



KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Seventh Report to Creditors

31 March 2007

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Table of Contents

1	Executive Summary	1
1.1	Introduction	1
1.2	What has been achieved?	1
1.3	Where are we going?	2
1.4	Future dividends	2
2	Communication with Stakeholders.....	3
2.1	The Administrators' websites	3
2.2	Committee of Creditors' updates	3
2.3	Employee updates	4
2.4	Key stakeholder communications	4
2.5	Pooling communications	4
3	What has been achieved?.....	6
3.1	Assets realised during 2006	6
3.2	Aircraft realised during 2006	7
3.3	Dividends paid during 2006	9
4	Where are we going?	10
4.1	Cash at bank - \$32.3m.....	11
4.2	Assets still to be realised - \$27.1m	11
4.3	Aircraft still to be realised - \$4.4m	12
4.4	Costs to complete the Administration - \$12.5m	14
4.5	Contingency reserve - \$9.7m.....	17
5	Future Dividends	18
5.1	Return to Employees	18
5.2	Return to Commonwealth Government	19
5.3	Major risks and assumptions	19
6	Pooling	20
6.1	Pooling application made in 2005.....	20

7	Statutory and legal matters	27
7.1	Court applications	27
7.2	Proceedings regarding Diners Club.....	27
7.3	Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003).....	28
7.4	Application regarding Travel Software Solutions (Proceeding No. 2062 of 2006)	30
Appendix 1	Listing of Companies for which this Report has been Prepared	31
Appendix 2	Abbreviations used in this Report.....	32
Appendix 3	Pooling documents available on the Ansett websites.....	34
Appendix 4	Pooling flowchart.....	41

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

1 Executive Summary

1.1 Introduction

This is the Seventh Report to Creditors of the Ansett Group of Companies. This report provides a general update to creditors on the status of the administration as at 31 December 2006. The Administrators have also issued 83 Committee of Creditors' updates, 48 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been achieved?

The Administrators realised \$60.8m of assets during 2006. All aircraft and over 95% of the other assets have now been sold or leased.

The Administrators paid three dividends during 2006. The fifth, sixth and seventh dividends totalled \$132.5m of which \$80.6m was paid to employees and \$51.9m to the Commonwealth Government.

Employees have now received \$666.9m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$322.7m of the \$384.0m of its total advances.

The Ansett Group has been pooled in its entirety. Meetings of creditors took place in August 2006 and the Ansett Group creditors approved pooling resolutions across 40 of the Ansett Group companies and trusts. Pooling was the primary reason for the higher dividends in the year than in 2004 and 2005.

A distribution of \$27 million was also paid to various AAE creditors under the AAE Pooling Compromise Deed.

The Administrators are now able to increase the net asset realisation estimate by a further \$30.0m from \$640.0m to \$670.0m as a result of:

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



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

1.3 Where are we going?

This still remains a comparatively complex administration. The Administrators will:

- continue to sell spare parts;
- collect in amounts still owing from travel agents and pursue legal actions;
- collect aircraft lease revenue; and
- either sell or wind down the engineering business.

The above is expected to realise \$31.5m.

Costs to complete the administration are estimated at \$12.5m. \$3.1m of the total cost to complete the administration is for trade creditors and employee provisions accrued during the administration period to 31 December 2006. \$2.9m of the total cost to complete the administration is for external labour requirements.

There are contingencies, both assets and liabilities, which are being resolved on a continuing basis.

1.4 Future dividends

The Administrators estimate employees will receive a further \$21.7m, to be paid over the next few years. **This means each employee will receive 23% of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$688.6m of the \$760.0m of total employee entitlements owed (approximately 90.6 cents in the dollar on average).

The Administrators estimate the Commonwealth Government will ultimately receive \$338.3m of its total advance of \$384.0m.

Further dividends will be paid over the next few years as assets are realised.

It is very important to note the major risks in delivering the estimated returns. These risks are documented in Section 5.3.



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

2 Communication with Stakeholders

2.1 The Administrators' websites

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

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

2.2 Committee of Creditors' updates

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

Updates and reports provided to the Committee of Creditors contain detailed information, often of a sensitive nature. A summary of the major issues covered in each update during 2006 is as follows:

Update	Date	Major Issues Reported
74	18 January 2006	Pooling Application Process – Progress, Aircraft sales, Overheads, Administrators' remuneration
75	15 February 2006	Pooling Application Process – Progress, Aircraft and engine sales, Ansett Engineering, Ansett Simulator Refinancing, Cash at Bank
76	22 March 2006	Pooling Application Process – Progress, Dividend payments
77	31 March 2006	Pooling Application Process – Progress, AAE pooling compromise
78	3 April 2006	Sixth Report to Creditors
79	27 April 2006	Pooling Application Process – Progress, Payment of fifth dividend
80	22 June 2006	General Update to 31 May 2006 including Financial Summary, Pooling Application Process – Progress, Major Risks and Assumptions and Further Financial Schedules
81	17 August 2006	Pooling Application Process – meetings
82	21 September 2005	General Update to 31 August 2006 including Financial Summary, Pooling Application Process – Progress, Major Risks and Assumptions and Further Financial Schedules
83	7 December 2006	General Update to 30 November 2006 including Financial Summary, Major Risks and Assumptions, IATA and Further Financial Schedules



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

2.3 Employee updates

Employees have also been provided with updates on the Administrators' websites. A summary of the major issues covered in each update during 2006 is as follows:

Update	Date	Major Issues Reported
39	28 February 2006	Pooling Application Process – Progress, Asset Sales in 2005, Aircraft Movements, Ansett Engineering
40	22 March 2006	Pooling Application Process – Progress
41	31 March 2006	Pooling Application Process – Progress
42	3 April 2006	Sixth Report to Creditors, What Has Been Achieved? (in 2005) Where Are We Going? Future Distributions
43	27 April 2006	Payment of Fifth Dividend, AAE Pooling, Pooling Application Process - Progress
44	11 May 2006	Payment of Fifth Dividend – Q&A, Source of Funds Pooling Application Process - Progress
45	5 June 2006	Pooling Application Process – Progress, Payment of further dividends
46	17 August 2006	Pooling Application Process – meetings
47	31 August 2006	Payment of Sixth Dividend Pooling Application Process – meeting results
48	14 December 2006	Payment of Seventh Dividend, Superannuation

2.4 Key stakeholder communications

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

2.5 Pooling communications

The most significant issue dealt with during 2006 was Pooling. In addition to the information in the updates to the Committee of Creditors and Employees as set out above, special purpose reports, proposed DOCA and Trust Deed amendments, notices, affidavits and various other information was made available to all stakeholders throughout the process.

A complete review of the entire pooling process is set out Section 6.



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

Detailed reports to creditors were issued for each Ansett Group entity for the creditors review and consideration in advance of the 31 August 2006 meetings of creditors. The reports set out for each entity the Administrators' recommendation as to whether pooling of that entity into AAL was in the best interests of the creditors of that entity. The reports made reference to the detailed affidavits and the court documents that were, and remain, available on the web site.

A listing of all the information available on the web sites in relation to the pooling application is included at Appendix 3 to this report.



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

3 What has been achieved?

3.1 Assets realised during 2006

The Administrators realised \$60.8m of assets during 2006. The Administrators have now realised over 95% of assets. There are no aircraft remaining for sale. Assets other than aircraft realised in 2006 totalled \$28.2m.

The non aircraft assets realised during 2006 are as follows:

Non Aircraft Assets realised during 2006	Section	\$m
Businesses	3.1.1	5.6
Debtors	3.1.2	8.9
Spares, Rotables and Consumables	3.1.3	13.7
Total		28.2

3.1.1 Businesses

The Ansett Flight Simulation Centre

The Ansett Flight Simulation Centre was sold in October 2004 with vendor finance provided for part of the consideration. During 2005 the purchasers made the payments under the terms of the finance agreement.

In early 2006 the Administrators worked with the purchaser in the refinancing of the loan. As a result, on 1 February 2006 the Administrators received the repayment of the vendor loan.

Skywest Security Payment

The Administrators completed the sale of shares in Skywest in February 2002 with an interest bearing security payment outstanding for part of the consideration.

During March and April 2006, the Administrators worked with the purchaser in the refinancing of the deposit. As a result, in April 2006 the Administrators received the repayment of the facility.

3.1.2 Debtors

Debtor Recoveries

During 2006, the collection team has recovered a further \$8.9m in pre administration debtors. This has increased total collections to \$146.5 million. The recoveries are from in excess of 10,000 separate debtor accounts and over 1,100 BSP travel agents who sold pre administration flight tickets on AAL's behalf.



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

Air New Zealand

\$4.0m was collected from Air New Zealand on 14 July 2006. The Administrators negotiated a full and final settlement with Air New Zealand which was approved by the Committee of Creditors. The settlement included dealing with post administration debts, IATA claims and trust monies amongst other things. The terms of the settlement are confidential.

IATA

On 10 November 2006 the Victorian Supreme Court, Court of Appeal handed down judgement allowing Ansett's appeal against the Victorian Supreme Court decision of His Honour, Justice Mandie, in favour of IATA (further details are contained in section 7.3 of this report).

3.1.3 Spares, Rotables and Consumables

During 2006, \$13.7m was realised from the sale of spares, rotables and consumables.

The Administrators' consignment and marketing agreement with AASS for the sale of rotables and consumables has minimum performance standards, which were again met during 2006.

The Administrators are currently in negotiations with AASS to extend the terms of the consignment and marketing agreement.

3.2 Aircraft realised during 2006

The settlement of the A320 (MSN 025) took place in January 2006. The balance of funds outstanding were collected being the total sale price less the deposit previously received and maintenance reserves.

In addition to the settlement of the A320 (MSN 025), all four remaining aircraft were sold or leased during 2006 as follows:

- June 2006: Lease to Orion Air (with option to purchase) of the two BAe146-300's (EWR and EWM);
- August 2006: Sale to Westair Sweden of the BAe146-200QT; and
- October 2006: Sale of remaining A320 (MSN 030).

Therefore there are now four aircraft on lease with the lessees holding options for purchase as follows:

- Orion Air - two BAe146-300's (EWR and EWN) over two years from June 2006; and
- European Skybus – two BAe146-300's (NZG and NZJ) over two years from November 2005.



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

It has always been the expectation that the lessees will exercise their purchase options due to the structure of the contracts whereby the lease payments offset the final settlement amount.

The Fleet

Below is a summary of the number and type of aircraft previously used in various Ansett Group airlines:

Aircraft Type	Owned	Financed, with Equity	Financed, with No Equity	Operating Lease	Total
Airbus A320	2		12	6	20
Boeing B727-200F				1	1
Boeing B737-300			20	4	24
Boeing B747-400				2	2
Boeing B767-200	7			2	9
Boeing B767-300				4	4
BAe146-200	5			2	7
BAe146-200QT	2				2
BAe146-300	11				11
Fokker F50	4	5			9
Fokker F27-600	1				1
Fokker F28	4				4
DC-3	1				1
DHC-6	4				4
Metro 23	7				7
Saab 340A	7			1	8
Saab 340B				8	8
CRJ-200ER			12		12
Total Aircraft in Ansett Fleet	55	5	44	30	134
Sold/parted to Date	(55)	(5)	N/A	N/A	(60)
Redelivered to Date	N/A	N/A	(44)	(30)	(74)
Aircraft to be Sold/Parted	0	-	-	-	0

It is notable that, of the original Ansett Group fleet of 134 aircraft, substantially all of the newer and higher value jet aircraft, including the 12 CRJ aircraft (acquired between 1999 and 2001), 18 of the 20 Airbus A320 aircraft, the four Boeing 767-300 aircraft and the entire fleet of 24 Boeing 737 aircraft were financed or leased. These 74 aircraft were redelivered to the respective lessors or financiers over a two year period, however have not returned any net equity to the Ansett Group.

Of the 60 remaining aircraft that were owned or financed with equity, 22 were smaller aircraft utilised by the regional airlines of the Ansett Group and were disposed of to the purchasers of those businesses. Of the remaining aircraft, 18 have been or are being sold for parts and 20 have been sold on the market.



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

3.3 Dividends paid during 2006

The Administrators paid three dividends in 2006 totalling \$132.5m, being the fifth, sixth and seventh dividends, as follows:

- the fifth dividend on 27 April 2006 of \$28.6m of which \$17.3m was paid to employees, being 10.0% of each employee's outstanding balance after payment of the first, second, third and fourth dividends; and \$11.3m to the Commonwealth Government;
- the sixth dividend on 7 September 2006 of \$76.9m of which \$46.9m was paid to employees, being 30.0% of each employee's outstanding balance after payment of the first, second, third, fourth and fifth dividends; and \$30.0m to the Commonwealth Government; and
- the seventh dividend on 14 December 2006 of \$27.0m of which \$16.4m was paid to employees, being 15.0% of each employee's outstanding balance after payment of the first, second, third, fourth, fifth and sixth dividends; and \$10.6m to the Commonwealth Government.

Employees have now received \$666.9m of the estimated total employee entitlements of \$760.0m.

The Commonwealth Government has now received \$322.7m of the \$384.0m of its estimated total advances.

A distribution of \$27 million was also paid to various AAE creditors under the AAE Pooling Compromise Deed. This compromise is discussed in detail in Section 6.



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

4 Where are we going?

This still remains a comparatively complex administration. Overall, the Administrators expect to achieve total net realisations of at least \$670m. Significantly, the net asset realisations estimate has increased by \$30m from the \$640m previously reported in the Sixth Report. This is as a result of:

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

Estimated Realisations	Section	4 th Report 31 December 2003 \$m	5 th Report 31 December 2004 \$m	6 th Report 31 December 2005 \$m	7 th Report 31 December 2006 \$m
Cash at Bank	4.1	169.7	151.1	142.4	32.3
Proceeds from Asset Sales used for distributions		320.6	413.5	467.5	628.4
Assets still to be realised	4.2	102.1	32.0	33.6	27.1
Costs to complete (including aircraft costs)	4.4	(59.7)	(42.3)	(24.0)	(12.5)
Contingency reserve	4.5	(12.7)	(25.8)	(16.6)	(9.7)
Total before remaining aircraft realisations		520.0	528.5	602.9	665.6
Aircraft still to be realised	4.3	70.0	61.5	37.1	4.4
Total Realisations		590.0	590.0	640.0	670.0

Ultimately, the Administrators expect the \$670.0m to be distributed as follows:

Estimated Dividends	31 Dec 2003 \$m	31 Dec 2004 \$m	31 Dec 2005 \$m	31 Dec 2006 \$m
Dividends to Date				
Employees	162.5	177.7	202.3	282.9
SEES	188.7	258.3	272.5	322.7
Unsecured creditors	-	-	-	27.0
	351.2	436.0	474.8	632.6
Amounts To Be Distributed				
Employees	85.1	68.9	84.2	21.8
SEES	113.7	45.1	54.0	15.6
Unsecured Creditors	40.0	40.0	27.0	-
	238.8	154.0	165.2	37.4
Total Dividends				
Employees	247.6	246.6	286.5	304.7
SEES	302.4	303.4	326.5	338.3
Unsecured Creditors	40.0	40.0	27.0	27.0
	590.0	590.0	640.0	670.0



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

4.1 Cash at bank - \$32.3m

The \$32.3m in the bank on 31 December 2006 was unavailable for distribution as follows:

- \$3.5m is either held in trust for continuing employees or for SEES.
- The balance is required temporarily to act as working capital for existing operations and against contingent liabilities of the administration. As these contingent liabilities are resolved or the risks are mitigated in conjunction with future asset realisations, further distributions will take place.

4.2 Assets still to be realised - \$27.1m

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

- updated legal advice;
- updated valuations given changing market conditions; and
- increased performance standards for ongoing contracts.

Businesses and Property

The administration continues to utilise the Supply Centre, Maintenance Base and other miscellaneous property.

Negotiations are currently under way for the sale of the Maintenance Base including:

- business assets such as trade stock, selected IT and Quality Assurance systems; and
- transfer of existing leases (note: the buildings and hangers are on leased land).

A prospective buyer has substantially completed a due diligence program and negotiations are currently taking place. Existing staff are likely to be made redundant.

The terms of the sale are confidential however the sale specifically excludes the Spares and the Supply Centre and the existing Debtors and IT systems required by the Administrators to facilitate further recoveries.

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



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

Debtors and Travel Agents

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

In respect of outstanding debtors funds, the recovery is predominantly through the Magistrates Court.

BSP Travel agents are being served with a final letter of demand by Ansett solicitors. Failing an appropriate response, Ansett intends to pursue the claims through the appropriate court.

There are currently 60 actions before the Magistrates Court and 1 action before the County Court. Anticipated further collections are between \$1.0 to \$4.0m.

Spares, Rotables and Consumables

The Administrators are currently negotiating to extend the term of the AASS agreement.

During 2006, \$13.7m was realised from the sale of spares, rotatables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$20.1m over the next two and a half years. The estimated realisation value is net of costs required to realise the assets. The gross cost required to realise the assets is approximately \$3.1m

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

Engines

No spare engines remain to be sold.

Engines from the parted BAe146's will be sold in isolation and this is discussed in Section 4.3.

4.3 Aircraft still to be realised - \$4.4m

Of the original fleet of 134 aircraft, at 31 December 2006, there are no aircraft remaining to be sold.

There are however remaining revenue streams to be realised as follows:

- Orion Air – lease of two BAe146-300's (EWR and EWN) over two years from June 2006;
- European Skybus – lease of two BAe146-300's (NZG and NZJ) over two years from November 2005; and
- Sale of parts, including ALF engines, from the BAe146 aircraft parted during 2006.



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

BAe146 aircraft are no longer being produced. A reasonable proportion of the total number of these aircraft manufactured are currently available on the market. These aircraft are also facing competition from other aircraft types, including the Fokker F100. Given the prohibitive cost of the modifications required to bring many of the Ansett BAe146 aircraft to market, the ongoing storage costs and heavy maintenance requirements, the decision was made to part the balance of the BAe146 aircraft.

As such, the realisation strategy employed for the BAe146 aircraft has proved a success to date, the strategy has seen:

- the lease of four BAe146 aircraft (with purchase options for the lessees);
- the sale of the BAe146-200QT to Westair Sweden; and
- the parting of the balance of the BAe146 aircraft.

The parts undergo a certification process upon removal. These parts are now being remarketed as part of the ongoing spares agreement with AASS in the US.

Given the continued uncertainty in the market with regard to the BAe146 aircraft, a continuation of the conservative approach to the valuation of aircraft is appropriate.

The Administrators now expect to receive a further \$4.4m from the aircraft assets detailed above.



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

4.4 Costs to complete the Administration - \$12.5m

4.4.1 Estimated costs to complete

Costs to complete are estimated at \$12.5m. \$3.1m of the total cost to complete the administration is for the trade creditors and employee provisions as at 31 December 2006. \$2.9m of the total cost to complete the administration is for external labour requirements.

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

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

Costs to Complete – Asset Analysis	Costs to Complete 31 December 2006 \$m
Aircraft costs	1.0
Working Capital – includes trade creditors and employee entitlements accrued during the administration period	3.1
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	4.9
Administration and legal fees	3.5
Total	12.5

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

Costs to date have, however, been significantly below budget. Costs for 2006 were approximately \$6.1m, significantly less than the budget of \$11.3m as set out in the Sixth Report for 2006 due to:

- interest received (not budgeted); and
- greater than budget trading revenues in part offset by increased trading costs.



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

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

Costs to Complete – Timetable	5 th Report 31 Dec 2004	6 th Report 31 Dec 2005	7 th Report 31 Dec 2006
	\$m	\$m	\$m
Working Capital	5.3	7.3	3.1
Jan – Jun 05	13.3		
Jul – Dec 05	11.5		
Jan – Jun 06	3.7	7.7	
Jul – Dec 06	2.1	3.6	
Jan – Jun 07	1.9	2.6	3.3
Jul – Dec 07	1.9	2.4	2.5
Jan – Jun 08			1.9
Jul – Dec 08			1.7
Regionals/Other	2.6	0.4	
Total	42.3	24.0	12.5

The budgets for the 2007 and 2008 calendar years have increased due to the assets taking longer than expected to realise, particularly the aircraft parting. This has been more than offset by the higher than budget receipts for these realisations and lower than budget costs to date.

4.4.2 Administrators' remuneration

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

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

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



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

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

At the meetings of Committee of Creditors held on 30 March 2006, the Committee resolved to move forward with quarterly committee meetings and as such, a quarterly remuneration approval process and revision of rates. The detailed disclosure however is still completed on a monthly basis and is used by the Committee to review each monthly remuneration claim.

The 2006 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2006	229,224
February 2006	250,255
March 2006	324,886
April 2006	237,431
May 2006	282,225
June 2006	232,332
July 2006	263,097
August 2006	363,314
September 2006	213,959
October 2006	216,648
November 2006	183,507
December 2006	136,263

As expected, the table shows that the 2006 monthly claims peaked during the preparation for the Pooling documents for the Court (March, April, May) and during preparation and circulation of the special purpose reports and other documents for the Pooling meetings in August. Generally the remuneration claims have declined during the remainder of the calendar year.



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

4.5 Contingency reserve - \$9.7m

There are large contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced during 2004, 2005 and 2006. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are:

- contingent assets of up to \$20m may be realised, depending on the success of litigation; and
- contingent liabilities of up to \$16.6m may have to be paid (reduced from \$42m in the Fourth Report and from \$31m in the Fifth Report).

These amounts have not been included in the estimated realisations for creditors.

At 31 December 2006 the administration was more than \$119.7 over budget realisations (other than aircraft). After the release of a further \$30m, the amount of contingency reserve at 31 December 2006 is \$9.7m.

The table below shows the history of asset realisations over budget (before aircraft), the build-up of the contingency and the release of the contingency:

Details	3 rd Report 31 Dec 2002 \$m	4 th Report 31 Dec 2003 \$m	5 th Report 31 Dec 2004 \$m	6 th Report 31 Dec 2005 \$m	7 th Report 31 Dec 2006 \$m	Total \$m
Contingency at 1 January	0.0	0.0	12.7	25.8	16.6	0.0
Assets realised over budget / revalued in calendar year	0.0	42.7	13.1	40.8	23.1	119.7
Contingency released		(30.0)		(50.0)	(30.0)	(110.0)
Contingency at 31 December	0.0	12.7	25.8	16.6	9.7	9.7



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

5 Future Dividends

5.1 Return to Employees

The Administrators estimate employees will ultimately receive a further \$21.7m. Accordingly, the Administrators anticipate total payments of \$688.6m of the \$760.0m total entitlements owed, being 90.6% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 23% of their current outstanding balance (following payment of the seventh dividend).

Note that this estimate has increased significantly from that in the Fifth Report of anticipated total payments of \$633.0m of the \$760.0m total entitlements owed, being 83.3% of total entitlements. The following table illustrates by example, dividends paid and expected to be paid to the total group of employees.

		Time	Total Owed to Employees \$m
Total Outstanding			
Includes Estimated Future Amounts Owed to Government			760.0
First Dividend			
SEES funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks		When employee became redundant	(384.0)
Administrator funded - 100% of unpaid wages, annual leave, long service leave, time in lieu, pay in lieu of notice and redundancy up to 8 weeks			(13.9)
Total of Redundancy >8 Weeks Owing			362.1
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			295.1
Second Dividend - Calculated as % of Balance Owed		10-Dec-03	(80.3)
Balance of Redundancy >8 Weeks Owing			214.8
Third Dividend - Calculated as % of Balance Owed		15-Dec-04	(16.1)
Balance of Redundancy >8 Weeks Owing			198.7
Fourth Dividend - Calculated as % of Balance Owed		12-Dec-05	(25.0)
Balance of Redundancy >8 Weeks Owing			173.7
Fifth Dividend - Calculated as % of Balance Owed		27-Apr-06	(17.3)
Balance of Redundancy >8 Weeks Owing			156.4
Sixth Dividend - Calculated as % of Balance Owed		7-Sept-06	(46.9)
Balance of Redundancy >8 Weeks Owing			109.5
Seventh Dividend - Calculated as % of Balance Owed		14-Dec-06	(16.4)
Balance Now Outstanding			93.1
Future Dividends Estimated			(21.7)
Estimated Shortfall			71.4
Total Amount Estimated to be Distributed			688.6



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

The estimated returns to creditors are based on currently available information. It is a best estimate only. Events or changes in conditions may materially impact the estimates used in the report. It is very important to note the major risks in delivering the estimated returns. These risks are documented at Section 5.3.

5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$338.3m of the total SEES advance of \$384.0m.

5.3 Major risks and assumptions

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

- Aircraft values. Realisations of aircraft will depend on the state of the world aviation market. This may give rise to further adjustments to aircraft values;
- Costs to Complete. Costs are largely driven by the shutdown date for the Tullamarine facility, which in turn is dependent on meeting commitments to purchasers of AAL assets as well as an assessment of the expected realisations from assets compared to the costs to maintain the assets;
- Resolution of contingent liabilities and resolution of unforeseen claims on title and warranties provided;
- Realisation of contingent assets;
- Realisation of consumables and rotables. These assets are contracted for sale on a commission basis with the realisable value dependent on the state of the aviation spares market;
- Exchange rate variations; and
- Resolution of litigation and disputes.



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

6 Pooling

The Ansett Group has now been pooled in its entirety. Meetings of creditors took place in August and the Ansett Group creditors approved pooling resolutions across 40 of the Ansett Group companies and trusts. Pooling was the primary reason for the higher dividends in the year than in 2004 and 2005.

The application and consultation processes are outlined below.

6.1 Pooling application made in 2005

The Pooling application was lodged with the Federal Court of Australia on 21 June 2005 (Victorian District Registry VID621 of 2005).

Further to the application, ten affidavits were sworn together with 89 exhibits to those affidavits. All documents lodged are available on the websites for further review under “Creditor Information” and by clicking on “Pooling Application”. A full transcript of each of the Federal Court hearings is also on the websites.

The application sought orders or directions from the Court that:

- The Deed Administrators may properly cause each of the Ansett Group Companies to vote in favour of Pooling, to the extent each Ansett Group Company is entitled to vote as a Deed Creditor at any meeting of creditors of that Ansett Group Company, or further or alternatively, in the capacity as Deed Administrator of each Ansett Group Company, the Administrators may properly and justifiably exercise a casting vote, as chairman of the Pooling Meeting, in favour of Pooling;
- The Court approve the compromises documented in the deed entitled “AAE Pooling Compromise Deed” made 29 August 2005, or further or alternatively, in the capacity as Deed Administrators the Administrators may properly perform and give effect to the AAE Pooling Deed; and
- Notice of each Pooling Meeting is to be given by posting on the Ansett Websites notice of those meetings and causing details of the said websites and meetings to be published in a national newspaper, or in each jurisdiction in which the Ansett Group carries or carried on business, in a daily newspaper that circulates generally in that jurisdiction.

The AAE Pooling Compromise Deed is posted on and may be downloaded from the websites (see exhibit MAK 5 of Mark Korda’s affidavit sworn 12 September 2005). The reasons the Administrators believe that the compromises documented in the AAE Pooling Compromise Deed are in the best interests of the Ansett Group as a whole are set out in paragraphs 212 to 217 of Mark Korda’s affidavit sworn 12 September 2005 and paragraphs 8 to 16 of Mark Korda’s affidavit sworn 30 September 2005.



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

The affidavits sworn have been:

- First Affidavit of Mark Anthony Korda, sworn 21 June 2005;
- Second Affidavit of Mark Anthony Korda, sworn 12 September 2005;
- First Affidavit of Alexander William King, sworn 23 September 2005;
- Third Affidavit of Mark Anthony Korda, sworn 30 September 2005;
- Fourth Affidavit of Mark Anthony Korda, sworn 13 October 2005;
- Second Affidavit of Alexander William King, sworn 18 October 2005;
- Third Affidavit of Alexander William King, affirmed 31 March 2006;
- Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006;
- First Affidavit of Sebastian David Hams sworn 24 May 2006; and
- Second Affidavit of Sebastian David Hams sworn 24 July 2006.

Subsequent to the lodgement of the First Affidavit of Mark Anthony Korda, we:

- provided copies of the affidavit to the Commonwealth, ASIC and the three bank creditors of AAE;
- placed copies of the affidavit and all the relevant court documents on the Ansett websites;
- wrote to 126 of the creditors of six companies or entities that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- wrote to the three non AAL employees that the Administrators believe may be worse off by \$10,000 or more, if pooling goes through;
- placed an advertisement in “The Australian” on 21 September 2005;
- circulated Update 70 to the Committee of Creditors providing an explanation of the reasons for the AAE compromise; and
- held meetings or discussions with ASIC, the Commonwealth, unions and possible contradictors.

The Administrators also advised the Court (within the further affidavits) that the responses received to the various steps above were as follows:

- a letter from ASIC which raised a number of questions and the Administrators had meetings with ASIC to discuss those issues;



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

- three responses to the letters sent to 126 creditors;
- no responses to the advertisement; and
- WTH Pty Ltd agreed to act as a contradictor to the proceeding. Note that Justice Goldberg expressly requested the Administrators find a party to act as a contradictor.

As a result of the responses and questions from various parties, the Administrators filed details (within the further affidavits) in relation to:

- confidential and privileged legal advice and commercial reasons for the AAE Pooling Deed and associated compromises;
- the discussions with the three responders to the 126 letters to disaffected creditors;
- the ASIC letter and subsequent discussions, additional and supplementary Dividend Tables, further to Dividend Table 3 in the Second Affidavit of Mark Anthony Korda, showing the likely dividends to Deed Creditors if Pooling were to occur without approval of the AAE Pooling Deed (referred to as Scenario 3) or if the Ansett Group companies continued to be separately administered without Pooling and without approval of the AAE Compromise (referred to as Scenario 4);
- the ASIC letter and subsequent discussions, estimates of the likely costs of resolving the issues posed if Pooling did not occur and the Ansett Group companies continued to be separately administered, and the likely costs of holding the proposed creditor meetings to consider Pooling outlining two further scenarios (to those provided in the First Affidavit of Mark Anthony Korda) dealing with pooling or no pooling;
- the current and potential litigation in which various Ansett Group companies are or may become involved;
- the Administrators' communications with other stakeholders (such as the ACTU and other Unions); and
- a table showing the proportion of proposed Ansett Group intercompany votes as a percentage of total possible creditor votes in the asset holding Ansett Group companies and entities.

The matter was heard on 24 October 2005 before Justice Goldberg.

On 22 March 2006, Justice Goldberg handed down written reasons for judgement. At this stage, His Honour did not make any specific orders. The reasons for judgement are also available on the websites.

The Court did however note in its judgment that *“the pooling proposal by the Administrators is sensible and advantageous to most of the creditors from a practical point of view.”*



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

Further evidence

The Administrators returned to court on 31 March 2006 for further directions. The Court indicated that it required further evidence about the position of disadvantaged creditors generally, and the effect on the potential return to those creditors of the additional administration costs if the Ansett Group is not pooled before it can determine whether to give the voting direction sought by the Administrators.

This information was prepared in the form of supplementary affidavits being the:

- Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006;
- First Affidavit of Sebastian David Hams sworn 24 May 2006; and
- Second Affidavit of Sebastian David Hams sworn 24 July 2006.

AAE Deed of Compromise

On 31 March 2006 and in relation to the AAE Deed of Compromise, the Court approved the deed, on the basis that it provided benefits and advantages for AAE and its creditors generally which would not otherwise be obtainable. There were two conditions precedent to the operation of the deed. The first was satisfied by the Court's approval of it. The second depended on the outcome of the meeting of creditors of AAE.

The Administrators held the meeting of the creditors of AAE on Friday 21 April 2006. At the meeting, the creditors of AAE approved resolutions to pool AAE by varying the Deed of Company Arrangement.

The assets of AAE of approximately \$38m were then pooled into AAL. Of that amount, \$27m was paid to various AAE creditors under the AAE Pooling Compromise Deed with the balance of \$11m being paid out in the fifth dividend on 27 April 2006 as detailed previously.

Orders and Administrators proposal

A further hearing was held on Friday, 26 May 2006. At the hearing the Administrators sought orders, which were granted by the Federal Court, only in relation to those Ansett Group companies which, based on the Administrators' investigations, held no assets. There were 32 such companies ("Non Asset Holding Companies").

The orders obtained in relation to the 32 Non Asset Holding Companies allowed the Administrators to convene meetings of the creditors of those companies in a cost effective manner, and allowed the Administrators (on behalf of the related party debt) to vote in favour of resolutions (to be put to those creditors at those meetings) amending the Deeds of Company Arrangement which apply to those companies, to allow those companies to be "pooled" into the main Ansett trading company, Ansett Australia Limited ("AAL").



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

The important point to note is that the Federal Court granted the orders sought by the Administrators because it was satisfied, based on the evidence presented by the Administrators in the pooling application, that no creditor of any of those companies would be disadvantaged by the pooling of those companies into AAL.

Representatives for the ACTU and 11 affiliated unions whose employees were part of the Ansett Group were in Court for the May 2006 hearing. The ACTU / Union representatives advised the Federal Court that the ACTU and Unions supported the orders sought by the Administrators in relation to the 32 Non Asset Holding Companies, and reiterated the ACTU's position in relation to the pooling application, namely to seek to achieve the best possible result for the most number of Ansett Group employees.

The other matter of substance dealt with at the hearing was the Administrators' proposal for dealing with the eight remaining Ansett Group companies or entities ("Asset Holding Entities") which held assets which might ultimately have been available for distribution to creditors (and not only employee creditors, but also trade and other creditors).

The main issues the Administrators faced in relation to the Asset Holding Entities were as follows:

- The pooling of the assets of the Asset Holding Entities into AAL would improve the position for employees. That is because there were likely to be more assets available for distribution to priority creditors (chiefly, employees) and significant potential administration costs (in the many millions of dollars) were likely to be saved if pooling occurred.
- However, even if pooling did not occur, that did not mean that the creditors (whether employee or other creditors) of the Asset Holding Entities would do better than they would do if the Asset Holding Entities were pooled. That was because the additional costs of administering the Asset Holding Entities separately (in the many millions of dollars, as noted above), and the effect of liabilities and charge-backs which already existed between the Asset Holding Entities and other Ansett Group companies, may ultimately erode to zero the assets presently held by some of the Asset Holding Entities. In other words, the assets held by the Asset Holding Entities, which would go into the AAL "pool" if pooling did occur, may in fact be used up in the (future) separate administration of those Asset Holding Entities, in the event that the assets of those entities were not pooled into AAL.
- Because of this, the Administrators advised the Federal Court at the hearing that, rather than seeking further court directions in relation to the Asset Holding Entities at that stage, the Administrators would instead prepare reports to the creditors of the Asset Holding Entities, setting out their opinions as to why it may well be in the interests of the creditors of those entities to vote for pooling at soon to be convened pooling meetings.

While the Federal Court made no formal ruling or comment about the Administrators' proposal, Justice Goldberg noted that the Administrators' proposal gave creditors (including employee creditors) *"an opportunity to determine their own destiny"*.



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

Meetings and special purpose reports

Meetings of creditors of 40 of the Ansett Group companies and trusts were convened for 10am on Thursday 31 August 2006 at the Mercure Hotel Melbourne, 13 Spring Street, Melbourne.

At the meetings, creditors were asked to vote on resolutions to "pool" the Ansett Group company or trust of which they are a creditor.

Special purpose reports to creditors were posted on the websites with copies of the Ansett Group Deeds of Company Arrangement and Trust Deeds showing the "pooling" variations to be voted on at the 31 August 2006 meetings.

Special purpose reports were only posted to creditors who might have been disadvantaged if the company of which they were a creditor was pooled, including former Aeropelican and Show Group employees. The majority of employees did not receive reports by post because the majority of employees were employed by AAL and pooling of AAL and the Ansett Group as a whole was beneficial to AAL employees. Similarly, former Kendell employees did not receive reports as pooling of Kendell was beneficial to the Kendell employees.

There were nine reports. Eight of them concerned six specific companies and two specific trusts as set out in Appendix Three of this report. The ninth report concerned the 32 Non Asset Holding Companies, which had no assets and in respect of which the Deed Administrators issued a single generic report.

The special purpose reports set out:

- Our estimates of the likely effect of pooling on the creditors of each company;
- Our estimates of the likely effect of pooling on the Ansett Group creditors as a whole;
- A summary of the financial affairs of each company;
- The basis for our estimates, opinions and recommendations;
- Our recommendations; and
- Relevant documents (meeting notice, proxy form, proof of debt form, example DOCA).



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

Recommendations

The Administrators recommended to all Ansett Group creditors that they vote in favour of pooling, except where our duties and obligations as Administrators prevented it. The exceptions related to Aeropelican (The Pelican Trust) and Show Group.

For all employees, including AAL employees, the Administrators recommended reading the relevant report(s) carefully and obtaining advice about it as each employee saw fit.

The issues were very complex and therefore the Administrators have attached a flow chart summarising the effect (if any) on creditors including employees for each of the 40 companies and trusts. This flowchart is also attached to this report as Appendix Four.

Pooling meetings

The meetings of creditors took place on 31 August 2006. Ansett Group creditors approved pooling resolutions across the 40 remaining Ansett Group companies and trusts. The Ansett Group was pooled in its entirety.

The pooling of the Ansett Group allowed the Administrators to pay the sixth dividend of \$76.9 million to former Ansett employees and to the Commonwealth on Thursday 7 September 2006. Employees received \$46.9 million being 30% of their balance outstanding at the time.



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

7 Statutory and legal matters

7.1 Court applications

The Administrators have made and are continuing a number of applications to various courts. Those made since the Sixth Report include an application regarding Travel Software Solution (“TSS”) (Proceeding No. 2062 of 2006) (refer section 7.1.3 below)

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

- applications regarding monies due to AAL under Global Rewards Participation Agreements and under a Charge Card Merchant Agreement from Diners Club Australia;
- application regarding IATA;
- applications concerning recovery of trade receivables;
- applications to Recover Trust Funds from Travel Agents; and
- pooling application as detailed in Section 6.

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

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

7.2 Proceedings regarding Diners Club

In the Sixth and Fifth Reports, the Administrators outlined two proceedings issued by AAL against Diners Club Australia (“Diners”). In summary, those proceedings are outlined below:

Global Rewards

On 3 November 2004, AAL issued a proceeding in the Commercial List in the Supreme Court of Victoria at Melbourne against Diners (proceeding number 2071 of 2004). The statement of claim alleges that Diners is indebted to AAL for monies due under a Global Rewards Participation Agreement. The statement of claim particularises claims by AAL in the amount of approximately \$9.6m together with interest and costs. Diners filed its amended defence and counterclaim on 25 October 2005 and filed a Further Amended Defence and Counterclaim on 17 February 2007, denying any liability on a number of grounds and setting out a counterclaim.



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

His Honour Justice Hargrave, heard the matter between 6 February 2007 and 22 February 2007. The Court has reserved its decision.

Diners Merchant Agreement

In addition, and in the same proceeding, AAL made a separate claim against Diners under a Merchant Agreement whereby customers of AAL settled their account through the provision of a Diners Charge Card facility. Pursuant to the claim, AAL alleges that Diners was indebted to AAL for \$20.5m, together with interest and costs. The quantum of Ansetts' claim will be reduced if Diners can substantiate valid charge card "charge backs" or refunds. Diners has recently alleged that of the \$20.5m claim, \$17m relates to charge backs.

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

7.3 Applications regarding IATA (Proceeding Nos. 8792 of 2002 and 6455 of 2003)

Victorian Supreme Court, Court of Appeal decision

On 10 November 2006 the Victorian Supreme Court, Court of Appeal handed down judgement allowing Ansett's appeal by a 2-1 majority. On 14 December 2006 IATA filed an application for special leave to appeal to the High Court. Ansett is opposing IATA's application for special leave and on 2 March 2007 filed and served Summary of Argument. The Parties are currently awaiting a date on which the application for Special Leave will be heard.

Background to IATA proceeding

IATA operates a Clearing House for the clearing and settlement of transactions between participating members (largely international airlines) and other organisations. AAHL was a member of the IATA Clearing House at the time of the appointment of Voluntary Administrators.

The Administrators previously reported that on 23 December 2002, IATA commenced proceedings in the Victorian Supreme Court against AAHL seeking declarations that the IATA Clearing House regulations continued to apply to AAHL notwithstanding AAHL's entry into voluntary administration.



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

AAHL defended the claims brought by IATA and issued a cross-motion seeking orders (among others) that the Clearing House regulations ceased to apply to AAHL upon the execution of its Deed of Company Arrangement on 2 May 2002. AAHL claimed that the Clearing House Regulations did not apply to AAHL's credits and debits that were not cleared as at 12 September 2001, but rather those debits and credits must be dealt with in the administration of AAHL pursuant to, and in accordance with, the provisions of the Deed of Company Arrangement.

AAHL relied upon a standing House of Lords decision of *British Eagle International Airlines Ltd v Compagnie National Air France* [1975] ("British Eagle") in support of its claim. IATA's and AAHL's proceedings were heard together before His Honour Justice Mandie.

Justice Mandie delivered judgement in favour of IATA on 22 April 2005.

AAHL filed a notice of appeal to the Supreme Court of Victoria, Court of Appeal on 20 June 2005 and the appeal was heard on 19 June 2006. On 10 November 2006, the Court of Appeal handed judgment in favour of Ansett by a 2-1 majority. The Court of Appeal agreed with Ansett's contentions that, notwithstanding the purported effect of the IATA Clearing House regulations, Ansett remained the true debtor and creditor vis a vis the other transacting IATA member airlines. The Court of Appeal also agreed that the Clearing House arrangements deprived Ansett of the debts owed to it by the other net debtor airlines and that, as such, the Clearing House arrangements were contrary to public policy and could not prevail over Ansett's Deed of Company Arrangement.

Copies of the decisions of the Supreme Court of Victoria and the Supreme Court of Victoria, Court of Appeal can be viewed on the Administrators web site.

Potential Recoveries From Clearing House Members

Subject to the outcome of the High Court application by IATA, AAHL intends to pursue the Clearing House members that were net debtors of AAHL as at 12 September 2001. AAHL has already taken steps to preserve all of its rights to recover such monies from debtor members.

As AAHL has not yet obtained access to all the potential cross-claims from debtor airlines, it is not possible at this time to definitively quantify AAHL's claims. Preliminary investigations indicate that if the Court of Appeal's decision is sustained, AAHL may potentially be able to pursue considerable claims.



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

7.4 Application regarding Travel Software Solutions (Proceeding No. 2062 of 2006)

Ansett Australia Ltd (AAL) issued a writ and Statement of Claim in the Commercial List in the Supreme Court of Victoria at Melbourne against Travel Software Solutions (“TSS”). The statement of claim alleges that TSS is indebted to AAL for monies due pursuant to a dividend declared by TSS on 21 December 2005 and for which AAL as a shareholder of TSS is entitled to receive the sum of \$4 million, plus interest and costs.

TSS is defending AAL’s claim on the basis of an alleged right of set-off. The proceeding is set down for trial and fixed for hearing on 17 May 2007 with an estimated duration of two days.

Dated this 2nd day of April 2007



MARK A KORDA
Deed Administrator



MARK F MENTHA
Deed Administrator



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

501 Swanston Street Pty Ltd (ACN 005 477 618)	Northern Territory Aerial Work Pty Ltd (ACN 009 611 321)
Airport Terminals Pty Ltd (ACN 053 976 444)	Rock-It-Cargo (Aust) Pty Ltd (ACN 003 004 126)
Aldong Services Pty Ltd (ACN 000 258 113)	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
Ansett Aircraft Finance Limited (ACN 008 643 276)	South Centre Maintenance Pty Ltd (ACN 007 286 660)
Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)	Spaca Pty Ltd (ACN 006 773 593)
Ansett Australia Limited (ACN 004 209 410)	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Ansett Australia and Air New Zealand Engineering Services Limited (ACN 089 520 696)	ANST Travel International Pty Ltd (Formerly Traveland International Pty Ltd) (ACN 000 598 452)
Ansett Australia Holdings Limited (ACN 004 216 291)	Traveland International (Aust) Pty Ltd (ACN 000 275 936)
Ansett Carts Pty Ltd (ACN 055 181 215)	Traveland New Staff Pty Ltd (ACN 080 739 037)
Ansett Equipment Finance Limited (ACN 006 827 989)	Walgali Pty Ltd (ACN 055 258 921)
Ansett Finance Limited (ACN 006 555 166)	Westintech Limited (ACN 009 084 039)
Ansett Holdings Limited (ACN 065 117 535)	Westintech Nominees Pty Ltd (ACN 009 302 158)
Ansett International Limited (ACN 060 622 460)	Whitsunday Affairs Pty Ltd (ACN 009 694 553)
Bodas Pty Ltd (including in its capacity as trustee of the Westsky Trust and the Pelican Trust) (ACN 002 158 741)	Whitsunday Harbour Pty Ltd (ACN 010 375 470)
Brazson Pty Ltd (ACN 055 259 008)	Wridgways (Vic) Pty Ltd (ACN 004 153 413)
Eastwest Airlines (Operations) Limited (ACN 000 259 469)	Wridgways Holdings Limited (ACN 004 449 085)
Eastwest Airlines Limited (ACN 000 063 972)	ANST Westsky Aviation Pty Ltd (Formerly Skywest Aviation Pty Ltd) (ACN 004 444 866)
ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
Morael Pty Ltd (ACN 003 286 440)	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
Northern Airlines Limited (ACN 009 607 069)	(All Deed Administrators Appointed)



Appendix 2 Abbreviations used in this Report

"the Administrators" or "the Deed Administrators"	Mark Korda and Mark Mentha of KordaMentha
"Engineering" or "AAES"	Australian Aviation Engineering Services a division of Ansett Australia Limited (ACN 004 209 410)
"AASS"	Ansett Aircraft Spares and Services
"AAL"	Ansett Australia Limited (ACN 004 209 410)
"AAHL"	Ansett Australia Holding Limited (ACN 004 216 291)
"AAE"	Ansett Aviation Equipment Pty Ltd (ACN 008 559 733)
"Aeropelican"	Aeropelican Air Services Pty Ltd (ACN 000 653 083)
"Ansett International"	Ansett International Limited (ACN 060 622 460)
"Bodas"	Bodas Pty Ltd (ACN 002 158 741)
"Kendell"	ANST Lednek Airlines (Aust) Pty Ltd (Formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680)
"Show Group"	ANST Show Pty Ltd (Formerly Show Group Pty Ltd) (ACN 002 968 989)
"Skywest"	Skywest Airlines Pty Ltd (ACN 008 997 662)
"Skywest Aviation"	ANST Westsky Aviation Limited (Formerly Skywest Aviation Limited) (ACN 004 444 866)
"Skywest Jet Charter"	ANST Westsky Jet Charter Pty Ltd (Formerly Skywest Jet Charter Pty Ltd) (ACN 008 800 155)
"Skywest Holdings"	ANST Westsky Holdings Pty Ltd (Formerly Skywest Holdings Pty Ltd) (ACN 008 905 646)
"Traveland"	ANST Travel Pty Ltd (Formerly Traveland Pty Ltd) (ACN 000 240 746)
Collectively "the Companies" or "the Ansett Group"	All companies listed in Appendix 1
"non AAL Group Entities"	All companies listed in Appendix 1, except for Ansett Australia Limited
"Air New Zealand" or "the Air New Zealand Group"	Air New Zealand Group of Companies
Memorandum of Understanding	Settlement agreement between Air New Zealand and the Administrators
"JTS"	Jet Turbine Services
"IATA"	The International Air Transport Authority
"BSP"	The Billing and Settlement Plan established by IATA
"Diners"	Diners Club Pty Limited
"ASIC"	Australian Securities and Investments Commission
"Commonwealth Government"	Commonwealth Government of Australia
"EBA"	Enterprise Bargaining Agreement
"SEES"	The body administering the Special Employee Entitlement Scheme for Ansett Group Employees
"SEESA"	Special Employee Entitlement Scheme for Ansett Group Employees
"the Act"	Corporations Act (2001) Commonwealth



"the Court"	The Federal Court of Australia
"DOCA"	Deed of Company Arrangement
"the Administrators' websites" or "websites"	http://www.kordamentha.com/national/creditor.aspx and http://www.ansett.com.au
"the First Meeting"	Meeting of creditors called pursuant to Section 436E of the Act
"the Second Meeting"	Meeting of creditors called pursuant to Section 439A of the Act
"the Third Meeting" or "this meeting"	Meeting of creditors called pursuant to Clause 18.5 of the DOCAs
"First Report"	First Report by Administrators of the Ansett Group dated 16 January 2002
"Second Report"	Second Report by Administrators to the Creditors of the Ansett Group dated 15 March 2002
"Third Report"	Third Report by Administrators to the Creditors of the Ansett Group dated 16 September 2002
"Fourth Report"	Fourth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2004
"Fifth Report"	Fifth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2005
"Sixth Report"	Sixth Report by Administrators to the Creditors of the Ansett Group dated 31 March 2006



Appendix 3 Pooling documents available on the Ansett websites

Applications

Federal Court of Australia: Victorian District Registry: VID621 of 2005, 21 June 2005

Orders

Orders - 30 August 2005

Orders - 26 September 2005

Orders - 10 October 2005

Notice of Listing - 11 October 2005

Orders - 22 March 2006

Orders - 26 May 2006

First Korda Affidavit

First Affidavit of Mark Anthony Korda, sworn 21 June 2005

Exhibits to First Korda Affidavit

Exhibit MAK 1 - Historical Company Extracts of Plaintiff Companies (pages 1-617)15MB

Exhibit MAK 2 - Copy Deed of Company Arrangement executed by Ansett Australia Holdings Ltd ("AAHL"), dated 2 May 2002

Exhibit MAK 3 - Copy MOU, dated 3 October 2001

Exhibit MAK 4 - Copy SEESA Deed, dated 14 December 2001

Second Korda Affidavit

Second Affidavit of Mark Anthony Korda, sworn 12 September 2005

Exhibits to Second Korda Affidavit

Exhibit MAK 5 - AAHL Deed of Compromise

Exhibit MAK 6 - Court's final orders, Justice Goldberg's reasons for judgment and corrigenda in the MOU Application

Exhibit MAK 7 - Court's final orders, and Justice Goldberg's reasons for judgment in the SEESA Application

Exhibit MAK 8 - Second Meeting resolutions and results of poll

Exhibit MAK 9 - First Report to Creditors



Exhibit MAK 10 - Second Report to Creditors

Exhibit MAK 11 - Third Report to Creditors

Exhibit MAK 12 - Fourth Report to Creditors

Exhibit MAK 13 - Fifth Report to Creditors

Exhibit MAK 14 - The Ansett Group Entities

Exhibit MAK 15 - Intranet memorandum dated 10 August 2000

Exhibit MAK 16 - Extract of Kendell loan account with AAL for January 2001 to July 2001

Exhibit MAK 17 - Extract from May 2000 edition of "Panorama"

Exhibit MAK 18 - AAL trade-marks

Exhibit MAK 19 - Extract of July-August 2000 edition of "Flight Safety Australia"

Exhibit MAK 20 - Except from AAL Asset Register

Exhibit MAK 21 - Numbered bundle of documents relating to Head Office, 501 Swanston Street and Other Ansett Melbourne CBD Properties matters

Exhibit MAK 22 - Schedule of inter-company loan balances

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

Exhibit MAK 24 - Class A Cross-Guarantee and Revocation Deeds

Exhibit MAK 25 - Class B Cross-Guarantee, Revocation Deeds and Assumption Deed

Exhibit MAK 26 - Class C Cross-Guarantee

Exhibit MAK 27 - Affidavit of Mark Francis Xavier Mentha sworn 8 October 2001 (excluding exhibits)

Exhibit MAK 28 - Affidavit of Mark Francis Xavier Mentha sworn 10 October 2001 (excluding exhibits)

Exhibit MAK 29 - Affidavit of the Hazelton Group Administrator sworn 22 October 2001 (excluding exhibits)

Exhibit MAK 30 - Affidavit of Mark Anthony Korda sworn 1 November 2001 (excluding exhibits)

Exhibit MAK 31 - Affidavit of Leon Zwier sworn 20 September 2002 (excluding exhibits)

Exhibit MAK 32 - Affidavit of Mark Anthony Korda sworn 26 September 2002 (excluding exhibits)

Exhibit MAK 33 - Affidavit of Bradley Fowler sworn 13 March 2003 (excluding exhibits)

Exhibit MAK 34 - Hazelton Deed of Settlement



Exhibit MAK 35 - Ansett written contentions dated 5 May 2003 in the Allocation Applications

Exhibit MAK 36 - Further Hazelton Terms of Settlement

Exhibit MAK 37 - Court's orders in the Hazelton Allocation Application

Exhibit MAK 38 - Affidavit of Mark Anthony Korda sworn 3 December 2001(excluding exhibits)

Exhibit MAK 39 - Loan Deed

Exhibit MAK 40 - AAL DOCA Variation Application terms of settlement

Exhibit MAK 41 - AAL DOCA Variation Orders and Justice Goldberg's reasons for judgment

Exhibit MAK 42 - Skywest/Aeropelican reports to creditors dated 15 January 2002

Exhibit MAK 43 - Skywest/Aeropelican DOCAs

Exhibit MAK 44 - Skywest Sale Agreement

Exhibit MAK 45 - Aeropelican Sale Agreement and Variation Documents

Exhibit MAK 46 - Skywest Transfer Agreement and the Westsky Trust Deed

Exhibit MAK 47 - Aeropelican Transfer Agreement and the Pelican Trust Deed

Exhibit MAK 48 - Abbreviated Notice Application

Exhibit MAK 49 - Affidavit Of Leon Zwier sworn 27 December 2001

Exhibit MAK 50 - Affidavit Of Leon Zwier sworn 3 January 2002

Exhibit MAK 51 - Final orders of the Court and Justice Goldberg's reasons for judgment in the Abbreviated Notice Application

First King Affidavit

First Affidavit of Alexander William King, affirmed 23 September 2005

Exhibits to First King Affidavit

Exhibit AWK-1 - Letter dated 2 September 2005 regarding proposed affidavit of Mark Anthony Korda

Exhibit AWK-2 - Email dated 7 September 2005 regarding proposed affidavit of Mark Anthony Korda

Exhibit AWK-3 - Email dated 8 September 2005 enclosing unsworn affidavit of Mark Anthony Korda, without exhibits

Exhibit AWK-4 - Letter dated 8 September 2005 enclosing exhibit "MAK-14" to unsworn affidavit of Mark Anthony Korda



Exhibit AWK-5 - Email dated 8 September 2005 enclosing exhibit "MAK-14" to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-6 - Letter dated 8 September 2005 enclosing proposed exhibits to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-7 - Letter dated 9 September 2005 enclosing proposed exhibits to unsworn affidavit of Mark Anthony Korda

Exhibit AWK-8 - Extracts from Websites

Exhibit AWK-9 - Form of letter dated 15 September 2005 sent to certain Ansett Group creditors

Exhibit AWK-10 - Form of letter dated 15 September 2005 sent to certain Skywest creditors

Exhibit AWK-11 - Form of letter dated 15 September 2005 sent to certain Aeropelican creditors

Exhibit AWK-12 - List of letter recipients (of 15 September 2005 letter)

Exhibit AWK-13 - Copy notice to Ansett Group creditors published in "The Australian" on 21 September 2005

Exhibit AWK-14 - Email dated 19 September 2005 to Ansett Committees of Creditors

Exhibit AWK-15 - Letter dated 19 September 2005 from ASIC to ABL

Third Korda Affidavit

Third Affidavit of Mark Anthony Korda, sworn 30 September 2005

Exhibit to Third Korda Affidavit

Exhibit MAK-52 - ASIC request dated 19 September 2005

Fourth Korda Affidavit

Fourth Affidavit of Mark Anthony Korda, sworn 13 October 2005

Exhibits to Fourth Korda Affidavit

Exhibit MAK-53: Letter from Contradictor dated 29 September 2005

Exhibit MAK-54: Letter from ASIC dated 7 October 2005

Exhibit MAK-55: Email from Rockwell Collins dated 20 September 2005

Exhibit MAK-56: Email from Skippers Aviation dated 22 September 2005

Exhibit MAK-57: Minutes of 23 September 2005 meeting between Mark Korda and union representatives (and others)



Exhibit MAK-58: Written presentation from 23 September 2005 meeting between Mark Korda and union representatives (and others)

Exhibit MAK-59: Email from KordaMentha to ACTU dated 23 September 2005

Exhibit MAK-60: Email from AGS to ABL dated 26 September 2005

Exhibit MAK-61: Email from ABL to AGS dated 28 September 2005

Exhibit MAK-62: Email from AGS to ABL dated 28 September 2005

Exhibit MAK-63: Email from Steven Parbery to Mark Korda dated 28 September 2005

Exhibit MAK-64: Letter from ABL to various parties dated 29 September 2005

Exhibit MAK-65: Email from ABL to ASIC dated 29 September 2005

Exhibit MAK-66: Email from ABL to various parties dated 30 September 2005

Exhibit MAK-67: Letter from AGS to ABL dated 3 October 2005

Exhibit MAK-68: Letter from AGS to ABL dated 5 October 2005

Exhibit MAK-69: Letter from Mark Korda to Steven Parbery and Ross McClure (for the Commonwealth) dated 5 October 2005

Second King Affidavit

Second Affidavit of Alexander William King, affirmed 18 October 2005

Third King Affidavit

Third Affidavit of Alexander William King, affirmed 31 March 2006

Exhibit to Third King Affidavit

Exhibit AWK-17: AAE Pooling Compromise Deed (as amended)

Fifth Korda Affidavit

Fifth Affidavit of Mark Anthony Korda, sworn 15 May 2006

Exhibits to Fifth Korda Affidavit

Exhibit MAK-70: Notice as published in “The Australian”

Exhibit MAK-71: Special purpose report, proposed form of amended DOCA and notice of meeting

Exhibit MAK-72: Update 79 to the members of the Ansett Committees of Creditors dated 27 April 2006

First Hams Affidavit



First Affidavit of Sebastian David Hams sworn 24 May 2006

Second Hams Affidavit

Second Affidavit of Sebastian David Hams sworn 24 July 2006

Submissions

Plaintiffs' Outline of Submissions dated 20 October 2005

Submissions of Commonwealth of Australia dated 20 October 2005

Outline of Submissions to be made on behalf of WTH Pty Ltd in its capacity as Contradictor dated 21 October 2005

Transcripts of Proceedings

Transcript - 23 June 2005

Transcript - 19 July 2005

Transcript - 16 August 2005

Transcript - 30 August 2005

Transcript - 26 September 2005

Transcript - 24 October 2005

Transcript - 22 March 2006

Transcript - 31 March 2006

Transcript - 26 May 2006

Transcript - 4 August 2006

Judgement

Judgement – 22 March 2006

Proposed Amendments to Ansett Group Deeds of Company Arrangement/Trust Deeds for:

39 Ansett Group Companies

The Pelican Trust (re Aeropelican Air Services Pty Ltd (ACN 000 653 083) (formerly subject to Deed of Company Arrangement))

The Westsky Trust (re Skywest Airlines Pty Ltd (ACN 008 997 662) (formerly subject to Deed of Company Arrangement))



Special Purpose Reports

There are nine reports. Eight of them concern six specific companies and two specific trusts. The ninth report concerns 32 companies, all of which have no assets and in respect of which the Deed Administrators have issued a single generic report. The six specific companies and two specific trusts are:

Ansett Australia Limited (ACN 004 209 410) (subject to Deed of Company Arrangement)

Ansett Australia Holdings Limited (ACN 004 216 291) (subject to Deed of Company Arrangement)

Ansett Holdings Limited (ACN 065 117 535) (subject to Deed of Company Arrangement)

Ansett International Limited (ACN 060 622 460) (subject to Deed of Company Arrangement)

ANST Lednek Airlines (Aust) Pty Ltd (formerly Kendell Airlines (Aust) Pty Ltd) (ACN 000 579 680) (subject to Deed of Company Arrangement)

ANST Show Pty Ltd (formerly Show Group Pty Ltd) (ACN 002 968 989) (subject to Deed of Company Arrangement)

The Westsky Trust (re Skywest Airlines Pty Ltd (ACN 008 997 662) (formerly subject to Deed of Company Arrangement))

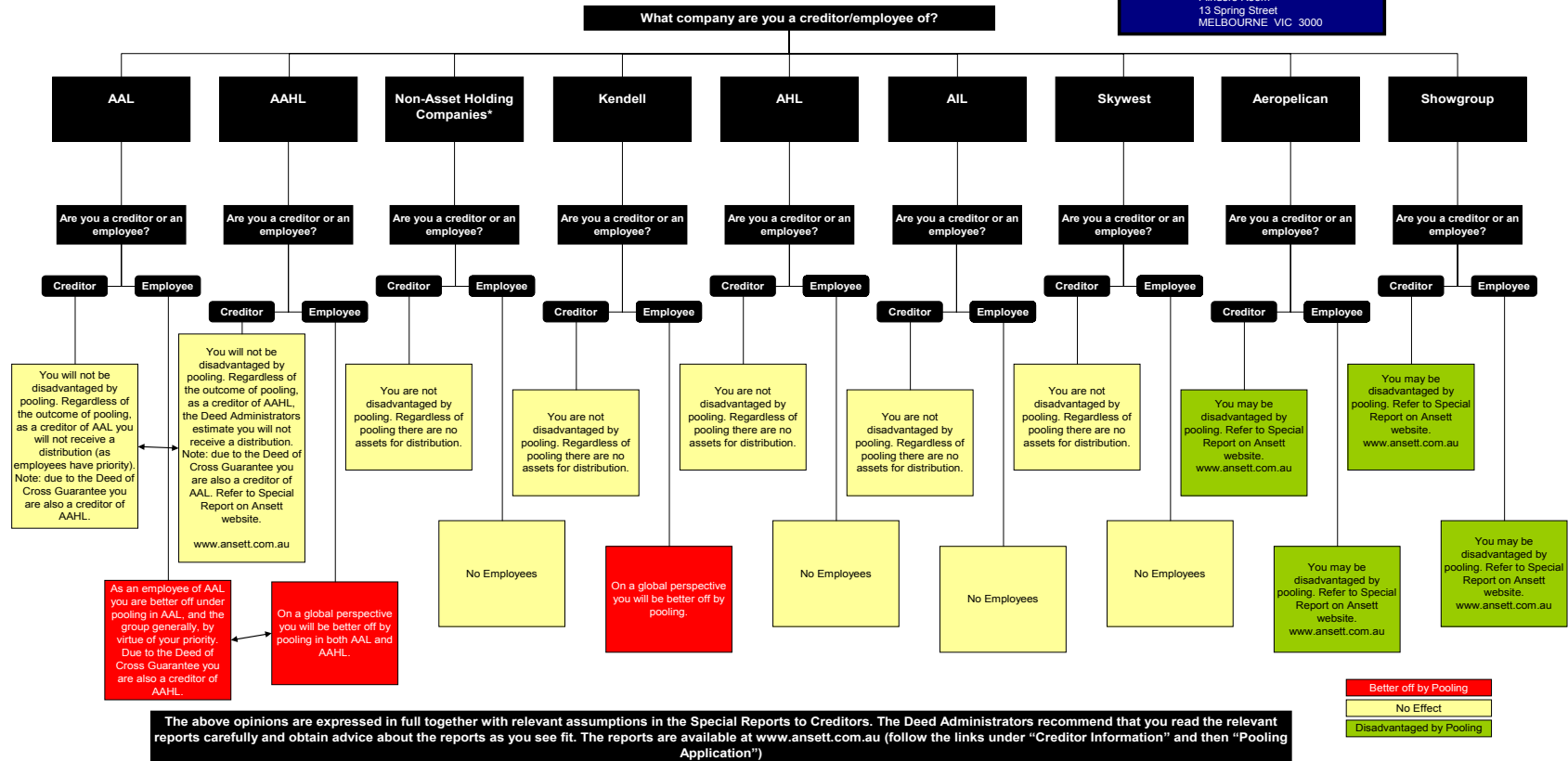
The Pelican Trust (re Aeropelican Air Services Pty Ltd (ACN 000 653 083) (formerly subject to Deed of Company Arrangement))



Appendix 4 Pooling flowchart

Pooling Query Flowchart

Meetings
 Time: 10:00am
 Date: 31 August 2006
 Location: Mercure Hotel Melbourne
 Flinders Room
 13 Spring Street
 MELBOURNE VIC 3000



* Refer to the relevant Special Report available at www.ansett.com.au for a listing of companies included

