>Section</b>	<b>\$m</b>
Property, including Perth Airport Maintenance Base Garden Drive	3.2.1	19.8
Businesses, including Engine Shop AASS Simulator Business Kendell Assets	3.2.2	33.7
Other, including Pre-Administration Debts Engines Consumables & Rotables	3.2.3	48.6
<b>Total Assets still to be realised</b>		<b>102.1</b>

**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 to 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 into 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 Region.

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 US\$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, 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 CFM56-5A engines 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.

**3.3. 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:

<b>Aircraft Type</b>	<b>Owned</b>	<b>Financed, with Equity</b>	<b>Financed, with No Equity</b>	<b>Operating Lease</b>	<b>Total</b>
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
<b>Total Aircraft in Ansett Fleet</b>	<b>55</b>	<b>5</b>	<b>44</b>	<b>30</b>	<b>134</b>
Sold to Date	(25)	(5)	n/a	n/a	(30)
Redelivered to Date	n/a	n/a	(44)	(30)	(74)
<b>Aircraft Yet to be Sold</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>



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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 it would be considered unlikely that they would 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	BAe146-200	2	37	173
	BAe146-200QT	1		
	BAe146-300	10		
Turboprop	Fokker F50 (on lease)	4	21	848
	Fokker F27-600	1	-	
	Saab 340A (on lease)	3	106	
	DC-3	1	-	-
<b>Total</b>		<b>30</b>		

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 50 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.

*BAe146-200, BAe146-200QT and BAe146-300*

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 BAe146-200QT 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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**3.4. 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:

<b>Costs to Complete</b>	<b>\$m</b>
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
<b>Costs to Complete</b>	<b>72.4</b>

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 AAES, which provides maintenance to aircraft as they are sold, leased or returned, and considerable support to 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 debtor 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.



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- The IT infrastructure is required to provide aircraft maintenance systems, finance and other information. However, expenditure on the IT 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.

**3.4.2 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 to rates charged on other large administrations. Examples of the partner rates are shown below:

	<b>Partner Rates</b>
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

- The rates have not changed since September 2001.
- The Committees of Creditors approves the fees each month.

**3.5. 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.



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**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 Superannuation 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 Superannuation Plan, the Commonwealth Government, unions representing the Ansett Group employees, and other key stakeholders to resolve the outstanding issues with the Ground Staff Superannuation 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 continued, 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 Superannuation 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.



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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, it is anticipated that distributions to employees will resume in 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 Other Creditors**

It is unlikely that there will be any return to other 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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**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.



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**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 been 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 Superannuation 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, 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 Ansett'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.



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**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 Federal 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 Superannuation  
Plan (Proceeding No. 2115 of 2001)**

This matter has been covered previously in this report.

**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.



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**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.





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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.

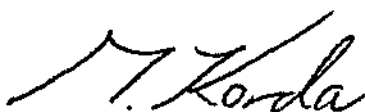
In December 2003, following a Court ordered mediation, the parties settled the proceedings. The terms of settlement are confidential and are subject to the approval of the Court. The application to the Court to approve the terms of settlement has been successful.

**6.1.8. Applications in relation to various employment matters (Proceeding Nos. V3133 of 2003, V7678 of 2003, and V3155 of 2003)**

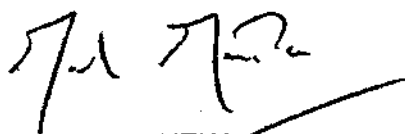
A number of applications have been made by various unions and employees in relation to the Deed Administrators' decision to reject certain redundancy claims made under the relevant Award, Enterprise Bargaining Agreement, or the Ansett Airlines of Australia and Subsidiary Airlines Non Voluntary Redundancy 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.

Dated this 31st day of March 2004



MARK A KORDA  
Deed Administrator



MARK F MENTHA  
Deed Administrator



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**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)



**KordaMentha**

## 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"><li>- Hazelton Air Charter Pty Ltd (ACN 065 221 356)</li><li>- Hazelton Air Services Pty Ltd (ACN 000 242 928)</li><li>- Hazelton Airlines Limited (ACN 061 965 642)</li></ul>
"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)
"Singapore Airlines"	Singapore International Airlines



KordaMentha

**ANSETT GROUP (SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
FOURTH REPORT TO CREDITORS**

<b>"DTL"</b>	Domestic Terminal Lease
<b>"ASIC"</b>	Australian Securities and Investments Commission
<b>"Commonwealth Government"</b>	Commonwealth Government of Australia
<b>"EBA"</b>	Enterprise Bargaining Agreement
<b>"GEERS"</b>	General Employee Entitlement Redundancy Scheme
<b>"SEESA"</b>	Special Employee Entitlement Scheme for Ansett Group Employees
<b>"the Act"</b>	Corporations Act (2001) Commonwealth
<b>"the Court"</b>	The Federal Court of Australia
<b>"DOCA"</b>	Deed of Company Arrangement
<b>"the Deed Administrators' web sites"</b>	<a href="http://www.kordamentha.com/national/creditor.aspx">http://www.kordamentha.com/national/creditor.aspx</a> and <a href="http://www.ansett.com.au">http://www.ansett.com.au</a>
<b>"the First Meeting"</b>	Meeting of creditors called pursuant to Section 436E of the Act
<b>"the Second Meeting"</b>	Meeting of creditors called pursuant to Section 439A of the Act
<b>"the Third Meeting" or "this meeting"</b>	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
<b>"First Report"</b>	First Report by Administrators of the Ansett Group dated 16 January 2002
<b>"Second Report"</b>	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
<b>"Third Report"</b>	Third Report by Deed Administrators to the Creditors of the Ansett Group dated 16 September 2002

