

**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)**

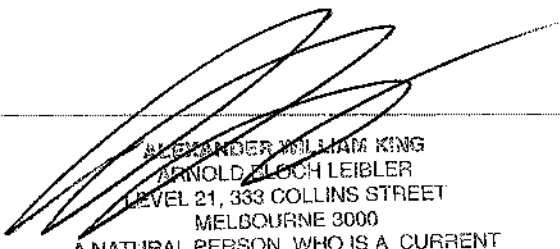
and

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

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked **"MAK-13"** 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-13"
Fifth Report to Creditors**



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



Table of Contents

1	Executive Summary	1
1.1	Introduction	1
1.2	What Has Been Achieved?	1
1.3	Where Are We Going?	2
1.4	Future Distributions	2
2	Communication With Stakeholders	3
2.1	The Administrators' Websites	3
2.2	Committees of Creditors' Updates	3
2.3	Employee Updates	4
2.4	Key Stakeholders Communications	5
3	What Has Been Achieved?	6
3.1	Assets Realised During 2004	6
3.2	Aircraft Realised During 2004	8
3.3	Distributions Made During 2004	10
4	Where Are We Going?	11
4.1	Cash at Bank	12
4.2	Assets Still To Be Realised	12
4.3	Aircraft Still To Be Realised	13
4.4	Costs of the Administrations	14
4.5	Contingent Assets and Liabilities	18
5	Future Distributions	19
5.1	Return to Employees	19
5.2	Return to Commonwealth Government	20
5.3	Return to Other Creditors and Pooling	20
5.4	Major Risks And Assumptions	21
6	Statutory and Legal Matters	22
6.1	Court Applications	22
	Appendix 1	26
	Appendix 2	27

**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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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	31 December 2004
		\$m	\$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	4 th Report	
		31 Dec 2003	31 Dec 2004
		\$m	\$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



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

- 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:



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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:



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

- 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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

Remuneration Claims 2004

During the 2004 calendar year, the remuneration claims for the Ansett Group by month was as follows:

Month	Amount
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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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.



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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



**Ansett Group (Subject To Deeds Of Company Arrangement)
Fifth Report to Creditors**

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.



Ansett Group (Subject To Deeds Of Company Arrangement) Fifth Report to Creditors

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

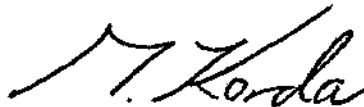
The status of debt collections and actions currently before the courts is presented in Section 4.2 Debtors.

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

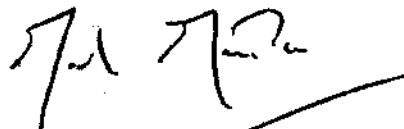
A number of applications have been made by various unions and employees in relation to the Administrators' decision to reject certain redundancy claims made under the relevant award, Enterprise Bargaining Agreement, or the Ansett Airlines of Australia and Subsidiary Airlines Non Voluntary Redundancy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

