

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)

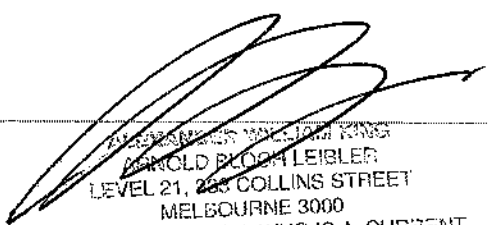
and

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

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-23**" produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit dated 12 September 2005.

Before me:



ARNOLD BLOOM LEIBLER
LEVEL 21, 288 COLLINS STREET
MELBOURNE 3000
A NATURAL PERSON WHO IS A CURRENT
PRACTITIONER WITHIN THE MEANING OF
THE LEGAL PRACTICE ACT 1996

Exhibit "MAK-23"
Numbered bundle of documents relating to
Head Office Proceeds matters

MINUTES OF FIRST MEETING OF DIRECTORS OF THE COMPANY
HELD AT 489 SWANSTON STREET, MELBOURNE, ON THE 20TH
DAY OF SEPTEMBER 1978 AT 3.00 O'CLOCK IN THE
AFTER NOON

PRESENT : Mr. R.L. Cooper (Chairman)
Mr. F. Pascoe

DIRECTORS :

The Chairman advised that Ansett Transport Industries Limited, the holder of the "A" Ordinary Share in the Company appointed Mr. Ralph Leyton Cooper as Director and that Ansett Transport Industries (Operations) Proprietary Limited, the holder of "B" Ordinary Shares in the Company appointed Mr. Frank Pascoe as Director of the Company. Messrs. R.L. Cooper and F. Pascoe accepted office. Mr. R.L. Cooper was appointed Chairman.

SECRETARY :

IT WAS RESOLVED that Mr. Willis Frederick Franklin of 35 Karnak Road, Ashburton be appointed Secretary of the Company.

PUBLIC OFFICERS :

IT WAS RESOLVED that Mr. Willis Frederick Franklin be appointed Public Officer of the Company and that Notice of such appointment and registration papers (where necessary) be forwarded to the appropriate authorities.

RETURN OF DIRECTORS :

The Secretary was instructed to complete the Return of Directors etc. (Form 43) and arrange for lodging of same with the Commissioner for Corporate Affairs.

REGISTERED OFFICE :

IT WAS RESOLVED that the registered Office of the Company be changed from 489 Swanston Street, Melbourne to 4th Floor, 350 La Trobe Street, Melbourne and that it be open and accessible to the public between 10.00 a.m. and 4.00 p.m. of each day, Saturdays, Sundays and public holidays excluded. The Chairman advised that Notice of Situation of Registered Office (Form 37) was lodged with the Commissioner for Corporate Affairs.

SEAL :

The Chairman reported that he had procured a Seal for the Company, which was produced and an impression thereof was made in the margin of this page in the Minute Book.

IT WAS RESOLVED that this Seal be adopted as the Common Seal of the Company.

BOOKS AND
REGISTERS :

The Secretary was instructed to obtain all the necessary books and registers and arrange for the management of the same and of the accounts of the Company.

BANK
OPERATIONS :IT WAS RESOLVED :

1. That an account in the name of the Company be opened with the Australia and New Zealand Banking Group Limited of 388 Collins Street, Melbourne.
2. That all cheques, drafts, promissory notes, bills and other negotiable instruments must be signed by two Directors and all cheques and other negotiable instruments received be paid into the said account to the credit of the Company with the said Bank for such purposes endorsed by any one Director or the Secretary.
3. That a copy of this resolution together with specimen signatures of those authorised to sign or endorse cheques and other negotiable instruments for or on behalf of the Company be forwarded to the Bankers.

ISSUE OF SHARES
TO SUBSCRIBERS :

IT WAS RESOLVED that the signatories to the Memorandum of Association of the Company be registered as members in respect of the shares for which they subscribed (payment be made in cash in full at par) namely, Ansett Transport Industries Limited one "A" Ordinary Share of \$1.00 and Ansett Transport Industries (Operations) Proprietary Limited three "B" Ordinary Shares of \$1.00 and that certificates be issued in respect of the subscribers' shares under the Seal of the Company. The Secretary was instructed to make all necessary entries in the Register of Members and to complete the Return of Allotment of Shares (Form 17) and to

arrange for lodging of same with
the Commissioner for Corporate Affairs.

QUORUM OF
DIRECTORS :

IT WAS RESOLVED that the quorum of
Directors shall be two Directors one
appointed by the "A" Ordinary
shareholders and one by the "B"
Ordinary shareholders personally or
by duly appointed representatives
present.

PURCHASE OF
LAND :

IT WAS RESOLVED that the Company shall
enter into a Contract of Sale of Land
for the purchase of the whole of the
land comprised in Plan of Consolidation
No. CP 106685 being the land more
particularly described in Certificates
of Title Volume 7432 Folio 347, Volume
8561 Folio 904, Volume 4305 Folio 842
and Volume 8561 Folio 902 for the sum
of ONE MILLION FOUR HUNDRED AND
SEVENTEEN THOUSAND SEVEN HUNDRED AND
SEVENTY DOLLARS (\$1,417,770.00) and
that a Director of the Company be
authorised to sign the Contract on
behalf of the Company.

IT WAS FURTHER RESOLVED to affix the
Common Seal of the Company to a Transfer
of Land as transferee from Ansett
Transport Industries Limited in respect
of this land purchase.

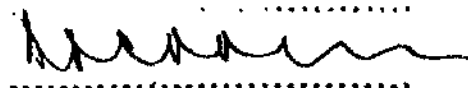
LOAN :

IT WAS RESOLVED that the Company should
borrow the sum of ONE MILLION FOUR
HUNDRED AND SEVENTEEN THOUSAND SEVEN
HUNDRED AND SEVENTY DOLLARS
(\$1,417,770.00) on the terms of the
Loan Agreement annexed hereto and that
a Director of the Company be authorized
to sign the Loan Agreement on behalf
of the Company.

AUDITORS :

IT WAS RESOLVED that Yarwood Vane & Co.
of 461 Bourke Street, Melbourne be appointed
auditors of the Company.

Confirmed :


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501 SWANSTON STREET PROPRIETARY LIMITEDMINUTES OF MEETING OF DIRECTORS HELD AT439 SWANSTON STREET, MELBOURNE, ON THE28th DAY OF JUNE, 1979 AT TWO O'CLOCK IN THE AFTERNOONPRESENT:

R.L. Cooper

Chairman

F. Pascoe

Director

C.W. Baird

Acting Secretary

IT WAS RESOLVED that the Company agree to act as Trustee over the property Ansett Centre, Melbourne on behalf of the beneficial owners of Ansett Centre, namely Ansett Transport Industries Limited as to 25% and Ansett Transport Industries (Operations) Pty. Ltd. (in its capacity as Trustee administering the Ansett Transport Industries Limited Superannuation Plans) as to 75%.

IT WAS ALSO RESOLVED that the Company execute The Unit Trust Deed creating the Trust.

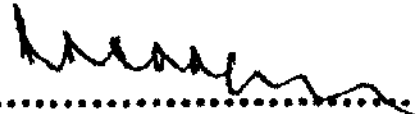
IT WAS FURTHER RESOLVED that an issue of 100 fully paid \$1.00 Units in the Trust be issued in accordance with the two applications for Units as received, namely:

25 fully paid \$1.00 Units to Ansett Transport Industries Ltd.

75 fully paid \$1.00 Units to Ansett Transport Industries (Operations) Pty. Ltd.

IT WAS FURTHER RESOLVED that for the purpose of this meeting, Mr. C.W. Baird be appointed Acting Secretary.

Confirmed :



 Chairman

501 SWANSTON STREET PROPRIETARY LIMITEDSPECIAL RESOLUTIONS OF DIRECTORSBUILDING
CONTRACT:

RESOLVED that the Common Seal of the Company be affixed to a Building Contract with Civil and Civic Pty. Ltd., the Builder, to construct a new twenty storey office building comprising basement for parking, plant and services, ground floor foyer, seventeen office floors, and lower and upper plant rooms situated at 501-511 Swanston Street, Melbourne, Victoria at a cost of \$15,331,000 or such other sum as shall become payable at the times and in the manner specified in the conditions of the said Contract Agreement.

SUPPLEMENTARY
AGREEMENT:

RESOLVED that the Common Seal of the Company be affixed to a Supplementary Agreement between the Proprietor (Ansett Transport Industries Limited) and the Builder (Civil and Civic Pty. Ltd.) that as from the date hereof the expression "the Proprietor" wherever used in the Contract Documents for the construction of the Ansett Centre, Melbourne shall mean 501 Swanston Street Proprietary Limited in substitution for Ansett Transport Industries Limited and 501 Swanston Street Proprietary Limited shall hereinafter accept all the rights and obligations of the Proprietor under the said Contract Documents but that otherwise the rights and obligations of the parties shall remain unaltered.

MANAGEMENT
AGREEMENT:

RESOLVED that the Common Seal of the Company be affixed to a Management Agreement appointing Civil and Civic Pty. Ltd. of 437 St. Kilda Road, Melbourne as Manager to manage the planning design construction and completion of the Ansett Centre, Melbourne at a Management Fee of 6% of the Building Contract Sum adjusted for required changes in the project and subject to rise and fall provisions not exceeding \$50,000.

[Signature]
.....

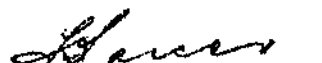
[Signature]
.....

DATED this 3rd day of August, 1979.

501 SWANSTON STREET PROPRIETARY LIMITEDSPECIAL RESOLUTION OF DIRECTORS

RESOLVED that the Company in its capacity as Trustee of the Unit Trust Deed involving the Ansett Centre Building borrow the sum of \$6,000,000 (Six million dollars) from Ansett Transport Industries Limited and the sum of \$12,313,982 (Twelve million three hundred and thirteen thousand nine hundred and eighty-two dollars) from Ansett Transport Industries (Operations) Pty. Ltd. Both Loans to be repayable on demand.





DATED this 6th day of April, 1981.

501 SWANSTON STREET PROPRIETARY LIMITED

MINUTES OF MEETING OF DIRECTORS HELD AT

A.M. ON THE 7th DAY OF April 1980 AT

489 SWANSTON STREET, MELBOURNE

PRESENT :

R. L. COOPER Chairman
F. PASCOE Director

IT WAS RESOLVED that the transfer of the
one (1) "A" Ordinary Share held by
ANSETT TRANSPORT INDUSTRIES LIMITED to
the other shareholder in the Company,
ANSETT TRANSPORT INDUSTRIES (OPERATIONS)
PROPRIETARY LIMITED be approved.

Confirmed:

[Signature]
.....
Chairman

A COMPANY LIMITED BY SHARESMEMORANDUM OF ASSOCIATION

- of -

501 SWANSTON STREET PROPRIETARY LIMITED

I. THE name of the Company is 501 SWANSTON STREET PROPRIETARY LIMITED

II. THE objects for which the Company is established are :-

1.(a) To act as Trustee for unit holders with respect to a property to be acquired and developed by the Company at 501 Swanston Street, Melbourne in the State of Victoria which property so developed shall be managed and controlled by Ansett Transport Industries Limited or its nominee.

(b) To adopt and carry into effect (with or without modification) an agreement to be entered between the Company as such a Trustee of the one part and Ansett Transport Industries Limited of the other part whereby the said Ansett Transport Industries Limited shall manage and control the said property (upon the completion of the building to be constructed thereon) a copy whereof has for the purposes of identification been endorsed on the date hereof with the signatures of the subscribers hereto.

(c) To act as trustee, nominee, custodian, receiver, executor, administrator, manager, director, consultant, broker, agent, attorney,

delegate and any other offices or situations of advice, management, representation, trust or confidence and to perform and discharge the duties and functions incidental thereto and generally to carry on the businesses usually carried on by nominee, holding, management, investment or trustee company.

2. To contract, associate, co-operate with or assist, any person or body corporate as, trustee or custodian trustee of, or be concerned or interested in any other capacity with any trust or other fund and to execute and enter into any trust or other deed, instrument, guarantee or declaration and to vary, amend or revoke the same by deed, instrument, declaration or otherwise orally or in writing.

3. To acquire and hold any shares, stock, debentures, bonds, obligations, scrip, guarantees, policies, annuities, securities or other property by original subscription, tender, purchase, exchange or otherwise and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership or holding thereof and to sell or otherwise dispose any or all of them.

4. To acquire, hold, execute declarations of trust in respect of, deal in and with, sell, assign, exchange, charge, mortgage and exercise all or any of the rights and duties conferred and imposed by the holding of, any real or personal property or thing in action.

5. To manufacture, buy, sell, exchange, export, import, hire, alter, repair or improve and prepare for market or otherwise deal in or with all kinds of goods, plant, machinery, apparatus, substances, materials and things of every kind and description.

6. To sell or grant annuities and charge or encumber property or other assets of the Company in order to secure payments under such annuities or otherwise to enter into obligations in connection therewith.

7. To acquire and undertake the whole or any part of the business, property and liabilities of any person or company carrying on any business which the Company is authorised to carry on or possess or any property suitable for the purposes of the Company.

8. To purchase, take on lease or in exchange, hire and otherwise acquire any real and personal property and any rights or privileges which the Company may think necessary or convenient for the purposes of its business and in particular any land, buildings, easements, machinery, plant and stock in trade.

9. To employ experts to investigate and examine the condition, prospects, value, character and circumstances of any business concerns and undertakings and generally of any assets property or rights.

10. To acquire or absorb or to unite or amalgamate with any other company, association firm or individual for any purpose which the Company is authorised to carry on business and by way of consideration for such acquisition, absorption or otherwise to make payments of cash or enter into any agreement for periodical payments of cash, secured or unsecured, or to issue or transfer shares wholly or partly paid up stocks, bonds, obligations, debentures, stock scrip or securities of any person, company or corporation and whether of the Company or corporation with which amalgamation is effected or not.

11. To undertake and execute any trusts and undertakings whereof which may seem desirable to the Company and either gratuitously or otherwise.

12. To establish and regulate, whether in or out of the State of Victoria agencies for any of the purposes of the Company and to establish local boards to appoint attorneys to open branch registers and to do all acts and things of whatsoever nature necessary to procure the Company to be registered incorporated or legally recognised in any place outside the State of Victoria and to secure to the Company the same rights and privileges outside the State of Victoria as are possessed by local companies or partnerships of a similar nature.

13. To convert any of the assets of the Company from one type of investment to another and for the purpose of any such conversion to sell, exchange or otherwise dispose of or deal with any real or personal property or any rights concessions privileges or assets.

14. To insure any director, employee or servant of the Company against risk of accident in the course of his service to the Company and to insure for the purpose of holding indemnified the Company in respect of claims by reason of any such risk or accident and to pay premiums on such insurances.

15. To issue to employees and servants of the Company shares in the capital of the Company by way of bonus or payment for services rendered or for such other consideration and upon and subject to such terms and conditions as may be considered fit and proper in the circumstances.

16. To enter into any arrangement for the payment of bonuses or for participation in the profits of the Company or in any scheme or profit sharing with employers or other persons.

17. To appoint as and when considered necessary upon such terms as appropriate any person or corporation for the purposes of carrying out and perfecting all or any of the objects of the Company as set out in this Memorandum of Association for the management and conduct from time to time of the business of the Company but so that such powers do not exceed

the powers of the Directors of the Company.

18. To adopt such means of making known and publicize the business and products of the Company as may seem expedient.

19. To carry out all or any of the objects of the Company and do all or any of the above things in any part of the world and either as principal, agent, contractor or trustee or otherwise and by or through trustees or agents or otherwise, and either alone or in conjunction with others.

20. To pay all costs and expenses of and incidental to or in connection with the formation of the Company.

21. To exercise and do all or any such of the powers as are or may be conferred on or implied in favour of a company having a share capital under or by virtue of Section 19 of the Companies Act 1961 in the same manner and to the same extent as if the Third Schedule of the said Act were herein set out and as if paragraphs 1 to 26 (both inclusive) of the said Third Schedule were herein respectively set out as and stated to be separate objects of the Company.

22. To carry on any other business which may seem to the Company capable of being conveniently carried on in connection with its business and the other objects of the Company or calculated directly or indirectly to enhance the value of

or render profitable any of the property, assets, business or rights of the Company for the time being.

AND IT IS HEREBY DECLARED that in the interpretation of this clause setting forth the objects of the Company and in the interpretation of the Third Schedule of the Companies Act 1961 and in the event of any ambiguity the meaning of any of the Company's objects or powers shall be construed in such a way as to widen and not to restrict the objects or the powers of the Company and shall not be restricted by reference to or inference from any other object or power or by reason of the juxtaposition of two or more objects or powers it being the intention that the objects specified in each paragraph of this clause and the powers in the Third Schedule of the Companies Act 1961 shall be construed in the most wide and liberal way and as independent objects and powers (as the case may be) and further that the word "Company" in this Memorandum when not applied to this Company shall be deemed to include any partnership or other body of persons whether incorporated or to be incorporated and whether domiciled in the State of Victoria or elsewhere and whether now existing or hereafter to be formed.

III. THE Agreement referred to in sub-clause 1 (b) of clause II of this Memorandum shall not be modified, varied, altered, cancelled, abrogated or determined prior to its full term without the written consent of all the shareholders in the Company for the time being first had and obtained.

IV. THE liability of the members is limited.

V. THE share capital of the Company is TEN THOUSAND DOLLARS (\$10,000.00) divided into Ten Thousand (10,000) shares of ONE DOLLAR (\$1.00) each with power to increase or reduce the capital and to divide the shares in the original or increased capital for the time being into several or different classes and to issue any part or parts of the original capital or increased capital for the time being with such deferred, qualified, guaranteed or other special rights, privileges, restrictions, limitations or conditions with reference to preferential, guaranteed, fixed, fluctuating, redeemable or other divided or interest or voting or return of capital or distribution of assets or otherwise howsoever as shall from time to time be determined by the Company in accordance with the Articles of Association for the time being of the Company. The rights for the time being attached to any class or classes of shares may be varied or abrogated subject to the requirement of the Companies Act 1961 then in force in the manner provided for in the Articles of Association for the time being of the Company.

VI. THE full names and addresses and occupations of the subscribers hereto and the number of the shares in the capital of the Company they

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respectively agree to take are:-

ANSETT TRANSPORT INDUSTRIES LIMITED

489 Swanston Street,
Melbourne. 3000.

One "A" Ordinary
Share

ANSETT TRANSPORT INDUSTRIES
(OPERATIONS) PROPRIETARY LIMITED

489 Swanston Street,
Melbourne. 3000.

Three "B" Ordinary
Shares

WE the several persons whose names and addresses
are herein subscribed are desirous of being formed
into a Company in pursuance of this Memorandum
of Association and we respectively agree to take
the number of shares in the capital of the Company
set out opposite to our respective names in the
last preceding paragraph.

DATED this 1st day of September 1978

Signature of Subscribers	Number of Shares taken by each Subscriber
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THE COMMON SEAL of ANSETT) TRANSPORT INDUSTRIES) LIMITED was hereunto) affixed in the presence) of:)	One "A" Ordinary Share C.S.
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R.L. Cooper Director

W.F. Franklin Secretary

THE COMMON SEAL of ANSETT) TRANSPORT INDUSTRIES) (OPERATIONS) PROPRIETARY) LIMITED was hereunto) affixed in the presence) of:)	Three "B" Ordinary Shares C.S.
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R.L. Cooper Director

F. Pascoe Director

W.F. Franklin Secretary

Total: Four

WITNESS to the above Seals:

B. Moss.
11/20 William Street
Frankston

A COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

- of -

501 SWANSTON STREET PROPRIETARY LIMITED

INTERPRETATION

1. In these Articles unless the context otherwise requires :

"the Act" means the Companies Act 1961.

(as amended);

"a Member" shall mean a member of the Company in accordance with Sub-section 5 of Section 16 of the Act;

"the Register of Members" means the register of members to be kept pursuant to the Act;

"the Seal" means the Common Seal of the Company for the time being;

"Secretary" means any person appointed to perform the duties of a Secretary of the Company;

"State" means the State of Victoria;

Words importing the singular shall include the plural and vice versa;

Words importing any gender shall include the other genders;

Words importing persons shall include individuals partnerships and bodies corporate;

Expressions referring to writing shall be construed as including reference to type-writing, printing, lithography, photography

and other modes of representing or reproducing words in a visible form;

Words and expressions contained in these Articles of Association shall be interpreted in accordance with the provisions of the Act and of the Act or Ordinance (as the case may be) appertaining to the interpretation of the Act as in force in the State at the date at which these Articles become binding on the Company.

2. The Regulations contained in Table "A" of the Fourth Schedule to the Act shall not apply to the Company.
3. The registered office of the Company shall be at the place to be determined by the Directors.

PROPRIETARY COMPANY

4. The Company by these Articles of Association restricts the right to transfer its shares in the manner from time to time set out in these Articles.
5. The Company by these Articles of Association limits to not more than fifty the number of its members (counting joint holders of shares as one person and not counting any person in the employment of the Company or its subsidiary or any person who while previously in the employment of the Company or of its subsidiary was and thereafter has continued to be a member of the Company).
6. The Company by these Articles of Association prohibits any invitation to the public to subscribe for any shares in, or debentures of the Company.
7. The Company by these Articles of Association prohibits any invitation to the public to deposit money with the Company for fixed periods or

payable at call whether bearing or not bearing interest.

SHARES

8. (A) Subject to the provisions of the Act and these Articles and without prejudice to any special rights or restrictions (if any) attached to any existing shares or class of shares at the time concerned, shares in the Company may be issued by the Directors with such preferred, deferred or other special rights or subject to restrictions whether in regard to dividend, voting, return of share capital, payment of calls or otherwise as the Directors shall from time to time determine.
(B) Subject to the provisions of the Act, any preference shares may be issued by the Directors on the terms that they are, or at the option of the Company, are liable to be redeemed in such terms and in such manner as the Directors may determine.
9. Subject to the provisions of the Act and these Articles and without prejudice to any special rights or restrictions (if any) previously conferred on the holders of existing shares or class of shares in the Company (including any new shares created by any increase of the share capital) shall be under the control of the Directors who may classify the same, allot or otherwise dispose of the same to such persons, upon such terms and conditions and at such times as the Directors think fit and with full power to give to any person the call of any shares either at par or at a premium or discount and for such time and for such consideration as the

Directors think fit.

10. The Company, pursuant to the Act, may at any time pay a commission to any person for subscribing or agreeing to subscribe whether absolutely or conditionally for any shares in the Company or procuring, or agreeing to procure subscriptions, whether absolute or conditional for, or underwriting, any shares in the Company but so that if the commission shall be paid or payable out of capital the conditions and requirements contained in the Act shall be observed and complied with. The commission shall not exceed ten (10) per cent of that price at which the shares in respect whereof the same is paid are issued or any amount equal to ten (10) per cent of that price (as the case may be). Such commission may be paid or satisfied in cash or by the allotment of full or partly paid shares; debentures or debenture stock of the Company or otherwise. The Company may in addition to or in lieu of such commission pay such brokerage as is permitted by law.
11. Every person whose name is entered as a member in the Register of Members shall be entitled without payment to receive either one certificate in respect of all the shares held by him or separate certificates in reasonable denominations under the Share Seal (if any) or the Seal of the Company in accordance with the Act in respect of different parts of his holdings and specifying the share or shares held by him and the amount paid up thereon and may require the Company to cancel any certificate or certificates for the purpose of subscribing his holding in different

- manner PROVIDED THAT in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and the delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
12. If a share certificate, letter of allotment, transfer, receipt or any other document of title to shares or debentures is lost or destroyed or defaced a duplicate certificate or a document in lieu thereof may be issued on application in writing by the owner thereof upon the conditions set out in the Act applicable thereto on payment of such fee (if any) and on such terms (if any) as to evidence and indemnity as the Directors may think fit.
13. Save as otherwise herein provided the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person (even when having notice thereof).
14. No part of the funds of the Company shall directly or indirectly be employed in the purchase of the Company's shares, but nothing herein contained shall prohibit transactions mentioned in subsection 2 of Section 67 of the Act.

CALLS ON SHARES

15. The Directors may from time to time (subject to the terms of the issue of any shares) make calls upon the members in respect of any moneys

unpaid on their shares (whether on account of the nominal value of the shares or by way of premium). A call shall be deemed to be made at the time when the resolution of the Directors authorising such call has been passed. Each member shall (subject to receiving at least fourteen days' notice specifying the time or time and place of payment) pay to the Company at the times or time and place so specified the amount called upon on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine.

16. The joint holders of a share shall be, jointly and severally, liable to pay all calls in respect thereof.
17. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof the persons from whom the sum is due shall pay interest on the sum from the time appointed for the payment thereof to the time of actual payment at a rate not exceeding ten (10) per cent per annum as the Directors may determine but the Directors shall be at liberty to waive payment of that interest wholly or in part.
18. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in the case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture, or otherwise shall apply as if the sum

had become payable by virtue of a call duly made and notified.

19. The provisions of these Articles as to the liability of joint holders and as to payment of interest or otherwise shall apply in the case of non-payment of any sum which, by the terms of issue of a share, become payable at a fixed time, whether on account of the nominal value of the share, or by way or premium, as if the same had become payable by virtue of a call duly made and notified.
20. The Directors may on the issue of shares make arrangements to differentiate between the holders as to the amount of calls to be paid and the times of payment.
21. The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him; and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become presently payable) pay interest at such rate (not exceeding, without the sanction of the Company in general meeting, ten (10) per cent per annum) as may be agreed upon between the member paying the sum in advance and the Directors.

FORFEITURE OF SHARES

22. If a member fails to pay any call or instalment of a call on the time appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest

which may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

23. The notice shall name a further time (not earlier than the expiration of fourteen days from the date of the notice) on or before which and the place at which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made will be liable to be forfeited.
24. If the requirements of any such notice as aforesaid are not complied with, all or any shares in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
25. Forfeited shares shall be sold or otherwise disposed of by the Directors in the following manner:
 - (A) In the first instance they shall be offered by notice in writing to existing shareholders (other than the shareholder whose shares are being forfeited) in proportion (as nearly as the circumstances admit) to the nominal value of the issued shares in the Company held by them at the date of such offer and at a price considered by the Directors to be the proper value of such forfeited shares on such

terms and in such manner as the Directors think fit;

- (B) The notice hereinbefore referred to in sub-Article(A) of this Article 25 shall specify the number of shares offered, the price considered by the Directors to be proper value, the terms and the manner aforesaid and limiting the time (not being less than seven days) within which the offer if not accepted will be deemed to be declined;
- (C) Any shares so offered and not accepted as provided in the notice appertaining thereto shall be deemed declined and shall then be offered likewise for the same price and on the same terms and in the manner and the proportion to those shareholders who accepted the offer in the first instance aforesaid;
- (D) Any shares offered in the last mentioned offer referred to in the immediately preceding sub-Article (C) of this Article 25 not accepted for the price and on the terms and manner aforesaid may be sold or otherwise disposed of to such person on such terms and in such manner as the Directors think fit.

PROVIDED HOWEVER :

- (i) that at any time prior to the sale or disposition of the forfeited shares the forfeiture may be cancelled on such terms as the Directors think may be most beneficial to the Company; and
- (ii) that the members by special resolution may direct that the forfeited shares shall

be sold or disposed of otherwise than
as hereinbefore provided in this
Article 25.

26. The net proceeds of sale shall be applied in or towards satisfaction of the moneys which at the date of forfeiture were presently payable by the member to the Company in respect of his shares and the residue (if any) shall be paid to such member or his executors administrators or assigns.
27. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares (together with interest not exceeding the rate of ten (10) per cent per annum from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of such interest) and the Directors may enforce the payment thereof if they think fit but his liability shall cease if and when the Company receives payment in full of all such moneys in respect of the shares.
28. A Statutory Declaration that the declarant is a Director or the Secretary of the Company and that the share in the Company therein mentioned has been duly forfeited or expropriated on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for a forfeited share on any sale or disposition thereof, and may execute a transfer of the share in favour of the person to whom the share is sold or disposed

of and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

29. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes payable at a fixed time whether on account of the amount of such share or by way of premium as if the same has been payable by virtue of a call duly made and notified.

LIEN

30. (A) The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time or otherwise in respect of that share, and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company under the laws of any State of country and the liens referred to in sub-Article (B) of this Article 30; but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article 30. The Company's lien (if any) on a share shall extend to all dividends payable thereon.

- (B) Whenever any law for the time being of any State or Territory in the Commonwealth of

Australia country or place imposes or purports to impose any immediate or future or possible liability upon the Company to make any payment or empowers any Government or taxing authority or government official to require the Company to make any payments in respect of any shares registered in any of the Company's registers as held, either jointly or solely, by any member or in respect of any interest dividends bonuses or other moneys due or payable or accruing due or which may become due or payable to such member by the Company on or in respect of any shares registered as aforesaid or for or on account or in respect of any member and whether in consequence of :

- (a) the death of such member, or
- (b) the non-payment of any income tax or other tax by such member, or
- (c) the non-payment of any estate probate succession death stamp or other duty by the executor or administrator of such member or by or out of his estate, or
- (d) any assessment of income tax against the company in respect of interest or dividends paid or payable to such member, or
- (e) any other act or thing

the Company in every such case

- (i) shall be fully indemnified from all liability by such member or his executor or administrator and by the person who becomes registered as holder of such shares on the distribution of the deceased member's estate
- (ii) shall have a first and paramount

lien or charge upon the shares in question for all moneys paid by the Company in respect of such shares under or in consequence of any such law

- (iii) shall have a lien upon and/or a right of set off against all dividends bonuses and other moneys payable in respect of the shares registered in any of the Company's registers as held either jointly or solely by such member for all moneys paid or payable by the Company in respect of the same shares or in respect of such member or his estate or the person who becomes registered as the holder of such shares in the distribution of the deceased member's estate under or in consequence of any such law together with interest at the rate of ten (10) per cent per annum or such lesser rate as the Directors may determine thereon from date of payment to date of repayment and may deduct or set off against any such dividend bonus or other moneys payable as aforesaid any moneys paid or payable by the Company as aforesaid together with interest as aforesaid

- (iv) may recover as a debt due from such member or his executor or administrator or other person aforesaid wherever resident any moneys paid by the Company under or in consequence of any such law and interest thereon at the rate and for the period aforesaid and in excess of any dividend bonus or other moneys as aforesaid then due or payable by the Company to such

member executor or administrator or
other person

- (v) may if any such money is paid or payable
by the Company under any such law as
aforesaid refuse to register a transfer
of any shares by any such member or his
executor or administrator or such other
person until such money and interest as
aforesaid is set off or deducted as
aforesaid and in case the same exceeds
the amount of any such dividend bonus
or other money as aforesaid then due or
payable by the Company to such member
until such excess is paid to the Company.

Nothing herein expressed or implied shall prejudice
or affect any right or remedy which any such law
may confer or purport to confer on the Company and
as between the Company and every such member as
aforesaid his executors administrators and estate
wheresoever constituted or situate any right or
remedy which such law shall confer or purport to
confer on the Company shall be enforceable by the
Company.

31. The Company may sell or otherwise dispose of on
such terms and in such manner as the Directors
think fit any shares on which the Company has a
lien and the provisions of Article 25 of these
Articles of Association shall apply mutatis
mutandis to any such sale or disposition PROVIDED
HOWEVER that no sale or disposition shall be
made unless some sum in respect of which the lien
exists is presently payable, nor until the
expiration of fourteen days after a notice in
writing, stating and demanding payment of such

part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death, insolvency or bankruptcy.

32. (A) To give effect to any such sale the Directors may authorise some person to transfer the shares sold to the Purchaser thereof;
- (B) The Purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
33. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CLASSES OF SHARES

34. (A) The present share capital of the Company which is presently comprised of TEN THOUSAND DOLLARS (\$10,000.00) divided into Ten Thousand (10,000) shares of ONE DOLLAR (\$1.00), is classified as follows :-

(i) 4,000 are A Ordinary Shares,

- (ii) 4,000 are B Ordinary Shares,
- (iii) The residue, namely 2,000
Shares are unclassified
Ordinary Shares.

- (B) Subject to the provisions of these Articles the A Ordinary Shares and the B Ordinary Shares shall rank in all respects pari passu with each other and shall have the same right to participate in any distribution of income capital or surplus assets by the Company or by its liquidator proportionate to their respective holdings.
- (C) Except as provided by these Articles, A Ordinary Shares and B Ordinary Shares shall be deemed to be shares of the same class.
- (D) Unless all of the Directors for the time being in office otherwise unanimously decide, all further issues in the capital of the Company whether out of the present capital or out of any increase of capital shall be offered by notice in writing in the first instance to the then members of the Company in proportions as nearly as may be to the number of shares held by them. Each offer shall remain open for a period of not less than thirty days from the date thereof and shall carry the right to accept the offer in respect of a smaller number of shares than that contained in the offer. Any shares declined or not accepted within the period stated in the offer shall be

offered in the same manner to those shareholders who have accepted all the shares originally offered to them and in proportion as nearly as may be to the number of shares held by them as aforesaid and so on until all the further issue has been accepted or it appears that no shareholder is willing to take up any further shares. If any shares of the further issue then remain, they may be disposed of as the Directors decide.

- (E) Ordinary Shares issued by the Company whether out of the present capital or out of any increase of capital to a holder of A Ordinary Shares shall themselves be classified as A Ordinary Shares and Ordinary Shares issued to a holder of B Ordinary Shares shall themselves be classified as B Ordinary Shares and Ordinary Shares issued to any person not being a holder of any A Ordinary Shares or B Ordinary Shares shall be classified as the Directors decide.
- (F) The one subscriber share presently held by Ansett Transport Industries Limited shall be classified as A Ordinary Share and the three subscriber shares presently held by and registered in the name of Ansett Transport Industries (Operations) Proprietary Limited shall be classified as B Ordinary Shares.

TRANSFER OR TRANSMISSION OF SHARES

35. No shares in the Company shall be transferred unless and until the rights of the pre-emption hereinafter conferred shall have been exhausted save and except in case of the

members by special resolution directing otherwise.

36. (A) Any member who intends to transfer shares (hereinafter called "the proposing transferor") shall give notice in writing (hereinafter referred to as "the notice of intention to transfer") to the Directors of his intention to do the same. On receipt of such notice the value of the shares to be transferred shall be determined (as hereinafter provided in Article 42) and such value shall be referred to as "the proper value".
- (B) Upon determination of the proper value of the shares (as hereinafter provided) a transfer notice shall be prepared by the Directors and signed by the proposing transferor. Such notice shall specify the sum fixed as the proper value of the shares and without prejudice to Article 41 herein shall constitute the Directors as the agents of the proposing transferor for the sale of the shares therein mentioned in one or more lots at the discretion of the Directors at the proper value to the members (other than the proposing transferor). A transfer notice may include several shares and in such case shall operate as if it were a separate notice in respect of each share PROVIDED THAT shares in different classes (if any) shall not be included in the same transfer notice.
37. (A) Upon receipt of a transfer notice duly signed by the proposing transferor the Directors shall forthwith offer the shares

therein mentioned at the proper value thereof to all the then existing members (other than the proposing transferor) in proportion (as nearly as the circumstances admit) to the nominal value of the issued shares in the Company held by them at the time of such offer. Such offer shall be made by giving a notice in writing to all the members of the Company (other than the proposing transferor) of the number and price of the shares to be sold to each member (other than the proposing transferor) and invite each to state within thirty days from the date of such notice whether he is willing to purchase any and if so, how many, of the said shares offered to him.

- (B) At the expiration of the said thirty days the Directors shall allocate the said shares to or amongst the member or members who shall have expressed his or their willingness to purchase as aforesaid any or all of the shares so offered to them by the notice referred to in the immediately preceding sub-Article (A) of this Article 37 provided that no member shall be obliged to take more than the shares which he advised the Directors he is willing to purchase. Upon such allocation being made the Directors shall give notice in writing thereof to the proposing transferor and he shall be bound on repayment of the proper value to transfer such shares to the respective purchaser thereof. Every such notice shall state the name and address of the purchaser and the number of shares agreed to be purchased by him and the

purchase shall be completed at a place and time to be appointed by the Directors not being less than seven days nor more than thirty days after the date on which the proper value of such shares shall have been agreed or fixed as hereinafter provided.

- (C) Any shares not so taken up within the aforesaid time shall likewise be then offered successively on the same basis and in the same proportion to the remaining members.

38. If the Directors shall not within a period of two calendar months from the date of the offer made pursuant to Article 37 (A) find members willing to purchase all the shares mentioned in the transfer notice the Directors may within thirty days find a person selected by the Directors as one whom in the interest of the Company it is desirable to admit to membership and who is willing to purchase all such shares or the majority thereof at the proper value.
39. (A) If the Directors shall not within the space of three calendar months from the date of the transfer notice referred to in sub-Article (B) of Article 37 find a member of the Company or a person selected as aforesaid willing to purchase the shares, the Directors shall be at liberty and at the direction in writing of the proposed transferor to re-offer the shares not so taken up by the members and the person aforesaid to all the then existing members (other than the proposing

transferor) in proportion (as nearly as the circumstances admit) to the nominal value of the issued shares in the Company held by them at the date of such re-offer at a price less than proper value as the proposing transferor may direct in writing.

- (B) The re-offer referred to in sub-Article (A) of this Article 39 shall be made by giving a notice in writing to all the members of the Company (other than the proposing transferor) of the number and the re-offer price of the shares to be sold to each member (other than the proposing transferor) and invite each to state within fourteen (14) days (Saturdays, Sundays and Public Holidays excepted) from the date of such re-offer whether he is willing to purchase any and if so, how many, of the said shares re-offered to him.
- (C) At the expiration of the said fourteen (14) days the Directors shall allocate the said shares to or amongst the member or members who shall have expressed his or their willingness to purchase as aforesaid any or all of the shares so re-offered to them by the notice referred to in the immediately preceding sub-Article (B) of this Article 39 provided that no member shall be obliged to take more than the shares which he advised the Directors he is willing to purchase. Upon such allocation being made the Directors shall give notice in writing thereof to the proposing transferor and he shall be bound on repayment of the re-offer price to transfer

such shares to the respective purchaser thereof. Every such notice shall state the name and address of the purchaser and the number of shares agreed to be purchased by him and the purchase shall be completed at a place and time to be appointed by the Directors not being less than seven (7) days nor more than thirty (30) days after the date on which the re-offer of such shares was made.

(D) Any shares not so taken up within the aforesaid time shall likewise be then offered successively on the same basis and in the same proportion to the remaining members.

(E) Any shares not so taken up in accordance with the immediately preceding sub-Article (D) of this Article 39 shall be re-offered at such lesser price than the last re-offer price referred to in sub-Article (A) of this Article 39 as the proposing transferor may from time to time redirect the Directors in writing and in the manner as provided in sub-Article (A), (B), (C) and (D) of this Article 39 with the necessary adaptations in order to apply to this new re-offer price.

40. If the Directors shall not within a period of one calendar month from the date of the re-offer made pursuant to sub-Article (A) of Article 39 find members willing to purchase all the shares mentioned in the re-offer notice then at any time within one month thereafter the Directors in conjunction with the proposed transferor shall be at liberty, subject to Article 43 hereof to transfer to any person by a bona fide sale at a price not less than the re-offer price

referred to in sub-Article (A) of Article 39.
PROVIDED THAT the Directors may require to be satisfied in such manner as they may reasonably require that such shares are being transferred in pursuance to a bona fide sale for the consideration stated in the transfer without any deduction, rebate or allowance whatsoever to the purchaser and if not so satisfied may refuse to register the transfer. If the Directors in conjunction with the proposing transferor shall fail to sell and transfer the shares as hereinbefore provided within the said period of one calendar month the Directors shall sell the shares on behalf of the proposing transferor to any person at any price but no less than the re-offer price and on terms they think fit.

41. If the proposing transferor makes default in transferring the shares as aforesaid, the Chairman of the Directors of the Company, for the time being, or failing him one of the Directors duly nominated by the Directors for that purpose, shall forthwith be deemed to be the duly appointed attorney of the proposing transferor with full power to execute, complete and deliver in the name and on behalf of the proposing transferor, a transfer of the shares to the purchasing member or other person (as the case may be) and to receive and give a good discharge for the purchase money on behalf of the proposing transferor (which purchase money shall be held on trust for the proposing transferor) and upon any such transfer being executed and delivered the Directors may enter the name of the purchaser in the Register of Members as the holder of transfer of such shares purchased by him and after such name has been entered in the Register of Members

in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

42. For the purpose of Article 36 to 40 (both inclusive) the expression "proper value" shall where applicable mean the sum per share specified in the transfer notice and shall be determined by the Directors and the proposed transferor by mutual agreement. In the event that there are any differences between the Directors and the proposing transferor as to such proper value and such differences are not resolved within ten (10) days (or such other period as they may agree upon) of the date of the notice of intention to transfer, such proper value shall be determined by a valuer to be mutually agreed upon between the parties and failing such agreement by a valuer appointed by the auditor of the Company (if any) or a Public or Chartered Accountant as the parties may mutually agree or failing agreement to be nominated by the President of The Institute of Chartered Accountants of Australia for the time being and such valuer so nominated shall act as an expert and not as an arbitrator in determining the proper value of the shares to be transferred. Such determination made by the said valuer shall be final and binding upon the parties.

43. (A) Notwithstanding anything hereinbefore set out the Directors may refuse to register any transfer of a share:
- (i) where the Company has a lien on the share;
 - (ii) where the Directors are of opinion (without assigning any reason therefor) that it is not

desirable to admit the proposed
transferee to membership.

- (B) The provisions of Articles 36, 37, 38, 39, 40 and 41 hereof and sub-Article (A) of this Article 43 shall not apply to a transfer by a personal representative to a legatee under a Will or to persons beneficially entitled thereto upon the distribution of the estate of a deceased member, nor to a transfer by a trustee to a beneficiary nor to a transfer to a Company which is deemed to be related to a member by virtue of the provisions of sub-section (5) of Section 6 of the Act, nor to a transfer of shares in consequence of the distribution of assets arising from the winding up or reduction of capital of a member being a corporation, nor to a transfer (not complying with the provisions of Articles 36, 37, 38, 39, 40 and 41 hereof) which was approved by the Directors.

44. The instrument of transfer of any share in the Company shall be in the usual form or such other form as the Directors may approve and shall be executed both by the transferor and the transferee and attested by one witness at the least and the transferor shall be deemed to remain the holder of such share until such transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.
45. The instrument of transfer of any share must be forwarded to or left at the share register of the Company in which such share is registered for

registration accompanied by the certificate of the shares to which the transfer relates and by such other evidence as the Directors may require to prove the title of the transferor and thereupon the Company shall subject to the powers vested in the Directors by these Articles register the transferee as a member and retain the instrument of transfer. If the Directors refuse to register the transfer of any shares, they shall within one month after the date on which the transfer was received by the Company, send to the transferee a notice of the refusal.

46. The Directors shall have no power to register and shall refuse to register any transfer or transfers of a share or shares if the effect of the registration of which would be that the Company would cease to fulfil the requirements of the Act or any modification thereof for the time being in force relating to proprietary companies.
47. The transfer books may be closed for such period or periods not exceeding fourteen days in each year as the Directors shall direct during which period or periods the Directors may suspend the registration of transfers.
48. The legal personal representatives of a deceased sole holder of a share shall be the only persons recognised by the Company as having any title to the share or any benefits accruing in respect thereof.
49. In the case of a share registered in the names of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor shall be the only persons recognised by the Company as having any title to the share or

any benefits accruing in respect thereof.

50. In the case of the bankruptcy or insolvency of any member of the Company such member shall be deemed to have given to the Company a transfer notice pursuant to Article 37 hereof.
51. A person becoming entitled to a share by reason of the death or bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.
52. Any person becoming entitled to any share in consequence of the death bankruptcy or insolvency of a member may instead of being himself registered elect to have some person to be named by him and approved by the Directors to be registered as a transferee. The person so becoming entitled shall testify such election by executing to his approved nominee an instrument of transfer of such share and such instrument of transfer shall be presented to the Company accompanied with such evidence as the Directors may require in proof of the title of the transferor.

ALTERATION OF CAPITAL

53. The Company in general meeting may from time to time by special resolution increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.
54. Except for the shares subscribed for by the Memorandum of Association of the Company all the

whether in its original share capital or in the increased share capital of the Company (if any) shall be offered in the first instance to the existing members of the Company in proportion (as nearly as the circumstances admit) to the nominal value of the issued shares in the Company held by them at the date of such offer PROVIDED THAT the Company in general meeting by a special resolution may determine that the shares (whether in the original capital or in the increased share capital of the Company) be offered otherwise than in the proportion hereinbefore referred to in this Article 54 or to persons who are not members of the Company.

55. Except so far as otherwise provided by the conditions of issue or by these Articles (if any) any capital raised by the creation of new shares shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, expropriation, voting and otherwise as the shares in the original share capital.

56. Subject to the special rights or restrictions (if any) attached to any existing shares or class of shares at the time concerned the Company may by special resolution:

- (A) Consolidate and divide its share capital into shares of larger amount than its existing shares;
- (B) Subdivide its existing shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association, provided however that in the subdivision the proportion between the amount paid

and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

- (C) Cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

57. (A) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorised and consent required by law;

- (B) The Directors may (subject to the provisions of the Act) accept surrenders of shares.

MODIFICATION OF RIGHTS

58. If at any time the share capital of the Company by reason of the issue of preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may whether or not the Company is being wound up and subject to the provisions of Section 65 of the Act be modified, commuted, affected, abrogated, dealt with or varied in any way with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general

meeting of the holders of the shares of the class affected. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll PROVIDED THAT if such a quorum be not present at any such separate meeting or if such resolution be not carried by the necessary majority all or any of such rights and privileges may be modified, commuted, affected, abrogated, dealt with or varied in any way by a consent in writing signed by the holders of at least three-fourths of the class of shares affected within two months from the date of the said separate meeting.

GENERAL MEETING

59. General Meetings (to be called annual general meetings) shall be held once in every year at such time (not being more than eighteen months after incorporation or fifteen months after the holding of the last preceding annual general meeting, as the case may be) and place as the Directors shall determine. In default of a general meeting so held a general meeting shall be held in the month following and may be convened by any one member in the same manner as nearly as possible as that in which meetings are to be convened by the Directors.
60. All general meetings other than those mentioned in the last preceding Article 59, shall be called extraordinary general meetings.
61. The Directors may whenever they think fit convene extraordinary general meetings and such meetings

may also be convened on such requisition or, in default, may be convened by such requisitionist as are mentioned in and as is provided by Section 137 of the Act. If at any time there are not within the State sufficient Directors capable of acting to form a quorum, any Director or any one member may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

PROCEEDINGS AT GENERAL MEETINGS

62. Subject to the provisions of sub-section (1) of Section 144 of the Act relating to special resolutions twenty one days' notice at the least (exclusive of the day on which the notice is served or deemed to be served but inclusive of the day for which notice is given) specifying the place, the day and the hour of the meeting and in case of special business, the general nature of that business shall be given in the manner hereinafter mentioned, or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the Articles of the Company entitled to receive such notices from the Company; provided that the non-receipt by a member of, or accidental omission to give the notice of the meeting shall not invalidate the proceedings of such meeting and resolutions passed therein, and, provided further that with the consent of all members entitled to receive notice of an annual general meeting and in the case of any other meeting if it is so agreed by majority in number of the members having the right to attend and vote at some particular meeting being a majority together holding not less than ninety five per cent in nominal value of the shares

giving that right that meeting may be convened by such shorter notice and in such manner as those members think fit.

63. When it is proposed to pass a special resolution at any general meeting and it is so agreed by a majority in number of the members having the right to attend and vote at such meeting, being a majority together holding not less than ninety five (95) per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty one (21) days' notice has been given.
64. All business shall be deemed special that is transacted at an extraordinary general meeting, and all that is transacted at an annual general meeting with the exception of sanctioning a dividend, the consideration of the accounts, balance sheets and reports of the Directors and Auditors (if any) prescribed by the Act the election of Directors and other officers in the place of those retiring by rotation (if any) and the fixing of the remuneration of the Auditors (if any).
65. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. The quorum for the transaction of the business at any general meeting shall be two members one of whom shall be the holder of the "A" Ordinary Shares (or his proxy attorney or representative) one of whom shall be the holder of the "B" Ordinary Shares (or his proxy attorney or representative). For the purpose of this Article

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"member" includes a person attending as an attorney or as a proxy or as representing a corporation which is a member.

66. If within a quarter of an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisitions of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place. If at any adjourned meeting a quorum shall not be present within fifteen minutes from the time appointed for the meeting the meeting shall be dissolved.
67. The Chairman (if any) of Directors shall preside at every general meeting of the Company.
68. If at any meeting no person entitled to be Chairman shall be present within fifteen minutes after the time appointed for holding the same, or if at such meeting any person so entitled shall be unwilling to act as Chairman, then and in any such case, the members present may choose some Director to act as Chairman or if no Director be present or if all the Directors present decline to take the chair, the members shall choose some member present to be the Chairman of the meeting.
69. (A) The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place;

- (B) When a meeting is adjourned for ten (10) days or more at any one time notice of the adjourned meeting shall be given as in the case of an original meeting;
 - (C) Save as aforesaid it shall not be necessary to give any notice for an adjourned meeting or of the business to be transacted at an adjourned meeting.
70. (A) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands but subject to the provisions of Article 73 hereof unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least one member and unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution. The demand for a poll may be withdrawn.
- (B) A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs. Except as hereinbefore provided in this Article 71 if a poll is duly demanded it shall be taken in such manner as the Chairman

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directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

71. In the case of an equality of votes, whether on a show of hands or on a poll the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall not be entitled to a second or casting vote.
72. Subject to the provisions of Article 74 hereof if the holders of the "A" Ordinary Shares (or his proxy attorney or representative duly appointed) or the holders of the "B" Ordinary Shares (or his proxy attorney or representative duly appointed) vote against any resolution (including special and ordinary resolution) proposed moved or voted upon at a general meeting of the Company the last mentioned resolution shall be deemed lost notwithstanding that a majority of the members voted for it.
73. Any resolution of the Company determined on without any general meeting and evidenced in writing under the hands of all Directors or a sole Director and of members of the Company holding nine-tenths of the issued shares of the Company including the holders of the "A" Ordinary Shares and the "B" Ordinary Shares shall be as valid and effectual as a resolution duly passed at a general meeting of the Company but this Article shall not apply to any resolution required by the Act or these Articles to be dealt with in general meeting.
74. (A) Notwithstanding Articles 62 to 73 of these Articles (both inclusive) should the holders of "A" Ordinary Shares present at any general meeting and the holders of "B" Ordinary

resolve unanimously on any motion, resolution or proposal put to that general meeting it shall be deemed lost notwithstanding that a majority of members present voted for it.

*as amended
by Resolution
of 9/4/79*

- (B) (1) In the event that such a motion, resolution or proposal is deemed lost then either the holders of "A" Ordinary Shares or the holders of "B" Ordinary Shares may give to the other a notice (hereinafter referred to as a "Notice of Dispute") specifying the motion resolution or proposal which failed to be so unanimously resolved.
- (2) Within thirty (30) days of the giving of a Notice of Dispute the party giving the Notice of Dispute ("the Offeror") shall give a notice in writing (hereinafter referred to as "a Notice of Sale Price") to the other party ("the Offeree") nominating the price per share ("the Sale Price") at which the Offeror offers to sell to the Offeree all of the "A" Ordinary Shares or all of the "B" Ordinary Shares, as the case may be.
- (3) Within a period of sixty (60) days of receipt by the Offeree of the Notice of Sale Price (which period of sixty (60) days is hereinafter referred to as "the Option Period") the Offeree shall have an option to be exercised by giving within the Option Period a Notice in writing to the Offeror of the Offeree's intention to acquire all the "A" Ordinary Shares or the "B" Ordinary Shares so offered by the Offeror, as the case may be, at the Sale Price.
- (4) If the last mentioned option to acquire all the said Ordinary Shares is not exercised by the Offeree within the Option Period then the Offeror

shall be bound to buy and the Offeree shall be bound to sell all of the "A" Ordinary Shares or all of the "B" Ordinary Shares in the Company as the case may be which were not so offered by the Offeror at the Sale Price.

- (5) In either case the transfer of the shares shall be completed within sixty (60) days after the expiration of the Option Period in the manner applicable to transfer of shares hereinbefore set out in Articles 36 to 40 (both inclusive) with the necessary adaptations in order to apply to the sale resulting from the provisions of this Article 74. (B).
- (6) The purchase price shall be paid simultaneously with the transfer of the shares.
- (7) The provisions of Article 35 shall not apply in case of a transfer of shares resulting from a Notice of Dispute given pursuant to Article 74. (B) (1).
- (8) During the period commencing on the giving of the Notice of Dispute pursuant to Article 74. (B) (1) and ending upon the completion of transfer of shares resulting therefrom as contemplated in the preceding provisions of this Article 74. (B) - no member shall give the notice of intention to transfer referred to in Article 36. (A) and any steps then uncompleted in connection with the sale of shares resulting from such a notice of intention to transfer given prior to the giving of the last mentioned Notice of Dispute shall be suspended unless the Directors otherwise decide.

- (C) If the holders of the "A" Ordinary Shares shall not exercise such option within six (6) calendar months of the date of the giving of the Notice of Dispute, the holders of "B" Ordinary Shares shall have the right (to be exercised by a written notice to be given to the holders of all the "A" Ordinary Shares) to acquire from the holders of "A" Ordinary Shares all of the "A" Ordinary Shares at the proper value determined as provided in Article 42 of these Articles and in the manner set out in the immediately preceding sub-Article (B) of this Article 74 subject to the necessary adaptations to an option exercised by the holders of the "B" Ordinary Shares.

VOTES OF MEMBERS

75. Subject to any rights or restrictions for the time being attached to any class or classes of shares at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney or by a representative hereinafter referred to and on a show of hands every member present in person or by a proxy or by attorney or by a representative of a member appointed pursuant to Section 140 (3) of the Act shall have one vote and on a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share of which he is the holder.
76. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which

the names stand in the Register of Members. Several executors or administrators of a deceased member not being one of several joint holders shall be the only persons recognised as having any title to the shares registered in the name of such member and in case of death of any one or more of the joint holders of any registered shares the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares.

77. A member who is of unsound mind, or whose person or estate is liable to be dealt with in any way under the law relating to mental health may vote, whether on a show of hands or on a poll, by his committee or by his trustee or by such other person as properly has the management of his estate and any such committee, trustee or other person may vote by proxy or attorney.
78. No member shall be entitled to vote at any general meeting unless all calls or other moneys presently payable by him in respect of shares in the Company have been paid, and no joint holder of a share shall be entitled to vote as long as he, or any joint holder with him, shall be indebted to the Company in respect of any such moneys then payable.
79. On a poll votes may be given either personally or by proxy or attorney or the said representative.
80. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under seal or under the hands of an officer or attorney duly authorised and may appoint several persons in the alternative. A proxy may, but need not, be a member of the Company. The instrument appointing a proxy shall

be deemed to confer authority to demand or join in demanding a poll.

81. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a copy thereof certified to the satisfaction of the Directors shall be deposited at the registered office of the Company not less than twenty-four (24) hours before the time for holding the meeting or adjourned meeting or taking a poll, as the case may be, at which the person named in the proxy proposes to vote and in default the instrument of proxy shall not be treated as valid.
82. Any corporation which is a member of the Company may by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company including (in the event specified therein) the matters referred to in Section 140 of the Act.

DIRECTORS

83. (A) The holders of the "A" Ordinary Shares shall be entitled to appoint two Directors and the holders of the "B" Ordinary Shares shall be entitled to appoint two Directors.
- (B) Any Director appointed by either class of shareholders under the provision of this Article 83 may be removed from office by the class of shareholder which so appointed him and that class shall have power at any time to appoint another Director in the

place of the Director so removed or of any Director appointed by that class of shareholders who dies or resigns or otherwise vacates office under these Articles.

(C) Any appointment or removal of a Director under this Article may be made by a majority of the members of the class appointing or removing that Director and shall be in writing and shall be effective when deposited at the registered office of the Company.

(D) A new Director may be appointed by the same instrument as that which removes another Director. Any appointment or removal may be by letter, telex, telegram, cablegram, radiogram or any other form of visible communication.

(E) The present Directors of the Company Ralph Leyton Cooper shall be deemed to have been appointed by the holder of the "A" Ordinary Share and Frank Pascoe shall be deemed to have been appointed by the holder of the "B" Ordinary Shares.

84. Until otherwise determined by a general meeting the number of Directors shall not be less than two nor more than four. The first Directors whose names appear in the immediately preceding sub-Article (E) of Article 83 were appointed by the subscribers to the Memorandum of Association of the Company. All subsequent Directors subject to the provision of Article 83 shall be appointed by special

resolution of the Company.

85. A Director need hold no shares in the capital of the Company.
86. If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing abroad or otherwise for any of the purposes of the Company the Company by a resolution of the Directors may reimburse the Director so doing for expenses incurred by him in connection thereof or otherwise as may be determined by the Directors.

BORROWING POWERS

87. (A) The Directors may from time to time at their discretion exercise all the powers of the Company to borrow money for the purposes of the Company;
- (B) The Directors may secure the payment or repayment of money borrowed in exercise of the powers referred to in the immediately preceding sub-Article (A) or any debts liabilities contracts or obligations undertaken or incurred by the Company or a third party in such form or manner and upon such terms and conditions in all respects as they think fit including the issue of debentures or debenture stock (terminable or perpetual) or the giving of any bond, mortgage, charge or other security or obligation of the Company charged upon all or any part of the property and assets of the Company (both present and future) including its uncalled and/or unpaid capital for the time being or of obligations of the Company;
- (C) The Directors may cause or permit any of

the mortgages, debentures, debenture stock, bonds, charges or other securities or obligations referred to in the immediately preceding sub-Article to be redeemed, assigned or transferred as they may think fit;

- (D) The Directors may for the purposes of securing the payment of any debentures bonds or other securities or the payment with interest of any moneys so borrowed as aforesaid or payable under any contract whatsoever or otherwise howsoever take and carry into effect any arrangement which they may deem expedient by assigning or conveying any property of the Company (including uncalled capital) to trustees;
- (E) Any debentures debenture stock bonds or other security may be issued at a discount premium or otherwise and with or without the right to the holder thereof to exchange the same in whole or in part at certain or uncertain times or with any special privileges as to redemption surrender drawings allotment of shares attending and voting at general meetings of the Company appointment of Directors and otherwise and any debenture or debentures may be reissued notwithstanding that it or they may have been paid off or satisfied. And the Directors may give and execute, in the name and on behalf of the Company as provided by these Articles in favour of any Director, or other person, who may incur or be about to incur any personal liability for the

benefit of the Company, such mortgages of the Company's property (present and future) as they think fit and any such other powers covenants and provisions as shall be agreed upon;

- (F) If any uncalled capital of the Company be included in or charged by any mortgage or other security the Directors may by instrument under the Company's seal authorise the person in whose favour such mortgage or other security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital or to control the making thereof with power to control or veto transfers and to sue in the name of the Company or otherwise for the recovery of moneys becoming due in respect of all calls so made and to give valid receipts for such moneys and the power so delegated shall subsist during the continuance of the mortgage or security notwithstanding any change of Directors and shall be assignable if expressed so to be;
- (G) The Directors may, with the approval of the Court and subject to the other requirements of Section 69 of the Act, pay interest at the rate of five (5) per centum on the amount of capital for the time being paid up in respect of any shares issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long

period, and may charge the interest so paid to capital as part of the cost of construction of the works or building or the costs of the plan.

POWERS AND DUTIES OF DIRECTORS

88. All the powers of the Company and the management supervision and control of its business and affairs shall be vested in the Directors who in addition to the powers and authorities by these presents or otherwise expressly conferred upon them may pay all expenses incurred in promoting and registering the Company (if any) and may carry into effect all or any of the objects of the Company mentioned in the Memorandum of Association and may exercise all such powers of the Company and do all such acts and things as shall be vested in or may be exercised or done by the Company and are not by these Articles or by law expressly directed to be exercised or done by the Company in general meeting subject nevertheless to the provisions of the Act (or any modification thereof for the time being in force) and of these Articles and subject also to the control of any general meeting of the Company but no resolution so made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed.
89. The Directors may exercise all the powers of the Company in relation to any official seal for use inside the State and in relation to any official seal for use outside the State and in relation to branch registers.
90. The Directors may from time to time by power of attorney appoint any corporation firm or person

or body of persons whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit and any such powers of attorneys may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers authorities and discretions vested in him.

91. (A) The Directors shall duly comply with the provisions of the Act or any modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages and charges affecting the property of the Company or created by it and to keeping a register of Directors, managers and secretaries and to lodging with the Commissioner for Corporate Affairs an annual list of members and a summary of particulars relating thereto and a notice of any increase of share capital and copies of special resolutions and a copy of the register of Directors, managers and secretaries and notifications of any change therein.
- (B) The Directors shall cause to be kept at the registered office of the Company a

register of mortgages and charges and to be entered therein all mortgages and charges specifically affecting the property of the Company and all floating charges on the undertaking or any property of the Company giving in each case a short description of the property mortgaged or charged the amount of the mortgage or charge and (except in the case of securities to bearer) the names of the mortgagees or persons entitled thereto.

92. Cheques on the Company's Banker, Bills of Exchange, Promissory Notes or other negotiable instruments shall be drawn made or signed or endorsed in such manner as the Directors shall from time to time resolve.
93. A meeting of the Directors at which a quorum is present shall be competent to exercise all or any of the authorities powers and discretions by or under the Articles of the Company for the time being vested in or exercisable by the Directors generally.
94. A resolution determined without a meeting of the Directors or a committee thereof and evidenced in writing under the hand of all the Directors for the time being entitled to receive notice of a meeting of the Directors or the Committee concerned shall be as valid and effectual as if it had been passed at a meeting of the Directors or of a Committee thereof duly convened and held. Any such resolution may consist of several documents in like form each signed by one or more Directors.
95. The Directors shall cause minutes to be made in books provided for the purpose:-
 - (A) Of all appointments of officers made by

the Directors;

- (B) Of names of Directors present at each meeting of the Directors and of any committee of Directors;
- (C) Of all resolutions and proceedings at all meetings of the Company of the Directors and of committee of Directors.

Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

ASSOCIATE DIRECTORS

96. The Directors may from time to time appoint any person to be an associate Director and may from time to time cancel any such appointment. The Directors may fix determine and vary the powers duties and remuneration of any person so appointed but a person so appointed shall not be required to hold any shares to qualify him for appointment and shall have no right to attend or vote at any meeting of Directors except by the invitation and with the consent of the Directors.

ALTERNATIVE OR SUBSTITUTE DIRECTORS

97. (A) (1) Subject to the provisions of the Act :-
- (i) the holder for the time being of the "A" Ordinary Shares shall have the power from time to time to appoint any person to act as an Alternate Director in the place of a Director appointed by the holder for the time being of the "A" Ordinary Shares.
 - (ii) the holder for the time being of the "B" Ordinary Shares

shall have the power from time to time to appoint any person to act as an Alternate Director in the place of a Director appointed by the holder for the time being of the "B" Ordinary Shares.

- (2) The appointment of an Alternate Director under this sub-Article (A) may be made by notice in writing, letter, telex, telegram, cablegram, radiogram or any other form of visible communication.
 - (3) The appointment of an Alternate Director under this sub-Article (A) may be made for a stated period or periods or until the happening of a specified event or from time to time whenever by absence or illness or for any other reason the Director is unable to attend to his duties as a Director.
 - (4) The provisions (if any) contained in these Articles to the contrary shall be subject to the provisions of this sub-Article (A) of this Article 97.
- (B) The following provision shall apply to an Alternate Director appointed pursuant to the immediately preceding sub-Article (A) of this Article 97 -
- (1) he may be removed or suspended from office by written notice, letter, telegram, cablegram, radiogram, telex or other form of visible communication sent to the Company by the person

- by whom he was appointed;
- (2) subject to these Articles he shall be entitled to receive notice of meetings of the Board and to attend and vote thereat if the Director in place of whom he was appointed is not present and subject as aforesaid, where he is a Director, to have a separate vote on behalf of the Director he is representing in addition to his own vote;
- (3) he shall be entitled to exercise all the powers and to perform all the duties of a Director, insofar as the Director in place of whom he was appointed has not exercised or performed them;
- (4) he shall not be required to hold any share qualification;
- (5) he shall ipso facto vacate office if the Director in place of whom he was appointed is removed or otherwise ceased to hold office for any reason;
- (6) he shall, whilst acting as a Director, be responsible to the Company for his own acts and defaults and shall not be deemed to be the agent of the Director in place of whom he was appointed;
- (7) he shall not be entitled to receive any remuneration from the Company as a Director except for special services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director;

(8) he shall not be taken into account in determining the number of Directors.

- (C) Subject to the preceding sub-Article (A) and (B) of this Article 97 any Director may appoint any person approved by the Directors to act as substitute Director during such period as the Directors may approve an such appointee whilst he holds office as substitute Director shall be entitled to receive notice of meetings of the Directors and to attend and vote thereat accordingly and to exercise all the powers (except the power to appoint an alternate or substitute Director) and perform all duties of the appointor but he shall not be required to hold any share qualification and he shall ipso facto vacate office if and when the appointor vacates office as a Director or dies or removes or suspends the appointee from office and any appointment and removal under this Article shall be effected by notice in writing under the hand of the Director making the same; such substitute Director shall not be taken into account in determining the number of Directors and whilst acting as such Director he will be responsible to the Company for his own acts and defaults and shall not be deemed to be the agent of the appointor.

MANAGER

98. The Directors may from time to time appoint a manager of the business of the Company for such term and at such remuneration as they think fit and may remove and discharge such manager and appoint a substitute and the Directors shall take such security (if any) for the good conduct and satisfactory discharge of the duties of such manager as they in their discretion think sufficient.

SEAL

99. The Seal of the Company shall be under the control of the Directors and the same shall not be affixed to any instrument except certificates of shares, debentures or notes unless in the presence of and attested by two Directors each representing the "A" Ordinary Shares and the "B" Ordinary Shares and the Secretary or some other person appointed by the Directors for the purpose. The Seal may be affixed to certificates for shares, debentures and notes in such manner as the Directors shall from time to time determine.

DISQUALIFICATION OF DIRECTORS

100. The office of a Director shall be vacated if the Director :-
- (A) Ceases to be a Director by virtue of Section 116 of the Act; or
 - (B) Becomes bankrupt or makes any arrangement or composition with his creditors generally; or
 - (C) Becomes prohibited from being a Director by reason of any order made under the Act; or

- (D) Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health; or
- (E) Resigns his office by notice in writing to the Company.

101. Notwithstanding any rules of law or equity to the contrary no Director shall become disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise or from being employed or acting in any capacity professional or otherwise by or on behalf of the Company nor shall any such contract or agreement entered into on behalf of the Company with any Company corporation or partnership of or in which any Director shall be a Director member partner or otherwise interested be liable to be impeached affected or avoided by reason of a Director being a party thereto or interested therein nor shall such Director be liable to account to the Company for any profit realised by or in respect of such contract or arrangement and he may retain for his own use and benefit profits made by him under such contract or arrangement but he shall be bound to disclose the nature of the interest in any such contract or arrangement at the meeting of the Directors at which the contract or arrangement is determined if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest. A Director may be counted for a quorum and may vote as a Director or shareholder in respect of any contract or arrangement in which he is interested and may authorise the entering into such contract or arrangement and may witness the affixing of the

Company's Seal or sign such contract or any deed or other instrument evidencing such contract or arrangement. Failure to make such disclosure shall not operate to avoid or render voidable any such contract agreement or arrangement.

102. A Director may hold any other office under the Company in conjunction with the office of Director and upon such terms as the Directors may arrange and shall not forfeit his seat as a Director by reason of holding such office.

DECLARATION OF SECRECY

103. The Company may require from every member Director Manager auditor trustee servant agent accountant or other person employed in the business of the Company to sign before entering upon his duties, a declaration pledging himself (except as required by the Act) to observe strict secrecy in respect of all materials, substances or processes used by or incidental to the Company or its activities and all transactions of the Company with customers and the state of accounts with individuals and in all matters relating thereto and shall by such declaration pledge not to reveal any of the matters which may come to his knowledge by virtue of being a shareholder in the Company or in the discharge of his duties except when required so to do by the Directors or by any meeting of the Company or by a Court of Law or by the person to whom such matters relate except so far as may be necessary in order to comply with any of the provisions in these Articles contained.

APPOINTMENT AND REMOVAL OF DIRECTORS

104. Subject to the provisions of Article 83 the Company may by a special resolution at any meeting

at which it is advised that any of the Directors have resigned or retired fill up the vacated office by electing a like number of persons to be Directors.

105. The Directors shall be entitled to hold office as Directors so long as they are alive unless disqualified or removed pursuant to these Articles.
106. If at any meeting at which an election of Directors ought to take place the places of the vacating Directors are not filled up the vacating Directors or such of them as have not had their places filled up shall be deemed to have been re-elected.
107. If all the Directors so agree in writing the Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in these Articles and PROVIDED THAT such additional Directors shall resign prior to the next following annual general meeting but will be eligible for election by the Company at the meeting as a Director.
108. The Company may from time to time by special resolution remove any Director.

PROCEEDINGS OF DIRECTORS

109. (A) The Directors may meet together for the despatch of business adjourn and otherwise regulate their meetings as they think fit. A Director may, and the Secretary on the requisition of a Director shall at any time summon a meeting of the Directors. Questions arising at any meeting of Directors shall be determined by a majority of votes PROVIDED ALWAYS that if all or the only or a majority of the

Directors appointed by the holder or holders of the "A" Ordinary Shares and present at the meeting or all or the only or a majority of the Directors appointed by the holder or holders of the "B" Ordinary Shares and present at the meeting vote against a motion, resolution or proposal it shall be deemed lost notwithstanding that a majority of Directors present vote for it. The Chairman shall not be entitled to a casting or second vote. For the purpose of this Article 109 and Articles 93 and 110 an alternate of a Director appointed by the holder or holders of the "A" Ordinary Shares and present at a meeting shall be deemed to be that Director appointed by such holder or holders and an alternate of a Director appointed by the holder or holders of the "B" Ordinary Shares and present at a meeting shall be deemed to be that Director appointed by such holder or holders.

- (B) In the event that at a meeting of Directors a motion, resolution or proposal is deemed lost as provided in the immediately preceding sub-Article (A) of this Article 109 an extraordinary general meeting may be convened by such requisition as is mentioned in and provided by Article 61 of these Articles to resolve the said motion, resolution or proposal deemed to be lost at the said meeting of Directors.

110. The quorum necessary for the transaction of the business of the Directors shall be two one of whom shall be a Director who shall have been appointed by the holder or holders of the "A" Ordinary Shares and one of whom shall be a Director who shall have been appointed by the holder or holders of the "B" Ordinary Shares. A Director may be counted in a quorum notwithstanding that he may be interested in any business before the meeting.
111. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to the Articles of the Company as the quorum of Directors, the continuing Directors may act for the purposes of increasing the number of Directors to that number or of summoning a general meeting of the Company but for no other purpose.
112. The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office, but if no such Chairman is elected or, at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting provided however, that as long as the Shares in the Company are classified in the manner set out in sub-Article (A) of Article 34 the position of a Chairman shall be rotated annually between one of the Directors appointed by the holder or holders of the "A" Ordinary Shares and the "B" Ordinary Shares, the first Chairman to be elected by the holder of the "A" Ordinary Shares.
113. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so

formed shall, in the exercise of the powers so delegated, conform to any regulation that may be imposed on them by the Directors.

114. A Committee may elect a Chairman of its meetings. If no such Chairman is elected or, if at any meeting the Chairman is not present within five minutes after the time appointed to hold the same, the members present may choose one of their number to be Chairman of the meeting.
115. A Committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of the votes of the members present and in case of an equality of votes the Chairman shall have a second or casting vote.
116. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid or, that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

BANKERS

117. The Bankers of the Company may be from time to time appointed and changed by the Directors.

DIVIDEND AND RESERVES

118. The Company in general meeting may declare a dividend in respect of any year or other period but no dividend so declared shall exceed the amount or rate or differ from the manner recommended by the Directors. No dividends shall be paid otherwise than out of profits.

119. The Directors may from time to time recommend that a dividend (including interim dividend) shall be payable (or not payable) to or more classes of shareholders (if any) or that a dividend may be declared at different rates for different classes of shareholders (if any) notwithstanding that only the Directors thereby become entitled to a dividend and notwithstanding the length of time during which no dividends are paid on some shares.
120. The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.
121. If under the Income Tax Assessment Acts or any other enactment the Company becomes liable to pay additional tax with respect to any undistributed amount of its profits then, notwithstanding any other provisions of these Articles, the Company in making any subsequent distribution of its profits whether out of that undistributed amount or out of other profits may if the Directors think fit, but not so as to affect any priority to which under these Articles the holders of any class or shares are entitled, declare dividends at different rates with respect to the shares of the same class held by different members in such a way as to ensure as nearly as may be that each member bears his proper share of the additional tax which the Company has become liable to pay.
122. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors be applicable

for meeting depreciation or contingencies or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may (without placing the same to reserve) carry forward any profits which they may think prudent not to divide.

123. If several persons are registered as joint holders of any share any of them may give effectual receipts for any dividend payable on the share.
124. No dividend shall bear interest against the Company.

CAPITALISATION OF PROFITS

125. (A) When any dividend is declared the Directors may direct payment of such dividend wholly or in part by the distribution of specified assets and in particular of shares, fully or partly paid up debentures or debenture stock of the Company or shares, fully or partly paid up debentures or debenture stock of any other Company or in any one or more of such ways;
- (B) The Company in general meeting may, upon the recommendation of the Directors, by resolution direct that any part of the moneys (including moneys arising from the realisation of any capital assets of the Company or any investments representing the same) investments or other assets forming part of the undivided profits of the Company not required for the payment of any dividend

which at the date of the resolution is outstanding on any preference shares of the Company (if any) whether standing to credit of the reserve fund or otherwise in the hands of the Company and available for distribution (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of the shareholders in paying up in full either at par or at such premium as the resolution may provide any unissued shares of the Company and that such unissued shares or debentures or debenture stock of the Company so fully paid shall be issued or distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock and that such issue distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

- (C) For the purpose of giving effect to any resolution under the two last preceding paragraphs the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates or sell shares not divisible by reason of

fractions and may fix the value for distribution of any specific assets and may determine that cash or other payments shall be made to any members upon the footing of the value so fixed or that fractions of less value than One Dollar may be disregarded in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trust for the persons entitled to the dividend or capitalised fund as may seem expedient to the Directors. Where requisite a proper contract shall be filed in accordance with the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

ACCOUNTS

126. The Directors shall cause true accounts and other records to be kept;
- (A) of the sums of money received and expended by the Company and the matter in respect of which such receipt and expenditure takes place;
 - (B) of the assets and liabilities of the Company; and
 - (C) all sales and purchase of goods by the Company.
127. The accounts shall be kept at the registered office of the Company, or at such other place or places as the Directors think fit and shall always be open to the inspection of the Directors.
128. Subject to the provisions of the Act the Directors shall from time to time determine whether and to

what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting.

129. Once at least in every year the Directors shall lay before the Company in an annual general meeting a profit and loss account for the period since the preceding account or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such meeting.
130. A balance sheet shall be made out in every year and laid before the Company in an annual general meeting, made up to a date not more than six months before such meeting. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company's affairs, what amount has been written off for depreciation, and the amount which the Directors recommend to be paid by way of dividend and of the amount (if any) which they propose to carry to a reserve fund.
131. A copy of the last profit and loss account balance sheet and the report together with the auditors report thereon (if any) shall on the request of any member of the Company be furnished without charge to such member within fourteen (14) days of such request being made.

AUDIT

132. Subject to the exemption contained in the Act once at least in every year the accounts of the Company shall be examined and the correctness of the profit and loss account and balance sheet ascertained by one or more auditor or auditors.

NOTICES

133. A notice may be given by the Company to any member either personally or by sending it by post to his registered address or (if he has no registered address within the State) to the address (if any) in Australia supplied by him to the Company for the giving of notices to him.
134. Where a notice is sent by post service of the notice shall be deemed to be effected by properly addressing repaying and posting a letter containing the notice.
135. On the expiration of twenty-four (24) hours after it is so displayed any notice required to be given by the Company to the members or any of them and not expressly provided for by these presents shall be sufficiently given if given by advertisement.
136. The service of any notice sent by post shall be deemed to have been effected at the time at which the letter would be delivered in the ordinary course of post.
137. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first on the register in respect of the shares.
138. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name,

or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, within the State supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

139. (A) Notice of every general meeting shall be given in any manner hereinbefore authorised to :-

(i) every member except those members who (having no registered address within the State) have not supplied to the Company an address within the State for the giving of notices to them; and also to

(ii) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;

(iii) the auditor of the Company (if any).

(B) No other person shall be entitled to receive notice of general meetings.

WINDING UP

140. (A) If the Company shall be wound up whether voluntarily or otherwise the liquidator may with the sanction of a special resolution of the Company divide among the shareholders or any of them in specie or kind the whole or any part of the assets of the Company (whether they consist of

property of the same kind or not) and may with the like sanction vest the whole or any part of the assets of the Company in trustees upon trust for the benefit of the shareholders as the liquidators with the like sanction shall think fit;

- (B) If thought expedient (but subject to any specific rights attaching to shares issued on special conditions) any such division may be otherwise than in accordance with the legal rights of the shareholders of the Company and in particular any class (if any) may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the shareholders shall be determined on any shareholder who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to the Act;

- (C) In case any shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within ten (10) days after the passing of the special resolution by notice in writing direct the liquidator to sell his proportion and pay him the net proceeds and the liquidators shall if practicable act accordingly.

141. The Directors may present a petition for winding up the Company without first obtaining the sanction of a meeting of shareholders for such presentation.

- 66 -

INDEMNITY

00083

142. Every Director, managing Director, manager, secretary, agent, auditor, trustee and other officer or servant of the Company for the time being shall be indemnified by the Company against (and it shall be the duty of the Directors out of the funds of the Company to pay) all costs losses charges damages expenses and other liabilities which any such Director, managing Director, manager, secretary, agent, auditor, trustee and other officer or servant may incur or become liable to or put to by reason of any contract entered into or act or thing in any way done by them in the execution of their respective offices in the course of the business of the Company.
143. Subject to the provisions of the Act no Director or any officer of the Company shall be liable for the acts receipts neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, for any loss or damage arising from the bankruptcy insolvency or tortious act of any person with whom any moneys securities or effect shall be deposited or for any loss occasioned by any error of judgment or oversight on his part or for any loss damage or misfortune whatever which shall happen in the execution of the duties of his office in relation thereto unless the same happens through his own dishonesty.

00084

NAMES OF SUBSCRIBERS

THE COMMON SEALS OF
THE SUBSCRIBERS

ANSETT TRANSPORT
INDUSTRIES LIMITED

THE COMMON SEAL of ANSETT
TRANSPORT INDUSTRIES LIMITED
was hereunto affixed in the
presence of :

R.L. Cooper Director

W.F. Franklin Secretary

ANSETT TRANSPORT
INDUSTRIES (OPERATIONS)
PROPRIETARY LIMITED

THE COMMON SEAL of ANSETT
TRANSPORT INDUSTRIES
(OPERATIONS) PROPRIETARY
LIMITED was hereunto
affixed in the presence
of :

R.L. Cooper Director

F. Pascoe Director

W.F. Franklin Secretary

DATED this 1st day of September 1978.

WITNESS to the above Seals:

B. Moss.
11/20 William Street,
Frankston

Company: 501 SWANSTON STREET PROPRIETARY LIMITED

00085

18-Jun-1997

Country: AUSTRALIA
Incorp. Date: 12.09.78
Reg. Office: 489 SWANSTON STREET
MELBOURNE VIC 3000

State: VIC

Reg. No.: C0147677Y
ACN: 005 477 618

Auditor: KPMG

Auth. Capital: \$10,000

Made up of: 4,000 A ORD, 4,000 B ORD, 2,000 UNCLASSIFIED ORD

Issued Capital: \$4

Made up of: 1 A ORDINARY FULLY PAID & 3 B ORDINARY FULLY PAID

Princ. Activity: TRUSTEE FOR 501 SWANSTON STREET UNIT PROPERTY TRUST

Comments: NIL

Directors:
CHAMBERLAIN, MARK NORMAN
IRVINE, DAVID JAMES

Alternate Directors:
NIL

Secretaries:
ALLISON, GRAEME CLIFFORD

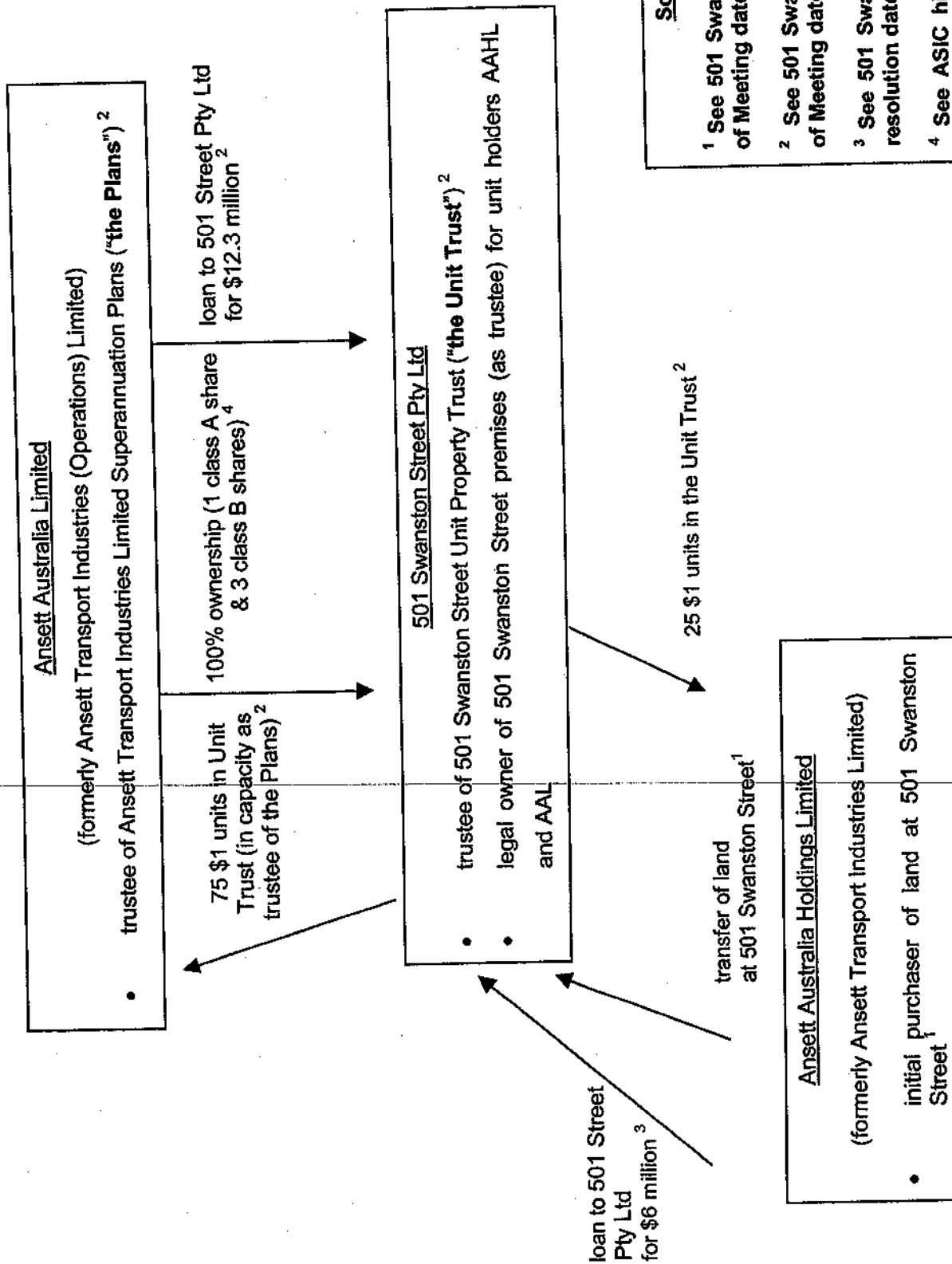
Shareholders:

Number and type of Shares:

ANSETT AUSTRALIA LIMITED
ANSETT AUSTRALIA LIMITED

1 AORD paid to \$ 1.00
3 BORD paid to \$ 1.00

OWNERSHIP OF 501 SWANSTON STREET PREMISES



Source documents

¹ See 501 Swanston Street Pty Ltd Minutes of Meeting dated 20 September 1978

² See 501 Swanston Street Pty Ltd Minutes of Meeting dated 28 June 1979

³ See 501 Swanston Street Pty Ltd special resolution dated 6 April 1981

⁴ See ASIC historical company extract for 501 Swanston Street Pty Ltd

AMENDED 2001 LAND TAX ASSESSMENT NOTICE

00087

ANSETT AUSTRALIA LIMITED
C/- MS SANDRA STARC
501 SWANSTON STREET
MELBOURNE VIC 3000

ISSUE DATE

24 MAY 2001

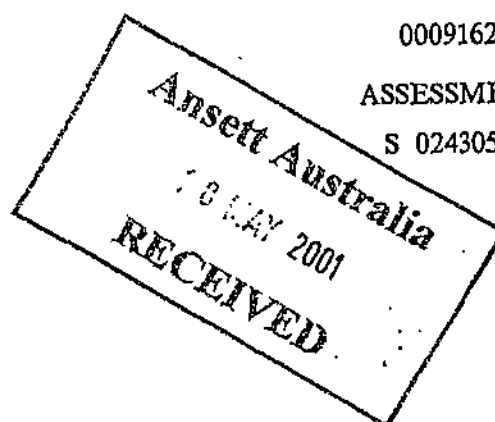
CLIENT No.

000916236

ASSESSMENT No.

S 024305472

This notice is issued to you on behalf of
The companies set out in the attached statement



PAYMENT METHODS



BPAY

Please contact your participating
financial institution to make a payment
from your nominated account
(excluding credit cards). You will
need to quote the following:



Biller Code: 5249
Ref: 22777330

Receipt number:
Date:

BY MAIL (CHEQUES ONLY)

Please detach the payment slip and
return it together with your cheque to
the State Revenue Office. Cheques are
to be made out to State Revenue Office
of Victoria and mailed to:

State Revenue Office - Land Tax
PO BOX 2961DD
MELBOURNE VIC 3001

IN PERSON

Present this account intact at any major
bank or at the State Revenue Office.
Insert the amount you are going to pay
in the space provided on the payment
slip.

Banks other than the Bank of
Melbourne may charge a transfer fee.

State Revenue Office ABN 44 128 890 975

PAY BY: 7 JUNE 2001

AMOUNT PAYABLE

\$587,373.55

DAVID POLLARD
Commissioner of State Revenue



360 COLLINS STREET MELBOURNE VIC
Banks other than Bank of Melbourne may charge a transfer fee.

Payment Slip **CREDIT**

Client No: 000916236

Assessment Ref: 024305472

Paid in by - Signature

Teller

--	--	--

Note: Where this deposit is lodged at a bank or branch other than that shown above it will be
transferred under the bank's internal procedures. The bank will not be held responsible
for delay in transmission. Cheques etc., not available until collected.

Cheque Details - Drawer

Bank

Branch

--	--	--

For CREDIT of State Revenue Office, Victoria

61

Date Deposited

Cash

Cheque

\$

AMENDED 2001 LAND TAX ASSESSMENT NOTICE

Statement of Component Companies

ASSESSMENT No.

024305472

Client No.	Name of Company	Unimproved Value	Amount of Tax
000009487	ANSETT AUSTRALIA LIMITED	\$5,313,600	\$233,827.09
000015404	ANSETT TRANSPORT INDUSTRIES LTD	\$8,051,760	\$354,320.91
000906833	WRIDGWAYS VICTORIA PTY LTD		

Total \$13,365,360 \$588,148.00

(See Brochures for explanations of Assessment and Statement details)

SUMMARY OF ASSESSMENT DETAILS

Calculation of Land Tax Payable

Explanation of Codes

Please see Instructions for definitions
Joint ownership deduction

Dual Principal Residence exemption

Section 13 - Partial exemption from Land Tax of
Land owned and occupied by clubs

Remission of tax

Credit relating to either an overpayment from a
previous assessment or pre-payments received
on this assessment

Not Applicable

Pro-rata unimproved value has been used

Property is in a parcel and valued under the
leading propertyPrimary Production Land exempt from Land
TaxPrincipal Place of Residence exempt from
Land Tax

Land Exempt from Land Tax

*	
A	
DPR	
D	
E	
F	
N/A	
P	
PC	
PPL	
PPR	
Sec 9	

2001 Calculation

\$13,365,360

Total Unimproved Value

Tax Calculations

2001 Actual Tax F
Less credit\$588,148.00
\$774.45

2001 TAX PAYABLE

\$587,373.55

STATEMENT OF LANDS OWNED AS AT MIDNIGHT 31 DECEMBER 2000

NAME: ANSETT AUSTRALIA LIMITED

Item No.	Street Address/Municipality Parish
----------	------------------------------------

Land Id/
ReferencesSingle Holding
Tax*Proportional
Tax*1993 Notional
Unimproved ValueSite Value/
Eq.FactorUnimproved
Value (SV*EQ)1 50-68 GARDEN DRIVE,
TULLAMARINE, 3043
HUME

027877632

\$150,257.50

\$202,757.08

N/A

\$3,413,000
1.35

\$4,607,550

2 30 SPRINGBANK STREET,
TULLAMARINE, 3043
HUME

027877658

\$1,865.50

\$31,070.01

N/A

\$523,000
1.35

\$706,050

Total Unimproved Value \$5,313,600

000089

505 Little Collins Street Melbourne 3000

NAME: ANSETT TRANSPORT INDUSTRIES LTD

Item No. Street Address/Municipality Parish

Land Id/References

Single Holding Tax*

Proportional Tax*

1993 Notional Unimproved Value

Site Value/Eq. Factor

Unimproved-Value (SV*EQ)

1 18-24 FRANKLIN STREET,
MELBOURNE, 3000

024649983

\$469.92

\$14,740.05

N/A

\$316,000
1.06

\$334,960

2 475-511 SWANSTON STREET,
MELBOURNE, 3000

024649959

\$305,720.00

\$339,580.86

N/A

\$7,280,000
1.06

\$7,716,800

00090

Total Unimproved Value

\$8,051,760

000009487 ANSETT AUSTRALIA LIMITED

ANSETT AUSTRALIA LIMITED
C/- MS SANDRA STARC
501 SWANSTON STREET
MELBOURNE VIC 3000

9 MARCH 2001

000091
Land Tax
505 Little Collins St
Melbourne 3000
Telephone
(03) 9628 6312
Facsimile
(03) 9628 6288
GPO Box 1641N
Melbourne 3001

Dear Sir/Madam

Re: Group or Joint Ownership Land Tax Assessment

Related corporations and members of joint ownerships are jointly assessed and liable for tax under Sections 44 or 45 of the Land Tax Act 1958. This means that any one of the assessed taxpayers could be required to pay the total amount of any assessment in the event of default in payment by the other members of the group or joint ownership.

In prior years, the notice of assessment was served on the first person listed in the group or joint ownership. A recent court decision has clarified that the legislation now requires the Commissioner to serve the notice of assessment on:

- A. The person nominated by all the persons under the assessment; or
- B. One of the persons (nominated by the Commissioner) named in the assessment, provided that notice of the service is given to all other persons named in the assessment; or
- C. All persons liable under the assessment.

As this Office has not received a nomination the Commissioner has nominated you, being the first-listed member of the group or joint ownership, to receive the enclosed Land Tax Assessment Notice on behalf of the group or joint ownership. Please note that all other members have been notified that the assessment has been issued to you.

If you wish to alter this arrangement in respect to future notices please advise this Office immediately.

If you have any queries regarding the above please call telephone number 96286312.

Yours faithfully

David Pollard
Commissioner of State Revenue

V# 817724

00092

(10)

**City of MELBOURNE**

ABN 55 370 219 287

Rate Enquiries
Monday to Friday 7.30am - 6pm
Telephone 03) 9658 9658
Facsimile 03) 9658 9888

Valuation & Rate Notice 2000-2001

For the period 1st July 2000 to 30th June 2001

Tax InvoiceAssessment No. **25346 8**Date of issue **28-Aug-00**

Ansett Australia Limited
C/- Property Administrator
Level 6
501 Swanston St
MELBOURNE VIC 3000

Property **465 Swanston Street, MELBOURNE VIC 3000**

Valuations	NAV	Site Value	Capital Improved Value	Effective date	Valued as at date
	2,162,000	8,540,000	23,740,000	1-Jul-00	1-Jan-00
Rate in \$	7.9 cents				

Details of account. Important: Please read overleaf

Current Rate

Amount	GST	Total
\$170798.00	\$0.00	\$170798.00

5/489/501

*Total amount payable (inc. GST) by 15th February 2001

\$170798.00 \$0.00 \$170798.00

OR

First instalment payable by 30th September 2000

\$42699.50

* Arrears, interest and legal costs are due immediately

Interest will be charged at 12.3% on all overdue amounts

City of MELBOURNE Payment Options**By mail**

City of Melbourne
GPO Box 18390 Melbourne 3001

**In person**

Melbourne Town Hall
7.30am to 5pm Monday to Friday

**Direct Debit**

To apply for Direct Debit, contact the
City of Melbourne Hotline on 9658
9658. Quarterly or monthly
payments only.



Contact your participating financial institution to make a payment.

Billers code: 79616

Reference No. 10253468



Please present this notice intact at
any Australia Post outlet



*875 08910000000010253468 82



Telephone 1300 130 453



Internet www.maxi.com.au

bankcard, mastercard or visa

Please print the amount you
are paying in the box below

\$

City of Melbourne V#817724

Total Rates Payable 2000-2001
For sites 465/489/501 Swanston St

\$170,798.00

First Instalment 1/7/00-30/9/00

\$42,699.50

Building Sites

465

10%

\$4,269.95

489

30%

\$12,809.85

501

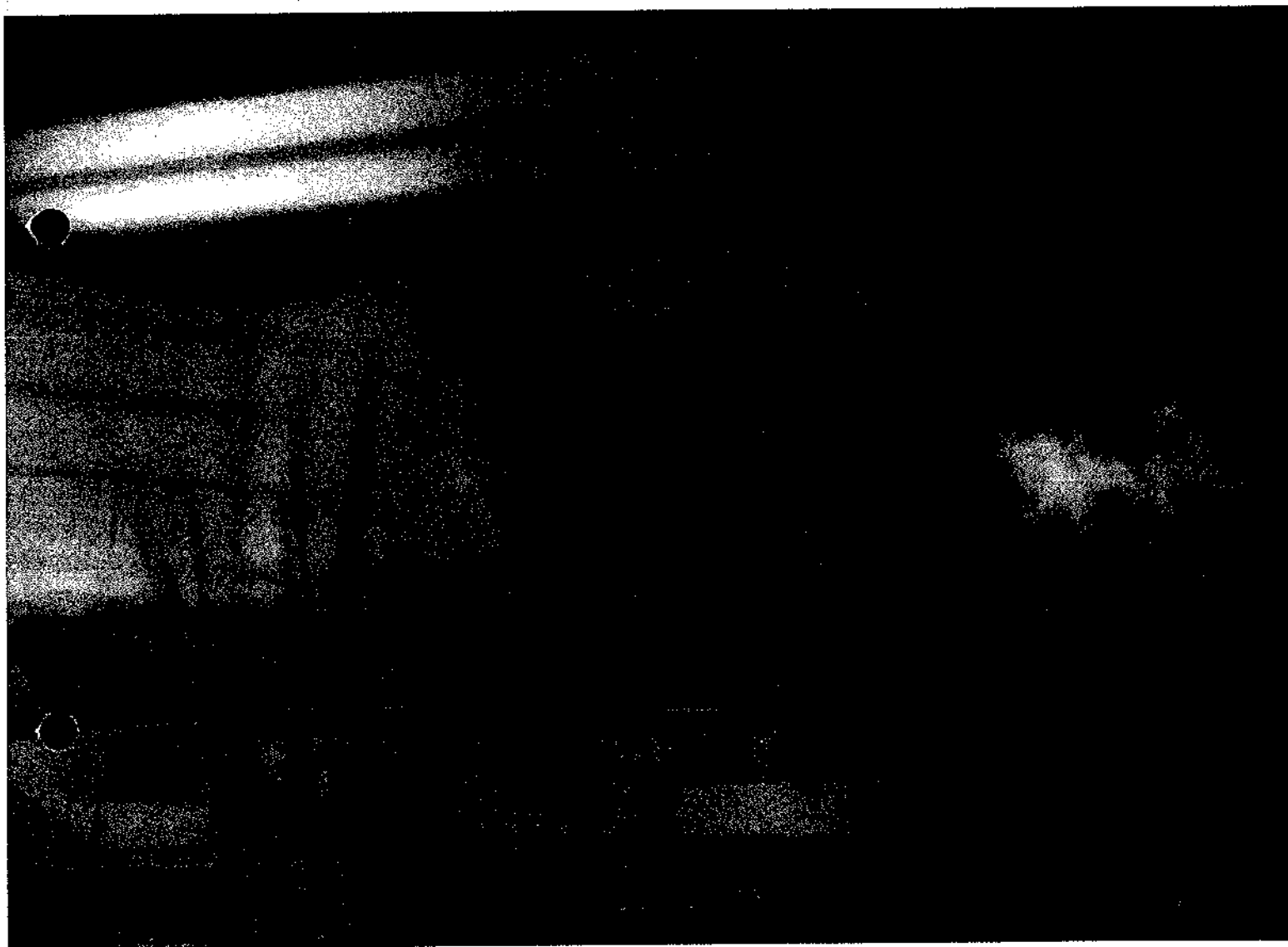
60%

\$25,619.70

100%

\$42,699.50

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ANSETT HOLDINGS LIMITED*Annual Review 1999*



Head Office and Registered Office

501 Swanston Street, Melbourne, Australia
 Phone: (03) 9623 3333
 Postal Address: PO Box 727F, Melbourne, 3001
 Website: www.ansett.com.au

Secretary

Graeme Clifford Allison

Solicitors

Allen Allen & Hemsley, Sydney
 Arthur Robinson & Hedderwicks, Melbourne
 Clayton Utz, Brisbane & Melbourne

Bankers

Commonwealth Bank of Australia

Auditors

KPMG, Chartered Accountants

Board of Directors as at 30 June 1999

Rod Eddington, Jim McCrea, Ken Cowley, John Curtis, Peter Macourt, Robert Nazarian

Executive Management Team as at 30 June 1999

Rod Eddington Executive Chairman; **Paul Birch** Executive General Manager Human Resources;
Pamela Catty Executive General Manager Corporate Affairs; **Ron Chambers** Chief Information Officer;
David Irvine Chief Financial Officer; **Trevor Jensen** Executive General Manager Operations and Inflight Services;
Garry Kingshott Executive General Manager Sales and Distribution; **Ron Rosalky** Executive General Manager Ground Services;
Lyell Strambi Executive General Manager Business Recovery; **John Vincent** Executive General Manager Engineering;
Craig Wallace Executive General Manager Commercial Planning and General Manager Ansett International

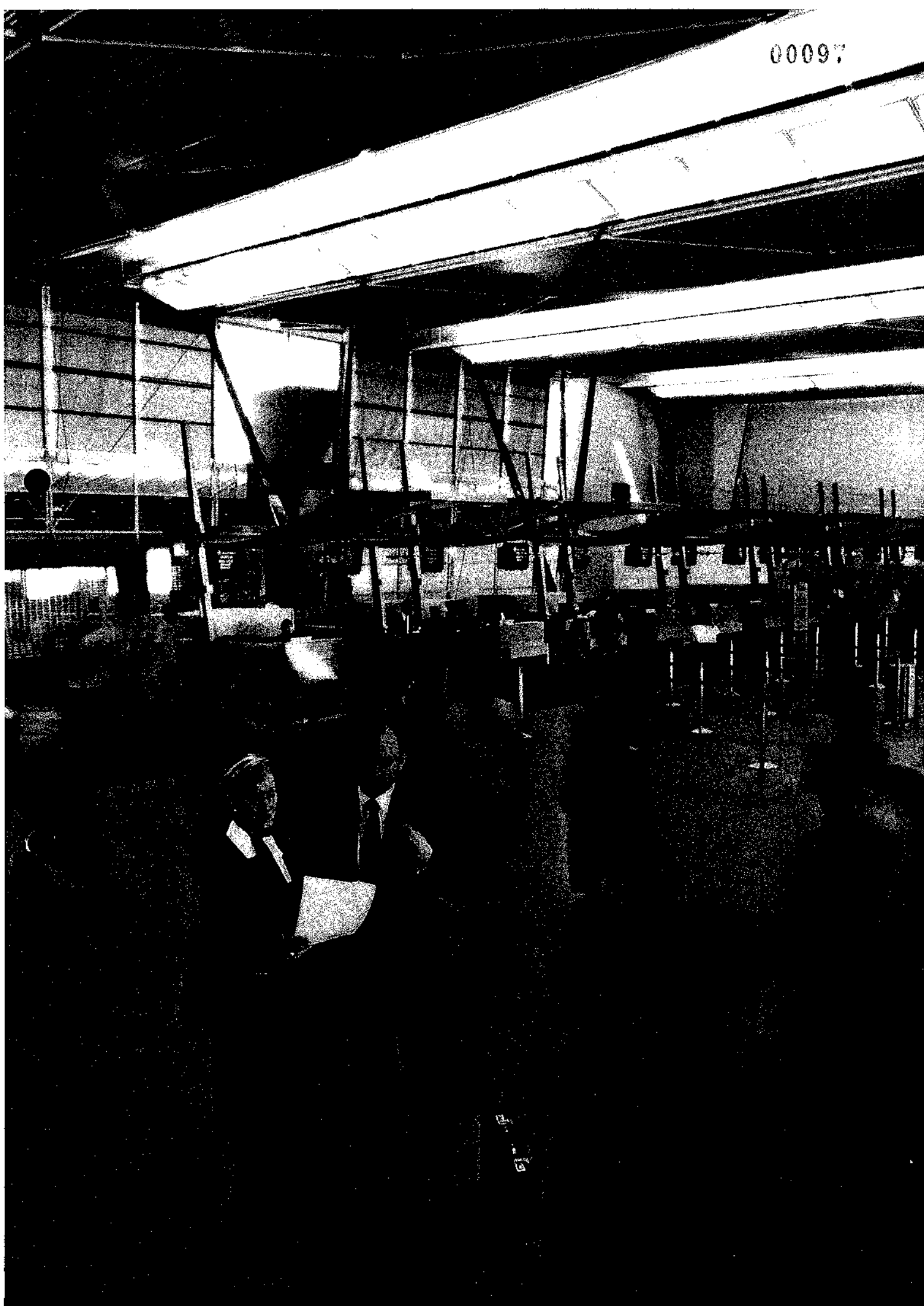
Further information about Ansett Australia and its operations can be obtained by visiting the company website: www.ansett.com.au

This Annual Review can be read in conjunction with the Ansett Holdings Annual Accounts 1999, which are available from Ansett Australia upon request. Please contact Ansett Corporate Affairs on (03) 9623 3234. This Annual Review can also be obtained electronically via the Ansett Australia website: www.ansett.com.au

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00098

T H E Y E A R I N R E V I E W

**In the year to 30 June 1999,
Ansett Australia recorded
a trading profit of
\$140.8 million**

*This represents more than a
\$110 million improvement on last
year's figure of \$27.8 million*

Completing the first year of our Great Business Plan, we returned a trading profit margin of 4.6 percent, exceeding our target for the year of 3 percent. We have our sights set on 10 percent, and our ultimate goal of becoming not only a great airline but also a great business.

Although the results for the year show signs of financial recovery for the business, this does not pre-suppose that the immediate future offers any comfort. Our performance will be influenced by issues such as the continuing uncertainty of the global economy, fluctuating oil prices and the effects of currency variations. The airline industry is more competitive than ever and customer demands are increasing. We must also respond to further changes in Australia's regulatory environment, following the Federal Government's consideration of a Productivity Commission enquiry into international aviation. In general we support deregulation as being in the best interests of our customers and the industry. Another issue is the new Federal tax regime, and we are working to ensure that the right systems are in place to meet our responsibilities with regard to this regime, including the Goods and Services Tax (GST) and its effects on demand.

Our Great Business Plan comprises a wide range of change projects being implemented under our Business Recovery Program. One of the key drivers of change is our customer-driven strategy. While continuing to ensure all those who fly with us receive high quality service, we are identifying those customers who are our most frequent flyers and responding to their particular needs. We are also looking to strengthen our relationship with our corporate clients. For Ansett, this customer-driven strategy reflects a paradigm shift from a regulated airline operator to a service organisation. We are looking to leverage the value of our brand in order to build our customer base and achieve long-term sustainable profit and growth.

Providing true customer service requires us to offer global travel solutions. We moved closer to achieving this aim when, in March 1999, Ansett Australia was welcomed as a full member of the Star Alliance™ network, the world's largest global airline group.

In addition to joining the Star Alliance™ network, Ansett has formed the Olympic Airline Team, a consortium of eight major international airlines, to deliver a global service as the official carrier for the Sydney 2000 Olympic Games. We are looking forward with enthusiasm to playing a key role in this great event.

In re-shaping the company, we are maintaining our focus on our core business — aviation. More non-core assets and other businesses were divested. We continued to restructure our route network, increasing services on high demand routes, moving out of those that are unprofitable, and re-positioning the roles of Ansett International and our regional airlines.

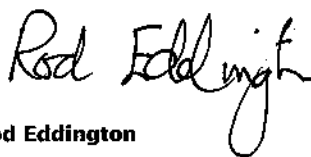
The international fleet is being upgraded, with two Boeing 747-400 aircraft replacing the existing B747-300s on routes between Australia and our key Asian destinations.

The fleet of our major regional airline, Kendell Airlines, is being significantly increased, facilitating the expansion of Kendell's route network. Customers will benefit from fast, comfortable and high frequency jet services.

Another key driver of change is developing the right organisation to enable us to implement our Great Business Plan. Reorganisation of our management structure is well under way. The comprehensive restructuring is based on improving customer service, better meeting the needs of a dynamic and competitive market, and increasing profitability.

One of Ansett's primary concerns is our people. We are endeavouring to effect major change while preserving this and other core values of Ansett. A distinguishing factor of our change program is that we are putting in place an organisational infrastructure that is aligned with people development. The changes we are making to our management and staffing structure are facilitated by training, to be supported by a performance development and review process.

Our staff have recognised the need for change and are embracing the change process. I commend them for providing the support that is essential for Ansett to meet the challenges ahead and grow as a strong and successful company.



Rod Eddington
Executive Chairman

00100

GUIDING GOALS

The Business Recovery Program at Ansett, which began in 1997, has involved changes to every aspect of the business: products, structure, service and culture.

All the change projects being implemented have been developed to help us achieve our corporate goals:

- **Safety First**
- **Sustainable Profit**
- **Satisfied Customers**
- **Motivated Staff**
- **Responsible Corporate Citizen**

Collectively, our corporate goals mean we want to be a company for which safety, profit, customers, staff and community are equally important.



GUIDING GOALS

Safety First

*Provide safe air travel service
for customers and a
safe workplace for staff*

Ansett Australia's longstanding commitment to maintaining the highest standards of safety is reflected by one of our corporate goals: Safety First. The safety committee has board representation and reports directly to the Board on all aspects of air safety and industrial safety. The role of the committee has been expanded to report on all code-share airlines, and a sub-committee has been formed to report on our regional airlines.

Considerable effort is being made to ensure safety continues to be an integral part of company culture. An inaugural Safety First awareness campaign was developed in conjunction with Professor Patrick Hudson, one of the world's leading corporate safety practitioners, and conducted throughout the entire organisation.

Throughout the year we continued to conduct exercises to test safety and contingency plans, including a major exercise in preparation for the Sydney 2000 Olympic Games. The exercise was conducted in conjunction with Federal and State authorities to ensure the soundness and compatibility of our security procedures.

The comprehensive compliance audit program established with the Civil Aviation Safety Authority (CASA) is being applied to all Ansett group airlines, including our regional airlines and all other associated regional airlines. The CASA program has been expanded to include a pilots exchange scheme, which is now under way.

Quality accreditation continues to be an imperative. Ansett has attained ISO9002 accreditation for its Flight Operations Department. Flight Despatch, the Flight Plan System Development Group and Operations Planning also have ISO9002 accreditation.

A comprehensive review of training program development at Ansett has culminated in the Proficiency Assessment and Training System (PATs). A process rather than a product, PATs is an essential part of an integrated approach to safety, standards and training design. PATs is now being applied to all aspects of training program development.

The Ansett Millennium Program is advancing on schedule. This has required a huge investment of staff time, funds and involvement in many aviation industry organisations. To ensure Year 2000 readiness, Ansett has followed an internationally accepted five-stage methodology with its Millennium Program.

Ansett has been a key driver in many Y2K industry forums and was a founding member of the International Air Transport Association's (IATA) Y2K project. Ansett is also actively sharing information on the Millennium Program with its Star Alliance™ network partners. Business continuity planning is a major aspect of the Millennium Program and our existing contingency plans are being reviewed to ensure they cover significant situations that may arise.

During the year, Ansett received three awards from the Victorian WorkCover Authority for excellence and innovation in workplace health and safety. The awards are determined by the cost of claims, types of injuries, severity of injuries and any pro-active approaches that have been instigated. Two of the awards recognise the achievements of our airport employees in putting the airline's 'Safety First' policy into practice. The third award was for our Flight Attendant Occupational Health and Safety Program.



GUIDING GOALS

Sustainable Profit

*Create value for shareholders and
generate strong and sustainable profits
to invest in future growth*

At Ansett Australia, processes and business disciplines have been established that will stand the company in good stead for the long-term. The year's results show that the business has the capacity for profit and growth.

The change process is providing us with the flexibility to implement our business strategies. More than 70 priority change projects were agreed upon in addition to those already under way in the Business Recovery Program. These are being progressively implemented.

Other major events aimed at improving business performance have occurred during the year. We divested more non-core assets and other businesses, including the Ansett Air Freight door-to-door division and our shareholdings in Diners Club Limited, Transport Industries Insurance Co. Limited, Carlson Wagonlit Travel Australia and in part Equant NV.

There was further restructuring of the domestic route network to ensure that we have the flexibility to meet customer demand and respond to changing business conditions and competition. Several unprofitable services were discontinued and arrangements with regional airlines expanded.

Kendell Airlines has ordered 12 new state-of-the-art Canadair-Regional Jet Series 200 (CRJ 200) aircraft from Bombardier Aerospace. The 50-seat aircraft are being used to service the airline's major expansion of its Australian regional routes. The CRJ 200 offers speed, quietness and comfort levels normally associated with much larger aircraft.

Ansett is extending and developing its alliance with Hazelton Airlines in New South Wales to supplement routes not currently serviced by Ansett, Kendell or Aeropelican. An alliance has also been established with the new Sunshine Coast airline, Sunshine Express, introducing high-frequency services between Maroochydore and Brisbane.



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In north-west Western Australia and the Northern Territory, an alliance has been formed with Airnorth Regional — the major regional operator in the Northern Territory — for greater frequency in services covering Darwin, Broome, Kununurra and Groote Eylandt.

A code-share arrangement with Ansett's Brisbane-based commercial partner regional airline, Flight West Airlines, has been extended. Flights between Cairns and Papua New Guinea have been introduced. Flight West has also introduced services between Sydney and Norfolk Island to complement existing services from Brisbane.

The Ansett International fleet is being upgraded, with the lease of two Boeing 747-400 aircraft from Singapore Airlines. The B747-400s, equipped with personal video screens in every seat, are replacing the two existing B747-300s on routes between Australia, Hong Kong and Osaka. As well as enhancing the quality of customer service, the new aircraft will provide operational cost savings.

Ansett International maintained regular services to Hong Kong and Osaka and introduced a third service to Taipei from Sydney. The service to Shanghai was suspended. However, in response to growing demand, non-stop flights between Melbourne and Bali have been doubled.

Following the successful introduction of twice weekly services between Sydney and Fiji, a weekly service direct from Brisbane to Nadi has commenced.

A major code-share arrangement has been formed with All Nippon Airways, and code-sharing with Singapore Airlines has been extended, resulting in more efficient travel to Singapore, Bangkok, Kuala Lumpur, Frankfurt and London.

GUIDING GOALS

Satisfied Customers

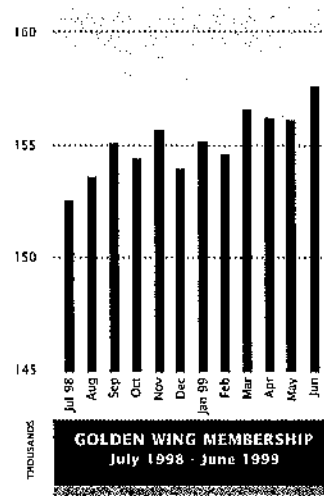
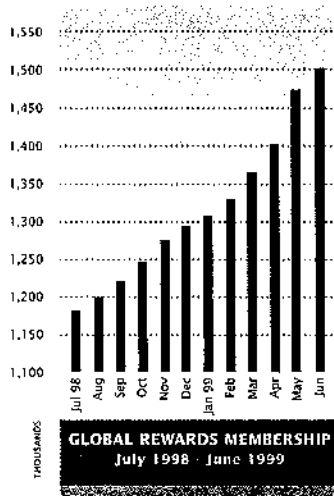
*Acquire and retain valued customers
by recognising individual needs and
providing great service*

A focus on key customer needs, and responding with services that are profitable, is increasingly evident at Ansett. This strategy is reinforced by awareness programs, workshops and extensive research into customer needs and expectations. The extensive redevelopment of the Sydney terminal is largely based on providing our customers with services they value. Check-in and baggage handling are designed for speed and efficiency. Gate lounges are welcoming and comfortable.

Upgrading of the gate lounges and concourses at Melbourne Airport also commenced, providing lighter, brighter and more spacious customer facilities. A new queue management system was successfully trialed at Melbourne, with dedicated Queue Management Officers working with Customer Service Officers to minimise check-in time for our frequent-flying business customers. The initiative has now been introduced at Brisbane and Sydney airports.

New services developed for our corporate clients include a reporting system that allows customers to better manage their air travel expenditure, and telephone support that provides round-the-clock assistance to business travellers when overseas.

Global Rewards tiers have been revised to Diamond, Platinum and Sapphire. The enhancement of products and services continues. Global Rewards members have 24-hour access to new online services through Ansett's website. Diamond and Platinum members now receive full Golden Wing Club privileges. For all members, the Golden Wing Club provides unparalleled levels of comfort and convenience, such as international lounge access with Lufthansa, Air Canada, United Airlines and Air New Zealand.

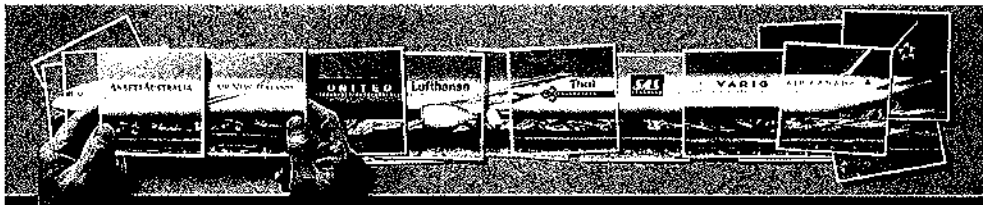


Membership of the Global Rewards program grew to 1.5 million during the year, an increase of 24 percent. Membership of the Golden Wing Club increased to over 155,000, an increase of 15 percent.

During the year, Ansett was welcomed as a full member of the Star Alliance™ network, the world's largest global airline group. Ansett joins Air Canada, Lufthansa, Scandinavian Airlines System (SAS), Thai Airways International, United Airlines, Varig Brazilian Airlines and Air New Zealand in the alliance. Japan's All Nippon Airways (ANA) will become a full member in October 1999. Network activity is expected to boost revenue for Ansett, while other economic benefits will be gained through joint purchasing and shared use of resources.

Through our membership of the Star Alliance™ network, our customers benefit from greater choice, more efficient connections, in terms of both time and ease, and cost savings. Frequent flyer status is honoured whenever a customer travels with any of the alliance carriers. When ANA becomes a full member in October 1999, the alliance will offer a worldwide network of more than 760 destinations in over 112 countries, more than 250 lounges and 1,820 aircraft. On average, a Star Alliance™ network flight takes off somewhere on the globe every 10 seconds.

The development of these significant international relationships brings us another step closer to providing our customers with a truly global travel solution.



STAR ALLIANCE





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GUIDING GOALS

Motivated Staff

*Recognise and reward the valuable
contributions of our people and build
a high performing team*

Achieving our Great Business Plan at Ansett is entirely dependent on the expertise and attitude of our people. Recognising this, the organisational structure of Ansett is being fundamentally changed, with three aims: to put in place the right organisation to deliver the business strategy; to support, develop and train our people to deliver the strategy; and to create a culture that recognises and rewards performance.

Staff have been provided with the opportunity to contribute to this change process through an Employee Opinion Survey, which has the ultimate objective of achieving maximum staff satisfaction, a key driver of customer satisfaction. Feedback from the survey will lead to the development of an action plan aimed at enhancing the work environment at Ansett.

At Board level, a Human Resource (HR) Committee has been established to review the company's HR philosophy and broad policies to ensure the company can attract and retain superior management talent through reward, development and succession planning programs.

The Committee will also ensure the company's employment practices comply with all statutory requirements as specified by employment legislation, and are reflective of being a good corporate citizen when benchmarked against other major Australian companies.

Both this initiative and the Great Business Plan recognise that Ansett is operating in a highly competitive service industry, where success is dependent upon people responding to customer needs and delivering the services they value.

In line with our customer-driven strategy and to build the right organisation to implement and achieve our business targets, the management structure has been extensively reorganised. Management teams have been formed around the way we provide services to customers rather than around our business functions.

Four divisions have been formed based on: designing customer-focused strategies and products; selling the airline's products to corporate and individual customers; supporting the products with appropriate ground services at airports; and providing air services. These four divisions are complemented by support functions. The divisions and support functions work together to develop and deliver tailored products and services to our customers.

An intensive recruitment and selection process is being undertaken throughout Ansett to match the right people to the right jobs. The rigorous process is designed to be transparent, and fair to all employees. Awareness and information programs about the internal restructuring are being followed by detailed training and development workshops. These are designed to facilitate change and equip both managers and staff with the skills to deliver long-term sustainable profit and growth.

An example of focusing on the needs of our customers is the program of 'customer-driven' workshops aimed at developing ways to view everyday work actions through the eyes of our customers. The workshops are attended by Ansett managers and staff. By recognising their needs, we can provide customers with the products and services they really want, in a way that is profitable.

These skill-building programs aimed at establishing a performance-driven organisation, are being supported by the implementation of a comprehensive Performance Development Review Program (PDRP). This system reviews and ultimately rewards the performance of every Ansett employee. The PDRP will be in place for the first three tiers of management in the 1999/2000 financial year and progressively rolled out to remaining staff.

Ansett Australia Union Collective Bargaining Agreement 1999 was certified in April. The Agreement makes available 9 percent worth of pay increases over its three-year term, 6 percent of which is contingent on achievement of labour efficiencies.

The company-wide reorganisation and people development processes are re-shaping Ansett as an organisation that is fast approaching best practice standards.

During the year, a number of awards were won which reflected the skills and dedication of our people and their focus on customer satisfaction. Ansett was named Airline of the Year — for the fifth consecutive year — by the Australian Federation of Travel Agents at the prestigious National Travel Industry Awards. At the same awards, Traveland was named Travel Agency Group of the Year.

Ansett was ranked second in a global survey assessing customer standards on 67 international airlines. The 1998 Business Traveller Asia Pacific poll of frequent flyers named Ansett among the world's top three airlines.

Frequent travellers also judged Ansett Australia as the best airline in the 1999 World Business Class Survey conducted by Inflight Research Services (IRS). IRS is regarded as the leading world expert on airline inflight qualitative analysis. Amongst long haul international business travellers, Ansett emerged as the clear leader, also taking out the quality awards for the Best Pacific Airline, the Best Onboard Catering and the Friendliest Cabin staff.

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ANSETT AUSTRALIA

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GUIDING GOALS

Responsible Corporate Citizen

*Conduct business in an ethically,
socially and environmentally
responsible way*

The change process being implemented throughout Ansett focuses on examining all aspects of the business that are fundamental to being a responsible corporate citizen. This takes into account our relationship with all our stakeholders, including our shareholders, staff, customers, communities near airports and flight paths, suppliers, governments, authorities and the media.

Ansett aims to ensure we conduct our business in a way that builds positive and productive long-term relationships with all stakeholders, with mutually beneficial outcomes.

As part of the wide-ranging review process, specific activities include further appraisal of our Code of Conduct, Code of Environment and Environment Policy. The Code of Conduct sets out the standards expected in areas such as equal opportunity and business dealings. These codes guide the daily work practices of every employee.

The Environment Policy sets standards aimed at minimising the environmental impact of our operations. Ansett has signed a Memorandum of Understanding with the Federal Government that commits us to pursue all cost-effective opportunities within our operations to reduce the level of greenhouse gas contributions to the atmosphere. The major contributors are jet fuel burn and electricity use, which together account for 95 percent of Ansett's emissions. The aim is to use energy as efficiently as possible without compromising our service or adversely affecting our work environment.

The Operations Division has established a fuel management group that is developing and implementing fuel-saving measures. The Property Services Division has allocated resources to help identify and implement opportunities to lower electricity usage.

For more detailed environmental report can be found on our website www.ansett.com.au

Five year review

to the year ended 30 June 1999

Group Profit and Loss Account

Group Profit and Loss Account	Unit	1994/95	1995/96	1996/97	1997/98	1998/99
Total Revenue	\$ million	3,129.8	3,301.3	3,395.6	3,505.4	3,511.3
Total Expenses	\$ million	3,031.3	3,319.9	3,376.0	3,445.6	3,363.7
Earnings before Interest, Depreciation & Tax	\$ million	381.0	317.7	315.4	377.4	432.5
Earnings before Interest & Tax	\$ million	198.6	80.9	114.1	166.7	231.0
Net Interest Expense	\$ million	100.1	99.5	94.6	106.9	83.4
Trading Profit	\$ million	99.3	(13.5)	(0.3)	27.8	140.8
Sale of Non Core Assets and Foreign Exchange	\$ million	(0.8)	(5.1)	19.9	32.0	6.8
Operating Profit before Abnormals & Tax	\$ million	98.5	(18.6)	19.6	59.8	147.6
Net Profit after Tax	\$ million	52.6	58.4	(35.0)	29.5	156.8

Group Balance Sheet

Total Assets	\$ million	3,675.5	3,748.8	3,908.6	4,145.1	3,689.1
Total Debt	\$ million	1,942.6	1,719.2	1,690.7	1,786.7	1,314.8
Total Equity	\$ million	316.0	377.1	540.7	537.2	697.4

Group Performance Statistics

Traffic and capacity

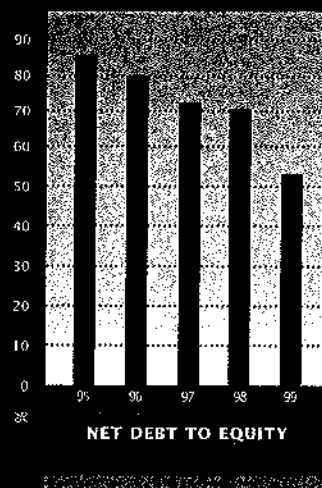
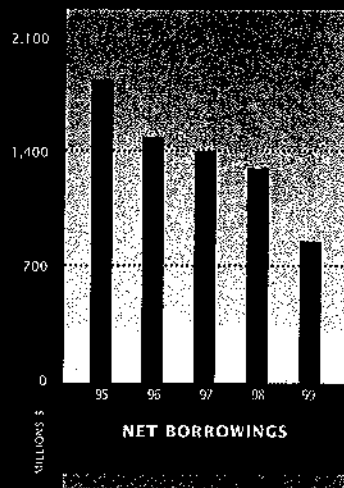
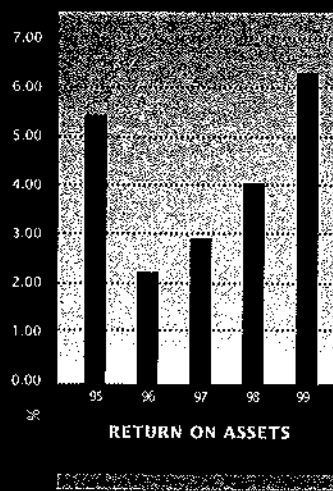
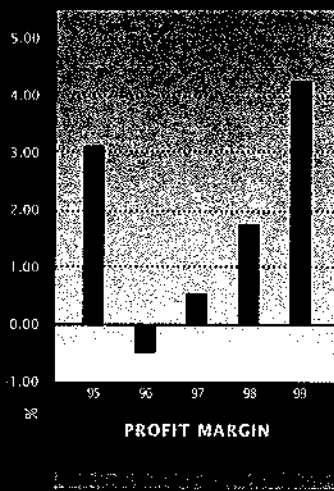
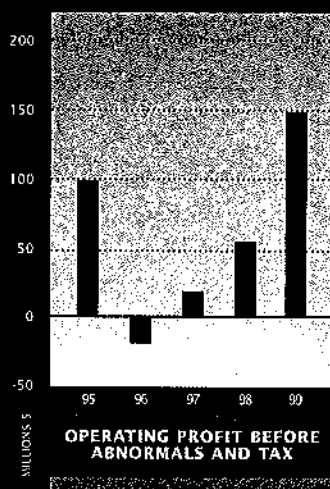
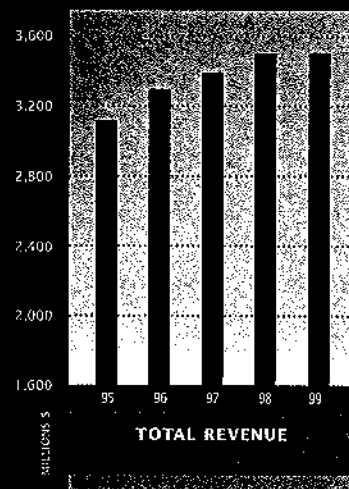
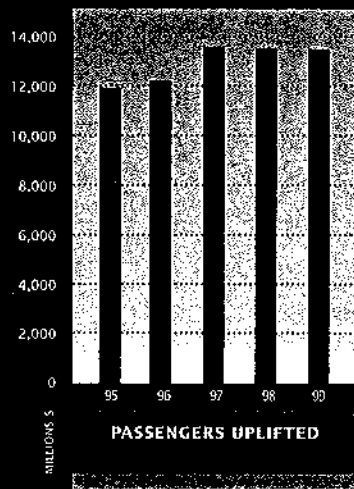
Passengers Uplifted	'000	11,827	12,160	13,469	13,447	13,399
Revenue Passenger Kilometres (RPKs)	million	13,911	15,469	17,020	17,230	16,964
Available Seat Kilometres (ASKs)	million	19,768	22,292	24,988	25,372	23,650
Load Factor	%	70.37	69.39	68.11	67.91	71.73

Productivity

Number of Employees	#	16,886	17,977	17,067	16,124	14,876
Revenue per Employee	\$'000	185,346	183,641	198,957	217,403	236,038
RPK per Employee	'000	824	860	997	1,069	1,140
ASK per Employee	'000	1,171	1,240	1,464	1,574	1,590

Key Financial Ratios

Gearing Ratio (Total Debt/Total Assets)	%	52.85	45.86	43.26	43.10	35.64
Net Debt to Equity (Total Debt-Cash/Total Debt-Cash+Equity)	%	85.43	79.83	71.97	70.27	53.96



All graphs from June 1995 to June 1999

CONCISE FINANCIAL REPORT

30 June 1999

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Directors' Declaration	27
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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Directors' Report

The directors present their report together with the concise financial report of the consolidated entity, being Ansett Holdings Limited ("the Company") and its controlled entities, for the year ended 30 June 1999 and the auditors' report thereon.

DIRECTORS

The directors of the Company who are in office at the date of this report are:

Roderick Ian Eddington (49) B.Eng (Hons), M.Eng.Sci, D.Phil (Oxon)

Appointed Director and Executive Chairman in February 1997. Director and Executive Chairman of Ansett Australia Holdings Limited and Ansett Australia Limited since January 1997. Member of Safety and Human Resources Committees. Director of the News Corporation Limited since September 1999. Deputy Chairman of News Limited since September 1998. Director of News Limited since January 1997. Formerly Managing Director of Cathay Pacific Airways Limited.

James McCrea (60)

Appointed Director and Deputy Chairman in October 1996. Director of Ansett Australia Holdings Limited and Ansett International Limited since October 1996. Managing Director and Chief Executive of Air New Zealand Limited. Member of the New Zealand Tourism Board.

Kenneth Edward Cowley AO (64)

Appointed Director in 1994 (formerly Executive Chairman 1994 - 1997). Director of Ansett Australia Holdings Limited since 1988 (formerly Executive Chairman 1992 - 1997). Director of Ansett Australia Limited since 1992. Chairman and Director of Ansett International Limited since 1993. Chairman of Safety Committee. Formerly Director of News Limited 1978 - 1997, Managing Director 1980 - 1997 and Executive Chairman 1992 - 1997. Director of Independent Newspapers Limited since 1990. Director of The News Corporation Limited since 1979. Chairman of R.M. Williams Holdings Limited since 1994. Chairman of PMP Communications Limited since 1991. Director of Commonwealth Bank of Australia since 1997.

John Simon Curtis (49) LLB (Hons) BA

Appointed Director in May 1998. Director of Ansett Australia Holdings Limited since May 1998. Chairman of Human Resources Committee. Chairman of Allianz Australia Limited, Rothmans Holdings Ltd, Anglian Water International Australia Limited, St Hilliers Pty Ltd and First Data Resources Australia Advisory Committee and Calburn Partnership Pty Ltd (associated with The Lazard Houses). Director of Air New Zealand Limited, Australian Technology Group Limited, Perpetual Trustees Australia Ltd, Stadium Australia Management Ltd and St George Bank Limited.

Peter John Macourt (43) B.Comm, CA

Appointed Director in October 1996 (formerly Alternate Director for Messrs Cowley and Cleary 1994 - 1996). Director of Ansett Australia Holdings Limited since October 1996 (formerly Alternate Director for Messrs Cowley and Cleary 1991 - 1996). Alternate Director of Ansett International Limited for Mr Cowley since June 1996. Member of Audit and Human Resources Committees. Deputy Chief Executive Officer of News Limited since September 1998. Director and Chief Financial Officer of News Limited since 1994. Director of AAP Information Services Pty Limited since May 1996. Director of Foxtel Management Pty Limited since January 1998.

Robert Harry Nazarian (48) B.Ec, MBA (Harv), CPA

Appointed Director in October 1996. Director of Ansett Australia Holdings Limited and Alternate Director of Ansett International Limited for Mr McCrea since October 1996. Member of Audit Committee. Executive Vice-President and Chief Financial Officer of Florida East Coast Industries Inc since July 1999. Formerly Chief Financial Officer of Air New Zealand Limited (1995-1998). Formerly Treasurer of Northwest Airlines Corporation (1998-1999).

Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

**Independent Audit Report on Concise Financial Report
to the Members of Ansett Holdings Limited****Scope**

We have audited the concise financial report of Ansett Holdings Limited and its controlled entities for the financial year ended 30 June 1999, as set out on pages 28 to 33, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Ansett Holdings Limited and its controlled entities for the year ended 30 June 1999. Our audit report on the full financial report was signed on 29th September 1999, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of Ansett Holdings Limited and its controlled entities for the year ended 30 June 1999 complies with AASB 1039 "Concise Financial Reports".

Melbourne
29th September 1999

KPMG
KPMG
Chartered Accountants

S J Leslie
S J LESLIE
Partner

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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

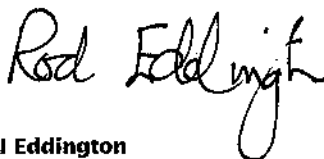
Directors' Declaration

In the opinion of the directors of Ansett Holdings Limited the accompanying concise financial report of the consolidated entity, comprising Ansett Holdings Limited and its controlled entities for the year ended 30 June 1999, set out on pages 28 to 33:


- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Melbourne this 29th day of September 1999.

Signed in accordance with a resolution of the Directors.



R I Eddington
Director



J McCrea
Director

Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Discussion and Analysis of Financial Performance for the year ended 30 June 1999

The Ansett Group achieved an operating profit after tax of \$156.8 million (1998: \$29.5 million). Included within this amount is a net abnormal profit of \$52.8 million (1998: \$22.5 million). The abnormal items principally relate to:

- The Ansett Group's strategy of focusing on core operations, which resulted in the disposal of certain non-core assets.
- Write down of the carrying value of certain assets to more accurately reflect their realisable value.

Operating profit before abnormal items and tax amounted to \$147.6 million (1998: \$59.8 million). This improvement in performance was predominantly due to a general improvement in trading and operating efficiencies arising from our change program:

- Ansett Australia, the core domestic airline, reported an improved result for the current financial year. Net passenger revenue was 3.8% higher than the prior year. Although passengers uplifted only increased by 0.3%, the improvement in net passenger revenue was achieved from improved yields and a 3.8 point improvement in load factors. This arose mainly from renewed strength in business related travel and business initiatives.
- A decrease in direct costs such as fuel and air navigation charges resulting from a reduction in activity.
- Ansett International Limited, an associated company, substantially reduced its operating loss from the previous year, due to the suspension of services to unprofitable routes.
- Net interest expense reduced by 22%.

A profit margin of 4.6% was achieved (1998: 1.7%). Our long-term goal is to achieve a profit margin of 10%.

Shareholder's equity improved by 30% to \$697.4 million from the previous financial year. This improvement reflects the Ansett Group's profit performance during the current financial year and the results from asset sales included in abnormal items.

Total assets of the Group have decreased by 11%. This is largely attributable to the sale of non-core assets, and the write down of assets to their recoverable amounts.

Return on assets (Earnings before Interest and Tax/Total Assets) of 6.3% was achieved (1998: 4.0%). Our long-term goal is to achieve a return on assets of 10%.

Net debt has reduced by 36% to \$817.4 million. This reduction in net debt has primarily arisen from profitable trading and the proceeds received on the sale of non-core assets. As a result the net debt to equity ratio improved to 54% (1998: 70%).

Increase in operating cashflows has largely arisen from the improved profit performance, as well as improved controls over the collection of trade debtors and payment of trade creditors.

Payments for property, plant and equipment include capital expenditure made in respect of the Sydney Terminal redevelopment.

Repayments of borrowings and payment of related interest was in accordance with contractual agreements entered into with third parties.

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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Profit and Loss Statement for the year ended 30 June 1999

	Note	CONSOLIDATED	
		1999	1998
		\$'000	\$'000
REVENUE	2	3,511,269	3,505,407
OPERATING PROFIT BEFORE ABNORMAL ITEMS AND INCOME TAX		147,595	59,759
Abnormal items		52,777	22,451
Operating profit before income tax		200,372	82,210
Income tax expense attributable to operating profit		(41,244)	(49,862)
Operating profit after income tax		159,128	32,348
Outside equity interest in operating profit		(2,287)	(2,819)
OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		156,841	29,529
Accumulated losses at the beginning of the financial year		(184,946)	(68,147)
Aggregate of amounts transferred from reserves		3,426	(116,092)
TOTAL AVAILABLE FOR APPROPRIATION		(24,679)	(154,710)
Less appropriations			
Aggregate of amounts transferred to reserves		(10,952)	30,236
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR		(13,727)	(184,946)

The profit and loss statement is to be read in conjunction with the discussion and analysis on page 28 and the accompanying notes to the financial statements.

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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Balance Sheet as at 30 June 1999

	CONSOLIDATED	
	1999	1998
	\$'000	\$'000
CURRENT ASSETS		
Cash	497,404	517,036
Receivables	503,424	715,909
Inventories	44,603	40,320
Other	54,713	62,034
TOTAL CURRENT ASSETS	1,100,144	1,335,299
NON CURRENT ASSETS		
Receivables	56,027	111,749
Investments	4,156	28,233
Property, plant and equipment	2,407,055	2,449,565
Other	121,714	220,242
TOTAL NON CURRENT ASSETS	2,588,952	2,809,789
TOTAL ASSETS	3,689,096	4,145,088
CURRENT LIABILITIES		
Accounts payable	858,337	1,012,394
Borrowings	368,699	419,148
Provisions	189,982	217,564
Other	1,962	14,789
TOTAL CURRENT LIABILITIES	1,418,980	1,663,895
NON CURRENT LIABILITIES		
Accounts payable	188,134	163,843
Borrowings	946,085	1,367,506
Provisions	437,997	408,739
Other	465	3,827
TOTAL NON CURRENT LIABILITIES	1,572,681	1,943,915
TOTAL LIABILITIES	2,991,661	3,607,810
NET ASSETS	697,435	537,278
SHAREHOLDERS' EQUITY		
Share capital	625,817	50,116
Reserves	83,948	656,244
Accumulated losses	(13,727)	(184,946)
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE COMPANY	696,038	521,414
Outside equity interests in controlled entities	1,397	15,864
TOTAL SHAREHOLDERS' EQUITY	697,435	537,278

The balance sheet is to be read in conjunction with the discussion and analysis on page 28 and the accompanying notes to the financial statements.

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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Statement of Cash Flows for the year ended 30 June 1999

	CONSOLIDATED	
	1999	1998
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	3,300,823	3,350,515
Cash payments in the course of operations	(2,730,719)	(2,888,348)
Income taxes paid	(11,052)	(2,253)
Net cash provided by operating activities	559,052	459,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	3,059	4,397
Interest received	42,301	38,839
Payments for property, plant and equipment	(194,947)	(202,185)
Payments for investments in controlled entities	-	(6,390)
Net proceeds on the disposal of controlled entities	109,839	47,263
Loans to associated companies	-	(41,984)
Loans from associated companies	-	62,971
Repayment of loans to associated companies	(75,026)	-
Repayment of loans by associated companies	3,028	-
Loan repayments by other associates	1,040	3,458
Proceeds from sale of non-current assets	73,807	99,993
Net cash (used in)/provided by investing activities	(36,899)	6,362
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing costs paid	(125,736)	(135,790)
Proceeds from borrowings	61,262	166,359
Repayment of borrowings	(282,271)	(198,291)
Lease drawdowns	10,720	6,349
Lease payments	(154,439)	(73,988)
Net cash used in financing activities	(490,464)	(235,361)
NET INCREASE IN CASH HELD	31,689	230,915
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	513,921	283,006
Cash balances in controlled entities disposed of during the year	(48,206)	-
CASH AT THE END OF THE FINANCIAL YEAR	497,404	513,921

The statements of cashflows are to be read in conjunction with the discussion and analysis on page 28 and the accompanying notes to the financial statements.

Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

Notes to the Concise Financial Statements at 30 June 1999

1. BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

CONSOLIDATED	
1999	1998
\$'000	\$'000

2. REVENUE

Revenue from operating activities:

Rendering of services

3,275,419	3,287,041
-----------	-----------

Interest:

related parties

2,697	3,233
-------	-------

other parties

39,604	35,606
--------	--------

Aircraft refinancing gains

-	11,995
---	--------

Net foreign exchange gain

-	20,276
---	--------

Revenue from outside operating activities:

Gross proceeds from sale of controlled entities and non-current assets

193,549	147,256
---------	---------

3,511,269	3,505,407
-----------	-----------

3. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

Unsecured guarantees

Other corporations

2,055,871	2,353,002
-----------	-----------

Included is an amount of \$1,876,147,000 (1998: \$2,218,398,000) relating to the guarantee of other entities' (Ansett Worldwide Aviation Limited and Ansett Worldwide Aviation USA) commitments under long term aircraft leasing arrangements. The amount shown is the maximum liability that the consolidated entity could be called upon to pay. However, the directors consider that this contingent liability is significantly hedged by the underlying value of aircraft under lease. Also included is an amount of \$135,221,000 (1998: \$63,934,000) for operating lease commitments relating to aircraft of certain associates and \$44,502,000 (1998: \$70,670,000) for the guarantee of creditors, other operating lease commitments and bank guarantees of certain associates.

Litigation

The consolidated entity is involved in various claims and litigation arising in the ordinary course of business, none of which is expected to have a significant effect upon its operating results or financial position.

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Ansett Holdings Limited

AND ITS CONTROLLED ENTITIES

**Notes to the Concise Financial Statements
at 30 June 1999**

	CONSOLIDATED		THE COMPANY	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
4. DIRECTORS' REMUNERATION				
Directors				
Total income paid or payable or otherwise made available, to all directors of the Company and controlled entities, from the Company or any related party:	5,263	3,809	1,004	925

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$0 - \$9,999	2	4
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	-
\$100,000 - \$109,999	1	1
\$770,000 - \$779,999	-	1
\$790,000 - \$799,999	1	-

Directors' income includes amounts paid by the consolidated entity during the year to indemnify directors and an allocation of insurance premiums paid by the consolidated entity in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, in accordance with common commercial practice.

Other Employees

The table below sets out the number of individuals, excluding those who have retired or resigned during the year, in each employment category whose total remuneration for the financial year fell into the following ranges:

	CONSOLIDATED		
	Managers	Pilots and Flight Engineers	Other
\$100,000 - \$119,999	59	76	81
\$120,000 - \$139,999	43	248	74
\$140,000 - \$159,999	19	84	22
\$160,000 - \$179,999	20	35	4
\$180,000 - \$199,999	6	75	-
\$200,000 - \$219,999	2	172	-
\$220,000 - \$239,999	6	101	-
\$240,000 - \$259,999	2	33	-
\$260,000 - \$279,999	4	6	-
\$300,000 - \$319,000	2	-	-
\$320,000 - \$339,000	4	-	-
\$340,000 - \$359,000	2	-	-
\$380,000 - \$399,000	4	-	-
\$420,000 - \$439,000	2	-	-

5. SEGMENT INFORMATION

The consolidated entity operates predominantly within the transport industry in Australasia.

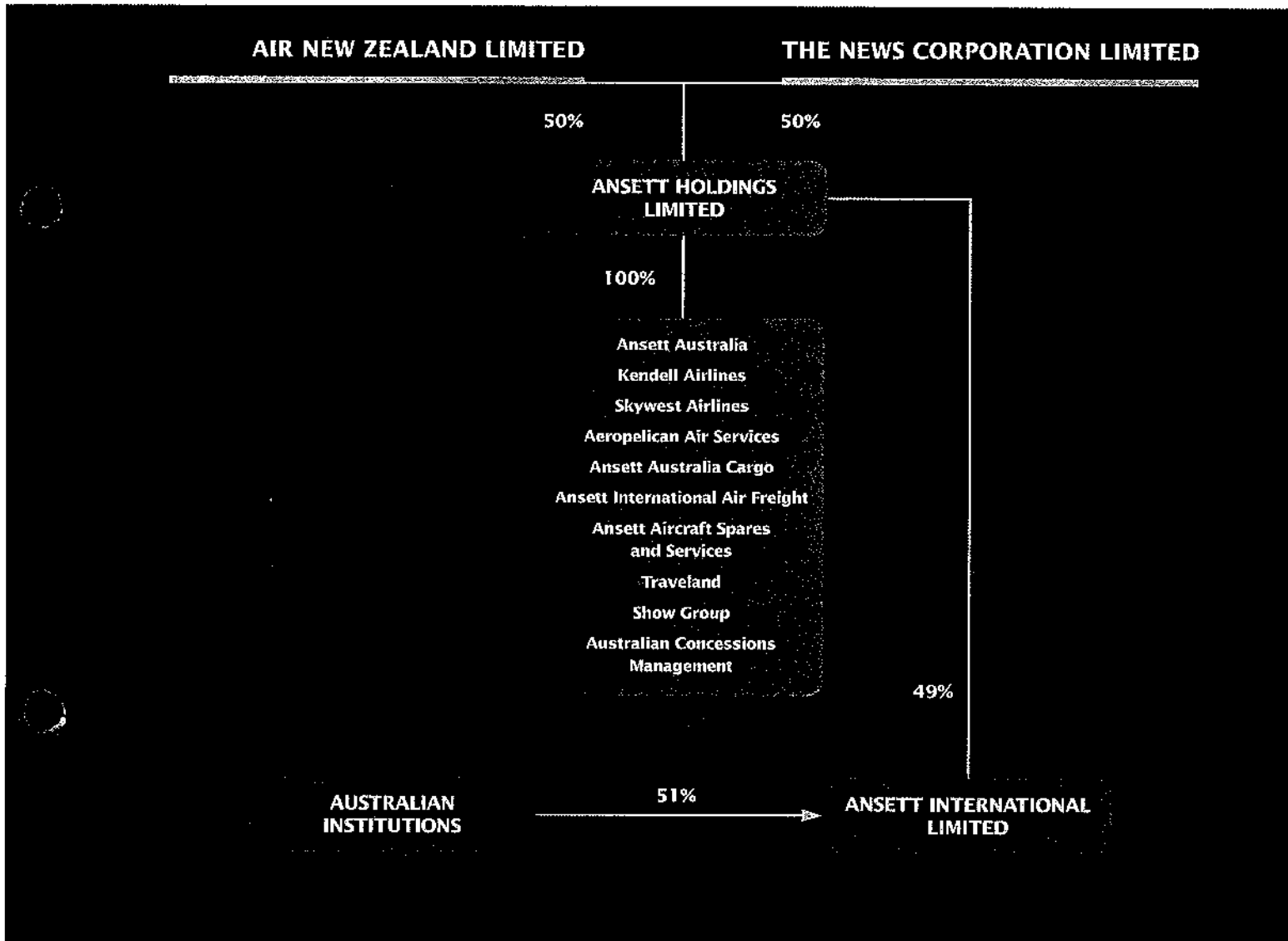
6. DIVIDENDS

No dividends were paid or proposed in the current or prior financial years.

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Group structure

as at 30 June 1999



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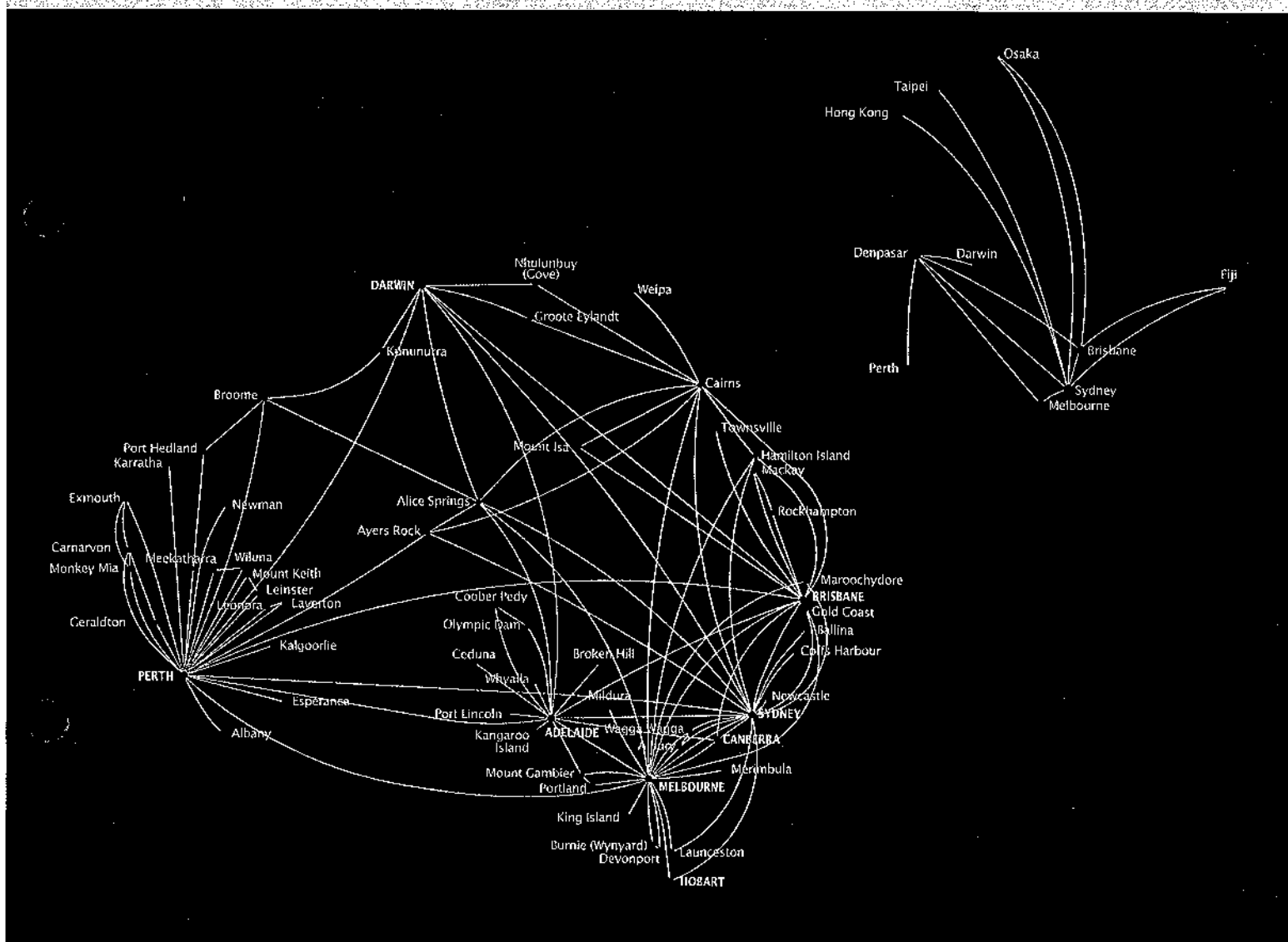
Ansett fleet

as at 30 June 1999

AIRCRAFT	ENGINE	PASSENGERS	IN OPERATION	ON LEASE TO OTHER CARRIERS
Ansett Australia				
Boeing 767-200	CF6-80A	211	9	-
Airbus A320-200	CFM56-5-A1	144	20	-
Boeing 737-300	CFM56-3-B1	114	22	-
BAe 146-300	ALF502-R5	92	13	9
BAe 146-200	ALF502-R5	73	8	1
Fokker F28-4000	Rolls Royce RB18	63	4	1
BAe 146-200QC	ALF502-R5	77	-	1
Fokker 50	PW125B	46	11	5
Ansett Air Freight				
Boeing 727-200F	JT8D-15	-	1	-
BAe 146-200QT	ALF502-R5	-	2	-
Fokker F27	Rolls Royce Dart	-	1	-
Ansett International				
Boeing 747-300 ¹	JT9D-7R4G2	428	2	-
Boeing 767-300ER	CF6-80C2B6F	210	1	-
Boeing 767-200ER	CF6-80A	175	2	-
Ansett Regional Airlines				
Saab 340A	GE-CT7-5A	34	8	-
Saab 340B	GE-CT7-9B	34	8	-
Fairchild Metro 23	TPE-331-12	19	7	-
BAe Jetstream 31	TPE-331-10	15	3	-
DHC-6 Twin Otter	PT6-27	18	4	-

¹ These aircraft replaced by B747-400s in August and September 1999.

* 12 CRJ-200 aircraft are currently on order for delivery over the next three years. Options exist for the delivery of a further 12 beyond this period.

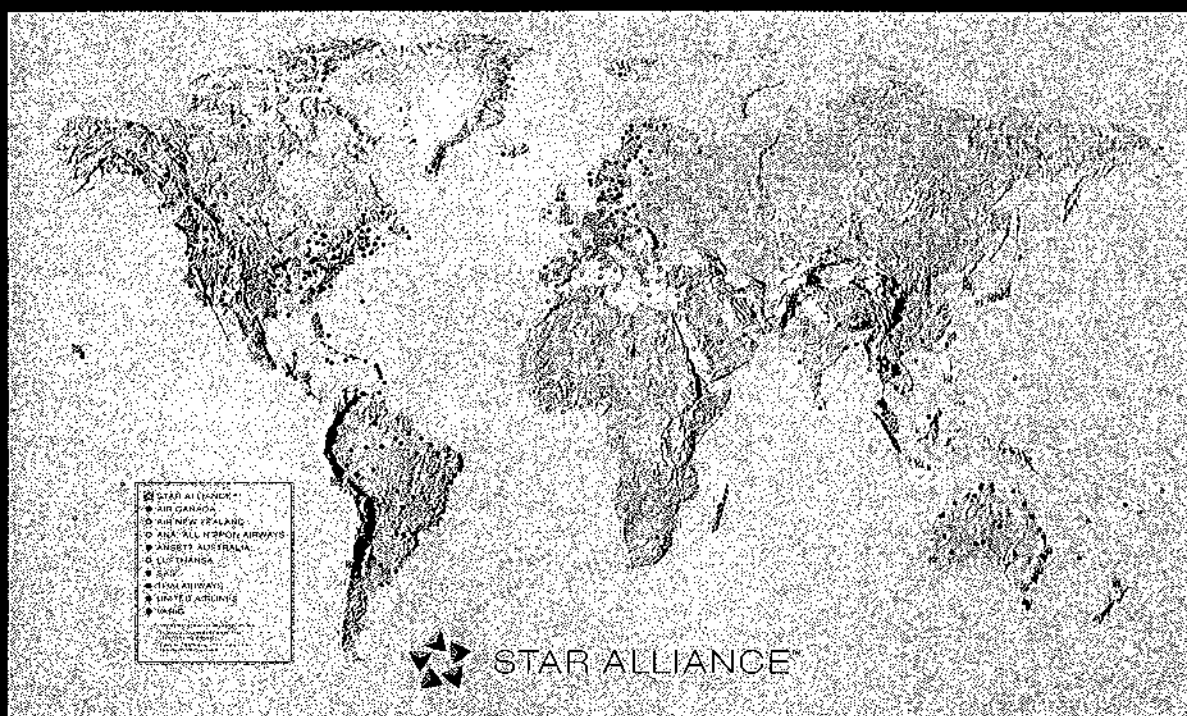


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We would like to thank our staff, who have recognised the need for change at Ansett, and have worked hard towards helping Ansett become a Great Airline and a Better Business. Our success is a reflection of their ongoing commitment and support.

We would also like to thank the following staff members for giving up their time to appear in this Annual Review:

Jodie Fraser Customer Service Officer, Sydney; **Marty McDonald** Lounge Porter, Sydney; **Roslyn McKenzie** Domestic Flight Attendant; **Catherine Devine** Reservations Sales Agent, Launceston; **Angela Scott** Reservations Sales Agent, Launceston; **Kelly Nicholas** Reservations Sales Agent, Launceston; **Jacqueline Manson** Reservations Sales Agent, Launceston; **Carolyn Scott** Reservations Sales Agent, Launceston; **Paul Robinson** Reservations Sales Agent, Launceston; **Debbie Snooks** Reservations Sales Agent, Launceston; **Bianca Badcock** Reservations Sales Agent, Launceston; **Kevin Bowd** Reservations Sales Agent, Launceston; **Rohan Lane** Aircraft Mechanic, Engine Overhaul, Melbourne; **Shane Fisher** Aircraft Mechanic, Engine Overhaul, Melbourne; **Warren Fridell** Aircraft Mechanic, Engine Overhaul, Melbourne; **Allan Melville** Aircraft Mechanic, Engine Overhaul, Melbourne; **Tim Matterson** Aircraft Mechanic Apprentice, Engine Overhaul, Melbourne; **Angela Belegirinos** Customer Service Officer, Melbourne Golden Wing Lounge; **Caroline Caruana** Customer Service Officer, Melbourne Golden Wing Lounge.


DESIGNED BY MALPASS & BURROWS PRINCIPAL PHOTOGRAPHY BY JAMES LAURITZ WRITTEN BY DAVID WEBSTER

FORM No. 12-50

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ANSETT AUSTRALIA

A STAR ALLIANCE MEMBER 

ANSETT AUSTRALIA LIMITED
A.C.N. 004 209 410

ANNUAL FINANCIAL REPORT

30 JUNE 1999

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ANSETT AUSTRALIA LIMITED**DIRECTORS' REPORT**

The directors present their report together with the financial statements of Ansett Australia Limited ("the Company") for the year ended 30 June 1999 and the auditors' report thereon.

DIRECTORS

The directors of the Company at any time during or since the financial year are:

K.E. Cowley, A.O.
R.I. Eddington
C.A. Wallace
D.J. Irvine

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were airline passenger and freight services.

RESULT

The Company's operations for the financial year resulted in an operating profit after income tax of \$182,818,000 (1998 loss: \$97,051,000)

REVIEW OF OPERATIONS

Included within the 1999 operating profit after tax was a net abnormal profit of \$40.1million (1998 abnormal loss: \$84.9 million). The abnormal items principally relate to gains on the disposal of non-core assets and writedowns in relation to the aircraft fleet.

The improvement in performance for the year was in line with expectations and was predominantly due to a general improvement in trading and operating efficiencies. Net passenger revenue has improved due to renewed strength in business related travel and business initiatives.

STATE OF AFFAIRS

As part of the Company's strategy of focusing on its core operations, the company disposed of its door to door freight business during the financial year.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Company.

ANSETT AUSTRALIA LIMITED

DIRECTORS' REPORT

ENVIRONMENT

The operations of the Company are subject to significant environmental regulation under both Commonwealth and State legislation. In particular the Airport (Environmental Protection) Regulations 1997 and specific State legislation, not specifically precluded by the Commonwealth legislation, affect aircraft operations, maintenance and other activities. The Company has used to identify any risk of breaching environmental legislation. Any identified potential breach is discussed with the relevant authority to ensure a satisfactory solution is reached.

Environmental risk is also addressed through the development of management plans and delivery of compliance training. Ansett is currently implementing its National Spill Response Strategy aimed at ensuring that spill response techniques are consistent across all Ansett operations. Other management plans have been introduced at Ansett's maintenance and engineering facilities focused on minimising the environmental risk associated with Ansett's key engineering activities such as washing aircraft.

Overall, environmental risk has been managed through an Executive Environmental Steering Committee. It has now been determined that environmental risk will be managed, with other company risk, through an Executive Compliance Committee.

To the directors knowledge, there have been no significant breaches of relevant legislation.

DIRECTORS' INTERESTS AND BENEFITS

No director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due to be received by directors, as shown in the financial statements) by reason of a contract made by the Company or a related body corporate, with any director or with a firm of which any director is a member or with an entity in which any director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has an agreement indemnifying all the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year the parent entity has paid insurance premiums of \$153,275 in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts, for current and former officers, including executive officers of the Company. This policy insures against all liabilities and expenses arising as a result of work performed in the respective capacity of the person, to the extent permitted by the law.

ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed for and on behalf of the directors in accordance with a resolution of the Board of Directors this 21st day of October 1999, at Melbourne



Director



Director

ANSETT AUSTRALIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ANSETT AUSTRALIA LIMITED

Scope

We have audited the financial report of Ansett Australia Limited for the financial year ended 30 June 1999, being a special purpose financial report consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 4 to 24. The Company's directors are responsible for the financial statements. The Directors have determined that the accounting policies used and described in Note 1 to the financial reports are appropriate to meet the requirements of the Corporations Law and the needs of the members. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company. No opinion is expressed whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial reports have been prepared for distribution to members for the purpose of fulfilling the requirements of the Corporations Law. We disclaim any assumption of responsibility for any reliance on this report, or on the financial reports to which it relates, to any person other than members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements. These policies do not require the application of all Accounting Standards nor other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Ansett Australia Limited is in accordance with:

- (a) the Corporations Law, including:
 - i) giving a true and fair view, in accordance with the accounting policies described in Note 1 to the financial statements, of the Company's financial position as at 30 June 1999 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - ii) complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1034 "Information to be Disclosed in Financial Reports", other Accounting Standards to the extent described in Note 1, and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements to the extent described in Note 1 to the financial statements.

KPMG

KPMG

Chartered Accountants

PJ McDonald

PJ McDonald
Partner

Melbourne

21st October 1999

ANSETT AUSTRALIA LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of Ansett Australia Limited:

- I. (a) the company is not a reporting entity;
- (b) the financial statements and notes, set out on pages 5 to 24, are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 1999 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date in accordance with the basis of accounting described in Note 1; and
 - (ii) complying with Accounting Standards to the extent described in Note 1 and the Corporations Regulations; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 21st day of October 1999.

Signed in accordance with a resolution of the Directors.



Director



Director

ANSETT AUSTRALIA LIMITED

PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 30 JUNE 1999

	Note	<u>1999</u>	<u>1998</u>
OPERATING REVENUE		<u>3,116,213</u>	<u>3,155,225</u>
OPERATING PROFIT/(LOSS) BEFORE ABNORMAL ITEMS AND INCOME TAX	2	205,120	(10,169)
Abnormal items	3	<u>40,134</u>	<u>(84,852)</u>
Operating profit/(loss) before income tax		245,254	(95,021)
Income tax (expense)/benefit attributable to operating profit	4	<u>(62,436)</u>	<u>(2,030)</u>
OPERATING PROFIT/(LOSS) AFTER INCOME TAX		182,818	(97,051)
Accumulated losses at the beginning of the financial year		(300,432)	(86,371)
Aggregate of amounts transferred from reserves	16	<u>4,052</u>	<u>(117,010)</u>
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR		<u>(113,562)</u>	<u>(300,432)</u>

The profit and loss account is to be read in conjunction with the accompanying notes to the financial statements.

ANSETT AUSTRALIA LIMITED

BALANCE SHEET
AS AT 30 JUNE 1999

	Note	\$'000	\$'000
CURRENT ASSETS			
Cash		56,979	31,803
Receivables	5	446,601	479,173
Inventories	7	23,633	19,567
Other	9	5,037	1,141
TOTAL CURRENT ASSETS		532,250	531,684
NON CURRENT ASSETS			
Receivables	5	6,500	6,972
Investments	6	1,023	1,085
Property, plant and equipment	8	1,899,880	1,916,540
Other	9	25,073	4,909
TOTAL NON CURRENT ASSETS		1,932,476	1,929,506
TOTAL ASSETS		2,464,726	2,461,190
CURRENT LIABILITIES			
Accounts payable	10	844,890	819,928
Borrowings	11	92,846	79,105
Provisions	13	228,026	169,526
Other	14	612	1,688
TOTAL CURRENT LIABILITIES		1,166,374	1,070,247
NON CURRENT LIABILITIES			
Accounts payable	10	92,778	73,683
Borrowings	11	927,178	1,247,401
Provisions	13	259,692	230,847
Other	14	465	3,827
TOTAL NON CURRENT LIABILITIES		1,280,113	1,555,758
TOTAL LIABILITIES		2,446,487	2,626,005
NET ASSETS		18,239	(164,815)
SHAREHOLDERS' EQUITY			
Share capital	15	3,000	3,000
Reserves	16	128,801	132,617
Accumulated losses		(113,562)	(300,432)
TOTAL SHAREHOLDERS' EQUITY/(DEFICIENCY)		18,239	(164,815)

The balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

ANSETT AUSTRALIA LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1999

	Note	\$ 000	\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		2992,058	3,029,719
Cash payments in the course of operations		(2,536,211)	(2,620,390)
Net cash provided by operating activities	22	<u>455,847</u>	<u>409,329</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		-	400
Interest received		366	457
Payments for property, plant and equipment		(149,018)	(261,160)
Loans made to associated companies		(13,805)	(69,695)
Amounts paid to controlled entities		(3,111)	3,959
Net advances (to)/from related bodies corporate		(31,040)	71,230
Loan repayments by directors and officers		-	313
Proceeds from sale of non current assets		64,749	162,094
Net cash used in investing activities		<u>(131,859)</u>	<u>(92,402)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing costs paid		(70,199)	(86,677)
Proceeds from borrowings		-	126,932
Repayment of borrowings		(57,808)	(30,444)
Amounts received/(repaid) on loan from parent entity		(135,231)	(269,741)
Lease payments		(21,980)	(33,301)
Net cash (used in)/provided by financing activities		<u>(285,218)</u>	<u>(293,231)</u>
NET INCREASE IN CASH HELD		38,770	23,696
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	22	18,209	(5,487)
CASH AT THE END OF THE FINANCIAL YEAR	22	56,979	18,209

The Statement of Cashflows is to be read in conjunction with the accompanying notes to the financial statements.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of the financial statements are:

Basis of Preparation

The financial reports of the Company are a special purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and does not take into account changing money values or except where stated, current valuations of non current assets.

The directors are of the view that the Company is not a reporting entity. These financial statements have been prepared as a special purpose financial report solely to meet the Corporations Law requirements to prepare financial statements. In the opinion of the Directors, the accounting standards applied in the preparation of these financial statements are appropriate to meet the needs of the members, and comply with all accounting standards applicable to general purpose financial statements, except for:

- AASB 1033 "Presentation and Disclosure of Financial Instruments"
- AASB 1017 "Related Party Disclosures"
- AASB 1028 "Accounting for Employee Entitlements" in respect of certain disclosures.

Other than non-compliance with the above standards, the Accounting Standards have been consistently applied by the company, and except where there is a change in accounting policy, are consistent with those of the previous year.

Receivables**Trade Debtors**

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is based on the weighted average cost principle. Other stocks and stores are valued at cost and provision is made for any diminution in value.

Deferred Expenditure

Material items of expenditure are deferred to the extent that management consider that it is probable that future economic benefits embodied in the asset will eventuate and can be measured reliably. Deferred expenditure is amortised over the period in which the related benefits are expected to be realised.

Non Current Assets

The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. Where the carrying amount of a non current asset exceeds the recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Certain non current assets have been revalued. With the exception of land and buildings, such revaluations occur from time to time and are not made in accordance with a policy of regular revaluation.

ANSETT AUSTRALIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999****1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments****Controlled Entities**

Investments in controlled entities comprise shares held in and non current advances to those controlled entities. Shares held are shown in the Company's financial statements at cost or valuation adjusted for any provision for diminution. Dividends from controlled entities are accounted for on a dividend received basis in the Company's financial statements.

Associated Companies

An associated company is one in which the economic entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

Investments in associated companies comprise shares held in and advances to those associated companies. Investments in associated companies are carried at the lower of cost and recoverable amount. Dividends are brought to account as they are received in the Company's financial statements.

Other Companies

Other investments are shown at cost unless otherwise noted. A provision for diminution in value of investments is created to account for any reduction in their valuation. Dividends are brought to account as they are received.

Income Tax

The company adopts the liability method of tax effect accounting.

Income tax expense or benefit is calculated on operating profit or loss adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Revaluations

Certain fixed assets shown in the financial statements have been revalued at various times as indicated (Refer Note 8).

A provision for capital gains tax is only provided when it is known that the asset will eventually be sold.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the proceeds on disposal and is included in the result for the year of disposal. Any related revaluation increment or decrement relating to the disposed assets standing in the asset revaluation reserve at the time of disposal is transferred to retained profits.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property, but excluding freehold land, are depreciated over the expected useful life, generally using the straight line method of depreciation.

The depreciation rates used for each class of assets are as follows:

Freehold buildings	2.5%
Leasehold buildings	5.5%
Aircraft, engines and spares (owned and leased)	4%
Plant and equipment (owned and leased)	15%

Depreciation rates are reviewed annually and if necessary, adjusted so that they will reflect the most recent assessments of the useful lives of the respective assets.

Leased Plant and Equipment

Leases of plant and equipment under which the economic entity assumes substantially all of the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and liability equal to the present value of the minimum lease payments, excluding executory costs, are recorded at the inception of the lease. Lease liabilities are reduced by payments of principal. The interest component of the lease payment is charged to the profit and loss account. Capitalised lease assets are amortised on a straight line basis against the income of the accounting periods which are expected to benefit from their use over the term of the relevant lease, or where it is likely that the Company will obtain ownership of the asset, the life of the asset. Minimum lease payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

Derivatives

The company is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. It is group policy to use derivative financial instruments to hedge these risks. It is group policy not to enter, hold or issue derivative financial instruments for trading purposes.

Foreign Currency Hedges

Where hedge transactions are designed to hedge the purchase or sale of goods and services, any unrealised exchange gains and losses on the contracts, together with any costs or gains arising at the time of entering into the hedge are deferred until maturity of the hedge transaction and included in the measurement of the underlying sale or purchase transaction.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives (continued)

All non specific hedge transactions are initially recorded at the spot rate of exchange ruling at the balance date are translated at the rates of exchange ruling at the balance date. Gains or losses arising from the hedge are recorded in the profit and loss account. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge. All contracts that are hedging principal repayments of borrowings are treated as non specific hedges.

Accounts payable**Trade Creditors and Accruals**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Frequent Flyer Liability

The obligation to provide travel rewards and other benefits to members of Ansett's frequent flyer program is progressively provided for as points are accumulated by members.

The provision is reduced to reflect the value of points redeemed by members and the expiration of unused points.

Related Party Loans

Loans from related parties are carried at the principal amount. Interest is taken up as an expense on an accrual basis.

Bank Overdraft and Bank Loans

The bank overdrafts and loans are carried at the principal amount. Interest on bank overdrafts is charged as an expense as incurred. Interest on bank loans is charged as an expense on an accrual basis.

Employee Entitlements**Wages, Salaries and Annual Leave**

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on current wage and salary rates and include related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the economic entity resulting from employees' services provided up to the balance date.

The measurement of long service leave entitlements which are not expected to be settled within twelve months have been based on a calculation of the present value of the estimated future cash outflows. In determining this liability, consideration has been given to future increases in wage and salary rates, staff departure rates and applicable discount rates which most closely match the terms of maturity of the related liabilities. Related on costs have also been included in the liability.

Superannuation Plans

The economic entity contributes to various superannuation plans, including employer sponsored superannuation plans in accordance with the requirements of trust deeds governing the respective superannuation plans. Contributions are charged against income as they are made.

ANSETT AUSTRALIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999****Revenue Recognition****Sales Revenue**

Passenger and freight sales are not recognised as revenue until the transportation service is rendered. At the time of sale, a liability for unearned revenue is established. Subsequently this liability is recognised as revenue by the carrier, either through billing from another carrier who renders the service, or by refund to the customer.

Interest Income

Interest income is recognised as it accrues.

Asset Sales

The gross proceeds of asset sales are included as revenue of the economic entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Foreign Currency**Transactions**

Foreign currency transactions are translated to Australian Currency at the rates of exchange ruling on the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for the intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised or those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Comparative Information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

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ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

2. OPERATING PROFIT/(LOSS)

REVENUE

Operating profit/(loss) before income tax
has been arrived at after including:

Revenue from operating activities:

	1999	1998
Rendering of services	2,996,419	2,992,274
Dividend received		
- associate	-	400
Interest		
- related parties	307	401
- other parties	59	56
Foreign exchange gain	46,939	-

Revenue from outside operating activities:

Gross proceeds from sale of non current assets	72,489	162,094
	<u>3,116,213</u>	<u>3,155,225</u>

OPERATING EXPENSES:

Depreciation/amortisation of:

- building	12,020	12,826
- aircraft engines and spares	78,230	81,639
- plant and equipment	33,675	41,426
- leased assets capitalised	28,724	27,712
- deferred expenditure	593	593
Amounts set aside to/(released from) provisions for		
- employee entitlements	(9,410)	12,624
- doubtful trade debts	(2,612)	(12,962)
- other	1,167	(2,897)
Bad debts written off	793	932
Operating lease rental expense	126,002	135,629

Borrowing costs:

other parties	20,533	21,751
capitalised leases	27,678	34,438
related parties	21,989	30,489
Less borrowing costs capitalised:		
other parties	(2,794)	-

Auditors' Remuneration:

Audit Services

- auditors of the Company	210	281
Other Services		
- auditors of the Company	320	-

Net gain/(loss) on disposal of non current assets	1,520	(1,497)
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Net foreign exchange loss	-	(102,524)
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ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

3. ABNORMAL ITEMS

	1999 \$'000	1998 \$'000
Write off in relation to aircraft fleet	(2,349)	-
Income tax (expense)/benefit	835	-
	(1,514)	-
Gain/(Loss) on disposal of non current assets	42,483	(1,352)
Income tax (expense)/benefit	1,991	2,208
	44,474	856
Debt forgiveness	-	(83,500)
Income tax (expense)/benefit	-	-
	-	(83,500)
Aggregate abnormal items before income tax	40,134	(84,852)
Aggregate income tax effect	2,826	2,208
Aggregate abnormal items after income tax	42,690	(82,644)

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

4. TAXATION

(a) Income Tax (Expense)/Benefit

	1999 \$'000	1998 \$'000
Prima facie income tax benefit calculated at 36% (1998 36%) on the operating profit/(loss) after abnormal items	(88,288)	34,207
Adjusted by the tax effect of:		
Debt forgiveness	-	(30,060)
Non assessable profit on sale of non current assets	17,285	
Other non deductible expenses	(2,092)	(6,496)
Income tax benefit on the operating loss	(73,095)	(2,349)
Income tax over provided in prior years	10,659	319
	<u>(62,436)</u>	<u>(2,030)</u>

(b) Future Income Tax Benefit

Future income tax benefit comprises the estimated future benefit, at current income tax rates, of the following items:

Timing differences	17,015	1,955
Tax losses	-	-
	<u>17,015</u>	<u>1,955</u>

Future income tax benefit has been offset against the provision for deferred income tax to the extent that timing differences giving rise to the provision will reverse within the reporting period during which the benefits from tax losses and other timing differences are available for deduction. Timing differences recorded as future income tax benefits which have been offset against the provision for deferred income tax amounts to \$139,820,000 (1998: \$174,463,000).

(c) Dividend Franking Account

As at 30 June 1998 the Company's dividend franking account had a surplus of \$31,379,825 (1998: \$31,379,825).

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

5. RECEIVABLES

Current

Trade debtors

Less provision for doubtful debts

Sundry debtors and loans to other parties

Amounts owing by related parties

Non Current

Sundry debtors and loans to other parties

	1999	2000
Trade debtors	386,947	402,627
Less provision for doubtful debts	6,235	8,847
	380,712	393,780
Sundry debtors and loans to other parties	5,053	7,953
Amounts owing by related parties	60,836	77,440
	446,601	479,173
Non Current		
Sundry debtors and loans to other parties	6,500	6,972

6. INVESTMENTS

Controlled entities:

Shares - at cost

Less amount written off

Associated companies:

Unlisted shares - at cost

Less associated companies reserves

Shares in other corporations

Shares - at cost	16,974	16,974
Less amount written off	15,943	15,943
	1,031	1,031
Associated companies:		
Unlisted shares - at cost	50	50
Less associated companies reserves	(62)	-
	(12)	50
Shares in other corporations	4	4
	1,023	1,085

7. INVENTORIES

Finished goods

Less provision for stock obsolescence

Raw materials and stores

Work in progress

Finished goods	335	1,530
Less provision for stock obsolescence	(17)	17
	318	1,513
Raw materials and stores	22,784	16,933
Work in progress	531	1,121
	23,633	19,567

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

8. PROPERTY, PLANT AND EQUIPMENT

	1999 1999	1998 1998
Freehold land and buildings		
at cost	835	159
less accumulated depreciation	23	2
	<u>812</u>	<u>157</u>
at 1997 directors' valuation	77,397	78,134
less accumulated depreciation	3,041	1,532
	<u>74,356</u>	<u>76,602</u>
Total freehold land and buildings	<u>75,168</u>	<u>76,759</u>
Leasehold land and buildings		
at cost	5,515	1,317
less accumulated amortisation	624	202
	<u>4,891</u>	<u>1,115</u>
at 1997 directors' valuation	187,807	190,347
less accumulated amortisation	19,931	11,162
	<u>167,876</u>	<u>179,185</u>
Total leasehold land and buildings	<u>172,767</u>	<u>180,300</u>
Total land and buildings	<u>247,935</u>	<u>257,059</u>
Aircraft, engines and spares		
at cost	1,727,559	1,761,356
less accumulated depreciation	624,326	590,698
	<u>1,103,233</u>	<u>1,170,658</u>
at 1988 directors' valuation	17,525	17,525
less accumulated depreciation	12,351	11,728
	<u>5,174</u>	<u>5,797</u>
Total aircraft, engines and spares	<u>1,108,407</u>	<u>1,176,455</u>
Aircraft, engines and spares under lease		
at cost	514,905	514,905
less accumulated amortisation	241,996	221,381
	<u>272,909</u>	<u>293,524</u>
at 1985 directors' valuation	47,824	47,824
less accumulated amortisation	30,281	28,368
	<u>17,543</u>	<u>19,456</u>
Total aircraft, engines and spares under lease	<u>290,452</u>	<u>312,980</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	1999 £'000	1998 £'000
Plant and Equipment		
at cost	632,553	525,784
less accumulated depreciation	399,668	377,634
	<u>232,885</u>	<u>148,150</u>
Plant and equipment under lease		
at cost	39,812	36,479
less accumulated amortisation	19,611	14,583
	<u>20,201</u>	<u>21,896</u>
Total plant and equipment	<u>253,086</u>	<u>170,046</u>
Total property, plant and equipment	<u>1,899,880</u>	<u>1,916,540</u>

The directors' valuation of land and buildings in 1997 was carried out as at 30 June 1997 and was on the basis of the market value of the properties concerned in their existing use. The directors of the Company are of the opinion that this valuation provides a reasonable estimate of recoverable amount as at 30 June 1999.

An independent valuation was carried out as at 30 June 1997 by Mr. P. Murphy F.V.L.E. of Herron Todd White and J.L.W. TransAct for resort properties and Mr. J.D. Hatcher F.V.L.E. and Mr. P.R. Dickinson A.V.L.E. of Richard Ellis (Victoria) Pty Limited for the balance of the land and buildings portfolio. This valuation was obtained in accordance with the entity's policy of obtaining an independent valuation of land and buildings every three years.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

9. OTHER ASSETS

	1999 \$'000	1998 \$'000
Current		
Deferred expenditure	984	100
Prepayments	4,053	890
Other	-	151
	<u>5,037</u>	<u>1,141</u>
Non current		
Deferred expenditure	5,991	200
Future income tax benefit	17,015	1,955
Other	2,067	2,754
	<u>25,073</u>	<u>4,909</u>

10. ACCOUNTS PAYABLE

Current		
Trade creditors and accruals	752,447	713,701
Amounts owing to controlled entities	24,795	27,906
Amounts owing to related parties	67,648	64,516
Amounts owing to associated companies	-	13,805
	<u>844,890</u>	<u>819,928</u>
Non current		
Trade creditors and accruals	<u>92,778</u>	<u>73,683</u>

11. BORROWINGS

Current		
Bank overdrafts - unsecured	-	13,594
Bank loans - fully secured	54,111	41,591
Other loans - fully secured	1,045	1,443
Lease liabilities	37,690	22,477
	<u>92,846</u>	<u>79,105</u>
Non current		
Bank loans - fully secured	364,171	466,800
Other loans - fully secured	144	1,189
Lease liabilities	237,945	275,138
Amounts owing to related parties	112,338	146,510
Amounts owing to parent entity	212,580	357,764
	<u>927,178</u>	<u>1,247,401</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

12. AMOUNTS PAYABLE IN FOREIGN CURRENCIES

The Australian dollar equivalent of unhedged amounts payable in the following currencies calculated at the year end exchange rates are as follows:

Amounts Payable

Current:

United States Dollars	62,968	
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Non current:

United States Dollars	427,689	414,890
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13. PROVISIONS

Current

Employee entitlements	112,930	123,008
Other provisions	47,159	46,518
Income tax	67,937	-
	<u>228,026</u>	<u>169,526</u>

Non current

Employee entitlements	101,283	100,389
Deferred income tax	158,409	130,458
	<u>259,692</u>	<u>230,847</u>

14. OTHER LIABILITIES

Current

Deferred revenue	612	1,688
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Non current

Deferred revenue	465	3,827
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15. SHARE CAPITAL

Issued and paid up capital

6,000,000 (1998: 6,000,000 of 50c par value) ordinary shares fully paid	3,000	3,000
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The Company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares. From 1 July 1998, share capital does not have a nominal (par) value.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

16. RESERVES

	1999 \$'000	1998 \$'000
Capital profit	3,400	3,400
Asset revaluation	125,208	129,260
Foreign currency translation	255	(42)
Associate company	(62)	-
	<u>128,801</u>	<u>132,618</u>

MOVEMENTS DURING THE YEAR

Asset Revaluation Reserve

Balance at beginning of year	129,260	-
Revaluation decrement on freehold land and buildings	-	(17,000)
Revaluation reserve transferred to accumulated losses	(4,052)	117,010
Prior period adjustment	-	29,250
	<u>125,208</u>	<u>129,260</u>

Foreign Currency Translation Reserve

Balance at beginning of year	(42)	2
Translation adjustment on controlled foreign entities	297	(44)
	<u>255</u>	<u>(42)</u>

17. CONTRACTUAL COMMITMENTS

Capital Expenditure Commitments

Contracted but not provided and payable:		
Not later than one year	85,163	144,421
Later than one year but not later than two years	17,534	18,059
Later than two years but not later than five years	48,355	33,307
Later than five years	52,624	41,408
	<u>203,676</u>	<u>237,195</u>

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	99,682	107,475
Later than one year but not later than two years	77,280	95,126
Later than two years but not later than five years	154,403	165,993
Later than five years	877,630	785,681
	<u>1,208,995</u>	<u>1,154,275</u>

Finance Lease Commitments

Finance lease rentals are payable as follows:		
Not later than one year	63,394	49,581
Later than one year but not later than two years	74,126	65,804
Later than two years but not later than five years	193,833	301,995
	<u>331,353</u>	<u>417,380</u>
Less future finance charges	(55,718)	119,766
	<u>275,635</u>	<u>297,614</u>
Lease liabilities provided in the financial statements:		
Current	37,690	22,477
Non current	237,945	275,137
	<u>275,635</u>	<u>297,614</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

1999	1998
\$'000	\$'000

18. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the accounts in respect of these matters.

Unsecured guarantees

Parent entity:

- maximum	115,000	114,500
- at balance date	115,000	114,500
Other corporations	55,688	31,348

Litigation

The Company is involved in various claims and litigation arising in the ordinary course of business none of which is expected to have a significant effect upon its operating results or financial position.

19. FINANCING ARRANGEMENTS

Bank Overdraft

The Company has access to bank overdraft facilities to a maximum of \$10,000,000 (1998 \$10,000,000) which is a part of a group offset facility leaving an unused facility of \$nil (1998 \$nil) at balance date. When aggregated with other balances which are a part of this facility, the maximum amount has not been exceeded.

Bank Loans

The Company has access to bank loans of \$418,282,000 (1998 \$508,391,000). At balance date, the unused portion was \$nil (1998 \$nil). Generally the bank loans are secured over aircraft and other aviation related assets of the Company.

Other Loans

The Company has access to bank loans of \$1,189,000 (1998 \$2,632,000). At balance date, the unused portion was \$nil (1998 \$nil). This is secured over certain assets of the Company.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

20. DIRECTORS REMUNERATION

Directors

Total income paid or payable, or otherwise made available, to the directors, including executive directors from the Company or any related party:

1999	1998
\$'000	\$'000

898	879
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The number of directors of the Company, including executive directors whose income from the Company or any related party falls within the following bands:

\$0 - \$9,999	2	3
\$100,000 - \$109,999	1	1
\$770,000 - \$779,999	-	1
\$790,000 - \$799,999	1	-

Directors' income includes amounts paid by the parent entity during the year to indemnify directors, but does not include insurance premiums paid by the economic entity in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors. Details of the insurance premiums paid are set out in the Directors' Report.

21. SEGMENT INFORMATION

The Company operates predominantly within the transport industry in Australasia.

ANSETT AUSTRALIA LIMITED

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1999

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts and letters of credit. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Note	1999 \$'000	1998 \$'000
Cash		56,979	31,803
Bank overdraft and letters of credit	11	-	(13,594)
		<u>56,979</u>	<u>18,209</u>

(b) Reconciliation of Operating Profit/(Loss) After Income Tax to Net Cash Provided by Operating Activities

Operating profit/(loss) after income tax	182,818	(97,051)
Add/(Less) items classified as investing/ financing activities:		
(Profit)/Loss on sale of non current assets	(1,520)	1,497
Dividends received	-	(400)
Borrowing costs	67,405	86,677
Interest revenue	(366)	(457)
Add/(Less) non cash items:		
Amounts set aside to provisions	(15,067)	(3,235)
Depreciation/amortisation	152,171	164,291
Unrealised foreign exchange (gains)/losses	(43,400)	100,262
Increase in income tax payable	67,937	-
Capitalised interest	2,794	-
Abnormal items:		
Profit on sale on non-current assets	(42,483)	-
Asset write-down	2,349	-
Debt forgivenesses	-	83,500
Loss on sale of non current assets	-	1,352
Net cash provided by operating activities before change in assets and liabilities	372,638	336,536
Change in assets and liabilities:		
Decrease in current assets	16,916	40,796
Increase in current liabilities	66,293	32,097
Net cash provided by operating activities	<u>455,847</u>	<u>409,329</u>

DRAFT**ANSETT HOLDINGS LIMITED****AND ITS CONTROLLED ENTITIES****A.C.N. 065 117 535****ANNUAL FINANCIAL REPORT****30 JUNE 2001****I N D E X**

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ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial report of Ansett Holdings Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2001 and the auditors' report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Sir Selwyn John Cushing KNZM. CMG.

Appointed Director and Chairman in July, 2000. Chairman of Air New Zealand Limited, Brierley Investments Limited, New Zealand Rural Properties Limited, Viking Pacific Holdings Limited, New Zealand Symphony Orchestra and Passive Funds Management Limited. Governing Director of Pastoral Holdings (Waewaepa) Limited, Ashfield Farm Limited, Fairway Finance Limited, Seajay Securities Limited and H&G Limited. Director of Bank of New Zealand Limited, Williams and Kettle Limited and St Lukes Group Limited. Partner Esam Cushing & Company and Waewaepa Station.

James Alfred Farmer, QC. LL.M (Hons). PhD (Cantab).

Appointed Director and Deputy Chairman in July, 2000. Director of Air New Zealand Limited. Trustee of Air New Zealand Staff Share Purchase Schemes.

Hon. Philip Ralph Burdon LL.B.

Appointed Director in July, 2000. Chairman of Superannuation Investment Limited, MFL Mutual Fund Limited and EBOS Limited. Deputy Chairman of NZ Post Limited. Director of Air New Zealand Limited, Brierley Investments Limited, CGU Insurance Group, ANZCO Limited, OPUS International Limited and PDL Limited.

Sir Ronald Powell Carter KNZM. FIPENZ. FICE. FNZIM. FCIT.

Appointed Director in July, 2000. Chairman of Headmasters Council, Auckland Grammar School. Executive Chairman of Auckland Chamber of Commerce & Industry. Deputy Chairman of Electricity Corporation of New Zealand Limited. Director of Air New Zealand Limited and Beca Group Limited.

John Simon Curtis LL.B (Hons). BA.

Appointed Director in May 1998. Director of Ansett Australia Holdings Limited since May 1998. Appointed Chairman and Director of Ansett International Limited in June 2000. Chairman of Human Resources Committee. Chairman of Allianz Australia Limited, SecureGate Limited, St Hilliers Pty Ltd, First Data Resources Australia Advisory Committee and Caliburn Partnership Pty Ltd (associated with The Lazard Houses). Deputy Chairman of British American Tobacco Australasia Ltd. Director of Air New Zealand Limited, Australian Technology Group Limited, Perpetual Trustees Australia Ltd, Stadium Australia Management Ltd and St George Bank Limited. Chief Representative (Australia) of Credit Agricole Lazard Financial Products Bank.

Ralph James Norris FNZIM. FNZCS.

Appointed Director in July, 2000. Chairman of New Zealand Business Roundtable. Managing Director and Chief Executive of ASB Bank Limited. Director of Air New Zealand Limited, Northern Lifeguard Services and Auckland Children's Hospital Foundation. Deputy Chairman of the Child Development Foundation.

Gregory James Terry LL.B. MA.

Appointed Director in July, 2000. Managing Director and Chief Executive of Brierley Investments Limited. Director of Air New Zealand Limited, James Hardie Industries Limited and Thistle Hotels PLC. Advisory Board member for Blake Dawson Waldron.

Sean Patrick Wareing FCPA. ACIS. FAICD.

Appointed Director in July, 2000. Appointed Director of Ansett Australia Holdings Limited in July 2000. Director of Air New Zealand Limited, Allianz Australia Limited, Email Limited, Wandglow Pty Limited, St Hilliers Pty Limited and Murdoch Magazines Pty Limited. Chairman of Compliance Committee for Commonwealth Managed Investments Limited.

William McLeod Wilson QC.

Appointed Director in July, 2000. Chairman of BIL New Zealand Assets Limited, Anafi Investments Limited, Isa Investments Limited. Director of Air New Zealand Limited. Chairman of Trustees of BIL New Zealand Charitable Trust.

Charles Barrington Goode BCom (Hons). MBA (Columbia). Hon LLD (Melb).

Appointed Director in August, 2000. Chairman Australia and New Zealand Banking Group Limited, Woodside Petroleum Ltd, Australian United Investment Company Ltd and Diversified United Investment Ltd. Director of Singapore Airlines Limited, CSR Limited and Queensland Investment Corporation Ltd.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS (continued)

Dr Choong Kong Cheong BSc (Hons), PhD.

Appointed Director in August, 2000. Deputy Chairman and Chief Executive Officer of Singapore Airlines Limited. Chairman of Singapore Airport Terminal Services Limited and SIA Engineering Company Limited. Vice Chairman of Singapore-US Business Council. Director of Singapore Press Holdings Limited, The Oversea-Chinese Banking Corporation Limited, Virgin Atlantic Airways Limited, Virgin Atlantic Limited, Virgin Travel Group Limited, Singapore International Foundation and Institute of Defence and Strategic Studies.

Elizabeth Mary Coutts BMS, CA.

Appointed Director in August, 2000. Director of CME Limited, Health Funding Authority, Industrial Research Limited, New Zealand Tennis Inc., Pharmaceutical Management Agency Limited, Rannoch Estate Limited, Robert Henry Limited, Viking Pacific Holdings Limited, Venang Technologies Limited and Worley Group Limited and its subsidiaries. Commissioner of Earthquake Commission. Trustee of Auckland Centre for Psychotherapy Inc. and New Zealand Law Foundation. Member of Financial Reporting Standards Board (Institute of Chartered Accountants).

Michael Jiak Ngee Tan

Appointed director in August, 2000. Executive Vice President (Commercial) Singapore Airlines Limited. Chairman of SATS Airport Services Pte Limited. Deputy Chairman of Singapore Airport Terminal Services Limited. Director of Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

The following were directors from the beginning of the financial year until their resignations during the financial year or up to the date of this report.

James McCrea (resigned 7 July, 2000)

Robert Harry Nazarian (resigned 17 July, 2000)

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year were:

Director	Directors' Meetings		Audit Committee Meetings		Human Resources Committee Meetings		Safety Committee Meetings	
	A	B	A	B	A	B	A	B
S J Cushing	5	5	-	-	2	2	4	4
J A Farmer	7	7	-	-	-	-	-	-
P R Burdon								
R P Carter	4	7	-	-	-	-	5	5
C K Cheong								
E M Coutts								
J S Curtis	5	7	-	-	2	2	-	-
C B Goode								
R J Norris								
M J N Tan								
G J Terry	5	7	2	2	1	2	-	-
S P Wareing	0	7	2	2	-	-	-	-

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were:

Transport industry related including airline passenger, freight and other travel related services

CONSOLIDATED RESULT

The consolidated operating loss after income tax attributable to the members of the Company was \$373,043,000 (2000: profit \$144,436,000).

REVIEW OF OPERATIONS

A review of the operations of the consolidated entity during the financial year and the results of those operations are detailed in the annual report.

STATE OF AFFAIRS

In June 2000, the Company became a wholly owned subsidiary of the Air New Zealand Limited Group through its acquisition of the 50% shareholding previously held by News Corporation Limited.

As part of the consolidated entity's strategy of focusing on its core operations, the consolidated entity disposed of its Inflight Kitchens business, as well as its equity interests in Rex Aviation (NZ) Limited, Ansett New Zealand Limited and ANEX Limited (formerly Ansett Express Limited).

In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the consolidated entity and the expected results of these operations in subsequent financial years has not been included in this report because the disclosure of such information would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The operations of all entities in the Ansett Holdings Limited Group are subject to significant environmental regulation under both Commonwealth and State legislation. In particular the Airport (Environmental Protection) Regulations 1997 and relevant State legislation, not specifically precluded by the Commonwealth legislation, affect aircraft operations, maintenance and other associated activities. During the year, environmental risk was included in the Corporate Risk Profile and the risk associated with not meeting environmental reporting requirements was assessed through a comprehensive risk assessment.

The consolidated entity managed its environmental risk through auditing and risk reduction initiatives. Regular internal and external audits were used to identify any risk of breaching environmental legislation. Any identified potential breach was discussed with the relevant authority to ensure a satisfactory solution was reached. The consolidated entity implemented its National Spill Response Strategy which is aimed at ensuring that spill response techniques are consistent across all group operations. The development of an Environmental Management System was commenced at Engineering focused on minimising the environmental risk associated with the group's key engineering activities.

To the directors' knowledge, there have been no significant breaches of relevant legislation.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND BENEFITS

No director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due to be received by directors, as shown in the consolidated financial report) by reason of a contract made by the Company, its controlled entities or a related body corporate, with any director or with a firm of which any director is a member or with an entity in which any director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The consolidated entity has an agreement indemnifying all the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year the consolidated entity has paid insurance premiums of \$153,275 in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts, for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. This policy insures against all liabilities and expenses arising as a result of work performed in the respective capacity of the person, to the extent permitted by the law.

ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed for and on behalf of the Directors in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the Corporations Law this day of , 2001, at

Director

Director

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF ANSETT HOLDINGS LIMITED**

Scope

We have audited the financial report of Ansett Holdings Limited for the financial year ended 30 June 2001 as set out on pages 7 to 45. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Ansett Holdings Limited is in accordance with:

- (a) the Corporations Law, including:
 - i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

2001

Partner

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the opinion of the directors of Ansett Holdings Limited:

1. (a) the financial statements and notes, set out on pages 8 to 45, are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 18, will as a group be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at this day of 2001.

Signed in accordance with a resolution of the Directors.

Director

Director

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001**

	Note	Consolidated		Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue					
Revenue from rendering of services		3,169,286	3,230,869	-	-
Other revenue from ordinary activities		17,511	38,618	12,131	-
Expenditure					
Labour		(1,236,302)	(1,160,826)	-	-
Fuel		(369,053)	(263,937)	-	-
Maintenance & overhaul		(304,978)	(244,882)	-	-
Aircraft & traffic servicing		(180,236)	(193,027)	-	-
Passenger services		(173,845)	(148,656)	-	-
Sales & marketing		(423,672)	(388,636)	-	-
Aircraft operating leases		(119,729)	(136,444)	-	-
Depreciation and amortisation		(228,200)	(184,229)	-	-
Borrowing costs		(102,715)	(101,720)	(3,615)	(3,206)
Other expenses from ordinary activities		(660,552)	(338,096)	-	-
Share of net profits of associates accounted for using the equity method		2,571	18,085	-	-
Profit/(loss) from ordinary activities before income tax expense	2	(609,914)	127,119	8,516	(3,206)
Income tax (expense)/benefit relating to ordinary activities	3	236,871	17,317	1,441	604
Profit/(Loss) from ordinary activities after related income tax (expense)/benefit		(373,043)	144,436	9,957	(2,602)
Net profit attributable to outside equity interests		-	-	-	-
Net Profit/(Loss) attributable to Members of the Parent Entity		(373,043)	144,436	9,957	(2,602)
Increase in asset revaluation reserve arising on revaluation of non current assets		-	9,781	-	-
Increase/(decrease) in foreign currency translation reserve arising on translation of financial reports of self-sustaining foreign operations		11,962	(6,831)	-	-
Total Revenue, Expense and Valuation Adjustments attributable to Members of the Parent Entity and recognised directly in Equity		11,962	2,950	-	-
Total Changes in Equity other than those resulting from transactions with Owners as Owners		(361,081)	147,386	9,957	(2,602)

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001**

	Note	Consolidated		Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS					
Cash		21,280	159,212	-	-
Receivables	5	556,704	547,639	993	-
Inventories	6	176,568	130,442	-	-
Other	10	19,169	63,415	-	-
Total Current Assets		773,721	900,708	993	-
NON CURRENT ASSETS					
Receivables	5	128,106	6,291	5,031	-
Investments	7	14,057	14,314	597,789	597,789
Property, plant and equipment	8	2,405,470	2,429,335	-	-
Intangibles	9	19,430	1,155	-	-
Deferred tax assets	3	76,821	31,322	2,046	1,154
Other	10	24,372	142,567	-	-
Total Non Current Assets		2,668,256	2,624,984	604,866	598,943
TOTAL ASSETS		3,441,977	3,525,692	605,859	598,943
CURRENT LIABILITIES					
Payables	11	883,036	791,052	-	-
Interest bearing liabilities	12	414,696	438,792	-	3,039
Current tax liabilities		27,192	(17,325)	-	-
Provisions	14	184,501	160,560	-	-
Other	16	2,467	364	-	-
Total Current Liabilities		1,511,892	1,373,443	-	3,039
NON CURRENT LIABILITIES					
Payables	11	186,594	120,922	-	-
Interest bearing liabilities	12	1,102,361	777,083	50,350	50,350
Deferred tax liabilities	15	75,756	294,037	-	-
Provisions	14	56,864	114,435	-	-
Other	16	8,842	119	-	-
Total Non Current Liabilities		1,430,417	1,306,596	50,350	50,350
TOTAL LIABILITIES		2,942,309	2,680,039	50,350	53,389
NET ASSETS		499,668	845,653	555,509	545,554
EQUITY					
Contributed equity	17	625,817	625,817	625,817	625,817
Reserves	18	102,947	93,390	-	-
Retained profits/(accumulated losses)	4	(230,493)	125,049	(70,308)	(80,263)
Equity attributable to Members of Ansett Holdings Limited		498,271	844,256	555,509	545,554
Outside equity interests in controlled entities	22	1,397	1,397	-	-
TOTAL EQUITY		499,668	845,653	555,509	545,554

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001**

	Consolidated		Company	
	2001	2000	2001	2000
Note	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts in the course of operations	3,236,644	3,211,867	-	-
Cash payments in the course of operations	(3,312,618)	(2,992,348)	-	-
Income taxes refund (paid)	12,270	(55,792)	-	-
Net cash provided by operating activities	28 (63,704)	163,727	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	20,072	8,070	-	-
Interest received	18,133	39,096	-	-
Payments for property, plant and equipment	(228,166)	(369,296)	-	-
Net proceeds on the disposal of controlled entities	-	1,125	-	-
Loans to associated companies	(25,215)	(3,941)	-	-
Loans from associated companies	-	4,439	-	-
Acquisition of controlled entity less cash acquired	(28,251)	-	-	-
Proceeds from sale of non-current assets	145,677	154,220	-	-
Net cash (used in)/provided by investing activities	(97,750)	(166,287)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowing costs paid	(114,008)	(94,081)	(3,614)	(3,206)
Proceeds from borrowings - external	341,797	177,886	3,206	2,964
- parent entity	189,166	-	-	-
Repayment of borrowings	(300,062)	(271,758)	-	-
Lease drawdowns	13,681	-	-	-
Lease payments	(111,061)	(147,698)	-	-
Net cash used in financing activities	21,513	(335,651)	-	-
NET INCREASE (DECREASE) IN CASH HELD	(139,941)	(338,211)	-	-
Cash at the beginning of the financial year	159,193	497,404	-	-
CASH AT THE END OF THE FINANCIAL YEAR	28 19,252	159,193	-	-

The statements of cashflows are to be read in conjunction with the accompanying notes to the financial statements.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Law, applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

The accounting policies have been consistently applied by each entity in the consolidated entity to ensure that the resulting financial information satisfies the concepts of relevance and reliability. Except where there is a change in accounting policy noted, the policies are consistent with those of the previous year.

The consolidated entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position", for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Where necessary, comparative information has been otherwise reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The significant policies, which have been adopted in the preparation of this financial report, are as follows:

Principles of Consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities is set out in Note 27 to the financial statements.

Where an entity either began or ceased to be controlled during the year, its results are included only from the date control by the parent entity commenced or up to the date control ceased.

All balances and transactions between controlled entities, and unrealised profits arising within the consolidated entity, have been eliminated in the consolidated financial statements.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Receivables

Trade Debtors

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Lease Receivables

Where the Company acts as a lessor in a finance lease arrangement, the investment in the lease comprises the present value of the minimum lease payments plus the present value of any unguaranteed residual value expected to accrue to the benefit of the entity at the end of the lease term. The investment in the lease is recognised as a receivable at the beginning of the lease term. Minimum lease payments received over the term of the lease are allocated between reduction in the investment and recognition of finance revenue.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is based on the weighted average cost principle. Other stocks and stores are valued at cost and provision is made for any diminution in value.

Deferred Expenditure

Material items of expenditure are deferred to the extent that management considers that it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably. Deferred expenditure is amortised over the period, not exceeding five years, in which the related benefits are expected to be realised.

Non Current Assets

The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. Where the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Certain non current assets have been revalued. With the exception of land and buildings such revaluations occur from time to time and are not made in accordance with a policy of regular revaluation.

Investments

Controlled Entities

Investments in controlled entities comprise shares held in those controlled entities. Shares held are shown in the Company's financial statements at cost or valuation adjusted for any provision for diminution. Dividends from controlled entities are accounted for on a dividend received basis in the Company's financial statements.

Associated Companies

An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence.

In the Company's financial statements, investments in associates are carried at the lower of cost and recoverable amount. Income from interim dividends is brought to account in the statement of financial performance as dividends are received. Income from final dividends is recognised as revenue at the time the dividends have been declared by the associate in general meeting.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of each associate's net profit or loss after tax is recognised in the consolidated statement of financial performance, after adjustment for revisions in the depreciation of depreciable assets, amortisation of goodwill arising from notional adjustments made as at the date of acquisition, dissimilar accounting policies, and the elimination of unrealised profits and losses on transactions between the associate and entities in the consolidated entity. Other movements in associates reserves are recognised directly in consolidated reserves.

Where the equity method of accounting for investments in associates reduces the carrying value of an investment below zero, a provision for the associate's losses is raised where the Company is otherwise liable for these losses.

Other Companies

Other investments are recorded at cost unless otherwise noted. If required, provision for diminution in the value of investments is created to account for any reduction in valuation. Dividends are brought to account as received.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Revaluations

Certain fixed assets shown in the consolidated financial statements have been revalued at various times as indicated. (Refer Note 8).

A liability for capital gains tax is only provided when it is known that the asset will eventually be sold and that the liability for such tax will crystallise.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the proceeds on disposal and is included in the result for the year of disposal. Any related revaluation increment or decrement relating to the disposed assets standing in the asset revaluation reserve at the time of disposal is transferred to retained profits.

Depreciation

Items of property, plant and equipment, including freehold buildings and leasehold property but excluding freehold land, are depreciated so as to write off the net cost or other revalued amount of each asset over its expected useful life, generally using the straight line method of depreciation.

The depreciation rates used for each class of assets are as follows:	<u>2001</u>	<u>2000</u>
Freehold buildings	2.5%	2.5%
Leasehold buildings	5.5%	5.5%
Aircraft, engines and spares (owned and leased)	4.0-6.0%	4.0-6.0%
Plant and equipment (owned and leased)	15.0%	15.0%

Depreciation rates are reviewed annually and if necessary, adjusted so that they will reflect the most recent assessments of the useful lives of the respective assets.

Leased Plant and Equipment

Leases of plant and equipment under which the consolidated entity assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and liability equal to the present value of the minimum lease payments, excluding executory costs, are recorded at the inception of the lease. Lease payments are allocated between reduction of the principal component of the lease liability and the interest expense charged to the statement of financial performance. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Minimum lease payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

For certain finance leases, controlled entities have provided loans to the lessor and these loans to lessors are set-off against lease liabilities. The interest income is also set-off against the interest paid on capitalised finance leases.

Surplus Leased Aircraft

Provision is made for surplus leased aircraft when it is determined that no substantive future benefit will be obtained by the consolidated entity from its use. This arises when aircraft are currently leased under non-cancellable operating leases

and the entity does not use the aircraft and does not expect to use it in the future.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Payables

Trade Creditors and Accruals

Liabilities are recognised when the consolidated entity becomes obliged to make future payments for goods and services received, whether or not billed to the consolidated entity.

Frequent Flyer Liability

The obligation to provide travel rewards and other benefits to members of Ansett's frequent flyer program is progressively provided for as points are accumulated by members.

The provision is reduced to reflect the value of points redeemed by members and the expiration of unused points.

Interest Bearing Liabilities

Bank overdrafts and loans are carried at the principal amounts outstanding. Interest expense is charged on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

Loans from related parties are carried at the principal amounts. Interest is recognised as an expense on an accrual basis.

Employee Entitlements

Wages Salaries and Annual Leave

Provisions for employee entitlements to wages, salaries and annual leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal values based on current wage and salary rates and include related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by each employer entity resulting from employees' services provided up to the balance date.

The measurement of long service leave entitlements which are not expected to be settled within twelve months have been based on a calculation of the present value of the estimated future cash outflows. In determining this liability, consideration has been given to future increases in wage and salary rates, staff departure expectations and applicable discount rates which most closely match the terms of maturity of the related liabilities. Related on-costs have also been included in the liability.

Superannuation Plans

The consolidated entity contributes to various superannuation plans, including employer sponsored superannuation plans in accordance with the requirements of trust deeds governing the respective superannuation plans. Contributions are charged against income as they are made.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Income Tax

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense or benefit is calculated on operating profit or loss adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet at current tax rates as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

Revenue Recognition

Sales Revenue

Passenger and freight sales are not recognised as revenue until the transportation service is rendered. At the time of sale a current liability for unearned revenue is established. Subsequently this is eliminated either through carriage by controlled entities, through billing from another carrier who renders the service, or by refund to the customer.

Interest Income

Interest income is recognised in the period in which it accrues

Asset Sales

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Foreign Currency

Translation of Controlled Foreign Entities

The statements of financial position of overseas controlled entities that are self sustaining foreign operations are translated using the rates of exchange ruling at balance date. Statements of financial performance are translated at a weighted average rate for the year.

Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling on the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Derivatives

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. It is group policy to use derivative financial instruments to hedge these risks. Further details of derivative financial instruments are disclosed in note 20 to the financial statements. It is group policy not to enter into, hold or issue derivative financial instruments for speculative purposes.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Foreign Currency Hedges

Where hedge transactions are designed to hedge the purchase or sale of goods and services, any unrealised exchange gains and losses on the contracts, together with any costs or gains arising at the time of entering into the hedge are deferred until maturity of the hedge transaction and included in the measurement of the underlying sale or purchase transaction. Any exchange differences on the hedge transaction after that date are included in the statement of financial performance.

In prior years, this policy was applied to amounts receivable on sale of aircraft at the end of their useful life to the economic entity. The residual values of aircraft, denominated in United States Dollars, were considered to be effectively hedged by unhedged United States Dollar loan obligations. In applying that policy the controlled entities sought independent advice of the anticipated amount to be received on sale of aircraft and designated specific borrowings as hedge instruments.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the statement of financial performance for the period.

Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the statement of financial performance. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge. All contracts that are hedging principal repayments of borrowings are treated as non specific hedges.

Interest Rate Swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the statement of financial performance as an adjustment to interest expense during the period.

Commodity Price Swap Contracts

Commodity price swap contracts are used to hedge anticipated purchase commitments. Any unrealised gains and losses on these contracts, together with the costs of the contracts, are deferred until maturity of the contract.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are recognised as expenses in the period incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Consolidated		Company	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:

(a) Operating revenue:

Rendering of services	3,169,286	3,230,869	-	-
Interest revenue:				
associate entities	5,658	5,524	-	-
other parties	11,852	33,094	-	-
Net foreign exchange gain	-	12,248	-	-
Equity share of associates' profits	2,571	18,085	-	-
	<u>3,189,367</u>	<u>3,299,820</u>	-	-

(b) Non operating revenue:

Proceeds from sale of non current assets:

Investments	155,345	155,345	-	-
Property, plant and equipment	155,345	155,345	-	-
	<u>3,437,080</u>	<u>3,511,269</u>	-	-

(c) Operating expenses:

Depreciation/amortisation of:				
buildings	17,459	16,843	-	-
aircraft, engines and spares	132,173	96,676	-	-
plant and equipment	50,516	28,116	-	-
leased assets capitalised	25,786	41,208	-	-
intangibles	1,346	-	-	-
deferred expenditure	473	1,386	-	-
Total depreciation and amortisation	<u>228,200</u>	<u>184,229</u>	-	-

Amounts set aside to/(released from) provisions for:

employee entitlements	13,761	13,761	-	-
stock obsolescence	320	320	-	-
doubtful trade debts	184	184	-	-
other	(36,795)	(36,795)	-	-
Bad debts written off	4,207	4,207	-	-
Operating lease rental expense	199,531	161,414	-	-

Net foreign exchange loss 277,987 - - -

Borrowing costs:				
related parties	14,050	13,378	3,614	3,206
other parties	86,238	86,398	-	-
capitalised leases	2,427	8,432	-	-
Less borrowing costs capitalised:				
other parties	-	-	-	-
Borrowing costs expensed	<u>102,715</u>	<u>101,720</u>	<u>3,614</u>	<u>3,206</u>

Remuneration of Auditors

(a) Auditor of the parent entity				
Auditing the financial report	696	696	-	-
Other services	5,924	5,924	-	-
(b) Other auditors				
Auditing the financial report	6	6	-	-

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
2. OPERATING PROFIT/(LOSS) (continued)				
Net gain on sale of non-current assets	7,057	7,057	-	-
(d) Individually significant items included in profit/(loss) from ordinary activities before income tax expense				
Net profit on disposal of controlled entities and non-current assets	50,139	50,139	-	-
Regional Network expansion costs	(13,631)	(10,169)	-	-
Goods and Services Tax implementation costs	(3,022)	(9,584)	-	-
Restructuring costs	(67,392)	-	-	-
Olympic Games promotional costs	(36,617)	(4,489)	-	-
Loss of lease rental income and costs arising from associated entity's pilots' dispute in New Zealand	-	(24,146)	-	-
Change in accounting for foreign exchange movements on aircraft residuals	(220,168)	-	-	-
(e) Revisions of Accounting Estimates				

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
4. TAXATION				
(a) Income Tax (Expense)/Benefit				
Prima facie income tax (expense)/benefit calculated at 34% (2000: 36%) on operating profit/(loss)	207,371	(45,763)	(2,895)	1,154
Adjusted by the tax effect of:				
Share of associates' net profit	874	6,510	-	-
Non assessable profit on disposal of controlled entities and non current assets	17,966	17,966	-	-
Capital losses transferred from controlled entity	-	-	4,124	-
Other	3,413	3,413	-	-
Income tax (expense)/benefit on operating profit/(loss)	(17,874)	(17,874)	1,229	1,154

Income tax (under)/over provided in prior years	(8,661)	(8,661)	549	(550)
Tax credit arising from rate change effect on timing differences		43,852	(337)	-
Income tax (expense)/benefit attributable to operating profit/(loss)	<u>236,871</u>	<u>17,317</u>	<u>1,441</u>	<u>604</u>

(b) Deferred Tax Assets

Future income tax benefit comprises the estimated future benefit, at applicable income tax rates, of the following items:

Timing differences	41,126	15,393	-	-
Tax losses	<u>35,695</u>	<u>15,929</u>	<u>2,046</u>	<u>1,154</u>
	<u>76,821</u>	<u>31,322</u>	<u>2,046</u>	<u>1,154</u>

Future income tax benefit has been offset against the provision for deferred income tax to the extent that timing differences giving rise to the provision will reverse within the reporting period during which the benefits from tax losses and other timing differences are available for deduction within the respective controlled entity. Timing differences recorded as future income tax benefits which have been offset against the provision for deferred income tax amount to \$210,542,000, the Company \$Nil (2000: \$151,135,000, the Company \$Nil)

(c) Deferred Tax Assets Not Taken to Account

The potential future income tax benefit in controlled entities arising from tax losses (excluding capital losses) and timing differences which has not been recognised as an asset because recovery is not virtually certain follows:

Tax losses	29,967	21,164	-	-
Timing differences	<u>29,967</u>	<u>21,164</u>	<u>-</u>	<u>-</u>

The potential future income tax benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Section 170 of the Income Tax Assessment Act 1997 or relevant jurisdiction;
- the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
5. RECEIVABLES				
Current				
Trade debtors	453,188	439,923	-	-
Less provision for doubtful debts	(11,372)	(5,993)	-	-
	441,816	433,930	-	-
Sundry debtors and loans to other persons	104,354	79,878	993	-
Amount owing by associate	693	8,767	-	-
Amount owing by parent entity	6,206	-	-	-
Lease receivables	3,635	25,064	-	-
	<u>556,704</u>	<u>547,639</u>	<u>993</u>	<u>-</u>
Non current				
Sundry debtors and loans to other persons	83	6,291	-	-
Amount owing by related party	-	-	5,031	-
Amount owing by associate	128,023	-	-	-
	<u>128,106</u>	<u>6,291</u>	<u>5,031</u>	<u>-</u>

Lease receivables have maturity dates within twelve months. Interest rates on lease receivables vary between 7% and 13.5%. Income has been brought to account on a yield to maturity basis.

6. INVENTORIES

Raw materials and stores – at cost	38,395	14,092	-	-
Less provision for stock obsolescence	-	(1,868)	-	-
	38,395	12,224	-	-
Finished goods – at cost	28,655	17,044	-	-
Less provision for stock obsolescence	(1,783)	(932)	-	-
	26,872	16,112	-	-
General stores	84,254	100,073	-	-
Work in progress – at cost	15,815	2,033	-	-
Assets held for resale	11,232	-	-	-
	<u>176,568</u>	<u>130,442</u>	<u>-</u>	<u>-</u>

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

7. INVESTMENTS

Investment in Controlled Entities:

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Shares - at cost	-	-	672,789	672,789
Less amount written off	-	-	(75,000)	(75,000)
	-	-	597,789	597,789

Investments in Associates
accounted for using the equity method:

Unlisted shares - at cost	30,679	22,802	-	-
Less provision for diminution in value	-	-	-	-
	30,679	22,802	-	-

Unlisted associated companies' reserves

	(20,981)	(12,848)	-	-
	9,698	9,954	-	-

Other Financial Assets:

Shares in other corporations - at cost	4,359	4,360	-	-
Total Investments	14,057	14,314	597,789	597,789

**Movement in carrying value of investment in
associates**

Equity accounted investment at beginning of year	9,954	4,151
Carrying value of associate disposed of during the year	-	(1,953)
Controlled entity's share of post acquisition losses of associate disposed of during the year	-	1,294
Share of associates net results from operating activities	2,571	18,085
Prior year adjustment to carrying value	7,499	802
Write back of negative reserve on suspension of equity method in respect of associate	9,746	-
Dividends received	(20,072)	(12,425)
Equity accounted investment at end of year	9,698	9,954

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

8 PROPERTY, PLANT AND EQUIPMENT

	Consolidated						
	Freehold Land and Buildings	Leasehold Land and Buildings	Aircraft, engines and spares	Aircraft, engines and spares under lease	Plant and equipment	Plant and equipment under lease	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount							
Balance at June 2000	74,780	365,330	2,523,344	565,465	616,908	48,416	4,194,243
Adjustment to opening balance	(3,244)	6,121	(85,137)	6,910	(2,924)		(78,274)
Additions	3,382	11,672	170,386		62,324	1,986	249,750
Progress payments			15,988				15,988
Acquisition of controlled entity	389	299	9,748	7,169	810	263	18,678
Disposals	(260)	10	(157,198)		(6,272)		(163,720)
Net foreign currency exchange differences arising on translation of financial statements of self sustaining foreign operations		113			462		575
Reallocation transfers	1,147	(38,056)	322,716	(356,856)	26,697	(60)	(44,412)
	<u>76,194</u>	<u>345,489</u>	<u>2,799,847</u>	<u>222,688</u>	<u>698,005</u>	<u>50,605</u>	<u>4,192,828</u>
Accumulated Depreciation							
Balance at June 2000	-	(99)	(916,440)	(302,911)	(429,325)	(26,157)	(1,674,932)
Adjustment to opening balance		(2,588)	6,164	3,082	(5,147)		1,511
Depreciation expense	(1,429)	(16,030)	(132,173)	(20,952)	(50,963)	(4,834)	(226,381)
Disposals	3	(119)	61,775		5,835		67,494
Net foreign currency exchange differences arising on translation of financial statements of self sustaining foreign operations		(24)			(327)		(351)
Reallocation transfers		(717)	(166,320)	211,334	948	56	45,301
	<u>(1,426)</u>	<u>(19,577)</u>	<u>(1,146,994)</u>	<u>(109,447)</u>	<u>(478,979)</u>	<u>(30,935)</u>	<u>(1,787,358)</u>
Net Book Value							
As at 30 June 2001	<u>74,768</u>	<u>325,912</u>	<u>1,652,853</u>	<u>113,241</u>	<u>219,026</u>	<u>19,670</u>	<u>2,405,470</u>
As at 30 June 2000	<u>74,780</u>	<u>365,231</u>	<u>1,606,904</u>	<u>262,554</u>	<u>187,583</u>	<u>22,259</u>	<u>2,519,311</u>

Current Value of Land and Buildings

A valuation of land and buildings was carried out in June 2000 on the basis of independent assessments of the fair market value of the properties concerned in their existing use, or in the case of the Sydney Terminal building, on the basis of replacement cost. The directors of the Company are of the opinion that this valuation provides a reasonable estimate of recoverable amount as at 30 June 2001.

Depreciation

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Plant and equipment				
at cost	668,673	616,908	-	-
less accumulated depreciation	(480,991)	(429,325)	-	-
	187,682	187,583	-	-
Plant and equipment under lease				
at cost	50,669	48,416	-	-
less accumulated amortisation	(30,999)	(26,157)	-	-
	19,670	22,259	-	-
Total plant and equipment	2,079,300	2,079,300	-	-
Total property, plant and equipment	2,405,470	2,519,311	-	-

The valuation of land and buildings was carried out as at 30 June 2000 and was on the basis of independent assessments of the fair market value of the properties concerned in their existing use, or, in the case of the Sydney Terminal building, on the basis of replacement cost. The directors of the Company are of the opinion that this valuation provides a reasonable estimate of recoverable amount as at 30 June 2001.

The independent valuation of the land and buildings portfolio was carried out as at 30 June 2000 by CB Richard Ellis (V) Pty Limited, Certified Practising Valuers. This valuation was obtained in accordance with the entity's policy of obtaining an independent valuation of land and buildings every three years.

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

**ANSETT HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

9. INTANGIBLES

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Goodwill arising on acquisition of controlled entities	19,986	135	-	-
Accumulated amortisation	(2,727)	-	-	-
	17,259	135	-	-
Other	5,737	2,066	-	-
Accumulated amortisation	(3,566)	(1,046)	-	-
	2,171	1,020	-	-
	19,430	1,155	-	-

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

10. OTHER ASSETS

Current				
Deferred expenditure	3,611	893	-	-
Net hedging contracts receivable	29	19,795	-	-
Prepayments	13,683	37,219	-	-
Other	1,846	5,508	-	-
	<u>19,169</u>	<u>63,415</u>	-	-
Non current				
Deferred expenditure	829	570	-	-
Unrealised foreign exchange gain on aircraft residual values	-	141,937	-	-
Other	23,543	60	-	-
	<u>24,372</u>	<u>142,567</u>	-	-

11. PAYABLES

Current				
Trade creditors and accruals	593,195	383,828	-	-
Unearned revenue	289,650	407,224	-	-
Amounts owing to parent entity	191	-	-	-
	<u>883,036</u>	<u>791,052</u>	-	-
Non current				
Trade creditors and accruals	92,553	120,922	-	-
Amounts owing to associates	94,041	-	-	-
	<u>186,594</u>	<u>120,922</u>	-	-

Trade creditor terms are primarily between 7 and 30 days. In general, no cost is incurred for the late payment of accounts.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Consolidated		Company	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000

12. INTEREST BEARING LIABILITIES

Current				
Bank overdrafts	2,028	19	-	-
Bank loans - unsecured	-	22,171	-	-
Bank loans - fully secured	157,026	255,185	-	-
Lease liabilities	67,068	161,269	-	-
Amounts owing to controlled entity	-	-	-	3,039
Amount owing to parent entity	188,574	-	-	-
Other loans	-	148	-	-
	<u>414,696</u>	<u>438,792</u>	-	<u>3,039</u>
Non current				
Bank loans - unsecured	89,508	-	-	-
Bank loans - fully secured	933,733	691,211	-	-
Lease liabilities	3,528	10,872	-	-
Amounts owing to controlled entity	-	-	50,350	50,350

Amount owing to associate	75,000	75,000	-	-
Amount owing to parent entity	592	-	-	-
	<u>1,102,361</u>	<u>777,083</u>	<u>50,350</u>	<u>50,350</u>

Bank overdrafts are payable at call. Interest is charged on the overdrawn amount on a daily basis based upon the published Corporate Overdraft Reference Rate plus a margin ranging from 0-5%.

Bank loans are generally for periods of up to 12 years with principal and interest repayments occurring quarterly or semi-annually. Interest is charged at a base market rate plus a margin. Margins range from 0.2% to 0.8%. Generally the bank loans are secured over aircraft and aviation related assets of the consolidated entity.

Associate loans are generally repayable on demand. Interest is charged at a base market rate plus a margin. Margins range from 1% to 1.5%.

13. AMOUNTS PAYABLE IN FOREIGN CURRENCIES

The Australian dollar equivalent of unhedged amounts payable in the following currencies calculated at year end exchange rates are as follows:

Amounts Payable

Current:				
United States Dollars	151,196	288,558	-	-
Japanese Yen	-	40,011	-	-
Non current:				
United States Dollars	913,705	660,753	-	-
Deutsche Marks	-	22,706	-	-

**ANSETT HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
14. PROVISIONS				
Current				
Employee entitlements	172,490	126,760	-	-
Other provisions	12,011	33,800	-	-
	<u>184,501</u>	<u>160,560</u>	-	-
Non current				
Employee entitlements	56,327	111,926	-	-
Other provisions	537	2,509	-	-
	<u>56,864</u>	<u>114,435</u>	-	-
15. DEFERRED TAX LIABILITIES				
Deferred income tax	75,756	294,037	-	-
	<u>75,756</u>	<u>294,037</u>	-	-
The provision for deferred income tax has been reduced by future income tax benefits attributable to timing differences by the amount of \$210,542,000 (2000: \$151,135,000).				
16. OTHER LIABILITIES				
Current				
Deferred revenue	2,467	364	-	-
	<u>2,467</u>	<u>364</u>	-	-
Non current				
Deferred revenue	8,842	119	-	-
	<u>8,842</u>	<u>119</u>	-	-
17. CONTRIBUTED EQUITY				
Issued and paid up capital				
87,196,968 fully paid ordinary shares	137,114	137,114	137,114	137,114
524,250 fully paid 5% cumulative preference shares	1,049	1,049	1,049	1,049
394,000 fully paid non cumulative Class A preference shares	382,579	382,579	382,579	382,579
101,500 fully paid non cumulative Class B preference shares	105,075	105,075	105,075	105,075
	<u>625,817</u>	<u>625,817</u>	<u>625,817</u>	<u>625,817</u>

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
18. RESERVES				
Asset revaluation	156,938	151,208	-	-
Associated companies	(20,981)	(12,848)	-	-
Foreign currency translation	(32,362)	(44,969)	-	-
	<u>93,390</u>	<u>93,390</u>	-	-

MOVEMENTS DURING THE YEAR

Share Premium Reserve

Balance at beginning of year	-	-	-	575,701
Included with share capital	-	-	-	(575,701)
Balance at end of year	-	-	-	-

Asset Revaluation Reserve

Balance at beginning of year	151,208	141,882	-	-
Net surplus on revaluation of land and buildings during year	-	9,781	-	-
Revaluation reserve transferred to retained profits	-	(455)	-	-
Balance at end of year	<u>151,024</u>	<u>151,208</u>	-	-

Associated Companies Reserve

Balance at beginning of year	(12,848)	(19,802)	-	-
Associated company operating results transferred from retained profits	2,571	18,085	-	-
Dividend received transferred from accumulated losses	(20,072)	(12,425)	-	-
Associated company reserve transferred to retained profits on disposal	-	1,294	-	-
Balance at end of year	<u>(20,981)</u>	<u>(12,848)</u>	-	-

Foreign Currency Translation Reserve

Balance at beginning of year	(44,969)	(38,132)	-	-
Realisation of foreign currency movements on disposal of controlled entities transferred to accumulated losses	-	(6)	-	-
Translation adjustment on controlled foreign entities' financial statements	11,962	(6,831)	-	-
Balance at end of year	<u>(32,362)</u>	<u>(44,969)</u>	-	-

19. RETAINED PROFITS

Retained profits at beginning of the financial year	125,049	(13,727)	(80,263)	(79,319)
Net profit (loss) attributable to members of the parent entity	(373,043)	144,436	9,957	(944)
Net transfers to and from reserves	<u>17,501</u>	<u>(8,499)</u>	-	-
Retained profits/(accumulated losses) at end of financial year	<u>(230,493)</u>	<u>125,049</u>	<u>(81,504)</u>	<u>(80,263)</u>

**ANSETT HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Consolidated		Company	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000

19. CONTRACTUAL COMMITMENTS

Capital Expenditure Commitments

Contracted but not provided and payable:

Not later than one year	13,946	163,949	-	-
Later than one year but not later than two years	-	16,711	-	-
Later than two years but not later than five years	-	47,176	-	-
Later than five years	-	40,954	-	-
	<u>13,946</u>	<u>268,790</u>	-	-

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	202,658	106,379	-	-
Later than one year but not later than five years	547,880	295,812	-	-
Later than five years	<u>750,817</u>	<u>737,999</u>	-	-
	<u>1,501,355</u>	<u>1,140,100</u>	-	-

Operating lease commitments relating to aircraft amount to \$464,819,000 (2000: \$138,357,000). The consolidated entity leases aircraft, property and plant under operating leases expiring from one to twelve years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental based on either movements in the Consumer Price Index or operating criteria.

Finance Lease Commitments

Finance lease rentals are payable as follows:

Not later than one year	71,402	176,214	-	-
Later than one year but not later than five years	18,103	162,775	-	-
Later than five years	-	-	-	-
	<u>89,504</u>	<u>338,989</u>	-	-
Less future finance charges	<u>(4,889)</u>	<u>(6,230)</u>	-	-
	84,615	332,759	-	-
Less secured loans to lessors	<u>(14,020)</u>	<u>(160,618)</u>	-	-
	<u>70,595</u>	<u>172,141</u>	-	-
Lease liabilities provided in the financial statements:				
Current	67,068	161,269	-	-
Non current	<u>3,527</u>	<u>10,872</u>	-	-
	<u>70,595</u>	<u>172,141</u>	-	-

The financing of some of the leased assets above include secured loans by controlled entities to the lessor and these loans have been set-off against lease liabilities. Interest of \$7,558,000 (2000: \$7,558,000) under these loans has been set-off against interest paid on capitalised finance leases.

The consolidated entity leases aircraft and plant and equipment under finance leases expiring from one to four years. At the end of the lease term the consolidated entity has the option to purchase the assets at a price deemed to be a bargain purchase option. Some leases involve lease payments comprising a base amount plus an incremental contingent rental based on the Consumer Price Index.

The consolidated entity has entered into a defeasance of debt arrangement whereby a third party has assumed the primary obligation for the principal amounts outstanding on certain finance leases. The amount defeased at balance date at current exchange rates is \$17,497,000 (2000: \$17,497,000). The third party primary obligations mature over the financial years to 2002.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

19. CONTRACTUAL COMMITMENTS (continued)

Superannuation commitments

The Company and certain controlled entities contribute to several defined benefit and defined contribution superannuation plans.

Employers are required pursuant to the Trust Deeds and Rules of the respective defined benefit plans to pay contributions to the Trustee(s) in accordance with the Trust Deed provisions. Employer contributions are based on various percentages of gross salaries. The plans provide defined benefits based on years of service and final average salary. All employees are entitled to benefits on retirement, resignation, redundancy, disability or death.

Employer contributions to the accumulation plans are made in accordance with the Trust Deeds and Rules of these plans.

In accordance with the provisions of the trust deeds, controlled entities undertook transactions with the plans comprising the payment of contributions.

In the case of defined benefit superannuation plans, employer contributions are based on the advice of the plan's actuary.

The latest actuarial reviews of the defined benefit plans were performed as at 1 July 2000 by Mr Paul Francis BSc FIAA, Superannuation Actuary of NSP Buck, for the Ground Staff Plan, Management Plan and Flight Engineers Plan and Mr Andrew Boal BSc FIAA, Superannuation Actuary of Watson Wyatt for the FAB Scheme. Since that time employer contributions have been made in accordance with actuarial recommendations designed to ensure that sufficient funds are available to satisfy all benefits that would be vested under the defined benefit plans in the event of termination of the plans or voluntary or compulsory termination of the employment of each employee.

All group superannuation plans have sufficient net assets to satisfy all benefits that have vested under the plans on voluntary or compulsory termination of employment of each employee.

The directors, based on advice of the trustees of the plans, are not aware of any changes in circumstance since the date of the most recent financial statements which would have a material impact on the overall financial position of the plans.

Defined benefit superannuation plans

	Ansett Australia Ground Staff Superannuation Plan \$'000	FAB Scheme \$'000	Other Superannuation Plans \$'000	Consolidated \$'000
Net market value of plan assets - June 2000	598,893	152,354	54,488	805,735
Accrued benefits	525,375	135,471	39,346	700,192
Excess of plan assets over accrued benefits	73,518	16,883	15,142	105,543
Net market value of plan assets - June 2000	598,893	152,354	54,488	805,735
Vested benefits	553,088	151,342	43,191	747,621

- (i) The above measurement of plan assets at net market value and vested benefits has been calculated at 30 June 2000, being the most recent financial statements of the plans.
- (ii) Accrued benefits have been obtained from the most recent actuarial reviews performed as at 1 July 2000 for all defined benefit plans. Net market values of plan assets at that date are shown for measurement.
- (iii) The following superannuation plans have been aggregated under the heading "Other Superannuation Plans":
 - Ansett Australia Pilots/Management Superannuation Plan.
 - Ansett Australia Flight Engineers Superannuation Plan.

Accrued benefits are benefits which the plan is presently obliged to pay at some future date, as a result of membership of the plan. Vested benefits are benefits which are not conditional upon continued membership of the plan or any factor, other than resignation from the plan.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Consolidated		Company	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000

20. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise.

Unsecured guarantees

Other corporations

1,299,578 2,055,871 - -

Included is an amount of US\$1,077,165,000 (2000: US\$1,077,165,000) relating to the guarantee of other entities' (Ansett Worldwide Aviation Limited and Ansett Worldwide Aviation USA) commitments under long term aircraft leasing arrangements. The amount shown is the maximum liability that the consolidated entity could be called upon to pay. However, the directors consider that this contingent liability is significantly hedged by the underlying value of aircraft under lease. Also included is an amount of \$172,977,000 (2000: \$172,977,000) for operating lease commitments relating to aircraft of certain associates and \$49,436,000 (2000: \$49,436,000) for the guarantee of creditors, other operating lease commitments and bank guarantees of certain associates.

Litigation

The consolidated entity is involved in various claims and litigation arising in the ordinary course of business, none of which is expected to have a significant effect upon its operating results or financial position.

Deed of Cross Guarantee

Pursuant to an ASIC Class Order 98/1418, relief was granted to the separate wholly owned subsidiary groups listed below from the Corporations Law requirements for preparation, audit, and lodgement of financial reports. It is a condition of the Class Order that the respective subsidiaries and their relevant holding company (being Skywest Holdings Pty Limited in respect of Group A companies, Ansett Australia Holdings Limited in respect of Group B companies and Ansett Holdings Limited in respect of Group C companies) enter into a Deed of Cross Guarantee. The effect of the Deeds is that the parties guarantee to each creditor payment in full of any debt in the event of winding up of the relevant holding company or any subsidiary party to the Deed under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the companies will only be liable in the event that after six months any creditor has not been paid in full.

The subsidiaries entitled to the benefit of the Class Order are:

Group A

Eastwest Airlines Limited
Rock-it-Cargo (Aust) Pty Limited

Group B

Wridgways Holdings Limited
501 Swanston Street Pty Limited

Group C

Bodas Pty Limited
Morael Pty Limited
Skywest Aviation Limited

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

20. CONTINGENT LIABILITIES (continued)

Consolidated statements of financial performance and consolidated statements of financial position, comprising the relevant holding company the respective subsidiaries which are party to the individual Deeds of Cross Guarantee at 30 June 2001, are detailed below. Transactions between companies within each closed group have been eliminated in arriving at the consolidated amounts. Transactions between each group have not been eliminated.

Statements of Financial Performance	Group A \$'000	Group B \$'000	Group C \$'000
-------------------------------------	-------------------	-------------------	-------------------

Operating profit/(loss) before income tax		38,858	8,516
Income tax (expense)/benefit attributable to operating profit	(8)	(2,359)	1,441
Operating profit after income tax	(8)	36,499	9,957
Accumulated losses at the beginning of the financial year	(169,695)	(90,512)	(91,136)
Adjustment to accumulated losses arising from release of entities under Deed of Revocation	-	-	-
Accumulated losses at the end of the financial year	(169,703)	(54,013)	(81,179)

Statement of Financial Position

Cash	-	53,542	-
Receivables	-	172,760	993
Total current assets	-	226,302	993
Receivables	32,773	1,229,066	8,021
Investments	8,694	103,469	644,726
Deferred tax assets	-	12,095	2,047
Total non-current assets	41,467	1,344,630	654,794
Total assets	41,467	1,570,932	655,787
Payables	-	151,985	-
Interest bearing liabilities	-	188,574	-
Provisions	-	-	-
Other	-	-	-
Total current liabilities	-	340,559	-
Payables	-	402,894	22,762
Interest bearing liabilities	62,500	241,703	88,387
Provisions	-	-	-
Total non-current liabilities	62,500	644,597	111,149
Total liabilities	62,500	985,156	111,149
Net assets	(21,035)	585,776	544,638
Share Capital	141,000	639,281	625,817
Reserves	7,668	508	-
Accumulated losses	(169,703)	(54,013)	(81,179)
Total shareholders equity	(21,035)	585,776	544,638

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

21. FINANCING ARRANGEMENTS

The consolidated entity has access to the following financing arrangements:

Loans and Lines of Credit

The consolidated entity has access to loans and lines of credit, discounted note and bill acceptance facilities totalling \$1,206,493,000 (1999: \$1,210,959,000). At balance date, the unused portion was \$185,782,000 (1999: \$179,158,000). Generally the bank loans are secured over aircraft and aviation related assets of the consolidated entity.

Bank Overdraft

The consolidated entity has access to bank overdraft facilities to a maximum of \$5,000,000 (2000: \$5,000,000). At balance date, overdraft balances of certain controlled entities totalling \$176,796,000 (2000: \$89,498,000) were offset against in fund balances of other entities under group facility arrangements, leaving a net unused facility of \$2,972,000 (2000: \$4,981,000) at balance date.

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

22. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The consolidated entity enters into interest rate swaps to reduce the effect of volatility in interest rates.

(i) Interest Rate Swaps

USD interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Terms of swap contracts are principally between 2 and 10 years.

Each contract involves quarterly or semi-annual payment or receipt of the net amount of interest at fixed and floating rates. At 30 June 2000 the fixed rates varied from 5.60% to 7.43% (1999: 5.60% to 7.43%) and the floating rates were based upon the London Inter Bank Offer Rate. The weighted average effective floating interest rate at 30 June 2000 was 6.75% (1999: 4.22%).

(ii) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2001

2001

			Fixed interest maturing in:					
		Floating	1 year or	Over 1 to 5	More than	Non-	Total	Weighted
		Interest	less	years	5 years	Interest		Average
		Rate				Bearing		Interest Rate
		2001	2001	2001	2001	2001	2001	2001
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets								
Cash		21,280	-	-	-	-	21,280	6.26
Receivables	5	8,767	-	7,109	-	512,990	528,866	-
Finance lease receivables	5	-	3,635	-	-	-	3,635	9.69
		<u>167,979</u>	<u>3,635</u>	<u>7,109</u>	<u>-</u>	<u>512,990</u>	<u>713,142</u>	
Financial liabilities								
Accounts payable	10	-	-	-	-	911,974	911,974	-
Bank loans - unsecured	11	-	-	-	-	-	89,508	9.12
Bank loans - fully secured	11	756,144	24,905	165,347	-	-	1,090,759	9.57
Other loans	11	-	-	-	-	-	-	-
Finance lease liabilities	11	-	67,068	3,528	-	-	70,596	8.91
Employee entitlements	13	-	172,490	95,088	16,838	-	238,686	6.17
		<u>756,144</u>	<u>335,105</u>	<u>271,307</u>	<u>16,838</u>	<u>911,974</u>	<u>2,291,368</u>	
Interest rate swaps*		<u>(453,710)</u>	<u>165,000</u>	<u>210,038</u>	<u>78,673</u>	<u>-</u>	<u>-</u>	6.54

* Notional principal amount

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

22. FINANCIAL INSTRUMENTS (continued)

2000

Floating Interest	Fixed interest maturing in:			Non- Interest	Total	Weighted Average
	1 year or less	Over 1 to 5 years	More than 5 years			

Note	Rate				Bearing		Interest Rate	
	2000	2000	2000	2000	2000	2000	2000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		%
<i>Financial assets</i>								
Cash	159,212	-	-	-	-	159,212	6.26	
Receivables	5	8,767	-	7,109	-	512,990	528,866	-
Finance lease receivables	5	-	25,064	-	-	25,064	9.69	
		<u>167,979</u>	<u>25,064</u>	<u>7,109</u>	<u>-</u>	<u>512,990</u>	<u>713,142</u>	
<i>Financial liabilities</i>								
Accounts payable	10	-	-	-	911,974	911,974	-	
Bank loans - unsecured	11	-	22,171	-	-	22,171	9.12	
Bank loans - fully secured	11	756,144	24,905	165,347	-	946,396	9.57	
Finance lease liabilities	11	-	161,269	10,872	-	172,141	8.91	
Employee entitlements	13	-	126,760	95,088	16,838	238,686	6.17	
		<u>756,144</u>	<u>335,105</u>	<u>271,307</u>	<u>16,838</u>	<u>911,974</u>	<u>2,291,368</u>	
Interest rate swaps*		<u>(453,710)</u>	<u>165,000</u>	<u>210,038</u>	<u>78,673</u>	<u>-</u>	<u>-</u>	6.54

* Notional principal amount

(b) Foreign Exchange Risk

The consolidated entity enters into forward exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (principally US dollars). The terms of these commitments are rarely more than two years.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of foreign currency borrowings (principally US dollars and Japanese Yen), purchases and sales expected in each month within the following two years within Board approved limits. The amount of anticipated future purchases and sales are forecast in light of current conditions in foreign markets, commitments from customers and experience.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 20001

22. FINANCIAL INSTRUMENTS (continued)

The net unrecognised gain on hedges of anticipated foreign currency purchases and sales at 30 June 2000 was \$11,054,622 (1999 : \$23,194,181 loss). As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, are deferred and will be recognised in the financial statements at the time the underlying transaction occurs.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity:

	2000		2000	
	AUD Amount \$'000	Rate	AUD Amount \$'000	Rate
Not longer than one year				
Buy US dollars	270,217	0.6291	270,217	0.6291
Sell US dollars	-	-	-	-
Buy German marks	11,710	1.2748	11,710	1.2748
Sell UK pounds	-	-	-	-
Buy Indonesian rupiah	-	-	-	-
Buy Japanese yen	8,344	59.9238	8,344	59.9238
Sell Japanese yen	56,285	63.9607	56,285	63.9607
Buy Dutch guilders	-	-	-	1.3986
Buy Singapore dollars	-	-	-	1.1192
Longer than one year but not longer than two years				
Buy US dollars	20,719	0.5792	20,719	0.5792
Buy Japanese yen	4,350	57.4600	4,350	57.4600
Sell Japanese yen	22,597	57.9710	22,597	57.9710

(c) Commodity Price Risk

The consolidated entity enters into fuel swap and option contracts to reduce the effect of volatility in fuel prices. The terms of these contracts are rarely more than one year. The consolidated entity's policy is to enter into fuel swap and option contracts to hedge a proportion of fuel purchases expected in each month within the following twelve months and within Board approved limits. The amount of anticipated future purchases are forecast in light of current conditions in fuel markets, changes to fuel consumption and experience.

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs.

	2000		2000	
	Barrels	Weighted Average Price (USD)	Barrels	Weighted Average Price (USD)
Not longer than one year				
Fuel Swaps				
Buy Singapore Jet Fuel	1,433,000	27.91	1,433,000	27.91
Average Rate Option				
Buy Singapore Jet Fuel Call	876,900	26.78	876,900	26.78
Buy Singapore Jet fuel Put	715,500	27.89	715,500	27.89
Sell Singapore Jet Fuel Put	447,000	27.00	447,000	27.00

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

22. FINANCIAL INSTRUMENTS (continued)

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Balance Sheet Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which has been recognised on the balance sheet is reflected in the carrying amount net of any provision for doubtful debts.

The consolidated entity minimises concentration of credit risk in relation to trade accounts receivables by undertaking transactions with a large number of customers in various industries. The majority of customers are concentrated in Australia, and the consolidated entity is not materially exposed to any individual customer or industry.

Off-Balance Sheet Financial Instruments

Credit risk in relation to off-balance sheet financial assets is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Concentrations of credit risk are minimised by the imposition of Board approved counterparty limits and the use of ratings provided by international ratings agencies. Dealings are strictly limited to highly rated counterparty banks.

Credit risk arises from the potential failure of counterparties, which are principally large banks, to meet their obligations under the contract or arrangement. The credit risk exposure arising from the derivative financial instruments is the sum of all contracts with a positive replacement cost. As at 30 June 2000 the sum of all contracts with a positive replacement cost is \$33,588,485.

(e) Net Fair Values

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

On-Balance Sheet Financial Instruments

The net fair value of monetary financial assets and financial liabilities not readily traded in organised financial markets is the principal amount of the asset or liability. The carrying amounts of all on-balance sheet financial instruments approximate net fair value.

Off-Balance Sheet Financial Instruments

The valuation of off-balance sheet financial instruments reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts, or replace the contracts at market rates in existence at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net fair value of off-balance sheet financial instruments held as at the reporting date are:

	2000	2000
	Consolidated Net Fair Value	Consolidated Net Fair Value
	\$'000	\$'000
Interest rate swaps	7,206	7,206
Forward exchange contracts	11,054	11,054
Fuel forward contracts	2,329	2,329
Fuel options	12,956	12,956

**ANSETT HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Consolidated		The Company	
2000	1999	2000	1999
\$'000	\$'000	\$'000	\$'000

23. DIRECTORS REMUNERATION

Directors

Total income paid or payable or otherwise made available, to all directors of the Company and controlled entities, from the Company or any related party:

4,628	5,263	1,188	1,004
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The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$0 - \$9,999	2	2
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	2	1
\$100,000 - \$109,999	1	1
\$790,000 - \$799,999	-	1
\$980,000 - \$989,999	1	-

Directors' income includes amounts paid by the consolidated entity during the year to indemnify directors and an allocation of insurance premiums paid by the consolidated entity in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, in accordance with common commercial practice.

24. SEGMENT INFORMATION

The consolidated entity operates predominantly within the transport industry in Australasia.

25. OUTSIDE EQUITY INTERESTS

Outside Equity Interest in Controlled Entities comprise:

Interest in share capital	1,397	1,397	-	-
Interest in reserves	-	-	-	-
Interest in retained profits	-	-	-	-
	<u>1,397</u>	<u>1,397</u>	<u>-</u>	<u>-</u>

26. DIVIDENDS

Dividend Franking Account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements:

Class C (at 30%, 2000: 34%) franking credits	<u>171,574</u>	<u>171,574</u>	<u>-</u>	<u>-</u>
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The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

27. RELATED PARTY TRANSACTIONS

Directors

Directors holding office during the financial year were:

S.J.Cushing, J.A.Farmer, J.McCrea, R.H.Nazarian, P.R.Burden, R.P.Carter, J.S.Curtis, R.J.Norris, G.J.Terry, S.P.Wareing, W.M.Wilson, C.B.Goode, C.K.Cheong, E.M.Coutts, M.J.N.Tan.

Details of directors' remuneration are set out in Note 21.

Directors' Transactions

From time to time directors of the Company or its controlled entities, or their director related entities, may purchase services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees.

Shareholders

The sole shareholder of the Ansett Holdings Limited Group during the financial year, holding all the issued ordinary capital of the Company, was the Air New Zealand Limited Group.

Controlled Entities

Amounts advanced to and by controlled entities are generally repayable after twelve months. Interest is charged at variable rates as agreed between the parties.

Amounts receivable by the Company from controlled entities at balance date are set out in Note 5. The aggregate amounts payable to controlled entities by the Company at balance date are set out in Note 11.

During the year, the consolidated entity acquired for cash consideration of \$25,272,000 a 100% interest in Hazelton Airlines Limited. Details of the net tangible assets acquired are set out in Note 28.

Associates

Refer notes 2, 7, 10 and 26.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

27. RELATED PARTY TRANSACTIONS (continued)

Other Related Parties

During the year various transactions were conducted on a commercial basis between certain controlled entities including trading, investment and loan transactions.

Trading transactions conducted include: the purchase of transport and communications services; the provision of airline sales/reservation services; aircraft charter hire services; the provision of administrative and accounting services; and the provision of aircraft maintenance services and terminal facilities to other associates.

The purchase of transport and communications services from The News Corporation Limited and Air New Zealand Limited amounted to \$22,484,000 (1999: \$11,690,366). Amounts received from The News Corporation Limited and Air New Zealand Limited in respect of property rental, aircraft operating leases, freight, engineering services and insurance services amounted to \$9,212,000 (1999: \$17,814,890). Amounts received from associates for the provision of services to associates amounted to \$66,726,851 (1999: \$79,087,146). Amounts paid to associates for the provision of services by associates amounted to \$13,062,047 (1999: \$13,879,734).

Loan transactions conducted include the provision of finance to various associates. The interest rates charged and repayment terms vary

according to the agreements between the parties. Interest received on loans to associates is disclosed in Note 2.

Superannuation

During the year, contributions of \$56,075,615 (1999: \$55,436,723) were made by the consolidated entity to the consolidated entity's superannuation plans.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

28. ASSOCIATED COMPANIES

(a) Carrying value of equity consolidated investment

Name	Principal Activity	Class of Share	Ownership Interest		Investment Carrying Amount	
			2001 %	2000 %	2001 \$'000	2000 \$'000
Ansett International Ltd	International airline operator	ordinary	49	49	28,156	28,156
Whitsunday International Aviation Pty Limited	Airstrip operator	B Class ordinary	50	50	36	36
Travel Industries Automated Systems Pty Limited	Travel agents distribution systems	ordinary	25	25	1,040	1,040
					28,192	29,192
Writedown of investment in associated companies					(5,390)	(5,390)
Associated companies reserve					(20,981)	(12,848)
					<u>9,698</u>	<u>9,954</u>

Dividends received from associates by the consolidated entity amounted to \$20,072,000 (2000 \$12,425,000).

All transactions with associated companies are in the ordinary course of business and on normal terms and conditions.

(b) Performance and Financial Position of Associates

Results of associates

	Equity Consolidated	
	2001 \$'000	2000 \$'000
Share of associates' operating profit/(loss) before income tax	12,449	26,943
Share of associates' income tax expense attributable to operating profit	<u>(9,878)</u>	<u>(8,858)</u>
Share of associates' operating profit/(loss) after income tax	<u>2,571</u>	<u>18,085</u>

**ANSETT HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

28. ASSOCIATED COMPANIES

(b) Performance and Financial Position of Associates (continued)

Equity Consolidated	
2001 \$'000	2000 \$'000

Share of assets and liabilities attributable to associates

Current assets	32,585	128,393
Non-current assets	<u>86,388</u>	<u>47,562</u>
Total assets	<u>118,973</u>	<u>175,955</u>
Current liabilities	31,728	139,909
Non-current liabilities	<u>65,257</u>	<u>3,019</u>
Total liabilities	<u>96,985</u>	<u>142,928</u>
Share of associates' net assets	<u>21,988</u>	<u>33,027</u>

Share of post-acquisition retained profits attributable to associates

Share of associates' accumulated losses at the beginning of the financial year	(25,796)	(47,810)
Share of net profit of associates - operating results	2,571	18,085
Transfer ex Reserves	-	12,502
Retained profits attributable to interest in associate sold during year	-	3,852
Dividends from associates	<u>(20,072)</u>	<u>(12,425)</u>
Share of associates' accumulated losses at the end of the financial year	<u>(43,297)</u>	<u>(25,796)</u>

Share of post-acquisition asset revaluation reserve attributable to associates

Share of associates' asset revaluation reserve at the beginning of the financial year	21	21
Share of increment in asset revaluation reserves of associates	-	-
Share of associates' asset revaluation reserve at the end of the financial year	<u>21</u>	<u>21</u>

Commitments**Share of associates' operating lease commitments payable:**

Not later than one year	23,250	20,268
Later than one year but not later than five years	51,717	67,873
Later than five years	<u>-</u>	<u>-</u>
	<u>74,967</u>	<u>88,141</u>

Operating lease commitments relating to aircraft amount to \$73,951,000 (2000: \$63,114,000).

Share of associates' capital expenditure commitments payable:

Not later than one year	<u>-</u>	<u>-</u>
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Contingent liabilities**Share of associates' contingent liabilities:**

Not later than one year	<u>-</u>	<u>-</u>
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ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

29. ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

	Country of incorporation	Interest held in controlled entities	
		2001 %	2000 %
Ansett Holdings Limited	Aust	100	100
Controlled entities:			
Ansett Australia Holdings Limited	Aust	100	100
Controlled entities:			
Airport Terminals Pty Limited	Aust	100	100
Aldong Services Pty Limited	Aust	100	100
Ansett Aircraft Finance Limited	Aust	100	100
Ansett Airlines Australia Limited	UK	100	100
Ansett Australia Limited	Aust	100	100
Controlled entities:			
501 Swanston Street Pty Limited	Aust	100	100
Ansett Carts Pty Limited	Aust	100	100
Ansett Industries (Hong Kong) Limited	HKG	100	100
Ansett Leasing (HK) Limited	HKG	100	100
Ansett Technologies (NZ) Limited	NZ	100	100
Whitsunday Affairs Pty Limited	Aust	100	100
Whitsunday Harbour Pty Limited	Aust	100	100
Ansett Aviation Equipment Pty Limited	Aust	100	100
Ansett Equipment Finance Limited	Aust	100	100
Ansett Equipment Limited	Cayman Is.	100	100
Ansett Finance Limited	Aust	100	100
Ansett International Air Freight Inc.	USA	100	100
Ansett Niugini Enterprises Limited	PNG	100	100
Northern Territory Aerial Work Pty Limited	Aust	100	100
South Centre Maintenance Pty Limited	Aust	100	100
Southern Aviation Leasing Limited	Cook Is.	100	100
SPACA Pty Limited (formerly TNT / Ansett Chinese Joint Venture Company Limited	Aust	100	100
Transpacific Enterprises Inc.	USA	100	100
Controlled entity:			
Showfilm Inc.	USA	100	100
Tranzair (NZ) Limited	NZ	100	100
Traveland International Pty Limited	Aust	100	100
Controlled entities:			
Traveland Pty Limited	Aust	100	100
Controlled entity:			
Traveland New Staff Pty Limited	Aust	100	100
Traveland Discovery Holidays Pty Limited	Aust	75	75
Controlled entities:			
Southern Aviation Leasing Pty Limited	Aust	100	100
Viva! Discovery Holidays Inc.	USA	100	100
Traveland International (Aust) Pty Limited	Aust	100	100
Controlled entity:			
Traveland South Pacific Limited	NZ	100	100
Traveland International (NZ) Limited	NZ	100	100

ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

29. ANSETT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES (continued)

	Country of incorporation	Interest held in controlled entities	
		2001 %	2000 %
Westintech Limited	Aust	100	100
Controlled entities:			
Aeronautical Industries Australia Pty Limited	Aust	100	100
Planar Holdings Pty Limited	Aust	100	100
Westintech Nominees Pty Limited	Aust	100	100
Wridgways Holdings Limited	Aust	100	100
Controlled entities:			
Wridgways (NSW) Pty Limited	Aust	100	100
Wridgways (VIC) Pty Limited	Aust	100	100
Bodas Pty Ltd	Aust	100	100
Controlled entity:			
Aeropelican Air Services Pty Limited	Aust	100	100
Austfin Nominees Pty Limited	Aust	100	100
Hazelton Airlines Limited	Aust	100	-
Controlled entities:			
Hazelton Air Charters Pty Limited	Aust	100	-
Hazelton Air Services Pty Limited	Aust	100	-
Kendell Airlines (Aust) Pty Limited	Aust	100	100
Show Group Pty Limited	Aust	100	100
Controlled entities:			
Showfilm (NZ) Limited	NZ	100	100
Showfilm UK Limited	SNG	100	100
Showfreight (NZ) Limited	NZ	100	100
Showfreight Singapore Pte Limited	SNG	100	100
Showsports (NZ) Limited	NZ	100	100
Showtickets (NZ) Limited	NZ	100	100
Showtravel (NZ) Limited	NZ	100	100
Traveland International (UK) Limited	UK	100	100
Controlled entities:			
Ansett Ticket Sales Limited	UK	100	100
Showtravel UK Limited	UK	100	100
Skywest Airlines Pty Limited	Aust	100	100
Controlled entities:			
Skywest Aviation Limited	Aust	100	100
Skywest Jet Charter Pty Limited	Aust	100	100
The Wittennoom Unit Trust	Aust	100	100
Trans West Airlines Pty Limited	Aust	100	100
Westralian Aviation Pty Limited	Aust	100	100
Morael Pty Limited	Aust	100	100
Controlled entity:			
Skywest Holdings Pty Limited	Aust	100	100
Controlled entity:			
Aircraft Leasing Pty Limited	Aust	90	90
Controlled entity:			
Aircraft Leasing Finance Pty Limited	Aust	90	90
Brazson Pty Limited			

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

**29. ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES (continued)**

	Country of incorporation	Interest held in controlled entities	
		2001 %	2000 %
Eastwest Airlines Limited			
Controlled entity:			
Eastwest Airlines (Operations) Limited	Aust	100	100
Northern Airlines Limited	Aust	100	100
Rock-It-Cargo (Aust) Pty Limited	Aust	100	100
Walgali Pty Limited	Aust	100	100

The investment in all controlled entities shown above is in ordinary shares apart from:

- Ansett Industries (Hong Kong) Limited - 205,730 redeemable preference shares of HK\$1 each
- Travcland International Pty Limited - 12,000 non cumulative redeemable preference shares of HK\$1

Business is carried on in the country of incorporation shown. Ansett Australia Limited also carried on business in the United Kingdom and New Zealand.

**ANSETT HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

Note	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

30. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	21,280	159,212	-	-
Bank overdraft and letters of credit	11 (2,028)	(19)	-	-
	<u>19,252</u>	<u>159,193</u>	-	-

(b) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

Operating profit/(loss) after income tax	(373,043)	144,436	9,957	(2,052)
Add/(Less) items classified as investing/financing activities:				
(Profit)/Loss on sale of non current assets	(74,236)	(7,057)	-	-
(Profit)/Loss on sale of investments	1,953	-	-	-
Borrowing costs paid	102,715	94,081	3,315	3,206
Interest received	(17,510)	(39,096)	-	-
Add/(Less) non cash items:				
Amounts set aside to provisions	27,530	27,530	-	-
Depreciation and amortisation	228,200	184,229	-	-
Unrealised foreign exchange (gains)/losses	306,227	(10,546)	-	-
Associated company results	(2,571)	(5,660)	-	-
Abnormal items	()	(96,191)	-	-
Net cash provided by operating activities before change in assets and liabilities	291,726	291,726	13,572	1,154
Change in assets and liabilities, net of effects from acquisition of businesses:				
(Increase)/Decrease in assets	(66,558)	(66,558)	(6,024)	-
Receivables	(11,623)	-	-	-
Inventories	-	-	-	-
Other assets	-	-	-	-
(Decrease)/Increase in liabilities	(61,441)	(61,441)	(3,039)	(1,154)
Trade payables	-	-	-	-
Other liabilities	-	-	-	-
Net cash provided by operating activities	<u>163,727</u>	<u>163,727</u>	-	-

(c) Acquisition and Disposal of Controlled Entities

In April, 2001, the consolidated entity acquired a 100% holding in Hazelton Airlines Limited for a consideration of \$25,272,000. The operating results of this controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired	
Aircraft	16,918
Property, plant and equipment	1,760
Trade debtors	7,915

Inventories	6,724
Other assets	3,815
Bank overdraft	(2,979)
Trade creditors	(10,144)
Lease liabilities	(10,163)
Deferred tax	(1,620)
Provisions and other liabilities	<u>(4,281)</u>
	7,945
	<u>17,327</u>
Goodwill on consolidation	<u>25,272</u>
Cash consideration	

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire controlled entity, net of cash acquired				
Cash consideration	25,272	-	-	-
Bank overdraft balance acquired	<u>2,979</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outflow of cash	<u>28,251</u>	<u>-</u>	<u>-</u>	<u>-</u>

DRAFT

ANSETT AUSTRALIA LIMITED
A.C.N. 004 209 410

ANNUAL FINANCIAL REPORT

30 JUNE 2001

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Statement of Financial Position	6
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The financial statements of Ansett Australia Limited for the financial year ended 30 June 2001 have been audited by the independent auditor, PricewaterhouseCoopers, who has issued a qualified audit opinion. The financial statements are prepared in accordance with the Australian Accounting Standards and the Companies Act 1993. The financial statements are subject to the audit of the independent auditor, who has issued a qualified audit opinion. The financial statements are subject to the audit of the independent auditor, who has issued a qualified audit opinion.

The financial statements of Ansett Australia Limited for the financial year ended 30 June 2001 have been audited by the independent auditor, PricewaterhouseCoopers, who has issued a qualified audit opinion. The financial statements are prepared in accordance with the Australian Accounting Standards and the Companies Act 1993. The financial statements are subject to the audit of the independent auditor, who has issued a qualified audit opinion.

ANSETT AUSTRALIA LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial statements of Ansett Australia Limited ("the Company") for the year ended 30 June 2001 and the Auditors' report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

J McCrea (resigned 7 July 2000)
 C A Wallace (resigned 25 August 2000)
 D J Irvine (resigned 21 August 2000)
 A C Paterson (appointed 22 September 2000, resigned 16 February 2001)
 A B Miller (appointed 22 September 2000)
 J A Dell (appointed 22 September 2000, resigned 16 February 2001)
 G K Toomey (appointed 16 February 2001, resigned 24 August 2001)
 J H Blair (appointed 16 February 2001)
 S D Roworth (appointed 16 February 2001)
 G Frazis (appointed 16 February 2001)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were airline passenger and freight services.

RESULTS

The Company's operations for the financial year resulted in an operating loss after income tax of \$219,600,000 (2000: profit \$175,906,000).

REVIEW OF OPERATIONS

Included within the operating loss after tax were individually significant loss items of \$112.8million (2000: abnormal profits \$130.9 million). The items principally relate to restructuring costs, promotional expenses associated with the Olympic Games and a change in accounting for foreign currency movements on aircraft residuals.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because the disclosure of such information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENT

The operations of the Company are subject to significant environmental regulation under both Commonwealth and State legislation. In particular the Airport (Environmental Protection) Regulations 1997 and relevant State legislation, not specifically precluded by the Commonwealth legislation, affect aircraft operations, maintenance and other associated activities. During the year, environmental risk was included in the Corporate Risk Profile and the risk associated with not meeting environmental reporting requirements was assessed through a comprehensive risk assessment.

The Company managed its environmental risk through auditing and risk reduction initiatives. Regular internal and external audits were used to identify any risk of breaching environmental legislation. Any identified potential breach was discussed with the relevant authority to ensure a satisfactory solution was reached. The Ansett Holdings group implemented its National Spill Response Strategy which is aimed at ensuring that spill response techniques are consistent across all group operations. The development of an Environmental Management System was commenced at Engineering, focused on minimising the environmental risk associated with the company's key engineering activities.

To the directors' knowledge, there have been no significant breaches of relevant legislation.

ANSETT AUSTRALIA LIMITED DIRECTORS' REPORT

DIRECTORS' INTERESTS AND BENEFITS

No director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due to be received by directors, as shown in the financial statements) by reason of a contract made by the Company, its controlled entities or a related body corporate, with any director or with a firm of which any director is a member or with an entity in which any director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has an agreement indemnifying all the directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year the parent entity has paid insurance premiums of \$153,275 in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts, for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. This policy insures against all liabilities and expenses arising as a result of work performed in the respective capacity of the person, to the extent permitted by the law.

ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed for and on behalf of the directors in accordance with a resolution of the Board of Directors this _____ day of _____, 2001, at _____.

Director

ANSETT AUSTRALIA LIMITED

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ANSETT AUSTRALIA LIMITED

Scope

We have audited the financial report of Ansett Australia Limited for the financial year ended 30 June 2001, being a special purpose financial report consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 4 to 24. The Company's directors are responsible for the financial report. The Directors have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Law and the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. No opinion is expressed whether the accounting policies used and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the requirements of the Corporations Law. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, by any person other than members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the assertions and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements, so as to present a view which is consistent with an understanding of the Company's financial position and performance, as represented by the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards nor other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Ansett Australia Limited is in accordance with:

- (a) the Corporations Law, including:
 - i) giving a true and fair view of the Company's financial position at 30 June 2001 and of its performance for the year ended on that date in accordance with accounting policies described in Note 1 to the financial statements; and
 - ii) complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1024 "Information to be Disclosed in Financial Reports", other Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements to the extent described in Note 1 to the financial statements.

DELOITTE TOUCHE TOHMATSU

Melbourne

2001

ANSETT AUSTRALIA LIMITED**DIRECTORS' DECLARATION**

In the opinion of the directors of Ansett Australia Limited:

1. (a) the company is not a reporting entity;
- (b) the financial statements and notes, set out on pages 5 to 24, are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2001 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date in accordance with the basis of accounting described in Note 1; and
 - (ii) complying with Accounting Standards to the extent described in Note 1 and the Corporations Regulations; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at this day of 2001.

Signed in accordance with a resolution of the Directors.

Director

ANSETT AUSTRALIA LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 \$'000	2000 \$'000
Revenue			
Revenue from rendering of services		2,742,084	2,942,062
Other revenue from ordinary activities		1,215	842
Expenditure			
Labour		(1,095,606)	(1,050,930)
Fuel		(329,842)	(245,850)
Maintenance and overhaul		(208,219)	(157,045)
Aircraft and traffic servicing		(153,283)	(175,084)
Passenger services		(159,508)	(141,127)
Sales and marketing		(428,186)	(392,465)
Aircraft operating leases		(119,791)	(103,556)
Depreciation and amortisation		(175,047)	(144,418)
Borrowing costs		(57,163)	(63,299)
Other expenses from ordinary activities		(385,889)	(352,698)
Profit/(Loss) from ordinary activities before income tax expense	2	(369,235)	116,432
Income tax (expense)/benefit attributable to operating profit/(loss)	3	149,635	59,474
Profit/(Loss) from ordinary activities after income tax expense		(219,600)	175,906
Increase in asset revaluation reserve arising on revaluation of non current assets			6,825
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations		161	(252)
Total Revenue, Expense and Valuation adjustments attributable to Members recognised directly in Equity		161	(6,573)
Total Changes in Equity other than those resulting from transactions with Owners as Owners		(219,439)	182,479

The statement of financial performance is to be read in conjunction with the accompanying notes to the financial statements.

ANSETT AUSTRALIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash			
Receivables	4	470,787	438,836
Inventories	5	140,507	114,986
Other	9	13,791	38,725
Total Current Assets		625,085	592,547
NON CURRENT ASSETS			
Receivables	4	32,952	39,057
Financial assets	6	1,024	1,024
Property, plant and equipment	7	1,798,861	1,839,253
Deferred tax assets	8	36,340	4,162
Other	9	22,256	1,079
Total Non Current Assets		1,891,433	1,884,575
TOTAL ASSETS		2,516,518	2,477,122
CURRENT LIABILITIES			
Payables	10	776,670	870,627
Interest bearing liabilities	11	205,793	170,579
Current tax liabilities		26,615	(17,325)
Provisions	13	160,523	143,621
Other	15	606	334
Total Current Liabilities		1,170,207	1,167,836
NON CURRENT LIABILITIES			
Payables	10	775,551	367,332
Interest bearing liabilities	11	499,303	464,322
Provisions	13	52,276	109,164
Deferred tax liabilities	14	39,218	168,042
Other	15	-	119
Total Non Current Liabilities		1,366,348	1,108,979
TOTAL LIABILITIES		2,536,555	2,276,815
NET ASSETS / (DEFICIENCY OF NET ASSETS)		(20,037)	200,307
EQUITY			
Contributed equity	16	3,000	3,000
Reserves	17	135,124	134,963
Accumulated losses	18	(158,161)	62,344
TOTAL EQUITY (DEFICIT)		(20,037)	200,307

The statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

ANSETT AUSTRALIA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 \$'000	2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		2,930,255	2,992,058
Cash payments in the course of operations		(2,609,217)	(2,480,419)
Income tax paid during year		(52,046)	(55,792)
Net cash provided by operating activities	23	<u>268,992</u>	<u>455,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		842	366
Payments for property, plant and equipment		(229,422)	(149,018)
Loans made by / (to) associated companies		59,004	(13,805)
Net advances to related bodies corporate		(40,004)	(34,151)
Proceeds from sale of non current assets and businesses		109,134	64,749
Net cash used in investing activities		<u>(100,446)</u>	<u>(131,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing costs paid		(67,152)	(70,199)
Repayment of borrowings		(65,552)	(57,808)
Amounts received/(repaid) on loan from parent entity		43,459	(135,231)
Lease payments		(175,131)	(21,980)
Net cash (used in)/provided by financing activities		<u>(264,376)</u>	<u>(285,218)</u>
NET INCREASE / (DECREASE) IN CASH HELD		<u>95,830</u>	<u>38,770</u>
Cash at the beginning of the financial year		<u>56,979</u>	<u>18,209</u>
CASH AT THE END OF THE FINANCIAL YEAR	23	<u><u>(38,851)</u></u>	<u><u>\$6,979</u></u>

The Statement of Cashflows is to be read in conjunction with the accompanying notes to the financial statements.

Director

Chairman

Managing Director

The above cash flow statement has been prepared in accordance with the cash flow statement requirements of the Australian Accounting Standards and is consistent with the cash flow statement prepared for the purposes of the Australian Accounting Standards.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation

The directors are of the view that the Company is not a reporting entity. These financial statements have been prepared as a special purpose financial report solely to meet the Corporations Law requirements to prepare financial statements. In the opinion of the Directors, the accounting standards applied in the preparation of these financial statements are appropriate to meet the needs of the members, and comply with all accounting standards applicable to general purpose financial statements, except for:

- AASB 1033 "Presentation and Disclosure of Financial Instruments"
- AASB 1017 "Related Party Disclosures"
- AASB 1028 "Accounting for Employee Entitlements" in respect of certain disclosures.

The financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements have been prepared on a going concern basis, notwithstanding the deficit of net assets, as there are reasonable grounds to believe that additional working capital will be provided by the ultimate parent entity.

Significant Accounting Policies

The accounting policies have been consistently applied to ensure that the resulting financial information satisfies the concepts of relevance and reliability. Except where there is a change in accounting policy noted, the policies are consistent with those of the previous year.

The company has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position", for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Where necessary, comparative information has been otherwise reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The significant policies, which have been adopted in the preparation of this financial report, are as follows:

Receivables**Trade Debtors**

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is based on the weighted average cost principle. Other stocks and stores are valued at cost and provision is made for any diminution in value.

Deferred Expenditure

Material items of expenditure are deferred to the extent that management consider that it is probable that future economic benefits embodied in the asset will eventuate and can be measured reliably. Deferred expenditure is amortised over the period in which the related benefits are expected to be realised.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 1991

1. SUMMARY OF ACCOUNTING POLICIES (continued)

a. Non Current Assets

The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. Where the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non current assets, the expected cash flows to be received are discounted to their present value, except where specifically stated.

Certain non current assets have been revalued. With the exception of land and buildings, revaluations occur from time to time and are not made in accordance with a policy of regular revaluation.

Investments

Controlled Entities

Investments in controlled entities comprise shares held in controlled entities. The Company's financial statements at cost or valuation, unless a provision of valuation. Dividends from controlled entities are accounted for on a dividend received basis in the Company's financial statements.

Associated Companies

An associated company is one in which the entity exercises significant influence and the investment is not an investment in a subsidiary. An associated company has not been acquired with a view to disposal in the near future.

Investments in associated companies comprise shares held in associated companies. Investments in associated companies are carried at the lower of cost and recoverable amount. Dividends received in the Company's financial statements.

Other Companies

Other investments are shown at cost unless otherwise stated. Provisions for the value of investments are made to account for any reduction in their valuation.

Income Tax

The company adopts the liability method of tax effect accounting.

Income tax expense or benefit is calculated on operating profit or loss adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless the amount of the benefit is virtually certain. The tax effect of capital losses is not brought to account unless the amount of the benefit is virtually certain.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Revaluations

Certain fixed assets of the Company have been revalued at various times as indicated (Refer Note 8).

A provision for capital losses is only provided when it is known that the asset will eventually be sold.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the proceeds on disposal and is included in the result for the year of disposal. Any related revaluation increments relating to the disposed assets standing in the asset revaluation reserve at the time of disposal is transferred to profits.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property, but excluding freehold land, are depreciated over their useful life, generally using the straight-line method of depreciation.

The depreciation rates for the class of assets are as follows:

	2000	1999
Freehold buildings	2.5%	2.5%
Leasehold buildings	5.5%	5.5%
Aircraft, engines and (leased and leased)	4% - 6%	4%
Plant and equipment (leased)	15%	15%

Depreciation rates are reviewed annually and if necessary, adjusted so that they will reflect the most recent assessments of the useful lives of the assets.

Leased Plant and Equipment

Leases of plant and equipment in which the economic entity assumes substantially all of the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and liability equal to the present value of the minimum lease payments, excluding executory costs, are recorded at the inception of the lease. Lease liabilities are reduced by payments of principal. The interest component of the lease payment is expensed in the statement of financial performance. Capitalised lease assets are amortised on a straight line basis against the income of the accounting periods which are expected to benefit from their use over the term of the relevant lease, or where it is likely that the Company will obtain ownership of the asset, the life of the asset. Minimum lease payments made under operating leases are charged against profits in equal instalments over the accounting period of the lease term.

Derivatives

The company is exposed to risks in interest rates, foreign exchange rates and commodity prices from its operations. It has a policy to use derivatives instruments to hedge these risks. It is group policy not to enter into derivatives for speculative purposes.

Foreign Currency

Where hedge transactions are entered into to hedge the purchase or sale of goods and services, any unrealised gains or losses on the commodity are any costs or gains arising at the time of entering into the hedge are recorded in the measurement of the hedge transaction in the measurement of the underlying sale or purchase transaction.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Derivatives (continued)

All non specific hedge transactions are initially recorded at the spot rate at the date of the transaction. Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the statement of financial performance. Costs or gains arising at the time of entering into a hedge are deferred and amortised over the life of the hedge. All contracts that are hedging principal repayments of borrowings are treated as non specific hedges.

Payables

Trade Creditors and Accruals

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Frequent Flyer Liability

The obligation to provide travel rewards and other benefits to members of the company's frequent flyer program is progressively provided for as points are accumulated by members.

The provision is reduced to reflect the value of points redeemed by members and the expiry of unused points.

Related Party Loans

Loans from related parties are carried at the principal amount. Interest is taken up as an expense on an accrual basis.

Bank Overdraft and Bank Loans

The bank overdrafts and loans are carried at the principal amount. Interest on bank overdrafts is charged as an expense as incurred. Interest on bank loans is charged as an expense on an accrual basis.

Employee Entitlements

Wages, Salaries and Annual Leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on current wage and salary rates and include related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the entity resulting from employees' services provided up to the balance date.

The measurement of long service leave entitlements which are not expected to be settled within twelve months have been based on a calculation of the present value of the estimated future cash outflows. In determining this liability, consideration has been given to future increases in wage and salary rates, staff departure rates and applicable discount rates which most closely match the terms of maturity of the related liabilities. Related on costs have also been included in the liability.

Superannuation Plans

The entity contributes to various superannuation plans, including the Ansett Australia Superannuation Plan. The superannuation plans are subject to the requirements of trust deeds governing them. Contributions are made to the plans in accordance with the requirements of the trust deeds. Contributions are charged against the entity's profits as they are made.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue Recognition

Sales Revenue

Passenger and freight sales are not recognised as revenue until the transportation service is rendered. At the time of sale a current liability for unearned revenue is established. Subsequently this is eliminated either through carriage by controlled entities, through billing from another carrier who renders the service, or by refund to the customer.

Interest Income

Interest income is recognised in the period in which it accrues.

Asset Sales

The gross proceeds of asset sales are included in revenues of the entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Foreign Currency

Transactions

Foreign currency transactions are translated to Australian Currency at the rates of exchange ruling on the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Aircraft residual values, which are denominated in United States Dollars, are considered to be effectively hedged by unhedged United States Dollar loan obligations. Gains and losses arising from movements in exchange rates applicable to aircraft residual values are recognised in the financial statements of the consolidated entity, Ansett Holdings Limited and its Controlled Entities.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for the intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:

(a) Revenue from operating activities:

	2001 \$'000	2000 \$'000
Rendering of services	2,742,084	2,942,062
Interest		
- related parties	691	691
- other parties	151	151
Foreign exchange gain		

(b) Revenue from outside operating activities:

Gross proceeds from sale of controlled entities and non-current assets

109,134	109,134
<u>3,052,038</u>	<u>3,052,038</u>

(c) Operating expenses:

Depreciation/amortisation of:

- buildings	x	14,642
- aircraft engines and spares	x	76,060
- plant and equipment	x	23,596
- leased assets capitalised	x	29,074
- deferred expenditure	x	1,046
	<u>x</u>	<u>144,418</u>

Amounts set aside to/(released from) provisions for

- employee entitlements	x	13,227
- doubtful trade debts	x	(2,813)
- other	x	(46,797)
Bad debts written off	x	4,149
Operating lease rental expense	x	148,119

Borrowing costs:

other parties	x	17,028
capitalised leases	x	12,656
related parties	x	37,468

Less borrowing costs capitalised:

other parties	x	(3,853)
	<u>x</u>	<u>63,299</u>

Foreign exchange loss	x	39,756
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Remuneration of auditors:

- auditing the financial report	x	210
- other services	x	320

Net gain/(loss) on disposal of non-current assets	x	1,520
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ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	2001 \$'000	2000 \$'000
(d) Individually significant items included in profit/(loss) from ordinary activities before income tax		
Gain/(Loss) on disposal of non current assets and asset/liability carrying value adjustment		38,683
Gain on purchase arising from refinancing of aircraft lease with related party		69,317
Olympic Games promotional costs	(36,359)	-
GST implementation costs	(3,022)	(8,653)
Provision for legal settlement	(11,000)	-
Restructure costs	(62,425)	-
	<u>(112,806)</u>	<u>99,347</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

3. INCOME TAX

(a) Income Tax (Expense)/Benefit

	2001 \$'000	2000 \$'000
Prima facie income tax (expense)/benefit calculated at 34% (2000: 36%) on the operating profit/(loss)	171,150	(41,916)
Adjusted by the tax effect of:		
Non assessable profit/(loss) on disposal of non current assets and controlled entity	(8)	11,266
Non assessable gain on purchase arising from refinancing of aircraft	-	24,954
Other non assessable and exempt income	10,843	-
Provision for non recovery of loans receivable	(46,070)	-
Other permanent differences	(1,571)	9,730
Income tax (expense)/benefit on the operating profit	134,344	(73,095)
Income tax over/(under) provided in prior years	(2,801)	25,043
Timing differences not previously recognised	32,301	-
Tax credit arising from rate change effect on timing differences	(14,209)	30,397
Income tax (expense)/benefit attributable to operating profit	149,635	59,474

(b) Dividend Franking Account

As at 30 June 2001 the Company's dividend franking account had a surplus of \$ x (2000: \$123,907,000).

Associated companies

Share in other corporations

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	2001 \$'000	2000 \$'000
4. RECEIVABLES		
Current		
Trade debtors	406,570	398,754
Less provision for doubtful debts	(7,754)	(3,423)
	<u>398,816</u>	<u>395,331</u>
Sundry debtors and loans to other parties	56,688	32,217
Amount owing by associate	648	-
Amounts owing by parent entity	6,062	-
Amounts owing by related parties	10,073	11,288
Less provision for non-recovery	(1,500)	-
	<u>470,787</u>	<u>438,836</u>
Non Current		
Sundry debtors and loans to other parties	-	6,557
Amounts owing by related parties	32,952	32,500
	<u>32,952</u>	<u>39,057</u>
5. INVENTORIES		
Finished goods	356	671
Less provision for stock obsolescence	(27)	(17)
	<u>339</u>	<u>654</u>
Raw materials and general stores	113,121	112,297
Work in progress	15,815	2,035
Assets held for resale	11,232	-
	<u>140,507</u>	<u>114,986</u>
6. INVESTMENTS		
Controlled entities:		
Shares - at cost	16,974	16,974
Less amount written off	(15,943)	(15,943)
	<u>1,031</u>	<u>1,031</u>
Associated companies:		
Unlisted shares - at cost	50	50
Less associated companies reserves	(62)	(62)
	<u>(12)</u>	<u>(12)</u>
Shares in other corporations - at cost	5	5
	<u>1,024</u>	<u>1,024</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

7. PROPERTY, PLANT AND EQUIPMENT

	2001 \$'000	2000 \$'000
Freehold land and buildings		
at cost	-	835
less accumulated depreciation	-	(23)
	-	812
at 2000 directors' valuation	73,180	-
at 1997 directors' valuation	-	77,397
less accumulated depreciation	-	(3,041)
	73,180	74,356
Total freehold land and buildings	73,180	75,168
Leasehold land and buildings		
at cost	-	5,515
less accumulated amortisation	-	(624)
	-	4,891
at 2000 directors' valuation	320,370	-
at 1997 directors' valuation	-	187,807
less accumulated amortisation	-	(19,931)
	320,370	167,876
Total leasehold land and buildings	320,370	172,767
Total land and buildings	393,550	247,935
Aircraft, engines and spares		
at cost	1,734,632	1,727,559
less accumulated depreciation	(657,492)	(624,326)
	1,077,140	1,103,233
at 1988 directors' valuation	17,525	17,525
less accumulated depreciation	(12,945)	(12,351)
	4,580	5,174
Total aircraft, engines and spares	1,081,720	1,108,407
Aircraft, engines and spares under lease		
at cost	516,805	514,905
less accumulated amortisation	(263,752)	(241,996)
	253,053	272,909
at 1985 directors' valuation	45,924	47,824
less accumulated amortisation	(31,054)	(30,281)
	14,870	17,543
Total aircraft, engines and spares under lease	267,923	290,452

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2000

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	2000 \$'000	1999 \$'000
Plant and equipment		
at cost	583,961	632,553
less accumulated depreciation	(410,087)	(399,668)
	<u>173,874</u>	<u>232,885</u>
Plant and equipment under lease		
at cost	48,416	39,812
less accumulated amortisation	(26,157)	(19,611)
	<u>22,259</u>	<u>20,201</u>
Total plant and equipment	<u>196,133</u>	<u>253,086</u>
Total property, plant and equipment	<u>1,939,326</u>	<u>1,899,880</u>

The valuation of land and buildings was carried out as at 30 June 2000 and was on the basis of independent assessments of the fair market value of the properties concerned in their existing use, or in the case of the Sydney Terminal building, on the basis of replacement cost. The directors of the Company are of the opinion that this valuation provides a reasonable estimate of recoverable amount as at 30 June 2000.

The independent valuation of the land and buildings portfolio was carried out as at 30 June 2000 by CB Richard Ellis (V) Pty Limited, Certified Practising Valuers. This valuation was obtained in accordance with the entity's policy of obtaining an independent valuation of land and buildings every three years.

Non-current
 Bank overdrafts and loans
 Amounts owing to related parties
 Amounts owing to associates

Current
 Bank overdrafts - unsecured
 Bank loans - fully secured
 Other loans - fully secured
 Lease liabilities
 Amounts owing to related parties

Non-current
 Bank loans - fully secured
 Lease liabilities

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

8. DEFERRED TAX ASSETS

Future income tax benefits comprising the estimated future benefit, at current income tax rates, of the following items:

	2001 \$'000	2000 \$'000
Timing differences	7,506	-
Tax losses	30,381	4,162
	<u>36,340</u>	<u>4,162</u>

Future income tax benefit has been offset against the provision for deferred income tax to the extent that timing differences giving rise to the provision will reverse within the reporting period during which the benefits from tax losses and other timing differences are available for deduction. Timing differences recorded as future income tax benefits which have been offset against the provision for deferred income tax amount to \$195,143,000 (2000: \$127,049,000).

9. OTHER ASSETS

Current		
Deferred expenditure	-	9,275
Prepayments	11,995	29,450
Other	1,796	-
	<u>13,791</u>	<u>38,725</u>
Non current		
Deferred expenditure	-	59
Other	22,256	1,020
	<u>22,256</u>	<u>1,079</u>

10. PAYABLES

Current		
Trade creditors and accruals	469,156	285,286
Unearned revenue	289,094	413,907
Amounts owing to related parties	18,420	112,430
Amounts owing to associated companies	-	59,004
	<u>776,670</u>	<u>870,627</u>
Non current		
Trade creditors and accruals	92,553	111,293
Amounts owing to related parties	598,367	256,039
Amount owing to associate	84,631	-
	<u>775,551</u>	<u>367,332</u>

11. INTEREST BEARING LIABILITIES

Current		
Bank overdrafts - unsecured	31,064	38,851
Bank loans - fully secured	93,214	55,973
Other loans - fully secured	-	144
Lease liabilities	67,016	75,611
Amounts owing to related parties	14,499	-
	<u>205,793</u>	<u>170,579</u>
Non current		
Bank loans - fully secured	402,067	334,596
Lease liabilities	17,391	24,892

Amounts owing to related parties

79,845	104,834
<u>499,303</u>	<u>464,322</u>

14. CONTINGENT LIABILITIES

There are no contingent liabilities.

The following table shows the amounts of the contingent liabilities at the end of the period:

At the end of the period:

Contingent liabilities:

Contingent liabilities:

Contingent liabilities:

At the end of the period, the contingent liabilities are as follows:

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

12. AMOUNTS PAYABLE IN FOREIGN CURRENCIES

The Australian dollar equivalent of unhedged amounts payable in the following currencies calculated at the year end exchange rates are as follows:

Amounts Payable

Current:
United States Dollars

x 49,563

Non current:
United States Dollars

x 308,736

13. PROVISIONS

Current
Employee entitlements
Other provisions

160,523 118,276
25,362
160,523 143,621

Non current
Employee entitlements

52,276 109,164

14. DEFERRED TAX LIABILITIES

Provision for deferred income tax

39,218 168,042

The provision for deferred income tax has been reduced by future income tax benefits attributable to timing differences by the amount of \$195,143,000 (2000: \$127,049,000).

15. OTHER LIABILITIES

Current
Deferred revenue

606 334

Non current
Deferred revenue

149

16. CONTRIBUTED EQUITY

Issued and paid up capital
6,000,000 (2000: 6,000,000) ordinary shares fully paid

3,000 3,000

Less: Share finance charges

Liabilities set out in the Financial Statements:

Current
Non current

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

17. RESERVES

	2001 \$'000	2000 \$'000
Capital profit	3,400	3,400
Asset revaluation	131,622	131,622
Foreign currency translation	164	3
Associated company	(62)	(62)
	<u>135,124</u>	<u>134,963</u>

MOVEMENTS DURING THE YEAR

Asset Revaluation Reserve

Balance at beginning of the financial year	131,622	125,208
Surplus on revaluation of land and buildings	-	6,825
Revaluation reserve transferred to retained profits	-	(411)
Balance at end of the financial year	<u>131,622</u>	<u>131,622</u>

Foreign Currency Translation Reserve

Balance at beginning of the financial year	3	255
Translation of controlled foreign operations financial statements	161	(252)
Balance at end of the financial year	<u>164</u>	<u>3</u>

18. CONTRACTUAL COMMITMENTS

Capital Expenditure Commitments

Contracted but not provided and payable:

Not later than one year	-	19,401
Later than one year but not later than five years	-	63,886
Later than five years	-	40,954
		<u>124,241</u>

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	173,679	110,218
Later than one year but not later than five years	474,737	271,175
Later than five years	741,597	731,562
	<u>1,390,013</u>	<u>1,112,955</u>

Operating lease commitments relating to aircraft amount to \$396,910,000 (2000: \$127,580,000). The entity leases aircraft, property and plant under operating leases expiring from one to twelve years. Leases generally provide the entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental based on either movements in the Consumer Price Index or operating criteria.

Finance Lease Commitments

Finance lease rentals are payable in respect to aircraft as follows:

Not later than one year	71,193	80,000
Later than one year but not later than five years	18,103	26,734
	89,296	106,734
Less future finance charges	(4,889)	(6,231)
	<u>84,407</u>	<u>100,503</u>
Lease liabilities provided in the financial statements:		
Current	67,016	75,611
Non current	17,391	24,892
	<u>84,407</u>	<u>100,503</u>

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

19. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise.

Unsecured guarantees

Parent entity:

	2001 \$'000	2000 \$'000
- maximum	41,400	41,400
- at balance date	41,400	41,400

Other corporations

	53,276	53,276
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Litigation

The Company is involved in various claims and litigation arising in the ordinary course of business none of which is expected to have a significant effect upon its operating results or financial position.

20. FINANCING ARRANGEMENTS

Bank Overdraft

The Company has access to bank overdraft facilities to a maximum of \$5,000,000 (2000: \$5,000,000) which is a part of a group offset facility leaving an unused facility of \$nil (2000: \$nil) at balance date. When aggregated with other balances which are a part of this facility, the maximum amount has not been exceeded.

Bank Loans

The Company has access to bank loans of \$390,569,000 (1999: \$418,282,000). At balance date, the unused portion was \$nil (1999: \$nil). Generally the bank loans are secured over aircraft and other aviation related assets of the Company.

Other Loans

The Company has access to other loans of \$144,000 (1999: \$1,189,000). At balance date, the unused portion was \$nil (1999: \$nil). This is secured over certain assets of the Company.

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

21. DIRECTORS REMUNERATION

Total income paid or payable, or otherwise made available, to the directors, including executive directors from the Company or any related party:

The number of directors of the Company, including executive directors whose income from the Company or any related party falls within the following bands:

\$0	-	\$9,999
\$100,000	-	\$109,999
\$790,000	-	\$799,999
\$140,000	-	\$949,999

Directors' income includes amounts paid by the parent entity during the year to indemnify directors, but does not include insurance premiums paid by the parent entity in respect of Directors' and Officers' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors. Details of the insurance premiums paid are set out in the Directors' Report.

22. SEGMENT INFORMATION

The Company operates predominantly within the transport industry in Australasia.

2001	2000
\$'000	\$'000

X 1,046

2	2
1	1
1	1

ANSETT AUSTRALIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2001

	Note	2001 \$'000	2000 \$'000
23. NOTES TO THE STATEMENT OF CASH FLOWS			
(a) Reconciliation of Cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts and letters of credit. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:			
Cash		-	-
Bank overdraft and letters of credit	11	(38,851)	(38,851)
		<u>(38,851)</u>	<u>(38,851)</u>
(b) Reconciliation of Operating Profit/(Loss) After Income Tax to Net Cash Provided by Operating Activities			
Operating profit after income tax		175,906	182,818
Add/(Less) items classified as investing/financing activities:			
(Profit)/Loss on sale of non current assets		(9,580)	(1,520)
Borrowing costs		63,299	67,405
Interest revenue		(842)	(366)
Add/(Less) non cash items:			
Amounts set aside to provisions		(33,570)	(15,067)
Depreciation/amortisation		144,418	153,242
Unrealised foreign exchange (gains)/losses		30,920	(43,400)
Increase/(decrease) in income taxes payable		(62,793)	67,937
Capitalised interest		3,853	2,794
Abnormal items:			
Profit on sale on non-current assets		(40,916)	(42,483)
Asset write-down		-	2,349
		<u>270,695</u>	<u>373,709</u>
Net cash provided by operating activities before change in assets and liabilities		270,695	373,709
Change in assets and liabilities:			
(Increase)/Decrease in current assets		(11,327)	15,845
Increase in current liabilities		9,624	66,293
Net cash provided by operating activities		<u>268,992</u>	<u>455,847</u>

AAL ASSET REGISTER EXLERT

00229

Asset Code	Acq Date	Detail
22211596 0 BLDGOW01	15.07.1980 1980	501 Swanston St, Melbourne, VIC, 3000 Head Office
22211876 0 LANDOW01	15.07.1980 1980	501 Swanston St, Melbourne, VIC, 3000 Head Office
22211595 0 BLDGOW01	15.07.1960 1960	489 Swanston St, Melbourne, VIC, 3000 IT and State
22211875 0 LANDOW01	15.07.1960 1960	489 Swanston St, Melbourne, VIC, 3000 IT and State
22211874 0 LANDOW01	15.07.1960 1960	465 Swanston St, Melbourne, VIC, 3000 Travel Centr
22211590 0 BLDGOW01	15.07.1960 1960	20-24 Franklin St, Melbourne, VIC, 3000 Storage bu
22211594 0 BLDGOW01	15.07.1960 1960	465 Swanston St, Melbourne, VIC, 3000 Travel Centr
22211872 0 LANDOW01	15.07.1960 1960	20-24 Franklin St, Melbourne, VIC, 3000 Storage bu
22211873 0 LANDOW01	15.07.1960 1960	26-32 Franklin St, Melbourne, VIC, 3000 Carpark

Cost	Acc Dep'n	WDV
14,375,281.10	331,737.26	14,043,543.84
3,360,000.00	0.00	3,360,000.00
3,879,930.01	89,536.85	3,790,393.16
1,613,409.00	0.00	1,613,409.00
1,248,347.00	0.00	1,248,347.00
636,298.55	14,683.81	621,614.74
592,384.56	13,670.41	578,714.15
484,313.73	0.00	484,313.73
465,686.27	0.00	465,686.27