



KordaMentha

Ansett Group

(Subject to Deeds of Company Arrangement)

Ninth Report to Creditors

27 March 2009

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1 Executive Summary

1.1 Introduction

This is the Ninth 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 2008. The Administrators have also issued 95 Committee of Creditors' updates, 56 employee updates and detailed reports to the Commonwealth Government and to representatives of employees.

1.2 What has been achieved?

The Administrators realised \$16.1m of assets during 2008. All aircraft and over 95% of the other assets have now been sold, parted or leased.

The Administrators paid two dividends during 2008. The tenth and eleventh dividends totalled \$44.3m, of which \$24.6m was paid to employees and \$19.7m to the Commonwealth Government.

Employees have now received \$709.8m of the revised total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$351.7m 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 \$10.0m from \$710.0m to \$720.0m 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.



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1.3 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 \$16.4m.

Costs to complete the administration are estimated at \$5.4m. \$1.0m of the total cost to complete is for trade creditors and employee provisions accrued during the administration period to 31 December 2008.

There are contingencies, both assets and liabilities, which are being resolved on a continuing basis. \$6m is held as a contingency.

1.4 Future dividends

The Administrators estimate employees will receive at least a further \$8.5m, to be paid over the next few years. **This means each employee should receive at least 18 cents in the \$ of their current outstanding balance.** Accordingly, the Administrators anticipate total payments of \$718.3m of the \$758.0m of total employee entitlements owed (approximately 94.8 cents in the \$ on average).

We note this is an increase of \$5.7m to employees since the last report due largely to successful legal actions.

The Administrators estimate the Commonwealth Government will ultimately receive \$357.1m 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 major risks in delivering the estimated returns. These risks are documented in Section 5.3.

1.5 Subsequent Events Update

Subsequent to 31 December 2008, the Administrators have successfully concluded the Diners Global Master Merchants Agreements litigation through mediation and banked \$5.25m. Further details are documented in Section 6.



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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 2008 is as follows:

Update	Date	Major Issues Reported
89	6 February 2008	Update on IATA
90	28 February 2008	Update on Diners Club litigation
91	28 March 2008	Update as to Diners Club and TSS litigation
92	15 April 2008	Advice on the 10 th Dividend
93	31 May 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
94	31 August 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.
95	30 November 2008	Current employee entitlement and asset position, updates on debtors, spares, aircraft, property and contingencies.



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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 2008 is as follows:

Update	Date	Major Issues Reported
53	29 February 2008	Update on Current Litigation and the sale of AAES assets
54	15 April 2008	Payment of Tenth dividend, Update on Current Litigation and outline of the Eighth Report to Creditors
55	11 November 2008	Update on Administration strategy, Litigation and further dividends
56	11 December 2008	Payment of Eleventh Dividend and update on litigation.

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.



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3 What has been achieved?

3.1 Assets realised during 2008

The Administrators realised \$16.1m of assets during 2008. The Administrators have now realised over 95% of assets. Assets other than aircraft realised in 2008 totalled \$14.4m.

The non aircraft assets realised during 2008 are as follows:

Non Aircraft Assets realised during 2008	Section	\$m
Business	3.1.1	5.0
Debtors	3.1.2	0.8
Spares, Rotables and Consumables	3.1.3	8.6
Total		14.4

3.1.1 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.

Fifty percent of the purchase price was received on 1 June 2007. The balance of the purchase price was received in January 2008. The payment of the balance of funds was dependent on JHAS achieving CASA and EASA certifications or 1 June 2008 – whichever was the earliest date. There were interim measures in place whereby JHAS traded utilising the AAES CASA and EASA approvals whilst providing AAES with the appropriate indemnities.

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.



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3.1.2 Debtors

Debtor Recoveries

During 2008, the collection team recovered a further \$0.8m in pre administration debtors. This increased total collections to \$150.1m. 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.

IATA, Diners Club and TSS

Details of recoveries and proceedings during the 2008 year are contained in section 6 of this report. Further events subsequent to 31 December 2008 are also discussed.

3.1.3 Spares, Rotables and Consumables

During 2008, \$8.6m 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 2008.

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

3.2 Aircraft realised during 2008

In our Eighth Report we made reference to Ansett's remaining 5 aircraft. An update on these aircraft is below:

- Ansett completed the sale of two BAe146-300's (NZG and NZJ), which were subject to lease purchase agreements with European Skybus.
- Parting was completed for the one BAe146-300 located in Melbourne.
- The two BAe146-300's (EWR and EWN) leased to Orion Air are to be re delivered due to Orion Air's lease default. These two aircraft will be realised in the United Kingdom.



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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.



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3.3 Dividends paid during 2008

The Administrators paid two dividends in 2008 totalling \$44.3m, being the tenth and eleventh dividends, as follows:

- the tenth dividend on 15 April 2008 of \$24.6m of which \$15.0m was paid to employees, being 20.0% of each employee's outstanding balance after payment of the first to ninth dividends; and \$9.6m to the Commonwealth Government; and
- the eleventh dividend on 11 December 2008 of \$19.7m of which \$12.0m was paid to employees, being 20.0% of each employee's outstanding balance after payment of the first to tenth dividends; and \$7.7m to the Commonwealth Government.

Employees have now received \$709.8m of the estimated total employee entitlements of \$758.0m.

The Commonwealth Government has now received \$351.7m of the \$382.4m of its total advances.



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4 Where are we going?

Overall, the Administrators expect to achieve total net realisations of at least \$720.0m. Significantly, the net asset realisations estimate has increased by \$130.0m 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	5 th Report 31 December 2004 \$m	6 th Report 31 December 2005 \$m	7 th Report 31 December 2006 \$m	8 th Report 31 December 2007 \$m	9 th Report 31 December 2008 \$m
Cash at Bank	4.1	151.1	142.4	32.3	18.4	9.9
Proceeds from Asset Sales used for distributions		413.5	467.5	628.4	658.3	705.1
Assets still to be realised	4.2	32.0	33.6	27.1	44.5	15.5
Costs to complete (including aircraft costs)	4.4	(42.3)	(24.0)	(12.5)	(8.0)	(5.4)
Contingency reserve	4.5	(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
Aircraft still to be realised	4.3	61.5	37.1	4.4	2.5	0.9
Total Realisations		590.0	640.0	670.0	710.0	720.0



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Ultimately, the Administrators expect the \$720.0m 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
Dividends to Date						
Employees	162.5	177.7	202.3	282.9	300.0	327.4
SEES	188.7	258.3	272.5	322.7	334.0	351.7
Unsecured creditors	-	-	-	27.0	27.0	27.0
	351.2	436.0	474.8	632.6	661.0	706.1
Amounts To Be Distributed						
Employees	85.1	68.9	84.2	21.8	29.8	8.5
SEES	113.7	45.1	54.0	15.6	19.2	5.4
Unsecured Creditors	40.0	40.0	27.0	-	-	-
	238.8	154.0	165.2	37.4	49.0	13.9
Total Dividends						
Employees	247.6	246.6	286.5	304.7	329.8	335.9
SEES	302.4	303.4	326.5	338.3	353.2	357.1
Unsecured Creditors	40.0	40.0	27.0	27.0	27.0	27.0
	590.0	590.0	640.0	670.0	710.0	720.0



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4.1 Cash at bank - \$9.9m

The \$9.9m in the bank on 31 December 2008 consists of:

- \$1.0m is being held in trust for either continuing employees, rental deposits or unclaimed dividends.
- 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 - \$15.5m

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 2008 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 minimal. We also hold default judgements of approximately \$0.3m, however significant recovery on these debtors is unlikely.

Subsequent to 31 December 2008, the Administrators have concluded the Diners Global Master Merchants Agreements litigation through mediation and the funds will be recovered in 2009. Further details are documented in Section 6.



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Spares, Rotables and Consumables

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

During 2008, \$8.6m was realised from the sale of spares, rotables and consumables. The Administrators estimate net future realisations from the sale of spare parts of \$5.8m over the next year and a half. 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 this is discussed in Section 4.3.

4.3 Aircraft still to be realised - \$0.9m

Of the original fleet of 134 aircraft, at 31 December 2008, there are no aircraft remaining to be sold or leased.

During 2008 the balance of the lease payments owed by European Skybus for two BAe146-300's (NZG and NZJ) was collected.

For the two BAe146-300's (EWR and EWN) leased to Orion Air, due to the difficulty in Orion Air obtaining finance we are in the process of reprocessing the aircraft. Due to the low estimated realisable value of these aircraft and the long time period required to sell them due to the large number of aircraft on the market we are likely to part them in the United Kingdom. The parts will be remarketed as part of the ongoing spares agreement with AASS.

The Administrators now expect to receive a further \$0.9m from the aircraft assets detailed above.



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4.4 Costs to complete the Administration - \$5.4m

4.4.1 Estimated costs to complete

Costs to complete are estimated at \$5.4m. \$1.0m of the total cost to complete the administration is for the trade creditors and employee provisions as at 31 December 2008. \$1.9m 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 2008 \$m
Working Capital – includes trade creditors and employee entitlements accrued during the administration period	1.0
Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs	2.0
Administration and legal fees	2.4
Total	5.4

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. 2008 costs were approximately \$3.5m, marginally less than the budget of \$3.8m as set out in the Seventh 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:



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Costs to Complete – Timetable	5 th Report 31 Dec 2004	6 th Report 31 Dec 2005	7 th Report 31 Dec 2006	8 th Report 31 Dec 2007	9 th Report 31 Dec 2008
	\$m	\$m	\$m	\$m	\$m
Working Capital	5.3	7.3	3.1	2.2	1.0
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
Regionals/Other	2.6	0.4			
Total	42.3	24.0	12.5	8.0	5.4

The budgets for the 2009 and 2010 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.

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

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, 2007, 2008 and 2009 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



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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.

In February 2008, the Committee of Creditors reviewed the 2008 Remuneration budget of \$1.7m.

The 2008 Schedule of Monthly Remuneration Claims is provided below:

Month	Monthly Total \$
January 2008	143,161
February 2008	153,443
March 2008	116,741
April 2008	122,695
May 2008	122,479
June 2008	81,308
July 2008	117,209
August 2008	109,337
September 2008	65,534
October 2008	147,015
November 2008	114,717
December 2008	85,973

The Remuneration claim for 2008 was \$0.3m under budget.



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4.5 Contingency reserve - \$6.0m

There are contingencies, both assets and liabilities, that are yet to be resolved, but the number of contingencies has been materially reduced since 2004. Contingencies that could affect the return to creditors, other than the realisation of assets and aircraft are contingent liabilities of up to \$10.0m (reduced from \$42.0m in the Fourth Report and from \$31.0m in the Fifth Report).

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

At 31 December 2008, the administration was \$166.0m over budget realisations (other than aircraft). After the release of a further \$10.0m, the amount of contingency reserve at 31 December 2008 is \$6.0m.

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

Details	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	8 th Report 31 Dec 2007 \$m	9 th Report 31 Dec 2008 \$m	Total \$m
Contingency at 1 January	0.0	12.7	25.8	16.6	9.7	5.7	0.0
Assets realised over budget / revalued in calendar year	42.7	13.1	40.8	23.1	36.0	10.3	166.0
Contingency released	(30.0)		(50.0)	(30.0)	(40.0)	(10.0)	(160.0)
Contingency at 31 December	12.7	25.8	16.6	9.7	5.7	6.0	6.0



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5 Future Dividends

5.1 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)
Total of Redundancy >8 Weeks Owing			361.7
Special Dividend			
Amounts Varied Between Employees		10-Dec-03	(67.0)
Balance of Redundancy >8 Weeks Owing			294.7
Second Dividend - Calculated as % of Balance Owed	27.5%	10-Dec-03	(80.3)
Balance of Redundancy >8 Weeks Owing			214.4
Third Dividend - Calculated as % of Balance Owed	7.5%	15-Dec-04	(16.1)
Balance of Redundancy >8 Weeks Owing			198.3
Fourth Dividend - Calculated as % of Balance Owed	12.5%	12-Dec-05	(25.0)
Balance of Redundancy >8 Weeks Owing			173.3
Fifth Dividend - Calculated as % of Balance Owed	10.0%	27-Apr-06	(17.3)
Balance of Redundancy >8 Weeks Owing			156.0
Sixth Dividend - Calculated as % of Balance Owed	30.0%	7-Sept-06	(46.9)
Balance of Redundancy >8 Weeks Owing			109.1
Seventh Dividend - Calculated as % of Balance Owed	15.0%	14-Dec-06	(16.2)
Balance of Redundancy >8 Weeks Owing			92.9
Eighth Dividend - Calculated as % of Balance Owed	10.0%	19 Jul-07	(9.3)
Balance of Redundancy >8 Weeks Owing			83.6
Ninth Dividend - Calculated as % of Balance Owed	10.0%	13-Dec-07	(8.4)
Balance of Redundancy >8 Weeks Owing			75.2
Tenth Dividend - Calculated as % of Balance Owed	20.0%	19 Apr-08	(15.0)
Balance of Redundancy >8 Weeks Owing			60.2
Eleventh Dividend - Calculated as % of Balance Owed	20.0%	11-Dec-08	(12.0)
Balance Now Outstanding			48.2
Future Dividends Estimated	18%		(8.5)
Estimated Shortfall			39.7
Total Amount Estimated to be Distributed			718.3



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The Administrators estimate employees will ultimately receive a further \$8.5m. Accordingly, the Administrators anticipate total payments of \$718.3m of the \$758.0m total entitlements owed, being 94.8% of total entitlements. For individual employees, this means that the Administrators estimate each will receive 18% of their current outstanding balance (following payment of the eleventh 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 major risks in delivering the estimated returns. These risks are documented at Section 5.3.

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.

5.2 Return to Commonwealth Government

The Administrators estimate SEES will ultimately receive \$357.1m of the total SEES advance of \$382.4m.

5.3 Major risks and assumptions

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

- Costs to Complete – costs are largely driven by litigation and labour for the provision of consumables and rotables to market;
- 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;



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- Exchange rate variations; and
- Resolution of litigation and disputes.



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6 Statutory and legal matters

6.1 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 Eighth 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.

6.2 Proceedings regarding Diners Club

In the Fifth, Sixth, Seventh and Eighth 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.



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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.

Global Rewards

As mentioned in the Eighth Report, 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.

6.3 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.



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Dated this 27th day of March 2009



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)
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

