



KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Tenth Report to Creditors

12 April 2010



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Executive Summary

Introduction

This is the Tenth Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2009. The Administrators have also issued 97 Committee of Creditors updates, 58 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

What has been achieved?

The Administrators realised \$13.5m of assets during 2009. All aircraft and over 95% of the other assets have now been sold, parted or leased.

The Administrators paid one dividend during 2009. The twelfth dividend totalled \$13.8m, of which \$8.4m was paid to employees and \$5.4m to the Commonwealth Government.

Employees have now received \$718.2m of the revised total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$357.1m of the \$382.4m of its total advances.

The SEES scheme has now been closed.

The Administrators are now able to increase the net asset realisation estimate by a further \$8.0m from \$720.0m to \$728.0m as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- elimination or mitigation of known contingent claims.

Where are we going?

The Administrators will:

- continue to sell spare parts;
- collect amounts from legal actions; and
- collect lease revenue from aviation assets.

The above is expected to realise \$7.1m.

There are no longer any known material contingent liabilities that could affect the return to creditors. As such, we no longer hold a contingency reserve.

Future dividends

The Administrators estimate employees will receive at least a further \$4.9m, to be paid over the next few years. **This means each employee should receive at least 12 cents in the \$ of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$723.1m of the \$758.0m of total employee entitlements owed (approximately 95.4 cents in the \$ on average).

We note this is an increase of \$4.8m to employees since the last report due largely to successful legal action recoveries and the sale of aircraft.



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The Administrators estimate the Commonwealth Government will ultimately receive \$360.2m of its total advance of \$382.4m. Further dividends will be paid over the next few years as assets are realised.

It is important to note the risks in delivering the estimated returns. These risks are documented in Section 4.3.

1 Communication with Stakeholders

1.1 The Administrators websites

The Administrators established websites early in the administration to post documents relating to major issues in the administration. Further information is placed on the websites when appropriate.

The web addresses are <http://www.ansett.com.au> and <http://www.kordamentha.com>

1.2 Committee of Creditors updates

The functions of the Ansett Committee of Creditors are to consult with the Administrators about matters relating to the administration, receive and consider updates and reports prepared by the Administrators and to approve the Administrators remuneration from time to time.

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2009 is as follows:

| Update | Date | Major Issues Reported |
|--------|------------------|--|
| 96 | 28 February 2009 | Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies. |
| 97 | 31 August 2009 | Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies. |

1.3 Employee updates

Employees have also been provided with updates on the Administrators websites. A summary of the major issues covered in each update during 2009 is as follows:

| Update | Date | Major Issues Reported |
|--------|------------------|--|
| 57 | 27 March 2009 | Update on Current Litigation and outline of the Ninth Report to Creditors |
| 58 | 10 December 2009 | Payment of Twelfth Dividend. Update on Administration strategy, litigation and further dividends |

1.4 Key stakeholder communications

Regular meetings have also been held with key stakeholders, including the Commonwealth Government and representatives of the employees. In addition, detailed reports have been provided to the Commonwealth Government and to representatives of the employees.

2 What has been achieved?

2.1 Assets realised during 2009

The Administrators realised \$13.5m of assets during 2009. The Administrators have now realised over 95% of assets.

The assets realised during 2009 are as follows:

| Assets realised during 2009 | Section | \$m |
|----------------------------------|---------|------|
| Business | 2.1.1 | Nil |
| Debtors | 2.1.2 | 5.4 |
| Spares, Rotables and Consumables | 2.1.3 | 5.2 |
| Aircraft | 2.1.4 | 2.9 |
| Total | | 13.5 |

2.1.1 Businesses

Ansett Australia Engineering Services

As mentioned in our last report, on 1 June 2007 the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to John Holland Aviation Services (“JHAS”).

These assets were sold for \$10.0m. The sale also saw employment opportunities for approximately 150 existing Ansett staff going forward.

The sale was finalised in 2008. The sale excluded the supply centre, the spare parts, the ALF engines from the parted BAe146 aircraft and the IT systems. In addition Ansett allowed JHAS to have use of the Ansett IT systems by JHAS in the short term.

2.1.2 Debtors

Debtor Recoveries

During 2009, we recovered a further \$0.03m in pre administration debtors. This increased total collections to \$150.2m. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on Ansett’s behalf. The BSP recovery team has now finished and responsibility for finalising various proceedings and recovery arrangements have been handed over to general staff.

IATA, Diners Club and TSS

Details of recoveries and proceedings during the 2009 year are contained in section 5 of this report.

2.1.3 Spares, Rotables and Consumables

During 2009, \$5.2m was realised from the sale of spares, rotables and consumables.

The Administrators have extended the consignment and marketing agreement with AASS to 30 June 2010.

2.1.4 Aircraft realised during 2009

At 31 December 2008, Ansett had two remaining aircraft. The two BAe146-300's (EWR and EWN) had previously been leased to Orion Air and were to be re delivered due to Orion Air's lease default.

The Administrators continued to negotiate a settlement on these aircraft and in June 2009 we finalised the contracts and received payment of US\$2.2m for the two aircraft.

The Administrators also reached terms with Albanian Air for the sale of an ALF engine in June 2009.

During 2009 we have received approximately \$2.9m from aircraft and engines. These sales were approximately \$2m above budget.

2.2 Dividend paid during 2009

The Administrators paid one dividend in 2009 totalling \$13.8m. The twelfth dividend was paid on 10 December 2009 of which \$8.4m was paid to employees, being 17.5% of each employee's outstanding balance after payment of the first to eleventh dividends, and \$5.4m to the Commonwealth Government.

Employees have now received \$718.2m of the estimated total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$357.1m of the \$382.4m of its total advances.

3 Where are we going?

Overall, the Administrators expect to achieve total net realisations of at least \$728.0m. Significantly, the net asset realisations estimate has increased by \$138.0m from the \$590.0m previously reported in the Fifth Report. This is as a result of:

- higher than previously budgeted asset realisations to date;
- higher than previously budgeted future estimated asset realisations;
- lower than budget costs to date; and
- the elimination or mitigation of contingent claims.

| Estimated Realisations | Section | 5th Report | 6th Report | 7th Report | 8th Report | 9th Report | 10th Report |
|---|---------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31 Dec 2004 \$m | 31 Dec 2005 \$m | 31 Dec 2006 \$m | 31 Dec 2007 \$m | 31 Dec 2008 \$m | 31 Dec 2009 \$m |
| Cash at Bank | 3.1 | 151.1 | 142.4 | 32.3 | 18.4 | 9.9 | 6.0 |
| Proceeds from Asset Sales used for distributions | | 413.5 | 467.5 | 628.4 | 658.3 | 705.1 | 719.5 |
| Assets still to be realised | 3.2 | 32.0 | 33.6 | 27.1 | 44.5 | 15.5 | 7.1 |
| Costs to complete (including aircraft costs) | 3.4 | (42.3) | (24.0) | (12.5) | (8.0) | (5.4) | (4.6) |
| Contingency reserve | 3.5 | (25.8) | (16.6) | (9.7) | (5.7) | (6.0) | - |
| Total before remaining aircraft realisations | | 528.5 | 602.9 | 665.6 | 707.5 | 719.1 | 728.0 |
| Aircraft still to be realised | 3.3 | 61.5 | 37.1 | 4.4 | 2.5 | 0.9 | - |
| Total Realisations | | 590.0 | 640.0 | 670.0 | 710.0 | 720.0 | 728.0 |

Ultimately, the Administrators expect the \$728.0m to be distributed as follows:

| Estimated Dividends | 31 Dec 2003 \$m | 31 Dec 2004 \$m | 31 Dec 2005 \$m | 31 Dec 2006 \$m | 31 Dec 2007 \$m | 31 Dec 2008 \$m | 31 Dec 2009 \$m |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Dividends to Date | | | | | | | |
| Employees | 162.5 | 177.7 | 202.3 | 282.9 | 300.0 | 327.4 | 335.9 |
| SEES | 188.7 | 258.3 | 272.5 | 322.7 | 334.0 | 351.7 | 357.1 |
| Unsecured creditors | - | - | - | 27.0 | 27.0 | 27.0 | 27.0 |
| | 351.2 | 436.0 | 474.8 | 632.6 | 661.0 | 706.1 | 720.0 |
| Amounts To Be Distributed | | | | | | | |
| Employees | 85.1 | 68.9 | 84.2 | 21.8 | 29.8 | 8.5 | 4.9 |
| SEES | 113.7 | 45.1 | 54.0 | 15.6 | 19.2 | 5.4 | 3.1 |
| Unsecured Creditors | 40.0 | 40.0 | 27.0 | - | - | - | - |
| | 238.8 | 154.0 | 165.2 | 37.4 | 49.0 | 13.9 | 8.0 |
| Total Dividends | | | | | | | |
| Employees | 247.6 | 246.6 | 286.5 | 304.7 | 329.8 | 335.9 | 340.8 |
| SEES | 302.4 | 303.4 | 326.5 | 338.3 | 353.2 | 357.1 | 360.2 |
| Unsecured Creditors | 40.0 | 40.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| | 590.0 | 590.0 | 640.0 | 670.0 | 710.0 | 720.0 | 728.0 |

3.1 Cash at bank - \$6.0m

The \$6.0m in the bank on 31 December 2009 consists of:

- \$0.5m is being held in trust for either continuing employees or unclaimed dividends.
- The balance is required temporarily to act as working capital for existing operations, rental deposits and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

3.2 Assets still to be realised - \$7.1m

The Administrators have been able to revalue the remaining assets to give updated net estimated realisations based on the following:

- updated legal advice and settlements subsequent to the 31 December 2009 balance date;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

As previously detailed, the Administrators sold the business assets at the AAES Maintenance base at Melbourne Airport to JHAS.

The administration continues to utilise the Supply Centre at Garden Drive, Tullamarine and have recently moved all remaining engineering staff to the existing offices in the Supply building.

The Supply Centre will not be sold in the short term given the AASS agreement referred to below.

Debtors and Travel Agents

Recovery of funds from debtors and funds held in trust from BSP travel agents is near complete.

Anticipated further collections are expected to be minimal. We also hold default judgements of approximately \$0.2m however significant recovery on these debtors is unlikely.

The Administrators have concluded the Diners Global Master Merchants Agreements litigation through mediation and the funds were recovered in 2009. Further details are documented in Section 5.

Spares, Rotables and Consumables

The Administrators have extended the consignment and marketing agreement with AASS to 30 June 2010.

During 2009, \$5.2m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts and engines of \$2.9m over the two years. The estimated realisation value is net of costs required to realise the assets.

Ansett is required to maintain a considerable infrastructure, including the warehouse facility at Garden Drive, Tullamarine, Ansett's information technology system and personnel to support the continuing sale of remaining spare aircraft parts.

Engines

No substantial spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and the realisation estimates are included in Spares, Rotables and Consumables above.

3.3 Aircraft still to be realised - Nil

Of the original fleet of 134 aircraft, at 31 December 2009, there are no aircraft remaining to be sold or leased.

During 2009 the last remaining aircraft, the two BAe146-300's (EWR and EWN) previously leased to Orion Air, were sold as detailed previously.

As such, the Administrators will not receive any further funds from the sale of aircraft assets.

3.4 Costs to complete the Administration - \$4.6m

3.4.1 Estimated costs to complete

Costs to complete are estimated at \$4.6m. \$0.7m of the total cost to complete the administration is for the trade creditors, engine deposits and employee provisions as at 31 December 2009. \$2.2m of the total cost to complete the administration is for external labour requirements.

There are a number of ongoing expenses necessary to maximise realisations of the assets and finalise outstanding matters of the administration.

The following table summarises the updated estimated costs to complete, by asset type:

| Costs to Complete – Asset Analysis | Costs to Complete 31 December 2009 \$m |
|--|---|
| Working Capital – includes trade creditors, engine deposits and employee entitlements accrued during the administration period | 0.7 |
| Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs | 2.1 |
| Administration and legal fees | 1.8 |
| Total | 4.6 |

The Administrators have revised these budgeted costs due to the extension of time required to realise the aircraft and the spares, rotables and consumables.

Costs to date over the course of the Administration have been below budget. 2009 costs were approximately \$2.8m, slightly more than the budget of \$2.6m as set out in the Ninth Report.

We also note that a considerable cost mitigation exercise was undertaken in the first half of 2008 particularly with regard to IT. New software and hardware is being used to replace the expensive Ansett legacy systems that were necessary whilst amongst other things, AAES was operating and aircraft were held on the Ansett register.

The Administrators have replaced the aviation maintenance and stock systems, the accounting system and the communications systems with “off the shelf” packages that have been tailored to our requirements. These systems and the hardware are considerably more robust than the Ansett legacy systems thereby mitigating a major business risk, and given the technology advances, significantly cheaper to purchase, host and operate.

Even with the implementation and hardware costs for the new systems, the savings are in excess of \$1.0m per annum as of 1 January 2008.



The following table shows the costs to complete budget from January 2004, forecast to the completion of the administration and the revised budget on which future reporting will be based:

| Costs to Complete – Timetable | 5th Report 31 Dec 2004 \$m | 6th Report 31 Dec 2005 \$m | 7th Report 31 Dec 2006 \$m | 8th Report 31 Dec 2007 \$m | 9th Report 31 Dec 2008 \$m | 10th Report 31 Dec 2009 \$m |
|--------------------------------------|---|---|---|---|---|--|
| Working Capital | 5.3 | 7.3 | 3.1 | 2.2 | 1.0 | 0.7 |
| Jan – Jun 05 | 13.3 | | | | | |
| Jul – Dec 05 | 11.5 | | | | | |
| Jan – Jun 06 | 3.7 | 7.7 | | | | |
| Jul – Dec 06 | 2.1 | 3.6 | | | | |
| Jan – Jun 07 | 1.9 | 2.6 | 3.3 | | | |
| Jul – Dec 07 | 1.9 | 2.4 | 2.5 | | | |
| Jan – Jun 08 | | | 1.9 | 2.2 | | |
| Jul – Dec 08 | | | 1.7 | 1.6 | | |
| Jan – Jun 09 | | | | 1.0 | 1.4 | |
| Jul – Dec 09 | | | | 1.0 | 1.2 | |
| Jan – Dec 10 | | | | | 1.8 | 2.3 |
| Jan – Dec 11 | | | | | | 1.6 |
| Regionals/Other | 2.6 | 0.4 | | | | |
| Total | 42.3 | 24.0 | 12.5 | 8.0 | 5.4 | 4.6 |

The budgets for the 2010 and 2011 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft realisations and parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

Costs are only incurred once a cost benefit analysis has been completed.

3.4.2 Administrators remuneration

Costs to date and to complete include Administrators' remuneration. The Committee of Creditors approve Administrators remuneration on a monthly basis.

In February 2005, the Administrators prepared a detailed Ansett Administrators Remuneration Policy Manual (of approximately 23 pages plus attachments) which was provided to the Committee. The manual and subsequent updates issued in February or March 2006, 2007, 2008, 2009 and 2010 continually provide the Committee with detailed disclosure of:

- Annual remuneration paid;
- Calculation of the remuneration including hours, staff and detailed task analysis;
- Annual remuneration compared to the previously approved annual budget; and
- Annual remuneration budget for the forthcoming year.

The Policy Manual also documents in detail the approval process for remuneration and information on how the remuneration claims are prepared and calculated. At the meetings of Committee of Creditors held on 28 February 2005, the Committee agreed sufficient disclosure of information had been provided to them and also agreed with the approval process as outlined in the manual. This detailed

disclosure continued on a monthly basis and is provided to the Committee to assist in its review of each remuneration claim.

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates.

At the meetings of Committee of Creditors held on 26 March 2009, the Committee agreed to move forward with half yearly committee meetings and as such, a half yearly remuneration approval process.

The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim.

In March 2009, the Committee of Creditors reviewed the 2009 Remuneration budget of \$1.4m.

The 2009 Schedule of Monthly Remuneration Claims is provided below:

| Month | Monthly Total \$ |
|----------------|---------------------|
| January 2009 | 95,068 |
| February 2009 | 103,550 |
| March 2009 | 127,696 |
| April 2009 | 105,923 |
| May 2009 | 132,630 |
| June 2009 | 89,419 |
| July 2009 | 79,580 |
| August 2009 | 67,684 |
| September 2009 | 63,850 |
| October 2009 | 56,408 |
| November 2009 | 46,068 |
| December 2009 | 71,451 |

The Remuneration claim for 2009 was \$0.4m under budget.

3.5 Contingency reserve - Nil

There are no longer any known material contingent liabilities that could affect the return to creditors. This has been reduced from \$42.0m in the Fourth Report and from \$31.0m in the Fifth Report as the Administrators have worked to mitigate these risks.

4 Future Dividends

4.1 Return to Employees

The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

| | | Time | Total Owed to Employees \$m |
|---|--------------|--------------------------------|--------------------------------|
| Total Outstanding | | | |
| Includes Estimated Future Amounts Owed to Government | | | 758.0 |
| First Dividend | | | |
| SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks | | When employee became redundant | (382.4) |
| Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks | | | (13.9) |
| | | | 361.7 |
| Special Dividend - Amounts Varied Between Employees | | 10-Dec-03 | (67.0) |
| | | | 294.7 |
| Second Dividend - Calculated as % of Balance Owed | 27.5% | 10-Dec-03 | (80.3) |
| | | | 214.4 |
| Third Dividend - Calculated as % of Balance Owed | 7.5% | 15-Dec-04 | (16.1) |
| | | | 198.3 |
| Fourth Dividend - Calculated as % of Balance Owed | 12.5% | 12-Dec-05 | (25.0) |
| | | | 173.3 |
| Fifth Dividend - Calculated as % of Balance Owed | 10.0% | 27-Apr-06 | (17.3) |
| | | | 156.0 |
| Sixth Dividend - Calculated as % of Balance Owed | 30.0% | 7-Sept-06 | (46.9) |
| | | | 109.1 |
| Seventh Dividend - Calculated as % of Balance Owed | 15.0% | 14-Dec-06 | (16.2) |
| | | | 92.9 |
| Eighth Dividend - Calculated as % of Balance Owed | 10.0% | 19 Jul-07 | (9.3) |
| | | | 83.6 |
| Ninth Dividend - Calculated as % of Balance Owed | 10.0% | 13-Dec-07 | (8.4) |
| | | | 75.2 |
| Tenth Dividend - Calculated as % of Balance Owed | 20.0% | 19 Apr-08 | (15.0) |
| | | | 60.2 |
| Eleventh Dividend - Calculated as % of Balance Owed | 20.0% | 11-Dec-08 | (12.0) |
| | | | 48.2 |
| Twelfth Dividend - Calculated as % of Balance Owed | 17.5% | 10-Dec-09 | (8.4) |
| Balance Now Outstanding | | | 39.8 |
| Future Dividends Estimated | 12% | | (4.9) |
| Estimated Shortfall | | | 34.9 |
| Total Amount Estimated to be Distributed | | | 723.1 |



The Administrators estimate employees will ultimately receive a further \$4.9m. Accordingly, the Administrators anticipate total payments of \$723.1m of the \$758.0m total entitlements owed, being 95.4% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 12% of their current outstanding balance (following payment of the twelfth dividend) on average.

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the then \$760.0m estimated total entitlements owed, being 83.3% of total entitlements.

The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is important to note the risks in delivering the estimated returns. These risks are documented at Section 4.3.

Furthermore, it should be noted that the total employee entitlements owed decreased from \$760.0m to \$758.0m during 2007. This \$2.0m provision was made up of contingent employee claims that could potentially have been made on Ansett.

As such, we have previously held monies in trust to cover the notional dividends that would have been payable (in arrears) should the contingencies have been required. These trust monies were included in the amounts deemed as paid, or put aside, for the employees. When the requirement to hold the contingency expired, the monies were released and as such were deducted from the notional amount paid to date.

4.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$360.2m of the total SEES advance of \$382.4m.

4.3 Risks and assumptions

It is important to note the risks in delivering the estimated returns:

- Costs to Complete – costs are largely driven by labour for the provision of consumables and rotatables to market;
- Resolution of minor contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotatables – these assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;
- Exchange rate variations; and
- Resolution of litigation and disputes.

5 Statutory and legal matters

5.1 Court applications

The Administrators have made a number of applications to various courts. There have however been no further applications (other than small debtor recoveries) made since the Seventh Report.

Applications made previously (including those made by other parties) and which have continued or been resolved since the Seventh Report include:

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to recover Trust Funds from Travel Agents; and
- application regarding monies due to Ansett from Travel Software Solutions,

More detailed information on a number of these applications made during the administration can be obtained from the Administrators' websites.

Below is a brief summary of the above applications and their current status or outcome since the Ninth Report. Applications that are not material or in which no substantive claims are made on behalf of or against the Ansett Group or the Administrators have not been included.

5.2 Proceedings regarding Diners Club

In each of the Fifth to the Ninth Reports, the Administrators outlined two proceedings, issued by AAL against Diners Club Australia ("Diners"), being the firstly the Master Merchants Agreement and secondly Global Rewards. These proceedings are outlined below:

Diners Merchant Agreement

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. Diners in response alleged that of the \$20.5m claim, \$18.0m relates to charge backs.

The proceeding was initially issued in the Supreme Court of Victoria but Diners referred the matter to Arbitration in New York in accordance with the terms of the Merchant Agreement. Pursuant to a standstill agreement between the parties, the arbitration was not to be commenced until the Global Rewards proceeding (outlined above) was completed.

During 2008, these proceedings were enlivened. The matter was mediated in December 2008 and settled for \$5.25m. The amount was paid to the Administrators in February 2009. The remaining details of the settlement are confidential. This finalises the proceedings.

Global Rewards

As mentioned in the Eighth and Ninth Reports, his Honour Justice Hargrave, heard the matter between 6 February 2008 and 22 February 2008. On 4 May 2008, Diners were ordered by the Supreme Court to pay AAL the sum of \$9.6m plus interest. On 28 February 2008, the Supreme Court of Victoria, Court of Appeal handed down Judgement in favour of AAL, thus dismissing Diners' appeal. Diners did not seek to appeal and as a result Ansett received \$16.1 million which was used to pay a dividend in April 2008.

AAL was also awarded costs. These costs are currently being finalised and will be received in the first half of 2010. This finalises the proceedings.

5.3 Applications regarding IATA and IATA member airlines (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

As discussed in the Eighth Report, the High Court, by majority, overturned the judgment of the Victorian Court of Appeal and decided in IATA's favour on the basis that it was IATA, and not the transacting IATA member airlines, that stood in a debtor/creditor relationship with Ansett.

As a result of the High Court's decision, Ansett is unable to recover the monies set off in the IATA Clearing House clearances that occurred after the appointment of Ansett's Voluntary Administrators on 12 September 2001 from individual IATA member airlines.

Since the High Court judgment was handed down, Ansett has been recovering amounts in respect of services performed by Ansett for IATA member airlines after Ansett ceased participating in the IATA Clearing House clearance process.

Copies of the decisions of the High Court, the Court of Appeal of the Supreme Court of Victoria and the Trial Division of the Supreme Court of Victoria are available on the Administrators' websites.

Dated this 12th day of April 2010



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



Appendix 1 - Listing of Companies for which this Report has been Prepared

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



Whitsunday Harbour Pty Ltd
(ACN 010 375 470)

Wridgways (Vic) Pty Ltd
(ACN 004 153 413)

Wridgways Holdings Limited
(ACN 004 449 085)

ANST Westsky Aviation Pty Ltd (Formerly
Skywest Aviation Pty Ltd)
(ACN 004 444 866)

ANST Westsky Jet Charter Pty Ltd (Formerly
Skywest Jet Charter Pty Ltd)
(ACN 008 800 155)

ANST Westsky Holdings Pty Ltd (Formerly
Skywest Holdings Pty Ltd)
(ACN 008 905 646)

(All Deed Administrators Appointed)

Appendix 2 - Abbreviations used in this Report

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|---|---|
| "the Administrators" or "the Deed Administrators" | Mark Korda and Mark Mentha of KordaMentha |
| "Engineering" or "AAES" | Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410) |
| "AASS" | Ansett Aircraft Spares and Services |
| "AAL" | Ansett Australia Limited (ACN 004 209 410) |
| "AAHL" | Ansett Australia Holding Limited (ACN 004 216 291) |
| Collectively "the Companies" or "the Ansett Group" | All companies listed in Appendix 1 |
| "IATA" | The International Air Transport Authority |
| "BSP" | The Billing and Settlement Plan established by IATA |
| "Diners" | Diners Club Pty Limited |
| "Commonwealth Government" | Commonwealth Government of Australia |
| "SEES" | The body administering the Special Employee Entitlement Scheme for Ansett Group Employees |
| "SEESA" | Special Employee Entitlement Scheme for Ansett Group Employees |
| "the Act" | Corporations Act (2001) Commonwealth |
| "the Court" | The Federal Court of Australia |
| "DOCA" | Deed of Company Arrangement |
| "the Administrators' websites" or "websites" | http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au |
| "First Report" | First Report by Administrators of the Ansett Group dated 16 January 2002 |
| "Second Report" | Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002 |
| "Third Report" | Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002 |
| "Fourth Report" | Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004 |
| "Fifth Report" | Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005 |
| "Sixth Report" | Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006 |
| "Seventh Report" | Seventh Report by Administrators to the Creditors of the Ansett Group dated 31 March 2007 |
| "Eighth Report" | Eighth Report by Administrators to the Creditors of the Ansett Group dated 11 April 2008 |
| "Ninth Report" | Ninth Report by Administrators to the Creditors of the Ansett Group dated 27 March 2009 |
