

IN THE FEDERAL COURT OF AUSTRALIA
DISTRICT REGISTRY

No. V621 of 2005

IN THE MATTER OF ANSETT AUSTRALIA LIMITED
(ACN 004 209 410) & ORS (in accordance with the
Schedule attached) (All Subject to a Deed of
Company Arrangement)

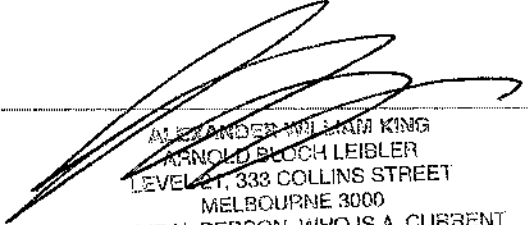
and

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

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-9**" produced and shown to **MARK ANTHONY KORDA**
at the time of swearing his affidavit dated 12 September 2005.

Before me:



ALEXANDER WILLIAM KING
ARNOLD BLOCH LEIBLER
LEVEL 21, 333 COLLINS STREET
MELBOURNE 3000
A NATURAL PERSON WHO IS A CURRENT
PRACTITIONER WITHIN THE MEANING OF
THE LEGAL PRACTICE ACT 1996

Exhibit "MAK-9"
First Report to Creditors

ANSETT GROUP OF COMPANIES

First Report by Administrators

Pursuant to Section 439A of the Corporations Act

16 January 2002



ANSETT GROUP FIRST REPORT BY ADMINISTRATORS

This is our First Report to creditors as Administrators of the Ansett Group. As required by the Act, this report addresses the companies' business, property, affairs and financial circumstances and provides our preliminary opinions on the following matters:

- Whether it would be in the creditors' interests for the Companies within the Ansett Group to execute a Deed of Company Arrangement;
- Whether it would be in the creditors' interests for the administration of the Companies within the Ansett Group to end; and
- Whether it would be in the creditors' interests for the Companies within the Ansett Group to be wound up

and the reasons for those opinions.

The administration of the Ansett Group is extremely large and complex. This First Report is intended to be an overview of the Ansett Group's operations and our actions to date in order to assist creditors to gain an understanding of the current status of the administration. It will also outline the primary matters that will be considered at the Second Meetings of Creditors of the Ansett Group.

Separate meetings of creditors under Section 439A of the Act are scheduled for Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings ("the excluded companies") on Friday, 25 January 2002 due to the particular requirements associated with the sales of those businesses. Separate reports under Section 439A will be distributed to the creditors of the excluded companies. They will not be considered in detail in this report. Any reference in this report to the excluded companies is for information purposes only for the creditors of the remainder of the Ansett Group.

This report relates to the companies within the Ansett Group (other than the excluded companies) set out in the list of companies attached at the conclusion of this report. The Second Meetings of Creditors for these companies are scheduled for Tuesday, 29 January 2002.

The primary issue to be considered by creditors at this meeting will be the approval of the sale of the mainline airline to Tesna. This meeting will not determine how the proceeds of the sale will be applied. And while it is our preliminary opinion that it would be in the interests of the creditors of the Ansett Group companies that the companies execute DOCAs, we are still conducting investigations in this regard. Our investigations will be further progressed and reported to creditors before they are asked to vote on whether the companies should enter into DOCAs.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

We will be seeking to hold the Second Meetings of Creditors of the Ansett Group companies in two parts:

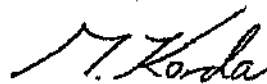
Date	Purpose of Meeting	To be Referred to as:
<ul style="list-style-type: none"> 29 January 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the conduct of the administration to date <input type="checkbox"/> To approve the sale of the mainline business to Tesna, as described in this report <input type="checkbox"/> To approve the Administrators' remuneration <input type="checkbox"/> To adjourn the meeting for a period of no more than 60 days 	"Part 1 of the Second Creditors Meeting"
<ul style="list-style-type: none"> by 30 March 2002 	<ul style="list-style-type: none"> <input type="checkbox"/> To receive a report on the investigations into the affairs of the Ansett Group <input type="checkbox"/> To consider how the proceeds of the Tesna sale will be applied <input type="checkbox"/> To consider and, if appropriate, approve the proposed DOCAs for the various Ansett Group companies. 	"Part 2 of the Second Creditors Meeting"

To enable this to occur, the creditors for each Ansett Group company will need to resolve on 29 January 2002 for the meetings of each company to be adjourned for a period of not more than 60 days. During that time we will continue our investigations and prepare a further report for creditors outlining the results of our investigations and the options available to creditors on the future of the Ansett Group.

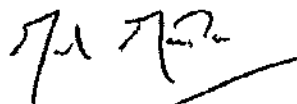
While this is our recommended course of action, the power to adjourn the meeting rests solely with the creditors at Part 1 of the Second Creditors Meeting.

Creditors should note that in accordance with the Orders of Justice Goldberg on 7 January 2002, notices for Part 2 of the Second Creditors Meeting will not be posted to creditors but a notice of the time, date and place of Part 2 of the Second Creditors Meeting will be placed on the Administrators' web sites within 48 hours of Part 1 of the Second Creditors Meeting and in advertisements placed in newspapers nationally on or before 5 February 2002.

Dated this 16th day of January 2002.



MARK A KORDA
Administrator



MARK F MENTHA
Administrator



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The companies for which this report has been prepared are listed immediately before the Appendices. Any reference to dollars in this report relates to Australian currency unless indicated otherwise.

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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
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Appendices

1. *Dates of Appointment of Administrators*
2. *Detailed History of the Ansett Group*
3. *Ansett Group Structure*
4. *Listings of the Directors of the Ansett Group*
5. *Correspondence with ASIC*
6. *Organisational Chart of Administrators' Staff*
7. *Major Areas of Responsibility*
8. *Preliminary Estimate of Book Value of Assets and Liabilities of each Ansett Group Company as at the Date of the Appointment of the Administrators*
9. *Draft Outline of Proposed Deed of Company Arrangement*
10. *Schedule Identifying Owner of Assets Subject of Tesna Sale*



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

ABBREVIATIONS USED IN THIS REPORT

Mark Korda and Mark Mentha of Andersen
Allan Watson, Greg Hall and Peter Hedge of
PricewaterhouseCoopers

Abbreviated to:
"the Administrators"
"the Initial Administrators"

Aeropelican Air Services Pty Ltd (ACN 000 653 083)
Ansett Australia Limited (ACN 004 209 410)
Ansett Australia and Air New Zealand Engineering Services
Limited (ACN 089 520 696)

"Aeropelican"
"Ansett Australia"
"AANZES"

Ansett International Limited (ACN 060 622 460)
Kendell Airlines (Aust) Pty Ltd (ACN 000 579 680)
Show Group Pty Ltd (ACN 002 968 989)
Skywest Airlines Pty Ltd (ACN 008 997 662)
Skywest Aviation Limited (ACN 004 444 866)
Skywest Jet Charter Pty Ltd (ACN 008 800 155)
Skywest Holdings Pty Ltd (ACN 008 905 646)
Traveland Pty Ltd (ACN 000 240 746)

"Ansett International"
"Kendell"
"Show Group"
"Skywest"
"Skywest Aviation"
"Skywest Jet Charter"
"Skywest Holdings"
"Traveland"
"the excluded companies"

Aeropelican, Skywest Airlines, Skywest Aviation, Skywest
Jet Charter and Skywest Holdings

All companies listed in Appendix 1 with the exception of the
excluded companies

Collectively "the Ansett Group"
or "Ansett"
"the Hazelton Administrator"
Collectively "the Hazelton
Group"

Michael Humphris of Sims Lockwood
Hazelton Air Charter Pty Ltd (ACN 065 221 356)
Hazelton Air Services Pty Ltd (ACN 000 242 928)
Hazelton Airlines Limited (ACN 061 965 642)
Air New Zealand Group of Companies

"Air New Zealand" or "the Air
New Zealand Group"

Australian Industrial Relations Commission
Airline Operations Certificate
Australian Securities and Investments Commission
Civil Aviation Safety Authority
Commonwealth Government of Australia
Deed of Company Arrangement
Domestic Terminal Lease
Enterprise Bargaining Agreements
Earnings Before Interest and Tax
International Air Transport Association
International Bureau of Aviation
Lang Corporation Limited
National Roads & Motorists Association
Royal Automobile Club of Victoria
Report as to Affairs

"AIRC"
"AOC"
"ASIC"
"CASA"
"Commonwealth Government"
"DOCA"
"DTL"
"EBA"
"EBIT"
"IATA"
"IBA"
"Lang"
"NRMA"
"RACV"
"RATA"



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

Singapore International Airline
Special Employee Entitlement Scheme for Ansett Group
Employees
<http://www.ansett.com.au/administrator> and
<http://www.abl.com.au/administrator>
Corporations Act (2001) Commonwealth
The Federal Court of Australia
Meeting of creditors to be called pursuant to Section 436E
of the Act
Meeting of creditors to be called pursuant to Section 439A
of the Act
Consortium associated with Mr Lindsay Fox, Mr Solomon
Lew and Tesna Holdings Pty Ltd
Information Technology
Transpacific Enterprises Inc
Air Passenger Ticket Levy (Collection) Act 2001

Abbreviated to:

"Singapore Airline"

"SEESA"

"the Administrators' websites"

"the Act"

"the Court"

"the First Meeting of Creditors"

"the Second Creditors Meeting"

"Tesna"

"IT"

"Transpacific"

"Ticket Levy Act"



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1. Executive Summary

1.1 Aim of Administration

The object of the administration legislation is to provide for the business, property and affairs of an insolvent company to be administered in a way that :

- Maximises the chances of a company continuing to exist; or
- If that is not possible, results in a better return for creditors than an immediate winding up.

The Ansett administration is one of the largest, most complicated and demanding administrations of recent times. Because of this complexity and time constraints, this First Report is subject to change.

1.2 Purpose of Meeting

The meeting of creditors for the Ansett Group (excluding the Aeropelican and Skywest companies) will be held on **29 January 2002 at 3.00pm at Vodafone Arena, Melbourne Park, Batman Avenue, Melbourne.**

The purpose of the meeting is to:

- Consider the Administrators' report concerning the company's business, property, affairs and financial circumstances;
- Approve the sale of the Ansett mainline business to the Tesna Consortium;
- Approve the Administrators' remuneration;
- Adjourn the meeting for up to 60 days;
- Resolve the mechanism for calling of future meetings.

This meeting will be known as Part 1 of the Second Creditors Meeting. The proposed next meeting will be known as Part 2 of the Second Creditors Meeting.

Part 2 will deal with distribution of the proceeds of the Tesna sale and whether companies should enter into a Deed of Company Arrangement ("DOCA").

1.3 Resolutions to be Proposed

The resolutions to be proposed at Part 1 of the Second Creditors Meeting will be voted on a company by company basis as follows:

"That the creditors approve the sale of the Ansett mainline airline to Tesna Holdings Pty Ltd as described in the First Report to Creditors";

"That the creditors approve the Administrators' remuneration for the period 15 December 2001 to 15 January 2002".



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

"That the second meetings of the creditors of the companies in the Ansett Group be adjourned for a period of up to 60 days from this day";

"That notice of further meetings of the creditors of the companies in the Ansett Group be convened by postings on the Administrators' web sites and by advertisements placed prominently in newspapers nationally".

1.4 Background to Ansett Group and Appointment of Administrators

Ansett for many years has been a major player in the Australian aviation industry. Air New Zealand has been the 100 per cent owner of Ansett since June 2000.

Peter Hedge, Allan Watson and Greg Hall of PricewaterhouseCoopers were appointed the Initial Administrators to companies in the Ansett Group on 12 and 14 September 2001. At 2am on 14 September 2001, the Initial Administrators ceased Ansett's operations and grounded its aircraft.

On 17 September 2001 we were appointed Administrators by the Federal Court of Australia.

1.5 Size and Complexity of Administration

Some points to assist in understanding the size, difficulty and complexity of the Ansett Group administration are as follows:

- The operations and sales of 14 discrete businesses have been controlled throughout the administration.
- Ansett had no available cash and no aircraft flying at the date of our appointment.
- At the commencement of the administration, a significant number of key Ansett management on secondment from Air New Zealand returned to New Zealand, leaving a senior management vacuum.
- Executive management, financial and treasury systems had been centralised in New Zealand and needed to be disentangled.
- The terrorist attacks on 11 September 2001 in the United States of America has depressed airline values and resulted in the bankruptcy of other airlines around the world.
- There was, and still is, fierce competition in the Australian aviation market making trading and sale prospects challenging.
- Ansett had a fleet of 133 aircraft. A hand-back process has begun for 53 of these aircraft subject to leases.
- Ansett operated regional airlines – Skywest (WA), Kendell (NSW, Vic, Tas, SA) and Aeropelican (NSW).
- Ansett operated major travel agencies through Traveland and Show Group.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

- The administration has required management of more than 10 million individual items of spare parts, rotables and consumables.
- Ansett previously had about 350 leasehold premises.
- Substantial interface has been necessary with the Commonwealth Government, all State Governments, various Government departments and regulatory authorities in order to recommence flying and continue with operations.
- It has been necessary to verify the financial positions of the 41 companies in administration.
- The total operating costs prior to administration were more than \$200m per month. (This has been reduced substantially).
- Enterprise bargaining agreements for the entire Ansett workforce have been renegotiated during the administration.
- Ansett previously employed more than 15,000 people. During the administration a redundancy program has been undertaken for 8,000+ of those employees.
- A settlement with Air New Zealand for \$150m was effected and is one of the largest cash settlements of its kind in Australian insolvency history.
- There is a total of approximately \$3.5b of potential claims by creditors.

1.6 Administrators' Three-Point Plan

Shortly after our appointment, we developed a three-point plan for the Ansett Group. This involved:

- Stabilising the various Ansett businesses. We needed to determine whether it was possible to minimise the cost of trading and restart the business to protect the assets during administration.
- Developing the Ansett Solution. We needed to devise a response that kept the Ansett businesses going while maximising the returns to creditors.
- Performing the required investigations.

Most activity has focused so far on the first two points and only preliminary comments can be made on the investigations.

It should be noted that there was overwhelming support for Ansett from stakeholders, underlining the enormous goodwill of the Ansett brand. This was a key part of recommencing Ansett's operations as we needed to harness this goodwill quickly to provide the best solution.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1.7 Stabilising the Business

It quickly became clear that the two imperatives in stabilising the Ansett business were recommencing operations and separating Ansett from Air New Zealand.

A settlement was also reached with Air New Zealand in relation to a variety of claims, including the Letter of Comfort given to certain companies in the Ansett Group. This avoided the need for lengthy litigation that might also have forced Air New Zealand into insolvency and resulted in no return to Ansett.

Under the settlement, an amount of \$150m was paid to Ansett with Air New Zealand also agreeing not to claim in the administration for further claimed debts of \$160m. After paying the \$150m, that total claim would have been \$310m. The settlement was approved by the Federal Court of Australia on 12 October 2001.

Part of the reason for the Air New Zealand settlement was to provide Ansett a cash injection to enable Ansett Kick-Start to continue and fund the substantial asset protection costs related to domestic airport terminal leases and the equity in some of the aircraft fleet.

"Ansett Kick-Start" was the project to recommence flights for Ansett's mainline and regional airlines. Operations recommenced on 29 September 2001.

1.8 Developing the Ansett Solution

It was important to numerous other businesses within the Ansett Group that the mainline airline was sold as a going concern.

Four parties emerged who may have been interested in acquiring the mainline airline as a going concern - Tesna, ANstaff, Singapore Airlines and Lang.

Offers for the mainline airline were received from Tesna and ANstaff. The ANstaff bid was withdrawn because of a lack of finance. Lang expressed interest in acquiring terminals and aviation assets.

On 8 November 2001, Tesna and the Administrators agreed on a conditional sale of the mainline airline assets for \$514m, being \$270m cash and the assumption of employee liabilities of up to \$244m, with a completion date of 31 January 2002. Tesna has also agreed to take possession of 29 new Airbuses.

The \$514m, plus Tesna's financing of 29 new Airbuses, the leasing of 16 Airbuses, the assumption of the liabilities of employees, landlords and other lessors means the total value of the deal exceeds \$3b. The entire transaction is extremely complex; it has required significant of work and will require much more work to complete by 31 January 2002.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

1.9 Estimated Returns to Creditors

If creditors do not approve the sale to Tesna, priority entitlements may not be paid in full and there will be no funds available for ordinary unsecured creditors.

If the sale to Tesna is approved, terminated employees should receive all of their entitlements in full with transferring employees being reliant on Tesna for their entitlements. A dividend to unsecured creditors of up to 5 cents in the dollar is possible. There is a chance it could be higher depending on the result of asset realisations and the eventual value of creditors. The dividend to unsecured creditors has been estimated on a consolidated basis.

Investigations into the affairs of the Ansett Group are continuing. A recommendation based on these investigations regarding "pooling" of assets and liabilities within the various Ansett companies will be prepared for a further meeting within 60 days of the 29 January 2002 meeting.

Employees made redundant are likely to receive their full entitlements during 2002. Unsecured creditors are likely to receive an initial dividend in 2003 with a further payment in 2004.

1.10 Opinions by Administrators

In the Administrators' opinion, the interests of creditors are best served by approving the sale of the mainline airline business to Tesna because it:

- Provides the best possible return to creditors from a realisation of the mainline airline business.
- Maximises the chances of Ansett continuing and results in potentially better returns to creditors than the alternative of winding up.
- Maximises the chances of a large number of employees maintaining employment, thereby avoiding significant redundancy costs. This applies to the mainline airline, the regional airlines and the engineering business.
- Increases the chances of other Ansett businesses, including regional airlines and the engineering businesses, continuing to trade with a view to their eventual sale.
- Reduces unsecured creditors through assigning various aircraft finance and operating leases.

We recommend that creditors approve the sale to Tesna and adjourn the further meeting for a period of up to 60 days to enable the preparation of further reports on the proposed DOCA for a decision by creditors.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

2. Appointment of Administrators

2.1 Object of Administration

Section 435A of the Act states that the object of administration legislation is to provide for the business, property and affairs of an insolvent company to be administered in a way that:

- **Maximises the chances of the company, or as much as possible of its business, continuing in existence.**
- **If it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.**

The Ansett Group is very large and complex. The daily operational demands of the Ansett Group mean that our investigations have not been finalised.

We have prepared this report using the information available at the time of writing. In many instances, our views and opinions are preliminary and require further investigation. This is largely due to the size and complexity of the Ansett Group. We reserve the right to alter any conclusions reached, on the basis of any changed or additional information which may become available. Further reports will be prepared to keep creditors informed.

We stress that this report is not exhaustive. It is a general summary and should be treated as such.

2.2 Appointment of Administrators

The boards of directors of various Ansett companies passed resolutions on 12 and 14 September 2001 that various companies within the Ansett Group were insolvent or likely to become insolvent. By further resolution, the boards of directors appointed Messrs Greg Hall, Alan Watson and Peter Hedge of PricewaterhouseCoopers as the Initial Administrators of the various companies.

We were appointed by the Court as Administrators of the Ansett Group companies on 17 September 2001. Michael Humphris of Sims Lockwood was appointed as Administrator of the Hazelton Group at that time. These appointments took effect upon the resignation of the Initial Administrators on 17 September 2001.

We also obtained leave of the Court to be appointed Administrators of AANZES on 3 October 2001.

Appendix 1 is a list of the companies within the Ansett Group of which we are the Administrators, with the relevant appointment dates.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

2.3 Prior Involvement with the Ansett Group Companies

Before our appointment, neither we, nor Andersen, had any conflict of interest with the companies over which we were appointed that would preclude us from acting as Administrators of those companies.

2.4 Communication with Stakeholders

We established web sites early in the administration to post documents relating to major issues in the administration. These web sites are <http://www.ansett.com.au/administrator> and <http://www.abl.com.au/administrator>.

Hotlines were established to take calls from creditors and others.

Regular media briefings were held to keep creditors informed.

The volume of enquiries has sometimes made it difficult to respond to all queries in the time frame expected. We did our best to respond as quickly as possible and apologise to person who does not believe they received prompt attention.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

3. Background

3.1 History of the Ansett Group

Ansett was founded by Sir Reginald Myles Ansett and operated its first air service in February 1936, flying a single-engine, open cockpit, six-seater Fokker Universal from Hamilton in western Victoria to Essendon Airport in Melbourne. This was the beginning of a regular weekday service.

In 1937, Ansett moved its base and flying school to Essendon Airport and launched new services to Broken Hill, Sydney, and from Sydney to Adelaide with fuelling stops in Mildura and Narrandera. After World War II, Ansett expanded its routes and acquired Australian National Airways in 1957.

Over 60 years, Ansett became an Australian icon, rapidly expanding to include the first development of holiday resorts in the Whitsundays in 1947, the introduction of flying boat services in Queensland in 1953 and the first airport-to-city helicopter service in Melbourne in 1960. In 1964, Ansett introduced the first jet airliner, the Boeing 727, to Australian service and in the same year achieved the status of Australia's largest domestic airline.

By 1967, Ansett had established operations in New South Wales, South Australia, Western Australia, the Northern Territory, Papua New Guinea and Lord Howe Island. Ansett moved its operations to Tullamarine Airport in 1972.

In 1979, the Ansett Group was taken over by TNT and News Limited, with Sir Reginald Ansett remaining Chairman until his death in 1981. In 1983 Ansett began using Boeing 767 aircraft, with a capacity of 211 passengers.

Ansett changed its name to Ansett Australia just before deregulation of the domestic airline industry on 31 October 1990. It then expanded internationally with its first flight to Bali in 1993. In late 1996, Air New Zealand purchased TNT's 50 per cent stake in Ansett and in June 2000, it purchased News Limited's remaining 50 per cent share. Consequently, Air New Zealand had full ownership of Ansett and its subsidiaries in June 2000.

Ansett was the first Australian airline to introduce features such as e-ticket and e-check in, the Golden Wing Lounge and the frequent flyer program, Global Rewards.

In 1999, Ansett became a full member of Star Alliance. Star Alliance is the world's largest airline network, with connecting services through its 15 member airlines to 894 destinations in 129 countries. The Star Alliance agreements provide for members of each airline's own frequent flyer scheme to redeem points with other Star Alliance member airlines.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The Ansett Group was vital to regional and rural areas, serving remote mining communities and distant towns in far Western Queensland and Western Australia through its regional airline subsidiaries, Kendell, Hazelton, Skywest and Aeropelican.

In Western Australia, the Northern Territory, New South Wales and Queensland, Ansett had 111 intrastate destinations. Ansett's commitment to regional Australia was illustrated by its sponsorship of community and sporting events and showcasing of local produce such as regional wines.

Ansett was the official airline of the 2000 Sydney Olympics, the Australian Cricket Board and the Australian Rugby League, and sponsored the Australian Football League.

Before 12 September 2001 the Ansett Group:

- Employed more than 15,000 people.
- Had a total payroll and payroll related costs for the year ended 30 June 2001 was approximately \$1.2b.
- Served more than 130 domestic destinations and made about 900 flights across the Australian network daily.
- Served four overseas destinations: Japan, Indonesia, Hong Kong and Fiji.
- Had 133 aircraft in its fleet. In the 2000 financial year, Ansett carried more than 14 million passengers.
- Was a major participant in the air freight and cargo industry, carrying 111,147 tonnes of cargo in 2001.
- Generated revenue of approximately \$3.2b and a net loss after tax was \$378m For the year ended 30 June 2001. The loss before tax, but including abnormals, was \$610m.

Appendix 2 is a detailed chronology of the history of the Ansett Group.

3.2 Ownership Structure

The entire Ansett group consists of about 80 separate legal entities, many of which are incorporated and operate overseas. We have been appointed to 41 of the companies in the Ansett Group.

Appendix 3 is a diagram outlining the Ansett group structure including those companies which are not based in Australia and/or are not in administration.



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**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

3.3 Management of the Ansett Group

Appendix 4 gives details of former and current directors of each of the Ansett Group companies. All of the Directors of the 'holding' companies in the Ansett Group were at all relevant times also directors of Air New Zealand Limited, the holding company in the Air New Zealand Group.

After the Air New Zealand Group acquired 100 per cent ownership of the Ansett Group in June 2000, a new trans-Tasman, Australasian executive structure was announced. Many of the senior financial executives for the Ansett Group were employed by Air New Zealand, but had responsibility for the combined Ansett/Air New Zealand Group.

As part of the trans-Tasman executive structure, key aspects of the Ansett business were consolidated into Air New Zealand. These included:

- The treasury function. All financing arrangements for Ansett, including aircraft leasing and financial market transactions, were assumed by a central treasury function and supporting documentation was transferred to New Zealand. The Air New Zealand treasury function also assumed the accounting function for a number of "treasury" companies and related books and records were transferred to Auckland.
- Various parts of the Ansett management information system.
- A significant number of secondments between Air New Zealand and Ansett of key managers. The majority of these secondees returned to New Zealand after the appointment of the Initial Administrators.

3.4 Major Businesses

The major businesses within the Ansett Group are as follows.

Business	Operated By	Nature of Business	Approx. Employees
• Mainline Airline	Ansett Australia	Airline flying between mainly capital city trunk routes	7,349
• Ansett International	Ansett International	International airline flying to selected Asia ports	458
• Australian Concession Management	Ansett Australia	Hospitality services	246
• Engineering	Ansett Australia	Line maintenance and heavy engineering of aircraft fleet	1,848
• Engine Overhaul	Ansett Australia	Maintenance and overhaul of aircraft engines	226
• Skywest	Skywest	Regional airline (Western Australia)	146



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Business	Operated By	Nature of Business	Approx. Employees
• Kendell	Kendell	Regional airline (Victoria, Tasmania, South Australia)	921
• Aeropelican	Aeropelican	Regional Airline (Newcastle-Sydney)	46
• Show Group	Show Group	Logistics manager, travel agency and freight forwarder to the film, sports, art and entertainment industries worldwide.	158
• Traveland	Traveland	One of Australia's largest leisure travel operators	720
• Flight Simulators	Ansett Australia	Hire out flight simulators to both internal and external clients	35
• Call Centres	Ansett Australia	Call centres (7) to manage bookings for Mainline and regional airlines	2,103
• Third Party Ground Handling	Ansett Australia	Handling of cargo at airports on behalf of domestic and international customers	238
• Cargo	Ansett Australia	Handling of cargo for domestic and international customers	501

3.5 Historical Trading Results

Below are the consolidated results for the Ansett Group for the last five years.

\$m	1996/7 Audited	1997/8 Audited	1998/9 Audited	1999/2000 Audited	2000/1 Unaudited
Total Revenue	3,335.8	3,505.4	3,511.3	3,437.1	3,186.8
Operating Profit/(Loss) Before Tax	7.7	59.7	147.6	120.9	(263.7)
Abnormal Items	(3.4)	22.5	52.8	6.2	(346.2)
Tax Attributable to Operating Profit	(36.7)	(49.9)	(41.3)	17.3	231.6
Operating Profit/(Loss) After Tax	(32.4)	32.3	159.1	144.4	(378.3)
Outside Equity Interest in Profit/(Loss)	(2.6)	(2.8)	(2.3)	-	-
Profit/(Loss) After Tax Attributable to Ansett	(35.0)	29.5	156.8	144.4	(378.3)



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The above results are for all Ansett Group companies, irrespective of whether they are located in Australia or overseas and whether they are in administration.

The results up to 30 June 2000 were audited by KPMG. The 30 June 2001 figures were to be audited by Deloitte Touche Tohmatsu. This audit was not completed when the Initial Administrators were appointed.

3.6 Historical Balance Sheets

The consolidated balance sheets for the past five years are as follows:

	30 June 1997	30 June 1998	30 June 1999	30 June 2000	30 June 2001
\$m	Audited	Audited	Audited	Audited	Unaudited
Current Assets					
Cash	302.6	517.0	497.4	159.2	21.3
Receivables	658.4	715.9	503.4	547.6	571.0
Inventories	30.3	40.3	44.6	40.5	176.6
Other	46.1	62.0	54.7	63.4	19.2
Total Current Assets	1,037.4	1,335.2	1,100.1	810.7	788.1
Non Current Assets					
Receivables	171.2	111.7	56.0	6.3	286.8
Investments	64.5	28.2	4.2	14.3	14.1
Property, Plant and Equipment	2,598.8	2,449.6	2,407.1	2,519.3	2,424.9
Deferred Tax Assets	28.2	20.6	43.6	31.3	304.9
Other	8.5	199.6	78.1	143.7	24.4
Total Non Current Assets	2,871.2	2,809.7	2,589.0	2,714.9	3,055.1
Current Liabilities					
Payables	885.0	1,012.4	858.3	791.1	892.4
Interest Bearing Liabilities	307.3	419.1	368.7	438.8	414.7
Current Tax Liabilities	2.5	11.3	21.2	(17.3)	50.1
Provisions and Other	220.1	221.1	170.8	161.0	187.0
Total Current Liabilities	1,414.9	1,663.9	1,419.0	1,373.6	1,544.2
Non Current Liabilities					
Payables	147.5	163.8	188.1	195.9	335.9
Interest Bearing Liabilities	1,383.4	1,367.5	946.1	702.1	1,116.4
Deferred Tax Liabilities	292.2	292.6	333.7	294.0	286.3
Provisions and Other	130.0	119.9	104.8	114.5	65.7
Total Non Current Liabilities	1,953.1	1,943.8	1,572.7	1,306.5	1,804.3
Net Assets	540.6	537.2	687.4	845.5	494.7



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	30 June 1997	30 June 1998	30 June 1999	30 June 2000	30 June 2001
\$m	Audited	Audited	Audited	Audited	Unaudited
Equity					
Contributed Equity	50.0	50.0	625.8	625.8	625.8
Reserves	545.7	656.2	83.9	93.3	103.3
Retained Earnings/(Losses)	(68.1)	(184.9)	(13.7)	125.0	(235.8)
Interest in Controlled Entity	13.0	15.9	1.4	1.4	1.4
Total Shareholders Equity	540.6	537.2	697.4	845.5	494.7

The above is the consolidated balance sheet, on a going-concern basis, for all Ansett Group companies, irrespective of whether they are located in Australia or overseas and irrespective of whether they are now in administration.

3.7 Reports as to Affairs

Section 438B of the Act requires each director of each company in the Ansett Group to submit a statement within seven days of the commencement of the administration as to that company's business, property, affairs and financial circumstances.

Normally this report ("Report as to Affairs" or "RATA"), is required to advise the Administrators about the existence and value of the assets and liabilities of the company and is prepared by the directors based on their review of the books and records of the company.

The directors were advised that due to cost considerations they were not required to prepare a RATA, but we reserved the right to request a RATA in future if necessary.

3.8 Challenges Faced by Ansett Group

The Ansett Group operated in difficult trading conditions throughout 2000/2001. Its trading performance was adversely impacted by various factors including:

- An extremely competitive Australian aviation market.
- Sustained high fuel prices.
- Low exchange rates.
- The high cost structure of the Ansett Group.
- The age and complexity of the Ansett fleet leading to higher maintenance AND operating costs, scheduling complexity and greater operational down time.
- Management issues and work practices.
- Substantial holdings of spare engines, rotables and consumables due to the diversification of the Ansett fleet.
- Temporary cessation of operations in Easter 2001.



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4. Administration Strategy

4.1 Initial Administrators

The Initial Administrators decided that it was not possible to continue the operations of the Ansett Group. They ceased operations of the Ansett businesses at 2am on Friday, 14 September 2001.

4.2 Administrators' Three-Point Plan

Immediately after our appointment on 17 September 2001, we established a strategy for the Ansett Group's administration. The strategy, or three-point plan, is as follows:

- **Stabilise the various Ansett businesses.** Determine if it was possible to resume operations of the various businesses and take steps to minimise the cost of trading the businesses whilst protecting the assets during administration.
- **Develop "The Ansett Solution".** Develop a solution that kept as much of the Ansett Group as possible in existence while maximising the returns to stakeholders.
- **Perform the necessary and appropriate Investigations.** So far, the primary focus has been on the first two points, given the size and complexity of the Ansett Group administration. Therefore, this First Report will focus on those points. The investigative work is continuing.



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5. Stabilise the Ansett Businesses

At this stage, we would like to acknowledge the assistance and support of a wide number of stakeholders during the administration of the Ansett Group. In alphabetical order these include:

- Aircraft owners and lessors.
- Airport owners.
- All State and Territory Governments.
- CASA.
- The Commonwealth Government and Government departments including the Department of Employment, Workplace Relations and Small Business, the Department of Transport and Regional Services and the Offices of the Prime Minister and Deputy Prime Minister.
- Customers.
- Employees.
- The Australian Travel Industry.
- The Committees of Creditors.
- The Court.
- Trade suppliers and creditors in general.
- Unions and the ACTU.

Without the support that has been shown towards Ansett, the airline would not have resumed operations and it would not now have the opportunity of continuing in existence under the Tesna transaction.

A key part of the business stabilisation strategy was to harness this goodwill and maintain the momentum of support for Ansett.

A sale of the Ansett businesses, especially the mainline airline, would be highly unlikely unless it resumed flight operations quickly.

It was also clear that the operations, records and use of assets by Ansett and Air New Zealand were interwoven. As a result, recommencing operations and developing the Ansett Solution would be made even more difficult unless the Ansett Group was separated from Air New Zealand, operationally and financially.

The major aspects of stabilising the Ansett businesses therefore became:

- Recommencing operations.
- Dealing with claims against Air New Zealand and disentangling the operations from that of Air New Zealand.



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5.1 Recommencing Operations

Once Ansett stopped flying, it lost the confidence of its customer base, key clients, the public and other key stakeholders. It was imperative that the mainline and regional airlines resumed flying operations as soon as practicable.

From the time we were appointed, we focused on strategies for starting up Ansett's operations as soon as possible. This project became known as Ansett Kick-Start. The expansion of Ansett Kick-Start became possible only because of the cash injection negotiated from Air New Zealand.

The aim of Ansett Kick-Start was to resume flights of a limited number of aircraft on the main trunk routes with a low-cost, one-class service to preserve as much as possible the name, reputation and goodwill of "Ansett" and employee commitment. Initially, we sought to achieve this by entering an agreement with Qantas to fly Qantas passengers from Ansett terminals using Ansett staff. Agreement could not be reached with Qantas.

Ansett Kick-Start was initially confined to four Airbus A320 aircraft. This has been expanded to 10 Airbus A320 aircraft flying on rotation. Two BAe146 aircraft have been operating under short-term lease and charter contracts as part of Ansett Kick-Start. Agreement was also reached with the employees to match their working conditions to the business activity within the limited operations.

For public confidence, Commonwealth Government support was provided so that if a passenger did not fly because of a further stoppage of Ansett's operations, the Commonwealth Government would refund the fares. To implement Ansett Kick-Start as soon as possible, ticket bookings were initially taken only through Ansett call centres and the Internet. This has now been extended to travel agency bookings. The task of resuming flights presented many complex and difficult issues. These included:

- Regulatory approvals.
- Agreements with domestic airport operators, aircraft lessors and associated service providers.
- Insurance arrangements (particularly after 11 September 2001).
- Scheduling of aircraft and staff.
- Agreements with employees and unions to alter the existing EBAs.
- Aircraft maintenance arrangements with lessors and financiers of aircraft.
- Negotiation of supply arrangements.
- Establishment of a finance function.
- Financing costs of operations.
- Establishing a number of interline arrangements.



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All of these issues were addressed and flights resumed as follows:

Date Recommended	Route
• 29 September 2001	<input type="checkbox"/> Melbourne – Sydney
• 8 October 2001	<input type="checkbox"/> Melbourne – Perth <input type="checkbox"/> Sydney – Perth <input type="checkbox"/> Sydney – Brisbane
• 1 November 2001	<input type="checkbox"/> Melbourne – Adelaide <input type="checkbox"/> Sydney – Adelaide <input type="checkbox"/> Melbourne – Hobart <input type="checkbox"/> Brisbane – Hobart <input type="checkbox"/> Sydney – Hobart
• 2 November 2001	<input type="checkbox"/> Adelaide – Perth
• 7 November 2001	<input type="checkbox"/> Melbourne – Brisbane

It is intended that flights will continue on these routes until the expected completion of the sale of the mainline airline to Tesna.

Ansett's frequent flyer program, Global Rewards, and access to Golden Wing lounges were suspended when the Initial Administrators were appointed. The Golden Wing lounges were reopened on 26 October 2001. The Global Rewards program remains suspended.

Ansett Kick-Start was budgeted to incur a trading loss. We believe the budgeted trading losses are justified for the following reasons:

- The objects of Part 5.3A of the Act (under which we were appointed Administrators) are to maximise the chances of the Ansett business remaining in existence but if this is not possible, to maximise the return to creditors on a sale of the business assets. Ansett Kick-Start meets the objects of Part 5.3A.
- The value of the name, reputation and goodwill of Ansett are preserved.
- It would be extremely difficult to sell the mainline and regional airlines if they were not operational.
- If the Ansett aviation assets (ie, aircraft and airport terminal leases) are sold on a "liquidation basis", their realisable value diminishes significantly and by an amount far greater than the budgeted trading losses.
- The operation and sale of the mainline airline enhanced the ability to sell other Ansett businesses such as Engineering and the regional airlines.
- Selling the airline in an operational state would avoid the need to terminate a large number of employees. This would reduce redundancy costs by more than \$200m.



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- The costs incurred in maintaining the Ansett assets irrespective of whether the airline is trading (that is, the fixed costs) are substantial and would be incurred anyway. For example:
 - The costs of the licences and IT system is approximately \$5m per month (reduced from the approximately \$20m per month for the combined Group before the appointment of the Initial Administrators). Both the mainline and regional airlines cannot operate or be liquidated without these IT systems.
 - The equity in certain leased aviation and terminal assets must be preserved by making payments when they fall due.
 - The fixed costs relating to the Ansett maintenance facilities are significant. These fixed costs are being incurred irrespective of Ansett Kick-Start.

Resumption of operations has provided an opportunity for the Ansett Solution to be developed that should see a reconstituted Ansett commence operations.

5.2 Memorandum of Understanding with Air New Zealand

5.2.1 Background to Memorandum of Understanding

As detailed above, Air New Zealand is the holding company of the Ansett Group. From an operational perspective, the businesses of the Ansett and Air New Zealand groups were significantly entwined.

On 8 August 2001, Air New Zealand wrote to three Ansett companies confirming its policy to take such steps as are necessary to ensure that its wholly owned subsidiaries could meet their debts as they fall due.

The letter also provided that Air New Zealand would make available, on request in writing from time to time, advances for the sole purpose of enabling the three Ansett companies to pay working capital liabilities incurred on property or services purchased or sold in the "ordinary course" of business. The letter contained conditions, including that the maximum aggregate amount of all such advances shall not exceed \$400m. This letter is commonly referred to as the "Letter of Comfort".

5.2.2 Preliminary Actions by Administrators

The Initial Administrators had instructed solicitors to make demand upon Air New Zealand to make further advances of the balance of \$400m under the Letter of Comfort. The amount demanded was \$380m (Air New Zealand had paid \$20m to the Initial Administrators for wages) falling which the Initial Administrators intended to commence legal proceedings against Air New Zealand.



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Before deciding whether to pursue a litigation strategy against Air New Zealand, we made enquiries about the general financial position of Air New Zealand. Based on those enquiries, the rapidly deteriorating share price of Air New Zealand shares following the write-off of its investment in Ansett Group (NZD \$1.2b) and a need to disentangle the affairs of Ansett and Air New Zealand, we decided it may be counter-productive to issue legal proceedings seeking hundreds of millions of dollars from Air New Zealand.

We were concerned that litigation may lead to Air New Zealand being placed into an insolvency administration under New Zealand law known as statutory management, thereby removing any prospect of a cash settlement from Air New Zealand to Ansett. As Air New Zealand's survival was likely to be based on a recapitalisation from either existing or new shareholders, we formed the preliminary view that Air New Zealand could only survive if it could "disentangle" itself from Ansett quickly. Further, any settlement funds were likely to be sourced from the recapitalisation.

Ansett Kick-Start also needed cash to begin operations to provide the opportunity to develop the longer-term strategy.

In the circumstances, we concluded that if we could negotiate a prompt commercial settlement of the Ansett Group claims against Air New Zealand, Ansett had the best chance of receiving cash for its claims and remaining in existence. Or if it could not remain in existence, we would maximise the return to creditors.

5.2.3 Legal Issues Considered

Given the need for a quick settlement of any claims, we requested our solicitors, Arnold Bloch Leibler, to identify the broad types of theoretical claims that the Ansett Group may have against Air New Zealand or its directors. These theoretical claims included:

- The Ansett Group had claims against Air New Zealand arising out of the Letter of Comfort.
- The Directors of Ansett (who were at all relevant times also directors of Air New Zealand) may theoretically have breached their duties to the Ansett Group either for:
 - Failing to exercise the requisite degree of care and diligence (Section 180 of the Act).
 - Failing to act in good faith in the best interests of the Ansett Group and for a proper purpose (Section 181 of the Act).
 - Having acted negligently or recklessly.
- Because the Ansett Group was managed out of New Zealand by Air New Zealand, Air New Zealand itself may be deemed to be a director of the Ansett Group using the extended definition of a director in Section 9 of the Act.



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- The directors may have breached the provisions of the Trade Practices Act 1974 (Commonwealth) concerning misleading and deceptive conduct.
- If the Ansett Group is placed into liquidation, other claims may arise against directors for insolvent trading (Section 588G of the Act) or against Air New Zealand as the Ansett Group's ultimate holding company (Section 588V of the Act).

Arnold Bloch Leibler advised that until all of our investigations into the business, property and financial circumstances of the Ansett Group were completed, it was not possible to obtain detailed advice in relation to the theoretical claims referred to above, apart from claims arising out of the Letter of Comfort.

5.2.4 Negotiations with Air New Zealand

Shortly after our appointment we contacted the Acting Chairman of Air New Zealand to arrange a meeting to discuss a number of pressing issues. That meeting occurred on Sunday, 23 September 2001. The issues discussed included:

- Background to Air New Zealand's position.
- Ansett management support.
- Identification and realisation of assets held by both parties.
- Preferred alliance between airlines.
- Use of systems and delivery of records.
- Letter of Comfort.

During the meeting, we were told by the Air New Zealand representatives that the following were statements of fact:

- The Ansett Group had been incurring EBIT losses at a rate of \$1.3m per day before administration.
- The Ansett Group had jeopardised the ongoing financial security and viability of Air New Zealand.
- Air New Zealand could not survive without a capital injection, and it could not expect any capital injection unless it resolved its position with Ansett.
- The New Zealand Government may consider, if satisfied with a business plan, lending money to Air New Zealand as a lender of last resort.
- Unless Air New Zealand could make significant progress to settle its disputes with Ansett that day, the directors of Air New Zealand would apply to the New Zealand Government to appoint a statutory manager.

If Air New Zealand was placed into statutory management, Ansett would recover very little, if any, money from Air New Zealand arising out of the Letter of Comfort claims.



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It was indicated to us that the Letter of Comfort was not intended to and could never be treated as a "letter of credit" with a \$400m limit. Further, Air New Zealand maintained they should be treated as having paid, or credited as paid, the following sums under the Letter of Comfort:

Payments Claimed to Have Been Made by Air New Zealand	\$m
• Wages paid by Air New Zealand to Ansett staff after the Initial Administrators' appointment	32
• Payments arising out of an Air New Zealand guarantee of an Ansett A320 Airbus tax liability	4
• Amount payable under put option, Ansett International	33
• Balance of the Ansett/Air New Zealand loan and trading account	91
Total	160

Air New Zealand claimed that the maximum amount of its exposure arising out of the Letter of Comfort was therefore \$240m. We disputed this claim.

The Acting Chairman at all times denied that the Air New Zealand directors had ever acted:

- Other than with a reasonable degree of care and diligence.
- Dishonestly.
- Recklessly.

The Acting Chairman also said that he and his board would fully co-operate with any investigations by ASIC or the Administrators.

After an intense negotiation we agreed to accept a settlement sum of \$150m from Air New Zealand.

5.2.5 Outline of the Memorandum of Understanding

The terms of the agreement with Air New Zealand were reflected in a "Memorandum of Understanding". The principal terms of the Memorandum of Understanding are summarised as follows:

- Air New Zealand agreed to procure the New Zealand Government to immediately pay, on behalf of the Air New Zealand Group, to Ansett \$150m net of all New Zealand taxes, in a way that the payment would not have to be disgorged should the Air New Zealand Group go into liquidation or a similar insolvency regime.
- Air New Zealand and its Directors would not seek the repayment of the \$32m advanced to Ansett during the administration period for the purpose of paying wages to Ansett staff (\$20m was advanced to the Initial Administrators and \$12m advanced to us).



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- Air New Zealand and its Directors would not prove in the administration or any subsequent liquidation of the Ansett Group and would waive all entitlements to be repaid funds advanced, outstanding trade debts or any other money owed to it by the Ansett Group currently estimated to be \$152m.
- Air New Zealand and the Directors would also release the Ansett Group, the Administrators and the Hazelton Administrator from all claims whatsoever (other than in relation to the return of aircraft assets and documents belonging to Air New Zealand).
- The Memorandum of Understanding does not affect any current or future investigations or legal claims against Air New Zealand or its Directors by ASIC.
- In return for the matters outlined above, we as the Administrators of the Ansett Group, and the Hazelton Administrator, conditionally released the Air New Zealand Group, the Air New Zealand Group Directors and the Ansett Group Directors from 'claims and demands arising out of and/or relating directly or indirectly to':
 - The management or affairs of the Ansett Group.
 - Any claims arising at common law, equity or statute including but not limited to the Act and the Trade Practices Act.
 - Any claims arising in the administration of the Ansett Group.
 - Any transactions or dealings between any company in the Ansett Group and any company in the Air New Zealand Group

In all cases, whether we or not any company in the Ansett Group are presently aware of the existence of such action, claim or demand.

However, the releases do not cover:

- Failure by Air New Zealand or the Directors to exercise their powers and discharge their duties in good faith in the best interests of the Ansett Group and for a proper purpose (within the meaning of Section 181 of the Act) or reckless conduct or improper use of position.
- The return of aircraft assets and documents belonging to the Ansett Group.

Moreover, as a result of the warranties given by the Directors, if we have been misled about say, the financial position of Air New Zealand, the conditional release becomes inoperative.

The releases also will not prevent Ansett from bringing any action against professional advisers to the Ansett Group.



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- The Memorandum of Understanding was conditional upon:
 - The Court approving the terms of the Memorandum of Understanding or making Orders or Directions to the same effect on or before 12 October 2001 or such other date as all the parties agree.
 - The consent or non-opposition of the Committee of Creditors being obtained on or before 5 October 2001.
- We are required to use our best endeavours to ensure that the priority creditors are paid all their entitlements in full and to take all reasonable steps to propose and recommend a DOCA where the assets and liabilities of the Ansett Group companies are 'pooled' for the purposes of determining any return to the creditors of Ansett.
- We were concerned about compromising, in a limited way, claims against the directors of the Air New Zealand Group and the Ansett Group without any investigation. However, the rights and powers of ASIC are unaffected and the Directors were required to give broad warranties which, if breached, makes the conditional releases inoperative.

5.2.6 Approval of the Memorandum of Understanding

Between 24 September 2001 and 2 October 2001, we began informing key stakeholders, including the Commonwealth Government and the priority creditors, of the proposed terms of the Memorandum of Understanding.

An urgent meeting of the Committees of Creditors was convened on 3 October 2001 to explain the Memorandum of Understanding and confirm that the Committees of Creditors did not object to the execution of the Memorandum of Understanding. A resolution was passed to that effect.

The Memorandum of Understanding was then signed on 5 October 2001 and the approval of the Court obtained on 12 October 2001 after national advertising to advise all creditors about the application having been made to the Court. The \$150m settlement was received from the New Zealand Government on 16 October 2001.

5.2.7 Benefits of the Memorandum of Understanding

The primary benefits of the Air New Zealand settlement were:

- If Air New Zealand was placed into an insolvency administration, the Ansett Group most likely would not have received any return on its claim. This was the overriding commercial advantage of the Memorandum of Understanding.
- It ensured the recovery of significant funds without recourse to lengthy, costly and uncertain litigation. The settlement is understood to be the largest cash settlement in an insolvency matter in Australian history.



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- The immediate injection provided funding for Ansett Kick-Start, trading losses and asset protection costs and assisted in the creation of the Ansett Solution.
- Without the cash injection, the Ansett Solution may not have had the opportunity of being fully developed. A "fire sale" of the assets in the Ansett Group may have resulted due to funding constraints that would have arisen without the proceeds of the Air New Zealand settlement.
- The Ansett Solution may provide employment for up to 4,000 of the present mainline airline employees. This continued employment will reduce priority payments to employees and create a greater window of opportunity for ordinary unsecured creditors.
- By enabling Ansett Kick-Start to recommence operations, it has also maximised the possibility of the regional airlines being sold as a going concern.
- The Directors' releases are conditional upon the accuracy of statements about their conduct.
- The payment by Air New Zealand of \$32m would ordinarily rank as a priority repayment but for the Memorandum of Understanding not to prove.
- The reduction of Air New Zealand's rights to prove in the administration or liquidation of the Ansett Group increases the amount of any dividend for unsecured creditors. The claim not made would be approximately \$310m.
- Ongoing cooperation with Air New Zealand will assist the operations and sale process and allow for further secondment of management.
- ASIC's rights are unaffected.

Under the Memorandum of Understanding, both parties are to return assets in the possession of the other. Therefore, considerable investigation is required on this issue. Aircraft, aircraft engines, parts and IT equipment have passed between Ansett and Air New Zealand under the Memorandum of Understanding.

Therefore, when balancing all of the advantages and disadvantages, and having regard to the objects of Part 5.3A of the Act, namely to try to keep Ansett's business in existence if it is at all possible to do so, or if not, to maximise the return to creditors, it was in the interests of all Ansett stakeholders for settlement to proceed and was the best commercial outcome for creditors.

5.3 Actions Undertaken by Administrators

A significant number of issues have to be addressed on a continual basis in the operation of each of the Ansett Group businesses. Some of the issues addressed after our appointment are as follows:



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5.3.1 Overall Ansett Group

General issues dealt with in the majority of the Ansett Group businesses:

- A stocktake of assets.
- Preparation of forecasts under various operational models to determine the extent to which operations could resume.
- A valuation and assessment of significant freehold and leasehold sites, aircraft fleet, office equipment and plant and equipment.
- Establishment of a financial reporting system.
- Establishment of new banking procedures, facilities and procedures.
- Regular reporting to the Commonwealth Government.
- Liaison with key creditor groups such as financiers, trade creditors, landlords, suppliers and unions/employees to ensure support was obtained for trading.
- Reconciliation and collection of debtors.
- Resolution of claims by various parties claiming liens over assets of the Ansett Group.
- Consideration of retention of title claims made by suppliers.
- Collation of debt information provided by various creditors of the Ansett Group.
- Analysis of claims of Global Rewards members.

In addition to the complexities of the Ansett Group, a significant number of key Ansett management who were on secondment from Air New Zealand returned to New Zealand at short notice. This lack of managers increased the level of difficulty and complexity in the administration.

5.3.2 Mainline Airline

General issues associated with the mainline airline are:

- Determining flight schedules and staffing.
- Determining the fleet policy for Ansett Kick-Start.
- Developing and implementing a market plan.
- Streamlining administration functions.
- Re-establishing the ticketing system.
- Establishing IT functionality.
- Reviewing route performance.
- Dealing with day-to-day trading issues.



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- Negotiating with the Commonwealth Government on the extent of ticket refunds if Ansett stopped flying.
- Negotiating underwriting agreements for certain routes.
- Dealing with IATA.
- Liaising and communicating with unions and employees.
- Re-contacting corporate customers.
- Liaising with travel agencies.
- Negotiating with Qantas over the agreement to fly Qantas passengers using Ansett aircraft and Ansett terminals. For commercial reasons, this agreement did not proceed.
- Dealing with Transpacific, a related party based in the United States of America which has filed for Chapter 11 Bankruptcy protection.
- Negotiating insurance arrangements for Ansett Kick-Start.
- Reporting to, and liaising with, CASA.
- Liaison with regulatory authorities on statutory requirements (such as the AOC).
- Negotiating with lessors and financiers of aircraft to be used for Ansett Kick-Start.
- Dealing with property owners.
- Discussions with Star Alliance.

5.3.3 Regional Airlines (Skywest, Kendell, Aeropelican)

Most issues that were addressed in resuming operations for the mainline airline were also confronted in recommencing operations for the regional airlines. An additional issue was negotiating short-term funding from various State Governments and the Commonwealth Government.

This enabled the regional airlines to recommence operations with the following routes:

Airline	Routes	Routes
• Skywest	<input type="checkbox"/> Perth – Albany <input type="checkbox"/> Perth – Camarvon <input type="checkbox"/> Perth – Esperance/Learmonth <input type="checkbox"/> Perth – Geraldton <input type="checkbox"/> Perth – Kalgoorlie <input type="checkbox"/> Perth – Karratha	<input type="checkbox"/> Perth – Laverton <input type="checkbox"/> Perth – Leinster <input type="checkbox"/> Perth – Leonora <input type="checkbox"/> Perth – Monkey Mia <input type="checkbox"/> Perth – Newman



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Airline	Routes	Routes
• Kendell	<input type="checkbox"/> Adelaide – Broken Hill <input type="checkbox"/> Adelaide – Ceduna <input type="checkbox"/> Adelaide – Coober Pedy <input type="checkbox"/> Adelaide – Kingscote <input type="checkbox"/> Adelaide – Mt Gambler <input type="checkbox"/> Adelaide – Olympic Dam <input type="checkbox"/> Adelaide – Port Lincoln <input type="checkbox"/> Adelaide – Whyalla <input type="checkbox"/> Canberra – Melbourne <input type="checkbox"/> Canberra – Sydney <input type="checkbox"/> Sydney – Wagga Wagga	<input type="checkbox"/> Sydney – Albury <input type="checkbox"/> Melbourne – Albury <input type="checkbox"/> Melbourne – Burnie <input type="checkbox"/> Melbourne – Launceston <input type="checkbox"/> Melbourne – Devonport <input type="checkbox"/> Melbourne – King Island <input type="checkbox"/> Melbourne – Merimbula <input type="checkbox"/> Melbourne – Mildura <input type="checkbox"/> Melbourne – Mt Gambler <input type="checkbox"/> Melbourne – Portland <input type="checkbox"/> Melbourne – Wagga Wagga
• Aeropelican	<input type="checkbox"/> Sydney – Belmont	

Recommencing the regional operations was very important for reasons similar to the mainline airline. Also, a number of regional and rural communities had suffered serious hardship when the regional airlines were not operating.

5.3.4 Show Group

The major issues dealt with in the administration of Show Group related to stabilising the business, recommencing operations and identifying a suitable purchaser.

5.3.5 Engineering

The Engineering business includes:

- Heavy Maintenance, which covers all major airframe checks, structural inspections, corrosion control programs, implementation of service bulletins and airworthiness directives, extended phase checks as well as modifications and repairs.
- Line Maintenance, which includes light maintenance, air transits and associated transit and overnight defects rectification.
- Engine Overhaul, which supports a wide range of engines and their accessories and components.
- Components/Avionics, which covers the repair and overhaul of rotables and repairable consumables through a number of special purpose workshops.

The major issues addressed in the Engineering businesses include:

- Development of a business model detailing the budget profit and loss, cash flows and projected financial statements for the Engineering division in anticipation of a sale.



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- Formation and supervision of the aircraft recovery team, including liaison with lessors/financiers as well as assisting with the recovery of aircraft, engines and components from Air New Zealand.
- Cost analysis of maintenance programs under various operating levels to help determine the viability of providing maintenance for the next two years.
- Development of idle and scheduled maintenance programs for aircraft and engines.
- Negotiations with aircraft lessors to conduct and pay for maintenance on their aircraft and engines.
- Development of the strategy to realise surplus spare parts.
- Development of a protocol relating to the service of aircraft, recovery and records retrieval, maintenance and engineering as required and physical delivery to lessors and/or financiers.

5.3.6 Flight Simulators

The major issues dealt with in the administration related to stabilising the business, recommencing operations and identifying a suitable purchaser.

5.3.7 Call Centres

The Ansett Group previously had seven call centres in Sydney (about 400 staff), Melbourne (275), Brisbane (170), Perth (380), Adelaide (380), Canberra (120) and Launceston (370).

These call centres received bookings for the Ansett Group including the mainline and regional airlines. Given the much reduced flying operations, not all the call centres were required. Considerable work was required to determine capacity and streamline operations to meet it.

Employees in call centres not required for Ansett Kick-Start operations were stood down. We have continued with the Tasmanian and South Australian call centres.

5.3.8 Third Party Ground Handling

Third party ground handling provides passenger ramp and customer services to domestic and international airlines at terminals throughout Australia. Third party ground handling operations ceased on 14 September 2001 in all locations except for Virgin Blue at Townsville, with employees not required being stood down. Some additional ground handling has continued on an ad hoc basis for the Defence Force and other charter flights as requested.

Following our appointment on 17 September 2001, we began negotiations with major ground handling customers to resume passenger handling services with Ansett so the business could recommence. Despite lengthy negotiations, none of the major ground handling customers have resumed services.



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5.3.9 Cargo

The Cargo business relates to cargo handling at various Australian airports for:

- Domestic freight companies.
- International airlines carrying cargo on flights arriving and departing Australian airports.

The overnight/freighter business was shut down by the Initial Administrators and has not recommenced. A more limited "same day" domestic cargo business has been operating with the Kick-Start business.

The international cargo handling operations ceased on 14 September 2001 following the decision of the Initial Administrators to close the Ansett business.

We began negotiations with previous major customers in late September 2001 and international cargo handling operations resumed in early October 2001 as a result of a number of major customers recommencing cargo handling services with Ansett. These have continued throughout the administration.

5.3.10 Traveland

Traveland operated about 104 wholly-owned stores around Australia and about 250 franchise stores. Traveland formed various partnerships with leisure travel wholesalers that provided sophisticated and customised product offerings. It also formed strategic joint ventures with RACV and NRMA by operating co-branded retail travel outlets which utilised the strong influence of the Traveland brand name. Traveland offered a wide range of travel services including customised holidays, tour packages, airfares, hotels, travel insurance, car hire and visas.

Traveland was heavily reliant on Ansett for generating revenue and after the appointment of the Initial Administrators, there was a considerable reduction in bookings. The events in the United States of America on 11 September 2001 also seriously impacted the business as Traveland previously derived 65 per cent of its revenue from international business.

Under the Victorian Travel Agents Act, all wholly-owned stores in Victoria had their travel licences cancelled as a result of the appointment of the Initial Administrators. After successful negotiations, the Victorian stores were allowed to trade for a limited time until a suitable business plan could be developed.

We received an expression of interest only from the purchaser. When presented with the choice of immediately closing the business and crystallising liabilities and the sale opportunity, we elected, on balance, to sell.

We continued to trade with key suppliers and wholesalers of Traveland to preserve its business and market share until the business was sold.



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5.3.11 Australian Concession Management

Australian Concession Management managed the food and beverage outlets at the various domestic terminals. All concession stores except Adelaide ceased trading the same time as the mainline airline, but all have since recommenced operations.

5.3.12 Ansett International

Ansett International used three aircraft to fly to selected ports in Asia including Japan, Indonesia, Hong Kong and Fiji. The aircraft were under operating leases from Singapore Airlines. Ansett International had offices in Australia, Hong Kong and Japan.

Ansett International ceased operations on 14 September 2001. It was not viable to recommence those operations. The majority of the work undertaken during the administration related to seeking to retain the landing slots at overseas ports.

5.4 Reduction of Cost Structure

Our primary concern in the operation of the Ansett businesses was the safety of customers, employees and any other person who may have been involved in the businesses. This remains the case.

The Ansett Group's overhead structure was intended to manage a business with a turnover of more than \$3b per annum, about 15,000 employees, several hundred properties and an extremely complex IT system.

The size of the operations of the Ansett businesses during the period of the administration was a very small proportion of the pre-appointment business. Therefore, considerable effort was invested minimising costs. This included:

- Reducing the number of operational sites and vacating sites not required.
- A substantial review of the IT system. For example, before administration, the monthly expenditure for the combined Group IT system was approximately \$20m. Shortly after the appointment, this was reduced to approximately \$5m per month.
- Establishing a new Internet-based booking system that was far simpler to maintain.
- Consolidating and streamlining the operations of the various call centres.
- Closure of the Ansett-owned and operated travel stores, resulting in customers making bookings only through the Internet and call centres.
- Using only the A320 fleet for the Ansett Kick-Start operations. Analysis indicated the operating costs associated with the A320s fleet were lower than Ansett's Boeing fleet.



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- Disclaiming any aircraft that were subject to operating leases and were not expected to be used in the future operations of Ansett. This is discussed further at Section 5.6 below.
- Disposal of surplus equipment by auction or individual sale to minimise holding costs.
- Redundancy program for approximately 8,000+ Ansett Group employees.

5.5 Finance Function

As indicated above, following Air New Zealand's acquisition of 100 per cent ownership of the Ansett Group, a new trans-Tasman executive structure was introduced. Many of the senior financial executives for the combined Ansett Group were employed by Air New Zealand, having responsibility for the combined Ansett Group.

As part of the restructure, Air New Zealand consolidated the treasury function for the combined Air New Zealand / Ansett Group in New Zealand. All financing arrangements for the Ansett Group, including aircraft leasing and other financial market transactions, were assumed by a central treasury function and supporting documentation was transferred to New Zealand. The Ansett Group treasury function also assumed the accounting function for a number of "treasury" companies and related books and records were transferred to Auckland.

Further, following the stand down of Ansett Group employees, many key employees required to perform routine accounting tasks to "close the books" were not available. It is taking considerable time and resources to reconstruct the financial position of the Ansett Group as at 12 September 2001. This task is continuing.

Also, all transactional banking facilities for the Ansett Group had to be renegotiated after our appointment.



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5.6 Aircraft Fleet

At the date of appointment, the Ansett Group (excluding Hazelton) controlled a fleet of 133 aircraft. The fleet was made up a large number of different models of aircraft summarised below:

Operator	Manufacturer	Model	Owned		Operating	Total
			Owned	Financed	Leased	
Mainline Airline	Boeing	B767-300			3	3
	Boeing	B767-200	5	2	2	9
	Boeing	B737-300		20	4	24
	Airbus	A320-200		10	10	20
	BAe	146-300	11			11
	BAe	146-200	5		2	7
	Fokker	F28-4000	4			4
	Fokker	F50	4			4
Sub-total			29	32	21	82
Ansett International	Boeing	B767-300ER			1	1
	Boeing	B747-400			2	2
Sub-total			0	0	3	3
Ansett Air Cargo	Fokker	F27-600	1			1
	Boeing	B727-200			1	1
	BAe	146QT	2			2
Sub-total			3	0	1	4
Kendell Airlines	Saab	340A	6	1	1	8
	Saab	340B			8	8
	Falchild	Metro23	7			7
	Bombardier	CRJ200		12		12
Sub-total			13	13	9	35
Skywest	Fokker	F50			5	5
Aeropelican	De Havilland	DHC-6 Twin Otter 300	4			4
Total			49	45	39	133

All aircraft were grounded on 14 September 2001 by the Initial Administrators. Those aircraft not being used in Ansett Kick-Start operations are stored at major airports around Australia or in engineering facilities in Australia or New Zealand. One A320 was in Canada being serviced at the date of our appointment.



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The main issues considered for the aircraft fleet were:

- Confirming the ownership and financing structures for the aircraft fleet.
- Assessing the impact of the appointment of the Administrators on the various financing arrangements.
- Determining which aircraft to use in Ansett Kick-Start.
- Determining the value of the owned aircraft and aircraft subject to finance arrangements.
- Determining whether there was any equity in the aircraft subject to finance arrangements.
- Determining the most appropriate method of realising the owned aircraft and aircraft subject to finance arrangements where there was expected to be equity under the financing arrangements.
- Determining the most appropriate method of handing back aircraft subject to operating leases and the owned aircraft subject to finance arrangements where there was expected to be a shortfall under the financing arrangements.

These issues are discussed more fully below. In dealing with these issues, we acknowledge the valuable and continuing support and co-operation of the aircraft lessors which has allowed us the opportunity to maximise aircraft values for all stakeholders and resume Ansett's operations.

5.6.1 Confirming Ownership

There was significant uncertainty immediately after our appointment about the number of aircraft that were owned, owned but financed and not owned but subject to operating leases. Considerable investigation was therefore required to confirm the ownership and financing of the aircraft fleet. A substantial amount of the documentation was held by Air New Zealand, which assisted in the process.

5.6.2 Impact of Administration

The appointment of the Initial Administrators triggered a number of provisions of the Act that affect the owner or lessor of property used, occupied or in the possession of a company in administration.

By 26 September 2001, we had issued notices to lessors, owners and financiers of 52 aircraft that we did not intend to use those aircraft. A further notice was sent to one financier shortly afterwards. As outlined at Section 5.6.7 below, a program is under way for the return of the aircraft subject to these notices. We have also entered new arrangements for two of those leased aircraft that were required for the resumed Kendell operations.

5.6.3 Determining Aircraft to Use in Ansett Kick-Start Operations

Aircraft used in Ansett Kick-Start were selected based on maintenance history, efficiency of aircraft and suitability to scheduled services.



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The aircraft currently in use are:

Operator	Owned		Operating	Total
	Owned	Finance Lease	Leased	
Mainline airline	2	13	6	21
Kendell	6	2	6	14
Skywest			5	5
Aeropelican	4			4
Total	12	15	17	44

All other aircraft are the subject of re-delivery negotiations with lessors, or being marketed for sale.

5.6.4 Valuation of the Aircraft Fleet

Shortly after appointment, we sought a valuation of aircraft assets. International Bureau of Aviation ("IBA") were appointed surveyors and valuers. IBA inspected all Ansett aircraft located in Australia and overseas. These valuations were received in mid-November 2001.

The effect on the global aviation industry of the terrorist attacks on 11 September 2001, together with various airline collapses, has made valuation of aircraft assets problematic. The enquiry rates for aircraft listed for sale are extremely low globally, with numerous airlines "stockpiling" aircraft until demand returns. It is not commercially prudent to provide further details.

5.6.5 Determining Equity in Owned Aircraft Subject to Finance Arrangements

The aircraft subject to financing arrangements fall into two categories:

- those in which the Ansett Group has a clear and definable equity interest.
- those in which the debt exceeds the likely realisations that may be achieved upon sale, and thus Ansett has no potential equity in these assets.

Based on the valuations obtained from IBA, the amount outstanding under the various finance arrangements and estimated ongoing interest and charges, the Ansett Group may have significant equity in financed aircraft. It is therefore imperative that the equity in the aircraft be protected through developing realistic and achievable realisation/hand-back procedures in co-operation with the aircraft lessors.

5.6.6 Realisation Program

Those aircraft that are owned, or encumbered by financing arrangements where there is potential equity to be realised from the sale of the aircraft, are undergoing an orderly offering to the market.



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To manage this process, we have retained the services of the Ansett Fleet Trading team, and made arrangements with the Engineering Division for a dedicated staff of records and engineering personnel to assist. Regulatory and safety requirements in the aviation industry in Australia and overseas are very stringent about the standard of records required to be delivered to a lessor taking repossession or a new owner buying an aircraft from Ansett.

This makes it necessary to provide a professionally qualified and experienced team to assist all lessors, owners and financiers in an orderly transition of operational control from Ansett to the next owner or operator. The cost of this process (apart from specific aircraft mentioned at Section 5.6.7 below) is a trading cost of realisation of assets.

Some aircraft assets are likely to be sold with the regional airlines. Some aircraft have already been publicly listed for sale on the worldwide market and negotiations with potential purchasers are under way.

In the case of those individual aircraft in which Ansett has an equity interest, the Administrators' staff and the Ansett fleet trading team have entered into, or are still negotiating, co-marketing arrangements with the financiers. In these cases, Ansett will help directly market the aircraft in conjunction with the financiers' appointed agents and continue to secure, insure and maintain the aircraft, in order to ensure maximum realisations from the aircraft. In some cases, extensive engineering work may be required on individual aircraft to bring them to saleable condition.

Again, we and the respective financiers are approaching such matters on a co-operative and orderly basis, subject to availability of funding and engineering facilities.

5.6.7 Hand-Back Program

In the case of those aircraft where Ansett has no equity interest, we are working co-operatively with the financiers by providing basic services. The financiers have been requested to reimburse Ansett for costs incurred in order to ensure that Ansett does not bear the substantial costs involved for assets which will not realise any proceeds for Ansett's creditors.

Because of the legislative framework, a substantial amount of time has been spent on the orderly re-delivery of leased aircraft to lessors since 26 September 2001. Thirteen (13) of Ansett's leased aircraft have been returned to lessors to date with a further three (3) well into the process of re-delivery. One of Kendall's leased aircraft has also been redelivered. Negotiations are continuing to redeliver the other aircraft to the lessors.

5.6.8 Spare Parts, Consumables and Rotables

Ansett has more than 10 million items of spare parts, consumables and rotables. A process is currently underway to identify and realise surplus items.



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5.7 Freehold and Leasehold Assets

The other major assets of the Ansett Group are the various freehold and leasehold property interests.

5.7.1 Freehold Property

The freehold properties owned by the Ansett Group are:

Location	Location
<ul style="list-style-type: none"> • 501 Swanston Street, Melbourne, Victoria • 489 Swanston Street, Melbourne, Victoria • 465 Swanston Street, Melbourne, Victoria • 20-32 Franklin Street, Melbourne, Victoria • Garden Drive, Tullamarine, Victoria • 177 Morgan Street, Wagga Wagga, NSW • Belmont Airport, Newcastle, NSW 	<ul style="list-style-type: none"> • 8 Miles Street, Mt Isa, Queensland • 117-121 Doughan St, Mt Isa, Queensland • 4 Bates Ave, Newman, WA • 20 Ethel Creek St, Newman, WA • Lot 305 Samson Ave, Paraburdoo, WA • Lot 400 De Coursey Ave, Paraburdoo, WA

These properties are being sold.

5.7.2 Leasehold Property

The major Ansett leasehold properties are as follows:

Location	Location
<ul style="list-style-type: none"> • Melbourne Domestic Terminal, Tullamarine, Victoria • Melbourne Jet Base – South Centre Rd, Tullamarine, Victoria • Melbourne Maintenance Base, Tullamarine, Victoria • Annandale Road, Tullamarine, Victoria • Hobart Domestic Terminal, Hobart, Tasmania • Launceston Domestic Terminal, Launceston, Tasmania • Launceston Reservations Centre, Launceston, Tasmania • Canberra Domestic Terminal, Canberra, ACT 	<ul style="list-style-type: none"> • Alice Springs Domestic Terminal, Alice Springs, NT • GSE Building Darwin, Darwin, NT • Brisbane Ansett Terminal, Brisbane, Queensland • Flight Kitchen GSE and Cargo, Brisbane, Queensland • Engineering Building, Brisbane Airport, Brisbane, Queensland • Cairns Ansett Terminal, Cairns, Queensland • Flight Kitchen, Cairns, Queensland • Coolangatta Ansett Terminal, Coolangatta, Queensland



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Location	Location
<ul style="list-style-type: none"> • Sydney Domestic Terminal, Sydney, NSW • Hangar, Building 20, Sydney Airport, Sydney, NSW • Flight Kitchen, Sydney Airport, Sydney, NSW • Adelaide Domestic Terminal, Adelaide, SA • Flight Catering Building, Adelaide Airport, Adelaide, SA • James Schofield Drive, Adelaide Airport, Adelaide, SA • Darwin Domestic Terminal, Darwin, NT • Flight Kitchen, Darwin, NT 	<ul style="list-style-type: none"> • Mackay Ansett Terminal, Mackay, Queensland • Rockhampton Ansett Terminal, Rockhampton, Queensland • Townsville Ansett Terminal • Perth Domestic Terminal, Perth WA • International Cargo Building (279), Perth, WA • Flight Catering Building (294), Perth Airport, Perth WA • Cargo Terminal Building (269), Perth WA

A number of these leasehold interests will be assigned to Tesna, in particular the terminal leases (this will also reduce creditor claims in the administration). We will consider all other options available for the remaining leases.

5.8 Employees

There were about 15,000 employees in the Ansett Group at the time of the appointment of the Initial Administrators. There have been a substantial number of employee-related issues arising during the administration. Andersen Legal has acted as our lawyers in dealing with the employee and other issues. These include:

5.8.1 *Extension of Redundancy Entitlements Under EBAs*

The redundancy entitlements contained in the relevant EBAs expired on 31 December 2001. An extension of the expiry date was needed so that all employees did not need to apply for redundancy and to preserve the status quo. After agreement was reached with the relevant parties, an application was made to the AIRC to have the fresh arrangements certified.

5.8.2 *Extension of Employee Stand Down*

The stand-down orders obtained from the AIRC shortly after the appointment of the Initial Administrators were effective until 21 December 2001. It was therefore necessary to apply for an extension of those stand-down orders from the AIRC. Union support for this application was available on the basis that there was agreement on extension of the expiry date.



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5.8.3 *Preparation of Industrial Agreements*

From the outset of the administration, industrial agreements have been reviewed and renegotiated with the range of unions covering the Ansett businesses. These renegotiations substantially reduced the ongoing labour costs for the period of the administration. These arrangements have also been the platform of the arrangements now put in place by Tesna.

5.8.4 *Support for Ansett and Regional HR/IR Function*

Ongoing support has been given to the Ansett Human Resources department to deal with the substantial number of issues that arise from the administration process. This included significant payroll issues given the variations to standard hours worked.

5.8.5 *Redundancy Process and Payment of Employee Entitlements*

Following the collapse of Ansett, the Prime Minister announced at a press conference that the Commonwealth Government intended to protect employees of Ansett who were denied their entitlements. The commitment was that the entitlements of Ansett employees would be met by the Commonwealth Government to the extent that they were not able to be paid from the assets of Ansett. The entitlements to be paid by the Commonwealth Government were:

- Wages.
- Annual leave and long service leave.
- Payment in lieu of notice.
- Redundancy up to the community standard of eight weeks.

The mechanism under which this 'safety net' was to be established for employees was SEESA. Payments under SEESA were to be funded by the \$10 ticket levy imposed on all future ticket sales under the specially introduced Ticket Levy Act.

Asset realisations may take two to three years to complete, particularly given the impact on aviation assets of the terrorist attacks in the United States of America on 11 September 2001. Any delay in the realisation as a precondition to safety net payments by SEESA would create hardship for employees, most of whom have been stood down since 14 September 2001.

Between 7 October 2001 and 12 October 2001, numerous discussions were held with the Commonwealth Government and its advisors to discuss a special arrangement for Ansett employees to ensure that they received their entitlements as soon as possible.



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On 12 October 2001, a draft proposal was sent to the Commonwealth Government. It was requested that the SEESA payments (estimated to be about \$195m) for the estimated 8,600 redundant employees be advanced to us with the payment in lieu of notice (estimated to be about \$35m) being made from asset realisations.

After further discussions with the Prime Minister and the Commonwealth Government, it was agreed in principle to proceed with the payment of employee entitlements on the following basis:

- Employees would be requested by letter to advise within seven days whether they wished to apply for redundancy.
- The applications for redundancy would be reviewed and considered based on the role and skills of employees.
- The four-week payment in lieu of notice payment would be calculated and paid from 29 October 2001 to employees whose applications were accepted.
- The balance of employee entitlements would be calculated by 19 November 2001 to enable the Commonwealth Government to source funding for the SEESA payments by then.
- Payments for the remaining entitlements owing to redundant employees and covered under the scheme would be made after the SEESA funds become available.

The Commonwealth Government's position significantly reduced the hardship being experienced by employees made redundant.

A substantial amount of work has been undertaken in separately calculating and verifying the entitlements of each employee. This took a team of up to 40 people a number of months to complete. Once calculated, notification of the entitlements was forwarded to each employee to confirm the calculation was correct.

About 6,000 employees have been made redundant to date. About 90 per cent of the payment in lieu of notice and SEESA payments have been made as a result of approval of the Court of the agreement with the Commonwealth Government for the advancement of the SEESA funds.

Section 556 of the Act states that employee entitlements are paid in priority to ordinary unsecured creditors in the liquidation of a company. Ordinarily, the same priority is afforded to employees in a DOCA. Throughout discussions, the Commonwealth Government indicated that they intended the SEESA funds advanced to be repaid in the same order of priority as if they were employee entitlements.

To enhance the potential dividend to be paid to ordinary unsecured creditors, a proposal was sent to the Commonwealth Government on 31 October 2001. The proposal requested the Commonwealth Government consider two options to subordinate in whole or in part the repayment of the SEESA payments.



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Between 31 October 2001 and 9 November 2001, many further submissions were made to the Commonwealth Government in support of the Ansett Solution submission. Throughout that period, the Commonwealth Government maintained that it expected repayments of advances made under SEESA to rank to an equal priority with all other employee entitlements.

A number of creditors enquired whether the repayment of SEESA payments could be subordinated in a DOCA approved by a majority of the Ansett Creditors. In theory, this was the case. However, there are safeguards in the Act to ensure that a DOCA can be terminated by the Court if it is oppressive or unfairly prejudicial to, or unfairly discriminatory against a creditor. The issue of subordination by a full meeting of creditors was therefore raised with the Commonwealth Government.

On 13 November 2001, a meeting was held with the Deputy Prime Minister concerning the proposal. While the Deputy Prime Minister was sympathetic to the position of ordinary unsecured creditors, he maintained that SEESA had not been established for the benefit of ordinary unsecured creditors of the Ansett Group.

Further meetings were held shortly afterwards with other Commonwealth Government officials. We were informed that:

- SEESA was established for the benefit of employees and not ordinary unsecured creditors.
- SEESA should be viewed as a safety net for employees.
- As a matter of policy, the Commonwealth Government has never made payments for the benefit of ordinary unsecured creditors as we requested.
- The Ticket Levy is separate from and distinct to the repayment of SEESA payments.

Again, the Commonwealth Government maintained its position that it expected to be repaid the SEESA payments with an equal priority to that of other employee entitlements.

The Commonwealth Government advised that, among other things it would not accept a subordinated position. The Commonwealth Government also indicated that it required SEESA payments to rank as a priority equal to all other employee entitlements and the arrangements must ensure that priority cannot be disturbed.

On 28 November 2001, a further meeting of the Committee of Creditors was held. At that meeting, the Committee of Creditors was informed that despite considerable effort, the Commonwealth Government was not prepared to subordinate its SEESA payments.

In order to ensure its entitlement to be repaid the SEESA funds were "set in stone", the Commonwealth Government requested we execute a loan agreement that ensured this position. In order to enable the timely payment of entitlements to employees under SEESA, we wished to execute the agreement.



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However, given the terms of the agreement, it was necessary to apply to the Court for a direction that we may properly and justifiably do so and, further, if the Court makes a direction to the effect that we will not be personally liable to repay the SEESA payments other than from the assets available to us and on the basis that such repayments will have a priority equal to all other employee entitlements. The Court made the direction as discussed at Section 8.4.9 below.

5.9 Other Issues

5.9.1 *Star Alliance*

The Star Alliance network is an association of 15 airlines around the world where benefits such as frequent flyer points can be earned and redeemed between airlines. Ansett is a joint member with Air New Zealand.

Ansett's participation in the Star Alliance was suspended when the companies were placed in administration. Star Alliance has agreed to discussions with Tesna to consider the future of the new Ansett within the Star alliance. The Star Alliance agreements contain non-disclosure provisions.

5.9.2 *Treasury Instruments*

Air New Zealand maintained a centralised treasury function for the Air New Zealand and Ansett Groups. Immediately before the appointment of the Initial Administrators, Ansett had a number of outstanding financial market derivative transactions (hedging) with a range of external banking counterparties in Australia and offshore, coupled with inter-company book transactions with Air New Zealand.

The actions undertaken by us included:

- Confirming the outstanding derivative transactions held at the time of the appointment of Initial Administrators;
- Confirming the status of the transactions and their market value;
- Securing value from the transactions.

About \$2m was recovered from the close-out of the hedge book.



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6. Developing the Ansett Solution

The Ansett Solution is the plan to achieve the objects of Part 5.3A of the Act - that is, to maximise the possibility of keeping Ansett in business or, if not, to maximise the return to creditors.

The ability to maximise the value for creditors from a significant number of the Ansett assets, such as the aircraft fleet, domestic terminal leases and the Engineering business, is largely dependent on the outcome of the sale of the mainline airline. This is why the creation of a viable mainline airline from the 'old' Ansett is important in developing the overall Ansett Solution.

Below are the steps undertaken by us to implement the Ansett Solution.

6.1 Mainline Airline

- A cash injection from settlement proceeds or elsewhere.
- The introduction of a major airline operator to develop the business plan and manage the mainline operations.
- Substantial initial equity injection.
- Ensuring employee numbers reflected Ansett's likely market share in the short to medium term and thereby minimise the cash outflows of the business.
- Negotiating new Enterprise Bargaining Agreements with unions.
- Reinstating the Star Alliance membership and, if possible, providing some recognition to existing Global Rewards members.
- Maintaining inter-line relationships with other airlines to maximise on-carriage and referred customer revenues.
- Reducing the number of types of aircraft in the Ansett fleet.
- Reducing overall costs (especially management and overheads).
- Examining the composition of the aircraft fleet.

6.1.1 Market Conditions / Background to Sale

The events of 11 September 2001 in the United States of America had a profound impact on the aviation industry globally and is highly likely to have adversely affected the level of interest in Ansett. Globally there was a significant decline in passenger volumes, causing a number of other airlines to be focussed on their own operational issues and, in some cases, financial survival. Investor sentiment generally towards airlines was also negative with significant declines in the share prices of most publicly traded airlines.

It was therefore an extremely difficult time to market an airline, particularly in Australia, which is a relatively small regional marketplace in global terms.



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Time was of the essence in approaching the sale. Given:

- the businesses were initially not operating;
- there was limited funding available; and
- the businesses were forecast to incur considerable losses

it was necessary to adopt a tight timetable for the sale of the Ansett businesses.

6.1.2 Sale Process

A process for the sale of the mainline airline commenced immediately upon our appointment. The marketing strategy involved the following key elements:

- Pursuing expressions of interest received as a result of the publicity surrounding Ansett's collapse. A large number of expressions of interest were received and we sought information on the identity, financial capacity of all parties before proceeding with any detailed discussions.
- Communicating with airline operators and financial investors with airline experience to ensure that the opportunity to acquire Ansett was known internationally. Substantial resources were committed to identifying and communicating with potential investors. Significant assistance was provided by the Victorian State Government. An Information Brief was prepared to describe the Ansett businesses and investment opportunity to these parties.
- Providing detailed briefings on the mainline airline to interested parties who had demonstrated their financial capacity and signed the necessary confidentiality agreements.
- Providing access to a data room for the interested parties. Our staff and Ansett staff worked co-operatively with interested parties to enable them to undertake comprehensive due diligence and prepare business plans and thereby maximising the possibility of receiving strong offers for the mainline airline;
- Developing an 'Ansett Solution Paper' for the interested parties. The Solution Paper was designed to assist interested parties formulate and present their offers in a timely manner; and
- Ongoing dialogue with interested parties throughout the due diligence process to check progress on their offers and keep them up to date on the sale process and administration generally.



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6.1.3 Interested Parties

Given the difficulties faced by the global aviation industry, there were only four parties actively involved in the sale process for the mainline airline or the key Ansett assets. These parties were:

- Tesna;
- ANstaff;
- Singapore Airlines; and
- Lang Corporation.

Tesna, representing Australian businessmen Lindsay Fox and Solomon Lew, expressed strong interest in Ansett very early in the sale process and quickly appointed advisers who dedicated a substantial team to undertake due diligence and develop a business plan. The nature and financial capacity of its principals enabled Tesna to approach the sale opportunity with a sense of confidence and urgency.

ANstaff sought to buy the mainline airline on behalf of the staff of Ansett, predominantly pilots. ANstaff appointed advisers with a substantial team dedicated to undertake due diligence, develop a business plan and formulate an offer.

Singapore Airlines was invited by the Administrators to participate in the sale process. While Singapore Airlines did not submit an offer for the mainline airline, they agreed to provide us with consultancy services and prepare a business plan for the mainline airline. Under the consultancy arrangement, Singapore Airlines committed a substantial team to review the due diligence materials and work with Ansett staff to prepare the business plan.

Lang initially indicated an interest in acquiring the mainline airline. After Lang executed a confidentiality agreement we presented the "Ansett Solution Paper" to Lang and offered Lang access to all information contained in the data room. Lang subsequently expressed interest in acquiring some of Ansett's terminal and aviation assets only and employing about 2,000 Ansett employees.

6.1.4 Key Milestones in the Sale Process

The following milestones took place in the mainline airline sale process:

Milestones	Date
• Establishing data room	18 –30 September 2001
• Marketing of Ansett	September/October
• Opening of data room to Tesna and ANstaff	1 October 2001



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Milestones	Date
• Announcement of Singapore Airline consultancy arrangement	6 October 2001
• Briefings to Tesna, ANstaff, Singapore Airlines and Lang on the 'Ansett Solution' paper	23 to 26 October 2001
• Oral Expression of Interest from Tesna	26 October 2001
• Negotiations with Tesna	26 October 2001 to 8 November 2001
• First written offer received from Tesna	29 October 2001
• Expression of Interest/proposal received from Lang	1 November 2001
• Briefings/due diligence materials provided to Lang	2 November 2001
• Tesna negotiations impasse	3 – 4 November 2001
• Advised interested parties on the status of negotiations with Tesna	5 November 2001
• Tesna impasse resolved	6 November 2001
• Accepted Tesna's offer	8 November 2001
• Announced Sale to Tesna	8 November 2001
• Offer received from ANstaff	14 November 2001
• Withdrawal of Offer by ANstaff	15 November 2001
• Committee of Creditors Meeting to approve Tesna sale	15 November 2001

6.1.5 Tesna Offer

We accepted Tesna's offer on 8 November 2001 for the sale of the mainline airline.

Key Terms

The following is a summary of the key terms of the agreement with Tesna:

- The transfer of the following **assets** to Tesna:
 - All assets used by the Ansett Group in the mainline airline.
 - The leases to domestic airline terminals at Sydney, Melbourne, Brisbane, Perth, Coolangatta, Cairns, Townsville, Rockhampton, Adelaide, Hobart, Darwin, Alice Springs and Canberra.



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- ❑ The Jet Base and Maintenance Base located at Tullamarine Airport (being the land only and not the Engineering business).
- ❑ The Flight Simulator Centre, Data Centre and associated car parks for those facilities located at Garden Drive, Tullamarine.
- ❑ The Hangar (Building 20) and the Flight Kitchen located at Sydney Airport, the Flight Kitchen, GSE and Cargo Building and the Engineering Building located at Brisbane Airport, the Flight Kitchen located at Cairns Airport, the International Cargo Building and Flight Catering Building located at Perth Airport and the GSE Building located at Darwin Airport.
- ❑ All plant and equipment relating to the mainline airline or otherwise located in the facilities described above.
- ❑ All intangible assets relating to the airline, such as the brand name "Ansett".
- ❑ Call centres sufficient to meet Tesna's capacity requirements.
- ❑ Certain supply contracts and other agreements selected by Tesna.
- ❑ An amount of cash representing the value of the forward ticket bookings as at the Risk Transfer Date.
- ❑ Fuel stocks.
- ❑ Non-aircraft consumables, including spare parts for all vehicles and plant and equipment transferred to Tesna.
- ❑ 501 Swanston Street, Melbourne (head office site), 489 and 465 Swanston Street, Melbourne and 20-32 Franklin Street, Melbourne.
- ❑ All business records and information relating to the mainline airline and other information necessary for the maintenance of the Airline Operating Certificate and other regulatory compliance obligations.
- Assets specifically excluded from the sale agreement include:
 - ❑ All aircraft, including the freighter aircraft used in the domestic cargo business and all leased aircraft.
 - ❑ Plant and equipment relating to aircraft.
 - ❑ Plant and equipment used for aircraft maintenance.
 - ❑ Aircraft rotables, spares (including spare engines) or consumables.
 - ❑ The Engineering business.
 - ❑ Any interest of the Ansett Group in any real property (whether freehold or leasehold) not specifically identified.



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- We have not sold to Tesna:
 - Cash at bank.
 - Debtors.
 - Proceeds of the \$150m settlement with Air New Zealand.
- Tesna would make offers with intention to employ about 4,000 Ansett employees and assume responsibility for employee entitlements based on a new enterprise bargaining agreement to be negotiated with the ACTU and relevant unions. Under these arrangements, Tesna would assume:
 - The employee entitlements relating to those persons transferring to Tesna. Based on 4,000 employees, this was estimated at \$62m.
 - Contingent liabilities for redundancy payments in respect of the persons transferred to Tesna. Based on 4,000 employees, this was estimated at \$182m.
- Tesna also agreed to assume the following additional obligations and liabilities:
 - Obligations for forward ticket bookings at the Risk Transfer Date.
 - Liabilities in respect of contracts assigned to Tesna or for which Tesna receives the benefit after the Risk Transfer Date as determined by Tesna.
- **Purchase Price.** The total purchase price for the sale is \$514m. Tesna will pay Ansett \$270m cash and assume liabilities and obligations, being employee entitlements payable by the Administrators, of up to \$244m. The purchase price would be adjusted at completion for accruals, pre-payments and fuel stocks in accordance with the principle that the party who will benefit from the supply of the goods or services will reimburse the party who pays for the goods or services.
- The Purchase Price is not allocated amongst companies within the Ansett Group. Appendix 10 is a Schedule identifying the Ansett company that owns each of the major assets being sold to Tesna.
- The completion date was agreed to be 31 January 2002. The risks and benefits of ownership of the business are to transfer to Tesna on the completion date.



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Additional Features

The agreement with Tesna contained the following additional features:

- To the extent that environmental liabilities in excess of \$13.5m and less than \$27m were identified, the Ansett Group would be liable to Tesna for the amount of the environmental liabilities. However, any such claim would rank behind the Ansett Group's employee liabilities and ahead of unsecured creditors. To the extent environmental liabilities exceeded \$27m, both parties would have the right to terminate the agreement.
- Liabilities associated with the environmental condition of the freehold and leasehold properties transferring to Tesna at the Risk Transfer Date.
- Tesna's sponsors undertook to commit an amount of \$400m to Tesna which would:
 - Rank no higher than with unsecured creditors of Tesna, but after the statutory entitlements of employees; and
 - Be committed in such a way as to enable the leasing by Tesna of 29 Airbus aircraft on reasonable commercial terms and conditions.
- Provision was made for the co-operation of the Administrators and Tesna in ensuring Tesna had a fleet of at least 16 Airbus A320 aircraft at completion.
- To the extent Tesna required the use of some of Ansett's existing A320 fleet, it was agreed that both parties would co-operate to enable Ansett's equity in the aircraft to be realised for the benefit of creditors.
- The Administrators would continue to operate Ansett Kick-Start until completion and keep Tesna apprised of significant developments. There would be weekly management reports on the financial and operating performance of Ansett Kick-Start in the period up to completion and consultation with Tesna on marketing activities.
- Any costs incurred by the Administrators at the request of Tesna for the purposes of increasing the operating capacity, or advertising, marketing or promotional activities of the Ansett Kick-Start which are above amounts budgeted by Administrators would be the responsibility of Tesna. Tesna agreed to indemnify us for all reasonable costs, claims, losses or other liabilities so incurred.
- Tesna would purchase from the Ansett Group at rates to be agreed maintenance services for Tesna's Ansett Mark II aircraft and any A320 aircraft from Ansett's existing fleet for a period of two years. The Ansett Group's liability under such arrangements would be limited to certain agreed insured liabilities. The provision of maintenance services by the Ansett Group would support Tesna and provide the Administrators the opportunity to sell the maintenance function as a stand-alone business.



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- The Ansett Group would provide certain IT services to Tesna at cost for a period of two years from completion.
- Tesna undertook to consider preferred supplier status for previous suppliers of goods and services to the Ansett Group.
- Tesna would be reimbursed reasonable professional fees incurred by Tesna up to 31 January 2002, to a maximum value of \$5m if the transaction is not approved by either the Court or the Ansett Group creditors.

Conditions Remaining

The agreement with Tesna is subject to a number of conditions on the part of both the Administrators and Tesna. At the time of writing this report, the only conditions remaining were as follows:

- The approval of Ansett Group creditors. This will be sought at Part 1 of the Second Creditors Meeting on 29 January 2002. As Administrators, we could have exercised our statutory power to sell the mainline airline. However, given the size and complexities of the transaction, and based on legal advice, we decided that it was appropriate that the creditors participate in the sale process.
- If creditor approval is received at Part 1 of the Second Creditors Meeting, an application will be made to the Court on 30 January 2002 seeking an order authorising the sale.
- Issuing to Tesna of:
 - An Airline Operations Certificate.
 - Certificates of registration for each of its aircraft.
 - The procurement by the Ansett Group of a Certificate of Approval for its maintenance operations.

Tesna and the Ansett Group have been co-operating with CASA. We anticipate these conditions will be satisfied by 31 January 2002.

- The acceptance of Tesna's offer of employment by those employees whose employment is essential to obtaining and maintaining the Airline Operations Certificate, maintaining certification of the aircraft and operation of Ansett Mark II and who have been specified by Tesna in a notice to us on or before completion. At the time of writing, Tesna had identified the necessary persons and was in the process of making offers of employment to those persons. It is anticipated that this condition will be satisfied by 31 January 2002.
- Finalisation to Tesna's satisfaction of agreements relating to the acquisition and financing of a new long-term fleet of 29 Airbus aircraft and the finalisation of agreements relating to the leasing of 18 Airbus aircraft for a period of up to two years from completion. At the time of writing this report, Tesna was well advanced in negotiations on these conditions.



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- Finalisation of the Victorian Government's assistance package to the reasonable satisfaction of Tesna.
- The assignment to Tesna of the Sydney Airport DTL. At the time of writing, Tesna and the Administrators were well advanced in discussions with the Sydney Airport Corporation Ltd. We anticipate this condition should be satisfied by 31 January 2002.
- Tesna entering into leasing arrangements for at least 16 Airbus A320 aircraft for use from completion.
- The continued operation of Ansett Kick-Start until completion. It is the Administrators intention to run Ansett Kick-Start until the 31 January 2002 completion date.

It should be noted that at the time of writing this report, only those conditions which involve third parties remained outstanding. It is our intention to work diligently to ensure these conditions are satisfied as soon as possible and completion occurs on 31 January 2002. It should also be noted that we have provided more time to Tesna to satisfy the above conditions.

Other Benefits of the Tesna Offer

The transaction with Tesna offers benefits to creditors over and above the direct benefits achieved and value created from the sale of the mainline airline. These include:

- An enhancement to the prospects of selling Ansett's regional airlines.
- The potential to create an independent aviation maintenance, repair and overhaul business in Australia. Again, additional value to creditors will be created on a sale of that business from an uplift in the value of maintenance assets (such as plant and equipment and aircraft inventories) and reduced redundancy costs to the extent maintenance jobs are preserved.
- The potential improvement in the Ansett Group's equity in finance-leased A320 aircraft resulting from the continued use of those aircraft by Tesna.
- A reduction in the aggregate value of claims by creditors in general. For example, claims by aircraft lessors against the assets of the Ansett Group may be reduced to the extent Tesna takes over Ansett's lease obligations.
- Global Rewards members may have an opportunity for some of their existing points to be recognised in some form, although Tesna's position in relation to this matter had not been finalised at the time of writing of this report.

6.1.6 Lang Proposal

Before acceptance of the Tesna offer, and on 1 November 2001, Lang submitted a one-page proposal to acquire Ansett's terminal assets in Sydney, Melbourne, Adelaide, Brisbane and Perth and other aviation assets but not the



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name "Ansett". Lang also expressed an interest in employing about 2,000 Ansett employees and assume responsibility for their entitlements.

Lang proposed to acquire the terminal and aviation assets and to deduct from the purchase price the amount of any employee entitlements assumed in respect of the transferring employees.

Lang's one-page proposal was not capable of acceptance. On its face it did not meet the objects of Part 5.3A of the Act for which we have been appointed, namely the continuity of the Ansett business or maximising the return to creditors. The Lang proposal was directed to a cessation of the Ansett business. Moreover, the Lang proposal was in pure financial terms less favourable to the Ansett Group than the then Tesna offer.

Prior to accepting the Tesna offer we informed Lang that it was likely that we would do so thereby giving Lang an opportunity to make an offer on other and better terms.

Lang did not make an offer capable of acceptance prior to the date we accepted the Tesna offer.

On 5 December 2001 Lang wrote a further letter to us which stated that it regarded itself as having made an offer to acquire terminal assets, even though, we did not regard Lang's earlier one page letter as anything more than an expression of interest. Lang provided further explanation of its original letter indicating that the aviation assets covered by Lang's earlier letter included:

- Plant equipment within those terminals.
- Ground handling equipment used for those terminals.
- The Ansett maintenance base in Melbourne.
- Boeing 737 aircraft spare parts.

This detail had not been provided previously.

To avoid any doubt, we wrote to Lang on 10 December 2001 informing Lang that we did not regard Lang as having made an offer capable of acceptance and that we had accepted the Tesna offer. We also informed Lang that if for any reason whatsoever the Tesna transaction does not complete (which we now regard as unlikely) we would treat with Lang on a timely and expedited basis, along with other interested parties.

Because there are outstanding conditions to be satisfied before completion of the transaction with Tesna, it is commercially imprudent to provide in this report a full analysis of the Lang proposal. However, those details were provided to the Committee of Creditors on a confidential basis at the time the Committee of Creditors approved the Tesna offer.

On 13 December 2001 we received a further letter on Lang's letterhead clarifying the identity of the bidder for the Ansett assets as "Virgin Australia Holdings Pty Ltd or another company owned by Virgin and Lang (Virgin Blue)".



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We have not entered into a confidentiality agreement with Virgin. We have, however, in the interest of creditors compared the Lang offer by reference to each of the letters referred to above to the Tesna offer.

We have recommended the Tesna offer to creditors over the Lang proposal not only because the Tesna offer meets the objects of Part 5.3A of the Act and the Lang proposal does not, but also because the Tesna offer provides a better return to all creditors than the Lang proposal. There are also significant indirect benefits of the Tesna offer as opposed to the Lang proposal.

6.1.7 Comparison of Tesna Offer and Lang Proposal

On the date it was accepted, the Tesna offer was better for creditors. This is shown in the following table:

	Tesna	Lang
Offer for terminals	\$270m	\$280m
Redundancies saved	\$244m ¹	\$122m ²
	\$514m	\$402m
Other direct benefits	Superior	
Indirect benefits	Superior	

Notes:

1. Up to 4,000 employees
2. Up to 2,000 employees

At the time of writing this report, we have analysed both offers in detail. The value offered to creditors by the Lang proposal is less than that offered by Tesna. Not only is the Lang proposal lower on a direct comparison basis, there are also significant indirect benefits that arise from the sale of the mainline airline as a going concern. The detailed analysis is commercially sensitive.

6.1.8 Comparison to Liquidation Scenario

Advantages of Tesna compared to liquidation:

- Retrenchment payments of up to \$244m did not have to be made.
- Assets were being purchased at better than net liquidation value.
- Substantial (several hundred million dollars) diminution in the claims of creditors such as aircraft lessors, property lessors and IT lessors.

Disadvantages of Tesna compared to liquidation:

- Costs had to be incurred (i.e. leases, IT, payroll) to preserve the business which has diminished to some extent the above benefits.



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6.1.9 Transferring Employees

We understand the various unions representing the transferring employees are discussing securing transferred employees' entitlements directly with Tesna.

6.1.10 Completion Date

As indicated above, under the sale agreement with Tesna, the completion date is 31 January 2002.

Considerable progress has been made in satisfying the various conditions precedent under the sale agreement. However, certain of the conditions precedent are reliant on actions by third parties, such as the assignment of the DTLs.

It is therefore possible that we may need to make further applications to the Court to facilitate third party consents and thereby completion of the Tesna sale on 31 January 2002.

6.2 Kendell

After advertising the business for sale, expressions of interest were received for the Kendell business and assets. Seventeen of the interested parties returned executed Deeds of Confidentiality and received an information memorandum. Indicative offers were received from five interested parties and discussions are continuing with these parties. We intend to nominate a preferred bidder shortly.

6.3 Aeropelican

After advertising the business for sale, expressions of interest were received for the Aeropelican business and assets. A number of the interested parties returned executed Deeds of Confidentiality. An information memorandum was prepared and distributed to all of the interested parties who returned the Deed of Confidentiality.

Indicative offers were received from eight interested parties.

We have had discussions with a number of the interested parties and are continuing those discussions.

6.4 Skywest

We received a number of expressions of interest for Skywest Airlines prior to and following the advertisement of the business for sale. An information memorandum was prepared and distributed to interested parties.

On 13 December 2001, the Administrators announced the sale of Skywest to Airline Investments Limited, a Perth-based consortium.



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6.5 Show Group

After advertising the business for sale, expressions of interest were received for the Show Group business and assets. A number of the interested parties returned executed Deeds of Confidentiality. An information memorandum was prepared and distributed to those who returned the Deed of Confidentiality.

Indicative offers were received from five interested parties.

After discussions with a number of the interested parties, a sale of the business and assets of Show Group was made to Avis Services Ltd on 25 October 2001 for \$400,000 cash and the assumption by Avis Services Ltd of employee entitlements to the value of about \$3.6m. This was greater than the forced sale valuation received on Show Group's assets.

6.6 Engineering

A long-term relationship between the Engineering businesses and the mainline airline is critical to the prospects of selling the Engineering businesses. Therefore, marketing of the Engineering businesses did not begin immediately upon our appointment.

We are now working closely with Tesna to develop an appropriate platform for the sale of the businesses. As the preservation and development of the engineering and maintenance capabilities are also important to the continued development of Victoria's aviation industry, we are also receiving support from the Victorian Government in the sale process.

The sale process to date has involved the preparation of an Information Memorandum and direct communications with a number of major aircraft and engine repair and maintenance organisations. These organisations are predominantly located overseas. A number of these organisations have visited the Melbourne maintenance base and are concurrently preparing proposals for the purchase of the Engineering businesses and the provision of maintenance services to Tesna and other airlines.

6.7 Call Centres

Given the reduced size of the mainline airline, not all of the call centres were required, so an immediate sales program commenced.

The Sydney, Melbourne, Brisbane, Canberra and Perth call centres were unable to be sold and have been closed. All employees have been made redundant and the physical assets have either been sold or are in the process of being sold (taking into account any third party claims over those assets).



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The call centre requirements for Ansett Kick-Start are being serviced by the Adelaide and Launceston call centres. However, Tesna has chosen Launceston as its preferred call centre location. Therefore, on the completion of the sale to Tesna, it is expected the Adelaide call centre will also be closed, the remaining employees made redundant and the physical assets sold.

6.8 Cargo and Ground Handling

Expressions of interest were received for the Cargo business and assets and a number of parties completed due diligence immediately following our appointment. Two indicative offers were received but did not result in unconditional offers.

Under the Tesna sale agreement, Tesna would acquire the domestic cargo "same day" business and discussions are continuing with Tesna in relation to the two Bae146 freighter aircraft and the International Ground Handling Cargo and Third Party Ground Handling businesses.

6.9 Traveland

The business was sold to Internova Travel Pty Ltd ("Internova"), with the sale agreement being completed on 23 September 2001.

The following assets were sold under the Business Assets Acquisition Agreement:

- Goodwill of the business, including the name of Traveland and the marketing, business and technical plans and systems.
- All plant and equipment.
- Intellectual Property, including the benefit of using software licenses, trade marks and registered names.
- Property and chattel leases.
- Joint venture contracts with NRMA and NRMA Travel and with RACV and RACV Travel.
- Books and records.

The consideration for the sale was \$500,000, with Internova having to offer all Traveland employees continued employment on terms and conditions on no less favourable terms. The purchaser was also obliged to assume liability for all employee entitlements. Transferring employees' entitlements totalled about \$6m.

The business strategy for Traveland as represented by Internova included an expansion of the business and an injection of working capital. Internova had received certain "pledges" of financial support for the business, but these did not materialise. The business was then sold by Internova to Financial Options Group Inc, which was itself subsequently placed into liquidation.



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The Administrators of Traveland provided a limited indemnity to the purchaser to pay employees a proportion of relevant employee benefits in the event the purchaser was placed in administration, which it subsequently was and on the 27 November 2001, Messrs McDonald and Albarran of Hall Chadwick were appointed Administrators of Internova. The provision of the indemnity was a requirement of the sale process and in addition the arrangements were of considerable importance in the Ansett Group administration for securing union and government support. The indemnity from Traveland to Internova was also covered by an indemnity to Traveland from Ansett.

The conduct of the Traveland business after 23 September 2001, the date of its sale to Internova, is being investigated. The obligations of Internova under the Business Assets Acquisition Agreement are guaranteed by Internova MCI Limited. The Administrators have written to Internova MCI Limited in that regard.

6.10 Australian Concession Management

Discussions are continuing with Tesna in relation to the sale of the Australian Concession Management business.

6.11 Ansett International

The Administrators are currently in discussions with a number of parties and the International Air Services Commission with a view to re-establishing Ansett International and realising value from the landing slots in a number of Asian ports.



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7. Investigations

7.1 Investigations by Administrators

As Administrators, we are required to investigate the affairs of the Ansett Group. These investigations form the third aspect of our Three-Point Plan for the Ansett Group.

Other imperatives have caused the main focus in the administration so far to be stabilising the business and developing the Ansett Solution. Our investigations are at a preliminary stage and we are not in a position to provide any comments about potential offences that may have been committed or amounts of money that may be recoverable in the event of the companies in the Ansett Group being placed in liquidation. The size and complexity of the Ansett Group further complicates these investigations.

The actions of a number of parties are being considered as part of the investigation. These parties include:

- Directors and officers of the Ansett Group of companies.
- Air New Zealand.
- Professional advisers.
- Any other parties identified during the investigation.

In addition, there are transactions where money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act if the companies are placed into liquidation. The main transactions investigated can be categorised as:

- Unfair preference payments.
- Uncommercial transactions.
- Unfair loans.
- Holding company liability for debts of an insolvent subsidiary.

A broad outline of each of these categories of transactions is outlined below.

7.1.1 Unfair Preference Payments

An unfair preference is a transaction, generally within the six months before the appointment of the Administrator, to which a company and a creditor are parties, which results in the creditor receiving more than it would receive in respect of its debt if the transaction had been set aside and the creditor had to prove for the debt in the winding up of the company. If proven to be an unfair preference, the creditor would have to return the benefit they received to the Liquidator.

To prove a creditor received an unfair preference payment, the Liquidator must first show the company was insolvent at the time of the payment, i.e., it was unable to pay its debts as and when they fell due.



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The creditor has a defence to a claim by a Liquidator that a transaction is an unfair preference if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given and a reasonable person in the creditor's circumstances would have no such ground for suspecting.

Unfair preferences can be difficult to prove and recover, and the exercise is often time-consuming and expensive.

7.1.2 Uncommercial Transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator.

- The transaction was entered into or given effect to within two years of the commencement of the winding up of the company (ie. the appointment of the Initial Administrators; and
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction; and
- A reasonable person in the company's circumstances would not have entered into the transaction, having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

7.1.3 Unfair Loans

An unfair loan is a loan where, upon analysis, the interests or charges with respect to the loan were extortionate. Unfair loans any time before the appointment of the Initial Administrators may potentially be overturned by a Liquidator appointed subsequently.

7.1.4 Directors Trading Whilst Insolvent

Under the Act, a director is personally liable to the company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring the debt.

This claim must be proven by the Liquidator against each individual director. In the event that a Liquidator does not pursue the directors, a creditor may seek to recover against the directors.

Directors have several defences available to them. To successfully defend a claim for insolvent trading, a director must prove one of the following:



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- That when the debt was incurred, the director had reasonable grounds to expect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the director expected, on the basis of this information, that the company was solvent and would remain solvent.
- That when the debt was incurred, the director, because of illness or for some other good reasons, did not take part in the management of the company at that time.
- That the director took all reasonable steps to stop the company from incurring the debt.

It must first be shown that at a point in time the Company was insolvent.

7.1.5 Holding Company Liable for Debts of an Insolvent Subsidiary

Where it can be shown:

- a subsidiary company was insolvent at the time of the incurring of a debt, or became insolvent as a result of incurring a debt; and
- at that time there were reasonable grounds for suspecting the company was insolvent; and
- the holding company or its directors were aware, or ought to be aware, that there were are grounds for so suspecting

the holding company may be held liable for the debts incurred by the subsidiary.

Due to the preliminary stage of our investigation, after asking creditors to consider the Tesna sale at Part 1 of the Second Creditors Meeting, we will be seeking the approval of creditors to adjourn the Second Creditors Meeting for up to 60 days. This will allow further time to progress our investigations and identify whether it is possible that any voidable transactions were entered into.

As Administrators, we are also required to complete and lodge a report with ASIC (Section 438D of the Act) if we believe that:

- A past or present officer, or member of the Company may have been guilty of an offence in relation of the Company; or
- If a person who has taken part in the formation, promotion, administration, management or winding up of the Company;
 - May have misappropriated money or property of the Company; or
 - May be guilty of negligence, default, breach of duty or breach of trust in relation of the Company.



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We have not lodged any such report with ASIC to date.

7.2 ASIC Investigations

ASIC has served a number of notices for the production of Ansett Group documents to assist their investigation into the affairs of the Ansett Group. We have fully co-operated with ASIC in their enquiries. We will continue to co-operate with ASIC as our investigations proceed. We asked ASIC to advise on the matters being investigated. ASIC is unable to disclose such information. Appendix 5 is the correspondence between ASIC and our solicitors, Arnold Bloch Leibler, on these matters.



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8. Statutory and Legal Matters

8.1 First Meetings of the Creditors of the Ansett Group

Section 436E of the Act requires Administrators to conduct a meeting of the creditors of the company in administration within five business days of being appointed ("the First Meetings of Creditors").

The First Meetings of Creditors were held as follows:

Date Administrators Appointed	Number of Companies	Date of First Meeting of Creditors
• 12 September 2001	12	18 September 2001
• 14 September 2001	7	20 September 2001
	21	28 September 2001 (convened for 20 September 2001, however, no quorum present on that date and the meeting was adjourned)
• 3 October 2001 (AANZES)	1	10 October 2001

At the First Meetings of Creditors, we advised that it would be in the interests of the creditors if Committees of Creditors were formed for the major trading entities in the Ansett Group and that we intended that the Committees of Creditors' meetings would be held concurrently to save time and money. We also advised that the Committees of Creditors should comprise one or more individuals representing each of the main creditor interest groups including unionised and non-unionised employees, aircraft and equipment lessors, suppliers and trade creditors, airport licensors and financial institutions.

Resolutions were passed at each of these meetings except for the meetings held on 20 September 2001, for Committees of Creditors to be appointed to each of the relevant companies. Initially, there were 36 different members of various Committees of Creditors appointed. Since their appointment:

- One member of the committees has resigned.
- Air New Zealand has voluntarily withdrawn on the basis that it is no longer a creditor of the Ansett Group as a result of the Memorandum of Understanding.
- Qantas has been excluded on the basis that the vast majority of information discussed at the meetings of the Committees of Creditors is commercially sensitive.

Committees of Creditors were not required for the seven companies when the First Meeting of Creditors was held on 20 September 2001. The only creditors of each of those seven companies are other companies within the Ansett Group.



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No other business was transacted at the meetings given the very short timeframe in which the First Meetings of Creditors must be held after the appointment of the Initial Administrators.

8.2 Second Meetings of the Creditors of the Ansett Group

Administrators are required to convene a second meeting of creditors of the companies in administration (Section 439A of the Act), although there is a limited scope to extend the timing of that meeting, as discussed at Section 8.4.4 below.

Before the Second Meetings of Creditors, Administrators prepare a report (such as this one), on the relevant company's business, property, affairs and financial circumstances and provide opinions on certain matters. This allows creditors to be in a position to vote at the Second Meetings of Creditors on the options available to them, as to whether:

- the company should execute a DOCA.
- the administration should end.
- the company should be wound up.

The Second Meetings of the Creditors of the Ansett Group are to be held by no later than 29 January 2002. As indicated above, it is our preliminary opinion that it would be in the interests of the creditors of the Ansett Group companies that the companies execute the DOCAs. However, our investigations should be further progressed and reported to creditors before they are asked to vote on the execution of the DOCAs.

We will be seeking to hold the Second Meetings of Creditors of the Ansett Group companies in two parts: Part 1 on 29 January 2002 and Part 2 by 30 March 2002. The Part 2 will consider, amongst other things, the application of the proceeds of sale.

For this to occur, the creditors of each Ansett Group company will be requested to resolve at Part 1 of the Second Creditors Meeting for the meetings of each company be adjourned for a period up to 60 days. This is our preferred course of action. But ultimately, it is for creditors to decide this at Part 1 of the Second Creditors Meeting.

As indicated above, there will be separate meetings of the creditors of the Skywest companies and Aeropelican to help the proposed sales of Skywest and Aeropelican.

Part 1 of the Second Meeting will not determine how the proceeds of the Tesna sale would be applied.



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8.3 Meetings of the Committees of Creditors

Section 436F of the Act states the function of a Committee of Creditors is to consult with the Administrators about matters relating to the administration and receive and consider reports prepared by the Administrators. Section 436F(2) of the Act also states a Committee of Creditors cannot give directions to the Administrators, except to require the Administrators to report to the committee on matters relating to the administration as and when reasonably required.

Five meetings of the Committees of Creditors have been held so far. The matters considered at those meetings were:

Date of Meeting	Matters Considered
<ul style="list-style-type: none">• 2 October 2001	<ul style="list-style-type: none"><input type="checkbox"/> Non- objection to the Memorandum of Understanding with Air New Zealand.
<ul style="list-style-type: none">• 31 October 2001	<ul style="list-style-type: none"><input type="checkbox"/> Update on administration matters generally.<input type="checkbox"/> Sale process update.<input type="checkbox"/> Approval of Administrators' remuneration subject to approval being obtained from the Court.
<ul style="list-style-type: none">• 15 November 2001	<ul style="list-style-type: none"><input type="checkbox"/> Consideration and Indicative approval of the sale to Tesna.
<ul style="list-style-type: none">• 28 November 2001	<ul style="list-style-type: none"><input type="checkbox"/> Status of discussions with Commonwealth Government relating to ranking of funds for payment of employee entitlements.<input type="checkbox"/> Sale process update.<input type="checkbox"/> Approval to proceed to Court for extension of time to convene the Second Meetings of Creditors.<input type="checkbox"/> Approval of Administrators' remuneration subject to approval from the Court.
<ul style="list-style-type: none">• 16 January 2002	<ul style="list-style-type: none"><input type="checkbox"/> Update on administration matters generally.<input type="checkbox"/> Sale process update.<input type="checkbox"/> Approval of Administrators' remuneration.

We wish to thank the Committees of Creditors of the Ansett Group companies for assisting us on various issues, some at short notice, in what continues to be an extremely complex administration.

Further meetings of the Committees of Creditors will be held until the conclusion of the administrations of the Ansett Group companies. Under the proposed DOCA, we intend to continue with the Committees of Creditors.



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8.4 Court Applications

We have made a number of applications to the Court. Arnold Bloch Leibler has acted as our lawyers in making those applications and in other matters. These include the following:

- Application for Extension of Time for Lease Liabilities under Section 443B.
- Application by Intrepid.
- Application re the Administration of AANZES.
- First Application for Extension of Convening Period.
- Application re Return of Aircraft Protocol.
- Application to Approve Proposed Memorandum of Understanding.
- Application by Hazelton Group Administrator for Apportionment.
- Application re Superannuation.
- Application for Approval of Commonwealth Government Loan (\$195m Issue).
- Application for Approval of Administrators' Remuneration.
- Application for Approval of Method of Distribution of Notices of Creditors Meeting.

The Court has dealt promptly and expeditiously with the applications made by us and other stakeholders in the administration, particularly over the Christmas vacation.

Below is a brief summary of the applications, the reasons why they were made and their outcome. Further detailed information on a number of these applications can be obtained from the websites <http://www.ansett.com.au/administrator> or <http://www.abl.com.au/administrator>.

**8.4.1 Application for Extension of Time for Lease Liabilities under Section 443B
(Proceeding no. V3031 of 2001)**

The Act gives the Administrators [Section 443B(2)] a period of seven (7) days to use property in the possession of the Ansett Group owned by others without being personally liable to pay for its use. The Administrators could not within the seven days determine whether it was in the interests of the Ansett Group to continue occupying or using the property.

The Ansett Group carried on business throughout Australia and internationally. The Ansett Group leased more than 350 properties. The Ansett Group also leased aircraft and other aviation assets.



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In these circumstances, the Administrators applied for, and the Court provided, a brief extension of time for the Administrators to determine whether they wished to continue occupying or using the leased property without becoming personally liable for doing so. The Court also required the Administrators to provide access to owners of aircraft to flight books, manuals and records and to inspect aircraft.

8.4.2 Application by Intrepid (Proceeding no. V3030 of 2001)

Intrepid is the owner of a Boeing 727-277F Aircraft ("Boeing Aircraft") which was in the possession of the Ansett Group at the commencement of the administration. Part 5.3A of the Act contains prohibitions against owners of property in the possession of or being used by the Ansett Group from reclaiming that property without the consent of the Administrators or by Court order. Intrepid applied for a court order to reclaim the Boeing Aircraft. After the proceedings had been issued, we decided that it was not necessary for the Ansett Group to retain possession of the Boeing Aircraft. An agreement was reached to terminate the aircraft lease and return the Boeing Aircraft to Intrepid.

8.4.3 Application re the Administration of AANZES (Proceeding no. V3036 of 2001)

Following our appointment, it became apparent that one of the Ansett subsidiaries, AANZES, should have been previously placed into voluntary administration along with the other Ansett Group companies. We applied for and obtained leave of the Court to accept appointment as Administrators of AANZES.

8.4.4 First Application for Extension of Convening Period (Proceeding no. 3034 of 2001 and proceeding no. 3052 of 2001 in relation to AANZES)

The Act sets out a relatively quick process for convening the Second Creditors Meeting. Normally, the Second Creditors Meeting takes place within about one month after the start of an administration. But it soon became clear to us that it would not be possible to convene the Second Creditors Meeting in such a short time and a number of applications were made to the Court to bring the entire Ansett Group into line with the timing of the Second Creditors Meeting. The period of time for the holding of the meeting was extended so that the meeting must be held by 29 January 2002. This developed over three separate applications to the Court.



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8.4.5 Application re Return of Aircraft Protocol (Proceeding no. V3035 of 2001).

At the start of the administration, the Ansett Group had 133 aircraft with the majority of the aircraft either owned or financed by lessors or financiers. Because of aircraft legislation and the need to ensure on-going maintenance and safety, returning aircraft to owners and lessors is a highly complicated and expensive process. In these circumstances, we sought directions from the Court for a general policy of dealing with the orderly return of aircraft to their owners.

After the proceedings commenced, the owners of the aircraft met with our staff to reach an agreement without the assistance of the Court. The proceedings have been adjourned to allow those discussions to continue.

8.4.6 Application to Approve Proposed Memorandum of Understanding (Proceeding no 3045 of 2001)

As set out above, we compromised the Ansett Group's claims against the Air New Zealand Group for, amongst other things, a cash payment of \$150m.

The Air New Zealand settlement was negotiated at "break neck speed". At the time of the settlement, it was not possible for us to obtain detailed legal advice concerning the rights of the Ansett Group against the Air New Zealand Group, except for those which may have accrued under a Letter of Comfort.

In these circumstances, the Administrators made an application for approval of the Memorandum of Understanding. This was granted by the Court on 8 October 2001.

8.4.7 Application by Hazelton Group Administrator for Apportionment (Proceeding no. 3051 of 2001)

The Hazelton Companies, as controlled entities of the Ansett Group, were required to settle their various claims against the Air New Zealand Group for an amount to be determined either by agreement or by Court Order.

A dispute has arisen between the Hazelton Administrator and the Administrators as to what proportion of the \$150m recovered from the Air New Zealand Group should be paid to the Hazelton Administrator.

The Ansett Administrators have paid the Hazelton Administrator \$1.545m on the basis that the Hazelton Administrator cannot be personally liable to repay that sum. The dispute is ongoing. It will be determined by the Court unless the parties can reach agreement.

8.4.8 Application re Superannuation (Proceeding no. V3075 of 2001)

The Ansett Group has a number of separate superannuation schemes for its employees ("the Superannuation Plans").



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The Trustees advise that some of the Superannuation Plans provide that, if an employee is retrenched, that employee is entitled to a special benefit on termination of employment. The entitlement to the special benefit is dependent upon a declaration being made by the employer that the member has been retrenched.

We are unable to make the declaration of retrenchment because it may adversely impact upon the return available to the ordinary unsecured creditors. An application has been made to the Court to determine the declaration of retrenchment question and related issues. These matters have been adjourned to 8 February 2002. The superannuation funds are claiming that there is a shortfall of about \$80m.

**8.4.9 Application for Approval of the Commonwealth Government Loan - the \$195m Issue
(Proceeding no. V3083 of 2001)**

An agreement in principle was reached between the Commonwealth Government and ourselves in which the Commonwealth Government would advance safety net payments to redundant Ansett employees of arrears of wages, unpaid members superannuation contributions, annual and long service leave, and redundancy of up to eight (8) weeks estimated at \$195m. We would provide redundant employees payment in lieu of notice of between 4-5 weeks estimated at \$35m.

In the absence of an Order of the Court, if we did borrow the money, there would not be a right of indemnity over the assets of the companies to repay the borrowings. In these circumstances, the Commonwealth Government, the unions and ourselves applied to the Court for directions and orders to the effect that it was appropriate for us to enter into a loan agreement to enable SEESA payments to redundant employees and for that borrowing to be repaid with a priority equal to that given to employees in a winding up. The Court made these directions on 14 December 2001.

**8.4.10 Application for Approval of Administrators' Remuneration
(Proceeding no. V3065 of 2001)**

Ordinarily, the Administrator's remuneration is approved by a resolution of the company's creditors at a meeting of creditors. However, because of the delays in holding the second meeting of the Ansett creditors as a result of the size and complexity of the Ansett administration, the Administrators made an application to the Court seeking, on an interim basis, the Court to fix the remuneration to which the Administrators are entitled for the period from the commencement of their appointment on 17 September 2001 until 15 October 2001 (inclusive).

Based on the information provided to the Court, including detailed accounts of work performed by Andersen on the Ansett administration and the reduced hourly rate of Andersen employees, the Court approved the Administrator's remuneration for this period.



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The Court also established a mechanism for the approval of the Administrator's future remuneration such that the future remuneration may be fixed by a resolution of the Committees of Creditors passed after the members of the Committee of Creditors received 7-days notice of the amount of the remuneration claimed and details of the manner in which that amount is comprised and calculated.

The Initial Administrators also made an application to the Court for approval of their fees from the commencement of their appointment as Administrators on 12 September 2001 until their resignation as Administrators on 17 September 2001 of approximately \$1,084,180. On 16 January 2002, the Court delivered its judgment approving the Initial Administrator's fees.

8.4.11 Application for Approval of Method of Distribution of Notices of Creditors Meeting (Proceeding no. V3106 of 2001)

Under the Act and Corporations Act Regulations, all creditors including, Global Rewards members, Golden Wing members, unused ticket holders, employees, lessors and ordinary trade creditors are entitled to receive written notice of the Second Creditors Meeting together with a report, statement of recommendations, proxy forms, and a draft DOCA.

We were required to obtain an estimate of the cost of sending all of the documents by post. We were advised that this would cost about \$28m. In these circumstances we sought and obtained an Order from the Court not to post all of the documents.

We also sought an exemption from the need to send out any Notice by post. But the Court, in balancing our desire to avoid wastage and the need to comply with the legislative framework, required a one page Notice to be sent to all creditors. As well, we were required by the Court to extensively advertise the date and place of the Second Creditors Meeting and maintain the websites and a hotline. This was a substantial saving to the creditors of the Ansett Group.

8.4.12 Potential Further Applications

Further applications to the Court may be made to facilitate the Tesna sale transactions before 31 January 2002.

8.5 Administrators' Remuneration

The details of this report demonstrate the size, complexity and difficulty of the administration of the Ansett Group.

During the last four months we have had up to 80 staff working full-time on the Ansett administration, with another 120 staff working less than full time. These staff have controlled the operations of every area of the Ansett Group.

Attached at Appendix 6 is a series of organisational structures outlining the various areas of responsibility for some of our staff.



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Staff involved in the Ansett administration are from the following Andersen service lines:

- Corporate Recovery Services.
- Corporate Finance.
- Real Estate and Hospitality Services Group.
- Audit & Business Advisory Group.
- Risk Consulting (IT).
- Tax.

Attached at Appendix 7 are the major tasks managed and executed by each of these service lines.

An application was made to the Court for the approval of the Initial Administrators' and our remuneration. Our remuneration does not include costs and expenses incurred by us with our professional advisors including our lawyers, Arnold Bloch Leibler and Andersen Legal.

The Andersen hourly rates are approximately 35 per cent below rates normally charged by the Firm. The hourly rates used in the remuneration calculation is as follows:

Level of Experience	Initial Administrators' Hourly Rates (PwC)	Administrators' Hourly Rates (Andersen)
• Partner	420	359
• Director	374	282
• Manager	289-344	231
• Seniors/Staff	200	88-174
• Support	102	89

* Rates for Melbourne staff shown. Rates for other states are both higher and lower than the Melbourne rates

The status of our remuneration to date is as follows:

Week Ending	Amount (exc GST)	Status
• 21 September 2001	883,921	Approved by the Court
• 28 September 2001	1,012,476	Approved by the Court
• 5 October 2001	1,007,268	Approved by the Court
• 12 October 2001	981,905	Approved by the Committees of Creditors
• 19 October 2001	978,519	Approved by the Committees of Creditors



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Week Ending	Amount (exc GST)	Status
• 26 October 2001	870,416	Approved by the Committees of Creditors
• 2 November 2001	866,701	Approved by the Committees of Creditors on 16 January 2002
• 9 November 2001	748,376	Approved by the Committees of Creditors on 16 January 2002
• 16 November 2001	784,881	Approved by the Committees of Creditors on 16 January 2002
• 23 November 2001	785,898	Approved by the Committees of Creditors on 16 January 2002
• 30 November 2001	718,272	Approved by the Committees of Creditors on 16 January 2002
• 7 December 2001	735,668	Approved by the Committees of Creditors on 16 January 2002
• 14 December 2001	635,656	Approved by the Committees of Creditors on 16 January 2002

We will be seeking that further remuneration for the period before 29 January 2002 be approved at Part 1 of the Second Creditors Meeting. The protocol for the payment of future remuneration will be in accordance with Justice Goldberg's orders.



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9. Estimated Returns to Creditors

The return to creditors is determined by estimating the realisable value of the assets of a company and deducting the value of the priority creditors (such as the costs of the administration and employee entitlements) to determine the funds that will be available to be distributed to unsecured creditors.

The Ansett Group comprises a large number of businesses and companies with many inter-relationships. This leads to a significant number of complexities when estimating the possible return that may be available to creditors.

At Appendix 8 is a preliminary assessment of the book values of the assets and liabilities of each Ansett Group company as at the date of the appointment of the Initial Administrators. This provides creditors with an indication of the relative 'size' of the Ansett Group companies. The financial information maintained by the Ansett Group was not fully updated at the time of our appointment. Considerable work continues to be undertaken to update this information.

Significant investigations are being undertaken on:

- Whether the ownership of the assets are recorded in the correct company.
- Whether the liabilities are recorded in the correct company.
- Whether charges for the provision of benefits have been properly raised by one company in the Ansett Group to another.
- The relative entitlements of companies to share in the Air New Zealand settlement.
- The existence and effect of any class orders.
- Whether interest has been charged on loan account balances.
- The likely recovery of the various intercompany loan accounts. This includes the recoverability of the intercompany loan accounts from companies within the Ansett Group that are not currently in administration or are located overseas.
- The contingent assets and liabilities that may exist (such as cross guarantees given by companies of the Ansett Group for other companies in the Ansett Group).
- The potential value of contingent liabilities (such as the liability for Global Rewards).

If the sale to Tesna does not complete, it is likely that there will be a shortfall in meeting employee entitlements and there will be no return to the unsecured creditors.

If the sale to Tesna completes and if all of the assets and liabilities of the Ansett Group companies are pooled, a dividend to unsecured creditors of between zero and 5 cents in the dollar is possible. There is a chance it could be higher. The amount of the dividend is dependent upon the amount realised for the aircraft fleet and the final value of the total unsecured creditors. Prior to Part 2 of the Second Creditors Meeting, we will provide creditors with a detailed analysis of the likely dividends on a consolidation and on a company-by-company basis.



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This table provides broad estimates of potential returns to creditors based on currently available information:

	\$m
Estimated Realisations	
Debtors, Other Receivables and Air New Zealand Settlement	261
Assets Sold to Tesna	270
Surplus Property	15
Ansett Aircraft – Owned and Finance Leases with Equity	930
Spare Engines, Rotables and Consumables	100
Regional Airlines (Business and Aircraft), Engineering and Other Assets	50
Total Estimated Realisations	1,626
Estimated Payments	
Payouts on Finance Leases with Equity	(630)
Asset Management and Wind Down Costs	(75)
Back Office, Overheads and IT costs	(75)
Mainline and Regionals' Trading Losses	(25)
Costs Post-Settlement	(50)
Valuation, Consulting, Legal, Administrator's Fees and Expenses	(55)
Total Estimated Payments	(910)
Surplus before Employee Entitlements	716
Employee Entitlements	
Total Employee Entitlements (for 15,000 employees)	(730)
Less – Transfers to Tesna	244
Less- Transfers on Sale of Regionals, Engineering & Other Businesses	41
Add – Contingencies (For averaging and employee numbers etc)	(61)
Add – Possible Shortfall of Other Entitlements (ie Superannuation and Taxes)	(119)
Total Employee Entitlements	(625)
Estimated Net Realisations Available for Creditors	91
Estimated Unsecured Creditors after Employee Entitlements	(1,977)
Estimated Return to Creditors (cents per \$)	5 cents



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The estimated total potential claims by unsecured creditors is as follows:

	\$m
Unsecured Creditors	
Trade Creditors	300
Revenue Paid In Advance	270
Banks	
- Loans and Overdrafts	115
- Bank Guarantees	25
- Hedge Losses	27
Global Rewards	140
Lease Creditors	27
Taxes	
- ATO (Revised Assessments)	66
- GST & other taxes	4
Inter-company Loans (Companies Not In Administration)	20
Other Creditors	208
Amounts Claimed as Owing by Air New Zealand	310
Less: Amounts Agreed Not to Claim	(310)
Total Creditors (Before Aircraft Creditors)	1,202
Aircraft Creditors	
- Aircraft Finance Leases Without Equity	230
- Operating Lease Liabilities (total payable approx. \$1.1b)	350
- Other Aircraft Lease/Loan Guarantees	195
Total Aircraft Creditors	775
Total Potential Unsecured Creditors	1,977



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The total value of all creditors of the Ansett Group is summarised below:

	\$m
All Potential Creditors	
Employee and Other Entitlements	849
Unsecured Creditors, excluding Aircraft	1,202
Payments on Finance Leases with Equity	630
Aircraft Creditors	775
Total All Potential Creditors	3,456

Basis of Preparation of Calculations in Above Tables

The estimated return to creditors is based on valuations, estimates and assumptions, many of which are commercially sensitive at this time. For this reason, they have not been detailed in this report.

The total cash currently held by the Administrators is \$231m.

Summary

The Ansett Group is very complex. There are many variables that can have a significant effect on the ultimate return. For example:

- Number of retrenchments made.
- Losses on aircraft leases. Given a fleet cost in excess of \$2b, even a 10% movement is \$200m.
- Liabilities by company could vary significantly because of very complex cross guarantees, financing arrangements and class orders.
- Realisation of asset values.
- Costs which unavoidably continue.

As indicated, these outcomes assume that all of the assets and liabilities of the Ansett Group are consolidated. There are likely to be varying returns for creditors of different companies if each company is treated separately.



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Below is a matrix that indicates the return to creditors assuming varying levels of overall realisations and total unsecured creditors.

Sm Total Unsecured Creditors	(Shortfall to) Funds Available for Unsecured Creditors After the Payment of Employee Entitlements				
	50	50	100	150	200
2,500	0.0c	2.0c	4.0c	6.0c	8.0c
2,250	0.0c	2.2c	4.4c	6.7c	8.9c
2,000	0.0c	2.5c		7.5c	10.0c
1,750	0.0c	2.9c	5.7c	8.6c	11.4c
1,500	0.0c	3.3c	6.7c	10.0c	13.3c

It is premature to recommend to creditors whether some or all of the assets and liabilities of the Ansett Group should be pooled. A further report will be provided to creditors before Part 2 of the Second Creditors Meeting. This further report will outline the results of our further investigations and our opinion on whether the Ansett Group companies should enter into a DOCA and the terms of that DOCA.

The timing of the payment to creditors is likely to be as follows:

- Employees: Payment during 2002.
- Unsecured creditors: Initial dividend in 2003 with a further dividend in 2004.



Flying for Australia.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

10. Proposed Deed of Company Arrangement

This is a summary of the outline to the DOCA, which is attached at Appendix 9. We stress it is a working draft outline that is included to comply with the Act and is for discussion purposes with creditors.

The primary objective of the DOCA is to give certain Ansett companies the election to pool all of the assets and liabilities of each company in the Ansett Group into one company.

In the Memorandum of Understanding between ourselves, the Hazelton Administrator and the Air New Zealand Group dated 3 October 2001, we agreed to take all reasonable steps to pool the assets and liabilities of the Ansett Group. We also agreed to consider pooling the assets and liabilities of the Ansett Group in the agreement reached with the Commonwealth in relation to the SEESA payments.

The process of pooling occurs where two or more companies in a group are treated as if they were one so that for the purposes of the administration, the assets and liabilities of all the companies in the Ansett Group are treated as belonging to the one company. Pooling attempts to overcome legal and accounting difficulties by separating interwoven companies to allow an equal distribution of assets to creditors. Pooling has traditionally been available in circumstances where there has been an intermingling of funds in a manner which makes their separation practically impossible.

Pooling may be appropriate for many of the companies for a number of reasons including:

- Distributing the \$150m lump sum payment from Air New Zealand (net of any Hazelton payments).
- Distributing the proceeds of sale from the Tesna transaction.
- The large internal inter-company loan accounts of the Ansett Group.
- Potential claims between companies in the Ansett Group.

Thereafter the DOCA contains special provisions for all participating creditors claims of the pooling companies to be paid on a pro rata basis from the company that receives all of the assets. The priority of payment follows the order of priorities that would apply in a winding up. Funds generally are applied:

- Firstly, to pay the Administrators' costs and expenses,
- Secondly, to pay secured creditors their priority entitlements,
- Thirdly, to pay retention of title creditors their priority entitlements,
- Fourthly, to pay employees in relation to their entitlements and the repayment to the Commonwealth Government of SEESA funds and superannuation funds (if there is a shortfall and if that shortfall would be entitled to a priority on a winding up),
- Finally, to pay ordinary unsecured creditors on a pro rated basis.



Flying for Australia.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

The claims of particular classes of creditors such as lessors, aircraft lessors, retention of title creditors, licensor creditors, coupon creditors and Global Rewards creditors would have their own special regime which is intended to be equitable and speedy. That regime has not been finalised.

The DOCA also contains provisions to help facilitate a smooth and orderly sale of the mainline business to Tesna.

Creditors should carefully read the outline to the DOCA and treat it as a working draft document.

We stress the outline of the DOCA is incomplete and we intend to consult with the Committee of Creditors and creditor representatives to finalise its terms.

Before voting on the DOCA, creditors of each Ansett Group company will have a full explanation of the implications of pooling to them.



Flying for Australia.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

11. Administrators' Opinions

This opinion is in relation to the Ansett Group (excluding Aeropelican, Skywest Airlines, Skywest Aviation, Skywest Jet Charter and Skywest Holdings). Separate reports and opinions under Section 439A of the Act have been prepared for those companies in anticipation of the Second Creditors Meeting for those companies being held on 25 January 2002.

We, Mark Korda and Mark Mentha, as Administrators of the Ansett Group, have formed the opinion, having regard to the information available to us, that it would be in the interests of the creditors of each Ansett Group company to approve the sale of the Ansett mainline airline to Tesna, as described in this report, at Part 1 of the Second Creditors Meeting on 29 January 2002.

The reasons for our opinion:

- The sale to Tesna provides the best possible return to creditors.
- The sale to Tesna best achieves the objects of Part 5.3A of the Act as it maximises the chances of the Ansett Group, or as much as possible of its business, continuing and results in a potentially better return for the creditors than would result from an immediate winding up.
- The sale to Tesna enhances the opportunity for a number of other Ansett businesses continuing given their interlinking with the Ansett mainline airline business. These include the regional airlines and the engineering business.
- The sale to Tesna will result in a better return to creditors than a winding up as it:
 - Maximises the chances of a large number of employees maintaining employment, thereby avoiding significant redundancy costs. This applies to the mainline airline, the regional airlines and the engineering business.
 - Provides a window of opportunity for holders of Global Rewards creditors to obtain some recognition for their points through an operational airline, rather than claiming in a subsequent DOCA.
 - Provides an opportunity to improve the equity in certain aircraft subject to finance leases and together with a mechanism for unlocking that equity.
 - Reduces unsecured creditors through assigning various aircraft finance and operating leases.
 - Creditors will be given an opportunity at Part 2 of the Second Creditors Meeting to consider how the proceeds of sale should be divided amongst the Ansett Group.

We are also of the preliminary opinion that it may be in the interests of creditors of the Ansett Group to execute a DOCA as broadly described in the attached draft statements prepared pursuant to Section 439A(4)(c) of the Act. But it is still premature for us to express a final opinion on the proposed DOCA pending further investigation into the Ansett Group.



Flying for Australia.



**ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

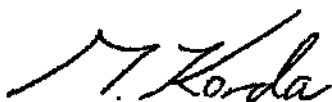
We are also of the preliminary opinion that a DOCA generally may minimise legal and administration costs, simplify the process and facilitate the sale of businesses and assets.

Therefore, it is our opinion that it would not be in the interests of creditors for the administrations to end. If the administrations end, the Ansett Group would be returned to the control of the Directors in circumstances where the Ansett Group is insolvent.

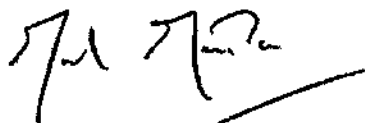
Further, it is our opinion that it would not be in the interests of creditors for the companies to be wound up at Part 1 of the Second Creditors Meeting. Our preliminary opinion is that a winding up will be more costly than a DOCA. The appointment of a liquidator may cause rights of the Ansett Group to be terminated. Finally, we are presently unable to determine whether there are any Liquidator claims that may justify the winding up.

Therefore, after completing the business scheduled for the Second Meetings of Creditors on 29 January 2002, it would be in the interests of creditors to adjourn the meetings for a period of up to 60 days to enable us to provide a further report to creditors on the proposed pooling DOCA to be voted on at Part 2 of the Second Creditors Meeting.

Dated this 16th day of January 2002.



MARK A KORDA
Administrator



MARK F MENTHA
Administrator



Flying for Australia.



**THE ANSETT GROUP (ADMINISTRATORS APPOINTED)
FIRST REPORT BY ADMINISTRATORS**

LISTING OF COMPANIES FOR WHICH THIS REPORT HAS BEEN PREPARED

501 Swanston Street Pty Ltd
(ACN 005 477 618)
Airport Terminals Pty Ltd
(ACN 053 976 444)
Aldong Services Pty Ltd
(ACN 000 258 113)
Ansett Aircraft Finance Ltd
(ACN 008 643 276)
Ansett Aviation Equipment Pty Ltd
(ACN 008 559 733)
Ansett Australia Limited
(ACN 004 209 410)
Ansett Australia and Air New Zealand
Engineering Services Limited
(ACN 089 520 696)
Ansett Australia Holdings Limited
(ACN 004 216 291)
Ansett Carts Pty Ltd
(ACN 055 181 215)
Ansett Equipment Finance Limited
(ACN 006 827 989)
Ansett Finance Limited
(ACN 006 555 166)
Ansett Holdings Limited
(ACN 065 117 535)
Ansett International Ltd
(ACN 060 622 460)
Bodas Pty Ltd
(ACN 002 158 741)
Brazson Pty Ltd
(ACN 055 259 008)
Eastwest Airlines (Operations) Ltd
(ACN 000 259 469)
Eastwest Airlines Ltd
(ACN 000 063 972)
Kendell Airlines (Aust) Pty Ltd
(ACN 000 579 680)

Morael Pty Ltd
(ACN 003 286 440)
Northern Airlines Limited
(ACN 009 607 069)
Northern Territory Aerial Work Pty Ltd
(ACN 009 611 321)
Rock-It-Cargo (Aust) Pty Ltd
(ACN 003 004 126)
Show Group Pty Ltd
(ACN 002 968 989)
South Centre Maintenance Pty Ltd
(ACN 007 286 660)
Spaca Pty Ltd
(ACN 006 773 593)
Traveland Pty Ltd
(ACN 000 240 746)
Traveland International Pty Ltd
(ACN 000 598 452)
Traveland International (Aust) Pty Ltd
(ACN 000 275 936)
Traveland New Staff Pty Ltd
(ACN 080 739 037)
Walgali Pty Ltd
(ACN 055 258 921)
Westintech Limited
(ACN 009 084 039)
Westintech Nominees Pty Ltd
(ACN 009 302 158)
Whitsunday Affairs Pty Ltd
(ACN 009 694 553)
Whitsunday Harbour Pty Ltd
(ACN 010 375 470)
Wridgways (Vic) Pty Ltd
(ACN 004 153 413)
Wridgways Holdings Ltd
(ACN 004 449 085)
(All Administrators Appointed)



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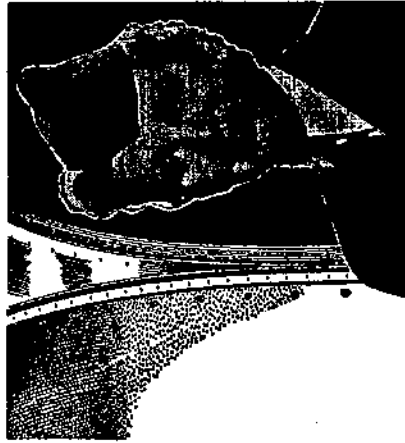
ANDERSEN

Company	ACN	PWC	Andersen
		Appointment Date	Appointment Date
501 Swanston Street Pty Limited (Administrators Appointed)	005 477 618	14 Sept 01	17 Sept 01
Aeropelican Air Services Pty Limited (Administrators Appointed)	000 653 083	12 Sept 01	17 Sept 01
Airport Terminals Pty Limited (Administrators Appointed)	053 976 444	14 Sept 01	17 Sept 01
Aldong Services Pty Limited (Administrators Appointed)	000 258 113	14 Sept 01	17 Sept 01
Ansett Aircraft Finance Limited (Administrators Appointed)	008 643 276	14 Sept 01	17 Sept 01
Ansett Australia and Air New Zealand Engineering Services Limited (Administrators Appointed)	089 520 696	N/A	3 Oct 01
Ansett Australia Holdings Limited (Administrators Appointed)	004 216 291	12 Sept 01	17 Sept 01
Ansett Australia Limited (Administrators Appointed)	004 209 410	12 Sept 01	17 Sept 01
Ansett Aviation Equipment Pty Limited (Administrators Appointed)	008 559 733	14 Sept 01	17 Sept 01
Ansett Carts Pty Limited (Administrators Appointed)	005 181 215	14 Sept 01	17 Sept 01
Ansett Equipment Finance Limited (Administrators Appointed)	006 827 989	14 Sept 01	17 Sept 01
Ansett Finance Limited (Administrators Appointed)	006 555 166	14 Sept 01	17 Sept 01
Ansett Holdings Limited (Administrators Appointed)	065 117 535	12 Sept 01	17 Sept 01
Ansett International Limited (Administrators Appointed)	060 622 460	12 Sept 01	17 Sept 01
Bodas Pty Limited (Administrators Appointed)	002 158 741	12 Sept 01	17 Sept 01
Brazson Pty Limited (Administrators Appointed)	055 259 008	14 Sept 01	17 Sept 01
Eastwest Airlines (Operations) Limited (Administrators Appointed)	000 259 469	14 Sept 01	17 Sept 01
Eastwest Airlines Limited (Administrators Appointed)	000 063 972	14 Sept 01	17 Sept 01
Kendell Airlines (Aust) Pty Limited (Administrators Appointed)	000 579 680	12 Sept 01	17 Sept 01
Morael Pty Limited (Administrators Appointed)	003 286 440	14 Sept 01	17 Sept 01
Northern Airlines Limited (Administrators Appointed)	009 607 069	14 Sept 01	17 Sept 01
Northern Territory Aerial Work Pty Limited (Administrators Appointed)	009 611 321	14 Sept 01	17 Sept 01
Rock-It-Cargo (Aust) Pty Limited (Administrators Appointed)	003 004 126	14 Sept 01	17 Sept 01
Show Group Pty Limited (Administrators Appointed)	002 968 989	12 Sept 01	17 Sept 01
Skywest Airlines Pty Limited (Administrators Appointed)	008 997 662	12 Sept 01	17 Sept 01
Skywest Aviation Limited (Administrators Appointed)	004 444 866	14 Sept 01	17 Sept 01
Skywest Holdings Pty Limited (Administrators Appointed)	008 905 646	14 Sept 01	17 Sept 01
Skywest Jet Charter Pty Limited (Administrators Appointed)	008 800 155	14 Sept 01	17 Sept 01
South Centre Maintenance Pty Limited (Administrators Appointed)	007 286 660	12 Sept 01	17 Sept 01
Spaca Pty Limited (Administrators Appointed)	006 773 593	14 Sept 01	17 Sept 01
Traveland International (Aust) Pty Limited (Administrators Appointed)	000 275 936	14 Sept 01	17 Sept 01
Traveland International Pty Limited (Administrators Appointed)	000 598 452	12 Sept 01	17 Sept 01
Traveland New Staff Pty Limited (Administrators Appointed)	080 739 037	14 Sept 01	17 Sept 01
Traveland Pty Limited (Administrators Appointed)	000 240 746	12 Sept 01	17 Sept 01
Walgall Pty Limited (Administrators Appointed)	055 258 921	14 Sept 01	17 Sept 01
Westintech Limited (Administrators Appointed)	009 084 039	14 Sept 01	17 Sept 01
Westintech Nominees Pty Limited (Administrators Appointed)	009 302 158	14 Sept 01	17 Sept 01
Whitsunday Affairs Pty Limited (Administrators Appointed)	009 694 553	14 Sept 01	17 Sept 01
Whitsunday Harbour Pty Limited (Administrators Appointed)	010 375 470	14 Sept 01	17 Sept 01
Wridgways Holdings Limited (Administrators Appointed)	004 449 085	14 Sept 01	17 Sept 01
Wridgways (Vic) Pty Limited (Administrators Appointed)	004 153 413	14 Sept 01	17 Sept 01



ANSETT AUSTRALIA

MILESTONES



The Finest Service in the Air

When Ansett Airways state that they have the "finest service in the air" that's just what they mean. Every Ansett air hostess is a friend — kind, alert, understanding. Ansett air hostesses are chosen for competence, character and charm and are thoroughly trained in the execution of their specialised work. . . . you will appreciate their unfailing courtesy. Reading or writing matter, drinks, matches, delicious meals are yours for the asking, so that your flight will be a pleasant and memorable event.

Ansett Douglas Airliners, with Hortons service, fly daily between Adelaide, Mt. Gambier, Wagga, Canberra, Sydney, Hobart and Melbourne. There is also a daily Ansett service to and from Hamilton.

Ansett
AIRWAYS PTY. LTD.

BOOKINGS

SYDNEY BRISB. MELBOURNE MURUMB. ADELAIDE CESSIA. HOBART 1478

Advertisement February 1947

Ansett Milestones



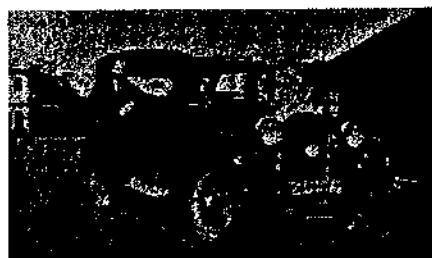
Reginald Myles Ansett

- 1909** On 13 February Ansett Airways Pty. Ltd's founder Reginald Myles Ansett was born at Inglewood in Victoria. The family moved to Melbourne in 1914. After World War I they bought a knitting factory which they renamed Ansett Knitting Mills, moving it to Seymour in central Victoria in the 1940s. The company was sold in 1974, but continued operating as Ansett Knitting Mills until 1992.
- 1920** In November the Federal Government passed the "Air Navigation Act" for the regulation of Australia's emerging aviation industry and allotted its first air route, Geraldton to Derby, to the newly-formed Western Australia Airways, which started Australia's first regular air service the following year.
- 1921** On 5 December, Western Australian Airways Ltd., which had been formed on 29 August, began its Geraldton-Derby service, using Bristol 28 Tourer bi-planes. This was the first operation for an Ansett-related airline.
- 1925** Guinea Gold began flying in Papua New Guinea, was incorporated as Guinea Airways in 1926, and continued flying there until the war. It later became Airlines of South Australia.
- 1926** Western Australia Airways launched Australia's first interstate airmail service to bring the seammil from Perth to Adelaide, refuelling at Forrest.
- 1927** In Western Australia Sir MacPherson Robertson and Captain Horrie Miller, the owner of Commercial Aviation Company, founded MacRobertson Miller Aviation. Its inaugural flight with a DH60 from Melbourne to make the first landing at Adelaide's new Parafield Airport launched services between Adelaide, Renmark, Mount Gambler and Broken Hill.
- 1928** Sir Charles Kingsford Smith and Charles Ulm founded the first Australian National Airways and began flights between Sydney and Brisbane with the Avro Tens and later the Southern Cross, but the operation eventually failed.
- 1931** Reg Ansett set up his one-man taxi service, using a second-hand Studebaker to carry passengers and freight between the Victorian towns of Hamilton, Maryborough, Ballarat, and later Melbourne. The road operation became known as Ansett Roadways, serviced by the workshops of Ansett Motors at Hamilton.



MACROBERTSON MILLER
AVIATION CO. LTD.

DE IN MELBOURNE BY 1.15 P.M.
A. J. Ansett, who for months has
been operating between
Hamilton, Maryborough, Ballarat,
and Melbourne, has now
added to his list of routes
the new route to
Brisbane.



R.M. Ansett with Studebaker

- 1932** Reg Ansett, now licensed to fly, bought a De Havilland Gipsy Moth aircraft. In Tasmania Mr L. McKenzie-Johnson began an airmail service between Launceston and Flinders Island, using a Desoutter Mark II monoplane. The aircraft, which could carry two passengers, is on display today at Launceston airport. Within a few months, Victor Holyman, of the Tasmanian shipping family William Holyman & Sons, began to operate a De Havilland 83 Fox Moth in competition. Without sufficient business to support the two airlines, the two pilots soon merged their operations to become Tasmanian Aerial Services on 1 October.
- 1933** Robert Menzies, then Victoria's Attorney-General, introduced a bill, "The Transport Regulations Act 1933", to prohibit road services from competing with Victoria's railways.

- 1934** Reg Ansett bought a second Studebaker for his road service. His first driver, Colin MacDonald, became an Ansett executive, and was with the company until 1974. When Mr Johnson left Tasmanian Aerial Services to join Tasmanian charter company Matthews Aviation, Victor Holyman and his brother Ivan renamed the airline Holyman Airways Pty. Ltd. Victor died later that year when his DH86 crashed near Wilsons Promontory in southern Victoria. MMA won the mail contract between Perth and Dally Waters, a 2,252 mile journey via Carnarvon, Broome and Ord River, to link up with the Empire Airmail Service to Great Britain.

- 1935** Reg Ansett, with his brother Jack, flew the Porterfield in the Brisbane-Adelaide air race, held 16-18 December, won the handicap section, and used the £500 prize to buy an Airspeed Envoy the following year. The Porterfield is still in flying condition today, owned by a collector in Queensland.

On 26 December, Ansett flew his Gipsy Moth to Sydney where he bought his first commercial aircraft, a single-engine Fokker F-XI Universal, for £1000. A spare engine was bought later.



February 26, 1934

HAMILTON-MELBOURNE AIR SERVICE

Plane leaves HAMILTON 2.45 pm

FROM	TO	CLASS	FARE
HAMILTON	MELBOURNE	First	10/-
MELBOURNE	HAMILTON	First	10/-

Plane Arrives MELBOURNE 2.15 pm

MELBOURNE-HAMILTON AIR SERVICE

Plane leaves ESSENDON 2.45 pm

Arrives HAMILTON 4.30 pm

FROM	TO	CLASS	FARE
ESSENDON	HAMILTON	First	10/-
HAMILTON	ESSENDON	First	10/-

BOOKING OFFERS:

On 17 February Ansett Airways made its first flight, from Hamilton to Essendon, operated by pilot Vern Cerche flying Fokker 4 Universal VH-UTO. Its passengers were Mr K.E. Barr, Mr H.E. Helne, Miss E.T. Lascelles, Mrs W.R. Pearson, Miss A. Shields (who then took the return flight to Hamilton), Mr J.R. Simpson, Mr K.M. Wilson and Reg Ansett. This was the beginning of a regular weekday service. Later in the year, Ansett bought an eight-seat Airspeed Envoy, and began Hamilton-Sydney services.



The Fokker Universal



Ansett's first passengers

- 1936** Unable to renew his road operation licences under the new Victorian State Government legislation, Reg Ansett registered Ansett Airways Pty. Ltd. In January, then recruited his first pilot, Vern Cerche, and first engineer, John Davies. He bought a Porterfield, VH-UVH, which he used to teach flying and to fly around properties selling Ansett Airways shares to local pastoralists. Charles Snook founded Airlines (WA) Limited.

On 17 February Ansett Airways made its first flight, from Hamilton to Essendon, operated by pilot Vern Cerche flying Fokker 4 Universal VH-UTO. Its passengers were Mr K.E. Barr, Mr H.E. Helne, Miss E.T. Lascelles, Mrs W.R. Pearson, Miss A. Shields (who then took the return flight to Hamilton), Mr J.R. Simpson, Mr K.M. Wilson and Reg Ansett. This was the beginning of a regular weekday service. Later in the year, Ansett bought an eight-seat Airspeed Envoy, and began Hamilton-Sydney services.



To supplement the airline's earnings, Reg Ansett ran a flying school at Hamilton and at weekends barnstormed, with joy flights and parachuting. On 25 May he won an important government mail contract.

The Holyman family decided to expand Holyman Airways. The capital for the new company, Australian National Airways Pty Limited (ANA), was provided by shipping companies Holyman Shipping, Huddart Parker, Union Steam and Adelaide Steam.

On 1 July the second Australian National Airways (ANA) was formed from Holyman Airways and Adelaide Airways (which had the previously year taken over Western Australian Airways) and became Australia's dominant airline. Also in July, in Lismore, George Robinson expanded into Airlines of Australia, took over Rockhampton Aerial Services and North Queensland Airways, and became ANA's major competitor. In New Guinea, Mandated Airlines took over W.R. Carpenter Airlines, formerly Pacific Aerial Transport. On 1 January, Airlines of Australia Ltd. began operations, taking over the operations of New England Airways Ltd.

During December, Guinea Airways acquired Holdens Air Transport Service Ltd. (HATS), which was formed in September 1932.

Ansett Milestones

Page 3

- 1937** On 14 April Ansett Airways Limited was incorporated in Victoria as a public company, with an issued capital of £8,303, later issuing a further 135,000 £1 shares. Reg Ansett moved his base and flying school to Essendon Airport in Melbourne, bought three 10-seat Lockheed L108 Electras (one of these, VH-UZO "Ansettes", is the only original Ansett aircraft in existence, and is owned privately in Sydney) and launched new services - on 6 September to Broken Hill, on 4 October to Sydney, and on 29 November Sydney-Adelaide with fuelling stops at Mildura and Narrandera. In its first year, Ansett Airways flew 895,983 miles and carried 12,624 passengers. Guinea Airways, with a Lockheed 108, began an Adelaide-Darwin service to connect with the Imperial Airways Empire Flying Boat Service bringing the mail from Great Britain. To bring uniformity into laws to regulation aviation, the states agreed to adopt the Commonwealth "Air Navigation Act 1920" which would be administered intrastate by the federal aviation authority.



Lockheed 108 Electra



Ansett Airways Essendon Terminal



Guinea Airways advertisement

- 1938** ANA bought into Airlines of Australia. The two airlines integrated their networks but continued to be separate companies until 1942 when ANA bought the remaining Airlines of Australia shares. ANA made an unsuccessful attempt to take over Ansett Airways. ANA bought VH-ABR, a Douglas DC-3 which is still flying today with the Ansett Historical Society in ANA livery. MMA expanded with two 10-passenger De Havilland 86s and two 10-passenger Lockheed Electra 10s.
- 1939** In February a fire at Ansett's Essendon hangar destroyed four aircraft including the Fokker Universal, a major setback to the airline that was yet to show a profit. Fortunately, on 4 July the Federal Government set up the Department of Civil Aviation with authority to subsidise airlines, and Ansett Airways survived.

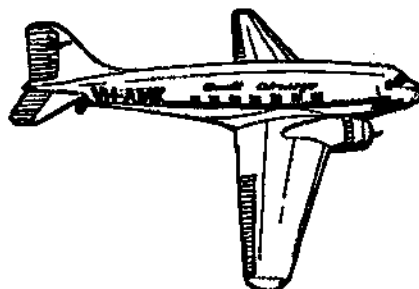
World War II

- 1940** Ansett Airways built overhaul and component manufacturing facilities at Essendon. MMA handed over its South Australian operations to Guinea Airways. It continued its West Australian services through the war, though most aircraft were taken over by the RAAF.
- 1941** Ansett's new facilities won it contracts with the Department of Aircraft Production and United States Service of Supply to service, overhaul and convert aircraft of the RAAF and USAF fleets, manufacture spare engine parts, and repair battle-damaged Allied planes. The company paid its first dividend, and continued to expand its facilities.
- 1942** Ansett Airways ceased all its regular services except Melbourne-Hamilton, and contracted with the U.S. Army Air Corps to fly its personnel, mainly between Melbourne and Townsville, but also to Cairns and Darwin and Australia-wide, using its two remaining Lockheeds. It participated in the evacuations of Darwin and Broome following Japanese bombings. ANA's four DC-3s were absorbed into the RAAF and its pilots conscripted. Now under Government control the airline conducted coastal reconnaissance, evacuated civilians from Papua New Guinea and flew in troops and supplies, and continued services in Australia. From maintenance bases at Brisbane and Essendon it serviced U.S. aircraft.
- 1944** Ansett Airways' wartime employee numbers peaked at 2000. It bought Pioneer Tourist Coaches Pty. Ltd, a road touring company founded by A.A. Withers in 1905 (acquiring few assets except the name), and also bought Provincial Motors (formerly the Provincial Roadways passenger service) which operated a service station and the Ford-Anglia car agency in Bendigo.



Post-war

- 1945** Ansett Airways bought three Douglas C47s from U.S. war disposals in Manila, converted them to DC-3s, and resumed commercial flying operations, although the Department of Civil Aviation had given its pre-war interstate routes to ANA. After months of negotiation and litigation, Ansett was finally granted the new interstate routes of Melbourne-Mt Gambler-Adelaide and Melbourne-Wagga Wagga-Canberra and began these services on 5 February. On 16 August the Government, intent on nationalising the airlines, passed "The Australian Airlines Act, 1945" to form the Australian National Airlines Commission to administer all interstate airline operations and affirm its control of landings in the federally-administered Northern Territory, Australian Capital Territory and Territory of Papua New Guinea. Ansett set up Ansett Pty Ltd to take over its manufacturing division, shifting from making aircraft components to coaches for Pioneer's growing tourist operation and airport buses for Ansett, ANA and Qantas. Over the years it built the "Transett" and "Flexible Clipper", and converted the American "G.M. Super Clippers" and "MC Super Cruisers" to right-hand drive. MMA bought DC-3s.



Ansett Airways DC-3

- 1946** On 31 May Ansett Airways, now with a share capital of £1 million, became a division of the new Ansett Transport Industries Limited (ATI). ATI, at that time, consisted of Ansett Airways Pty. Ltd., Pioneer Tourist Coaches Pty. Ltd., Pioneer Tourist Hotels Pty. Ltd., Ansett Pty. Ltd. and Air Express Pty. Ltd. It set up Ansett Hotels to build and operate hotels to accommodate its Pioneer Tours passengers. In



December Ansett began Melbourne-Hobart flights. The Government set up the Australian National Airlines Commission and the airline under its control, Trans Australia Airlines. On 9 September, TAA made its inaugural flight with a DC-3 from Laverton, near Melbourne, to Sydney, and began regular services on 7 October. Ansett and ANA were now restricted in importing aircraft and lost all their government business including freight, public service travel and mail to TAA.

while the Government subsidised TAA, gave it preferred and free access to government facilities at airports for which private airlines paid high charges, and did not require it to pay a dividend. The Commission could monopolise a route if it provided an "adequate airline service".

To develop an Australia-Vancouver route and break the Pan American Airlines monopoly, the governments of Australia, New Zealand and the United Kingdom set up British Commonwealth Pacific Airlines.

BCPA's first scheduled flight was Sydney-Auckland-Fiji-Canton Island-Hawaii-San Francisco-Vancouver. It leased DC4s from ANA until buying its own aircraft in 1948, and was eventually taken over by Qantas. In Tamworth, NSW, a syndicate led by former RAAF Wing Commander Basil Brown founded East-West Airlines Ltd. on 23 December.

IT'S GOOD BUSINESS TO FLY BCPA
TO THE U.S.A.



- 1947** Reg Ansett decided to develop the Whitsundays, and took over the perpetual leases for Hayman Island, where he planned to rebuild its tourist centre into a luxury resort, and Daydream Island. To administer them he set up Barrier Reef Islands Ltd. Ansett Hotels started a chain of tourist hotels by buying the Imperial Hotel in Hobart and building the Lufra Hotel at Eaglehawk Neck, Tasmania, the first hotel built in the Commonwealth after the war. On 12 July, Barrier Reef Airways, founded by Capt. Poulson (who died the following year) and Capt. Stewart Middlemiss, started flying two Catalina Flying Boats to Brisbane and Gladstone and Heron, Lindeman, Daydream and South Molle Islands. In Tamworth, NSW, a syndicate led by former RAAF Wing Commander Basil Brown founded East-West Airlines. It operated its first service on 23 June from Tamworth to Sydney's Mascot Airport with an Avro Anson, registration VH-ASM.



MMA bought Avro Ansons for its network, which had expanded into the Northern Territory.

Ansett Milestones

Page 5

- 1948** Through buying and building, ATI became the largest hotel operator in Australia. Its properties included:
Victoria: Kallimna Hotel, Lakes Entrance; Commercial Hotel, Camperdown; Mac's and Gordon Hotels, Portland; Bull & Mount Hotel, Stawell; Murray Hotel, Mildura; Manyung Hotel, Mount Eliza.
N.S.W.: Eden Hotel, Eden; Bayview Hotel, Bateman's Bay; Marlin Hotel, Ulledulla; Ryan's Hotel, Albury; Victoria Hotel, Nambucca Heads; Coffs Harbour Hotel, Coffs Harbour; Australia Hotel, Ballina; Railway Hotel, Tamworth; Telegraph Hotel, Tenterfield; the Fitzroy Hotel, Coffs Harbour; Fotheringham's Hotel, Taree; Queenbeyan Hotel, Queenbeyan; Marlborough Hotel, Cooma and Black Dolphin Hotel, Merimbula.
Queensland: Cecil Hotel, Brisbane; Queens Hotel, Townsville; Hides Hotel and Strand Hotel, Cairns; Royal Hayman Hotel, Hayman Island
A.C.T.: Wellington Hotel, Canberra.
Tasmania: Metropole Hotel, Launceston; Club Hotel, Burnie; Imperial Hotel, Hobart; Lufra Hotel, Eaglehawk Neck.
South Australia: Blue Lake Motel and Jens Hotel, Mount Gambier; Crown Hotel, Kingston.
Northern Territory: Mt Gillen Hotel-Motel, Alice Springs; Glen Helen Hotel; Ayers Rock Chalet; Palm Valley Lodge; Serpentine Lodge.
Papua New Guinea: Huon Gulf Motel, Lae; Gateway Hotel, Port Moresby.
ATI bought Liberty Motors (Australia) with franchises to sell Kaiser-Frazer, Jowett, Jowett-Bradford, Allard and Stacatruck.
By now Reg Ansett was using fare discounting and two classes of seating to compete.

- 1949** ATI formed a retail division, Ansett Travel Service.
Ansett and ANA were suffering heavy losses against the government-subsidised TAA. On defeat of the Labor Party, the new Liberal Government, led by Robert Menzies who was committed to private enterprise, determined its policy that two airlines, TAA and ANA, would be able to compete on trunk routes, and considered amalgamating them.
From Glenroy Station in the Kimberleys, Ansett-ANA and MMA helped launch the Air Beef Project which would help develop a regional beef industry, transporting chilled beef from local abattoirs to coastal and railhead cool stores. Their involvement lasted until 1962, by which time the necessary road infrastructure had been developed.
By now Ansett had bought several regional road services - White Cars in Cairns, Healesville Road Services at Healesville near Melbourne, Eastern Roadlines at Bairnsdale and Albury, and Webster Rometch Astor Motors in Tasmania.

- 1950** The Royal Hayman Hotel opened.
ATI bought 60% of Barrier Reef Airways which that year bought Short S.25 Sandringhams, which had been converted from Sunderland flying boats by Shorts in the U.K., and used them to extend services to Southport and Sydney's Rose Bay the following year.
ATI opened its first American office, in San Francisco.

- 1952** The Federal Government and ANA negotiated the first "Airlines Agreement" (under "the Airlines Agreement Act 1952") which allowed ANA and TAA equal access to mail carriage, government business, lease of Commonwealth equipment, and the government guarantees they needed for loans to re-equip to restore ANA's creditworthiness.
Despite opposition from its competitors, Ansett operated the Melbourne-Sydney route, protected by the Australian Constitution which allowed unrestricted interstate trade.
Ansett Flying Boat Services Pty. Ltd. began operations on 1 May. It absorbed Barrier Reef Airways in May, although Barrier Reef Airways continued to trade until 30 March 1953.

1953

Ansett Flying Boat Services Sandringham

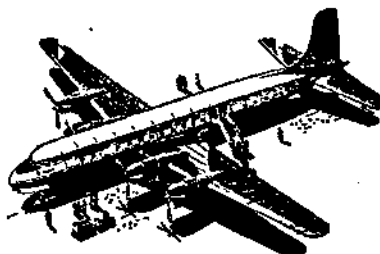
On May 20 Ansett Airways bought the routes and assets of Trans-Oceanic Airways, which was in liquidation to form Ansett Flying Boat Services, with a fleet of one Hythe 4-engined Flying Boat, two Catalinas, two Sandringham Flying Boats from TEAL and a Sandringham from Qantas Empire Airways.
Its network included Grafton, Southport, Brisbane, Hayman Island, Townsville, Cairns and Sydney-Lord Howe Island (a distance of 480 nautical miles).
ANA introduced the Douglas DC-6.

- 1954** On 15 August Ansett introduced its first pressurised aircraft, the Convair 340. In November the Privy Council ruled against restrictions on interstate road transport, opening the way for express coach services between the states. ATI sold Liberty Motors.

- 1955** Urged by the Federal Government, MacRobertson Miller Aviation absorbed Airlines (WA) Limited on July 1 to form a more efficient operation, MacRobertson Miller Airlines Ltd., serving Western Australia and part of the Northern Territory.



Pioneer began daily express services between Melbourne and Sydney, and the following year added Pioneer Express to its tour operation, which was now operating 250 coaches. ATI bought Road Express (NSW) Ltd to carry road freight, renaming it Ansett Road Express.



ANA Douglas DC-68



- 1957** ANA had been struggling to compete for some time, largely from operating the unpopular DC-4s and DC-6Bs against its competitors' faster pressurised aircraft. After the death of its chairman, Sir Ivan Holyman, in January, it became insolvent. On 4 October, encouraged by the Federal Government, ATI bought ANA for £3,307,000, calling the combined airline Ansett-ANA, and took over all ANA's rights and benefits under the Two Airline Act. The purchase included ANA subsidiary Bungana Investments, the major shareholder in Butler Air Transport and its subsidiary, Queensland Airlines. It also included a 16% interest in Cathay Pacific and its engineering division Hong Kong Aviation and engineering (HAECO). When Cathay Pacific asked shareholders to fund a major expansion, ATI decided its funds were needed for its own development and sold its shares. Ansett-ANA began operations on October 21.



Ansett today retains two former ANA divisions. National Instrument Company, which manufactured industrial and aviation instruments, is now Ansett Technologies, and Aviation Engineering Supplies, its purchasing division, operated the U.S. buying satellite known today as Ansett Industries Australia. Until now the airlines had been losing heavily through ineffective competition. "The Airlines Agreement Act 1957", based on agreement between the Government, Ansett-ANA and TAA that only two airlines would operate trunk routes and that Ansett-

ANA would succeed ANA, proved a turning point, with government guarantees enabling both Ansett-ANA and TAA to buy the cost-efficient comfortable Lockheed L188 Electra. Keen to develop tourism in the Whitsundays, Ansett-ANA sealed the Proserpine airstrip so it could fly in Convairst. It later led the push for the Federal Government to build a jet strip and funded one-third of the terminal upgrade.

- 1958** Ansett-ANA purchased the remaining shares in Butler Air Transport and Queensland Airlines. After rationalising its combined fleets, Ansett-ANA had 3 helicopters; Bristol Sycamores VH-INQ and VH-INQ and Sud Quest SO1221 Djinn VH-INP up until 21 May 1958, when VH-INP crashed. Ansett-ANA acquired eight ex-ANA DC-4s. It now operated six DC-6s and DC-6Bs, two Viscount 700s, eight Metropolitan Convairst, three helicopters, two DC-4s, 20 DC-3s, two Sandringhams, and a Bristol freighter, and had on order four Vickers Viscount 800 series, six Fokker F27s and a helicopter. Queensland Airlines retained its name until 1966.

The Federal Government passed "The Airline Equipment Act 1958" restricting trunk route operations exclusively to Ansett-ANA and TAA. The Act required the airlines to maintain balanced fleets and seat capacity through simultaneous aircraft orders and cross-charter agreements, supported by Government guarantees for aircraft purchases so they could re-equip. Both airlines decided to order Lockheed Electras.

ATI renamed Pioneer Express as Ansett Roadlines of Australia, operating interstate between capitals.

Anair formed an aviation division to manufacture aircraft accessories, including seats for Ansett's aircraft.



Ansett Milestones

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1959 On 18 March Ansett-ANA announced its "System of the Golden Jets", introducing the 78-seat Lockheed L188 Electra and 60-seat Vickers Viscount 832 propjets with gold decor, and the Golden Supper Club on late night flights between Sydney and Melbourne with its hostesses in gold lams. Airlines of New South Wales took over management of Ansett Flying Boat Services, by now flying regular services only between Sydney and Lord Howe Island, Hobart and Hayman Island.



Lockheed Electra L188



On 1 July ATI took over Guinea Holdings, and its subsidiary Guinea Airways which now operated only in South Australia, and on 17 December renamed it Ansett Airlines of South Australia. At the same time it renamed Butler Air Transport as Airlines of N.S.W. Pty. Ltd.

Ansett opened new terminals at Melbourne, Adelaide and Hobart. Ansett Hotels built a hunting and fishing lodge at Karumba in North Queensland and operated it until 1967. Frank Pascoe was appointed General Manager of Ansett-ANA. MMA introduced the Fokker Friendship.

Late 1950s To enable development of the Gold Coast tourist industry, Ansett sealed the airstrip at Coolangatta and began jet services. After several years the Federal Government took it over, compensating Ansett-ANA, to give TAA access to the now popular region. Ansett began to sell off hotels as coach technology and road conditions improved.

1960 On 26 February Ansett-ANA and TAA completed their agreement for cross-chartering of aircraft to maintain balanced seat capacities on trunk routes, based initially on a 68% load factor, with disputes to be adjudicated by the Government's Rationalisation Committee. The agreement identified as "trunk routes":

Melbourne-Sydney-Brisbane
Melbourne-Brisbane
Melbourne-Coolangatta
Melbourne-Adelaide-Perth
Melbourne-Perth

Melbourne-Hobart
Melbourne-Launceston-Hobart
Sydney-Adelaide
Sydney-Launceston-Hobart
Sydney-Coolangatta



Bell 47 helicopter

Ansett Road Express was renamed Ansett Freight Express. Ansett-ANA and TAA replaced Qantas on the trunk route of Sydney-Port Moresby-Lae, and TAA took over Qantas's domestic operation within Papua New Guinea.

On 21 December Ansett began Australia's first airport-to-city helicopter service with a Bell 47 helicopter transporting passengers between Melbourne's Essendon Airport and a floating heliport on the Yarra River. After the service ended in 1980, Sir Reginald Ansett continued to use a Bell Jetranger to commute every day from his Mount Eliza home.

1961 To escape government restrictions, Ansett had introduced intermediate stops on some trunk routes and called the services "Air coaches". Victorian Air Coach Services began flights DC-3 between Melbourne and Warrnambool on December 17. On 12 January Ansett-ANA responded to TAA's entry to PNG by buying Mandated Airlines of New Guinea (which had absorbed Gribbes Sepik Airways and Madang Aerial Services in 1960) from W.R. Carpenter, and renamed it as Ansett-MAL, and later as Ansett Airlines of Papua New Guinea. On 19 April 1961 Ansett-ANA began flying DC-6Bs from Australia to Papua New Guinea as the "Golden Orchid" service. In this way Australia's Two Airline Policy was extended into Papua New Guinea.

In August the Australian Government allowed Ansett-ANA to fly to Darwin from Adelaide, Brisbane and Sydney, breaking TAA's monopoly on these routes by defining them as trunk routes. Ansett-ANA began flights, its "Golden Boomerang" service, in October. Government support had



been enabling TAA to operate with unprofitable fares, and Ansett-ANA could not compete. A turning point was "The Airlines Agreement Act 1961", which extended the Two Airlines Agreement to 1977. It required both airlines to simultaneously order and introduce to service the same aircraft to meet estimated demand and to operate equal capacity (number of seats) on trunk routes. By putting the industry on an economic basis, the government planned to avoid excess capacity and wasteful competition. On this basis TAA was forced to compete effectively, and at last the Australian aviation industry became profitable.

ANSETT-ANA

GOLDEN ORCHID SERVICE



1961 cont. Ansett-ANA made an unsuccessful and short-lived attempt to enter the New Zealand market when it helped set up South Pacific Airlines of New Zealand (SPANZ). ATI moved its administration from the old William Street ANA offices into Ansett House at 489 Swanston Street.

1963 ATI bought a 70% controlling interest in MMA which was now operating DC-3s and Fokker Friendships. MMA, Airlines of South Australia and Queensland Airlines bought Piaggios. Ansett-ANA used the Piaggio to operate the first scheduled Alice Springs-Ayers Rock service. In April Austarama was granted the television licence for Channel O in Melbourne.

1964 Ansett introduced Australia's largest commercial helicopter, the 26-seat amphibious Sikorsky S61, in the Whitsundays to operate Australia's first scheduled helicopter service, linking Proserpine, Mackay, Happy Bay, South Molle Island, Daydream Island and Hayman Island. The service continued until 1984.



Ansett Sikorsky

ATI established ATV Channel O, which made its first broadcast on 1 August. It also bought a 49.8% interest in Brisbane's TVQ Channel O, and small interests in other stations in Sydney, Adelaide and Perth.

On 16 October Ansett's first jet, a Boeing 727-100, arrived in Melbourne from Seattle, five minutes ahead of TAA's first 727-100. The order of landing had been determined by the toss of a coin. ATI officially withdrew from SPANZ on 19 August but provided a financial donation towards its continued operations.

1966 On 17 April Ansett and TAA ordered Douglas DC-9-31s, on 24 September Ansett introduced the nose-loading Carvair Aviation Trader A.T.L. 98 freighter (a converted DC-4), and on 17 September Ansett Airlines of Papua New Guinea introduced the DHC-4A Caribou. TVQ Channel O in Brisbane made its first broadcast on 1 July. ATI acquired the Piper dealership franchise for Australia, later renaming it Ansett General Aviation Pty Ltd.

1966 Ansett-ANA completed its absorption of Queensland Airlines. Ansett became the first airline to fly the Fokker F27QC freighter, and began phasing out its DC-6Bs and Viscounts.

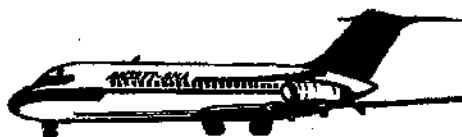


Fokker Friendship F27

On 29 August Victorian Air Coach Services was absorbed into normal Ansett-ANA operations. SPANZ ceased operations on 28 February.

1967 On 17 April Ansett-ANA and TAA took delivery of their first DC-9s. The Ansett-ANA aircraft bore the new livery. On 3 December MMA introduced the DHC-6 Twin Otter, and on 31 August Ansett New Guinea introduced the Short SC-7 Skyvan. ATV Channel O made Australia's first colour television broadcast on 15 June. Besides its trunk routes, Ansett-ANA was now operating:

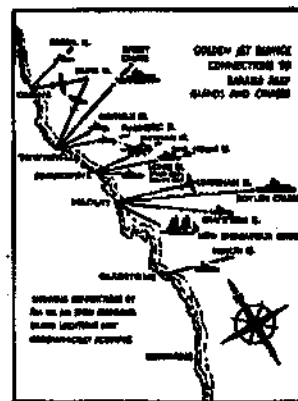
- In New South Wales as Airlines of New South Wales;
- In South Australia as Airlines of South Australia;
- In Western Australia and Northern Territory as MacRobertson Miller Airlines;
- In Papua New Guinea as Ansett-MAL;
- to Lord Howe Island as Ansett Flying Boat Services.



Douglas DC-9



489 Swanston Street, Melbourne



Ansett in Queensland in the 1960s

Ansett Milestones

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- 1968** Ansett-ANA became Ansett Airlines of Australia. Airlines of N.S.W. was renamed Ansett Airlines of N.S.W. Ansett-MAL became Ansett Airlines of Papua New Guinea on 24 June. STOL Air Services Pty. Ltd. became STOL Commuters Pty. Ltd. on 8 September. Ansett-ANA became Ansett Airlines of Australia and Airlines of South Australia Pty. Ltd. became Ansett Airlines of South Australia, on 1 November.



Sir Reginald Ansett K.B.E.

- 1969** Ansett-ANA, adopting a second red and white livery with a stylised 'A', known as the 'Alpha' scheme.



Ansett bought the remaining 29% shares in MMA on 1 June, and it became an ATI division. The purchase made Ansett the largest domestic airline in Australia. MMA ordered the Fokker F-28

Fellowship jet to replace its turbo-prop Fokker Friendships, and Airlines of Papua New Guinea introduced the DHC-6, known as the Twin Otter. Reg Ansett was knighted, becoming Sir Reginald Ansett, K.B.E.

- 1970** ATI bought the Patair Group on 1 July (consisting of Papuan Airlines Ltd., a hotel at Port Moresby and a trading company), and integrated it with Ansett Airlines of Papua New Guinea. The routes and equipment of one Papuan Airlines subsidiary, STOL Commuters Pty. Ltd., were sold to Macair the following year. ATI set up an Insurance division, Transport Industries Insurance (TII), to underwrite its Insurance needs. Ansett Road Express was now Australia's biggest national road freight haulage operator, with more than 408 freight services a week. Hayman Resort was rebuilt, following extensive damage from Cyclone Ada. Channel O Brisbane became a wholly-owned ATI subsidiary.

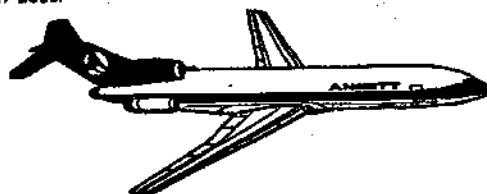


Ansett Gateways in Brisbane and Perth.

- 1971** Ansett built the first of its Gateway Inns in Perth, later renaming it the Ansett International Hotel. The high-rise Gateway complexes included the Inns, Ansett offices and airport bus terminals. Tullamarine Airport opened in Melbourne. Kendall Airlines (Australia) Pty. Ltd. began operating on 18 October.

- 1972** TNT bought up 23.5% of ATI's shares in March, and on 7 April attempted to take over ATI. The move met strong resistance from Sir Reginald, and was thwarted on 27 April by the Victorian Government passing a bill that prohibited the takeover of any Victorian-registered company by a company registered in another State (TNT was incorporated in New South Wales). TNT was, however, allowed two seats on the ATI board, but with its voting power limited to 10%. "The Airlines Agreement 1952-1972" between the Federal Government and the airlines extended the Two Airline Policy beyond 1977 for an indefinite period, with provision for either the Government or ATI to terminate it on five years notice. Ansett began to move its operation to Tullamarine, where it had built a new base, including jet engine overhaul complex and flight simulator centre, over a 19-hectare site. Ansett began converting its Lockheed Electras to freighters, while phasing out its Carvairs. Ansett Airlines of Papua New Guinea introduced the Piaggio P168. In December ATI bought Wridgway Holdings Limited, a furniture removal specialist that had been founded by Ernest Wridgway in Melbourne in 1882, and incorporated in 1961. In Brisbane it built its second Gateway Inn.

- 1973** Ansett began to replace its 727-100s with 727-200s. It introduced its IBM-based computerised reservations system, "ANSAMATIC" (an acronym of "Ansett" and "automatic"). Ansett Airlines of Papua New Guinea sold its assets to the National Airline Commission on 1 November but continued operating as part of the new national airline, Air Niugini, as Ansett Niugini Enterprises Ltd. Ansett Pioneer and Midland Coachlines of New Zealand set up a joint touring operation in New Zealand.



Ansett Boeing 727-200

- 1974** Lord Howe Island had built an airstrip, and no longer needed the flying boats. Ansett Flying Boat Services closed down on 11 September, and its Sandringhams sold to Antilles Air Boats in the U.S. Virgin Islands in the West Indies.



Diners Club International

ATI bought 50% of the Australian franchise of Diners Club International.

When Darwin was devastated on Christmas Day by Cyclone Tracy, Ansett took part in the evacuation of residents and visitors.

Ansett engineering staff completed a replica of the Fokker Universal VH-UTO, today on loan to the Sir Reginald Ansett Memorial Transport Museum at Hamilton, Victoria.

- 1975** When Papua New Guinea became independent, its Government formed Air Nugini from Ansett Airlines of Papua New Guinea and the domestic operation of TAA. Its initial shareholders were Ansett (16%), TAA, Qantas and the PNG Government. Ansett Airlines of New South Wales introduced the 52-seat Fokker Friendship 500 series. Ansett installed its 727-200 simulator, built by U.S. company Singer Link, with visual systems from McDonnell Douglas Electronics. ATI bought Albury Border Transport.

- 1976** The Federal Government determined that the domestic airlines could fly on international routes which were uneconomic to Qantas, or where Qantas lacked the appropriate equipment, as charters to Qantas. Under this arrangement, Ansett began to fly livestock between Australia and New Zealand. Ansett was the first Australian airline to introduce computerised ticketing, a system called "ANSARITE". ATI bought 50% interests in Biro Bic (Australia) Pty Ltd and Biro Bic (NZ) Ltd and a 48.4% interest in a finance company, Associated Securities Ltd (ASL).

- 1977** Ansett shifted its manufacturing plant to Tullamarine. In Adelaide, Ansett built its third, and what was to be its last, Gateway Inn, in Adelaide. Ansett developed its own hotel reservations system "ANSOTEL", an adaptation of the British Airways system. Between 8 and 11 April, MMA operated the first of a series of Port Hedland-Denpasar flights, as charters to Qantas.

- 1978** Ansett bought the remaining shares in Avis Rent-A-Car System. ATI applied for rights to fly between Hobart and Christchurch in New Zealand. MMA began weekly scheduled flights between Darwin and Denpasar under Indonesian licence, operating them for 14 months. Ansett's financial position suffered considerably from the collapse of ASL.



- 1979** December saw the culmination of a renewed struggle for ATI ownership between Robert Holmes a Court's Bell Group, Ampol, TNT Limited, and News Corporation. TNT and News Corporation each eventually acquired 50% of the shares, and agreed to manage the airline jointly with Sir Peter Abeles and Rupert Murdoch as Joint Managing Directors. Sir Reginald Ansett remained as Chairman. The Government ended the monopoly of Avis Rent-A-Car on car rental concessions at Australian airports on 30 June. ATI applied for permission to fly from Darwin and Port Hedland to Denpasar. Ansett began services from Sydney to the developing Queensland tourist destinations of Maroochydore and Hervey Bay. Deborah Wardley became Ansett's first female pilot on 5 November. Ansett introduced its Ansaids Flight Information Display System.



- 1980** ATI set up a separate cargo division, Ansett Air Freight, on 1 July, to operate integrated air and road freight services. Ansett Air Freight began a four-year phasing-out of the Electra freighters, had a Boeing 727, VH-RMX, converted in the USA in 1983 to carry 12 cargo pallets and took over cargo hold space in Ansett's aircraft. Ansett sold Avis-Rent-A-Car and Channel O Brisbane. Ansett moved to break Qantas's exclusive right to all international routes out of Australia, regardless of whether it used or intended to use them. The Queensland Tourist & Travel Corporation was encouraging Ansett to try to run direct services between North Queensland and Singapore to meet the demands of the growing international tourist market, and on 18 April Ansett flew a Boeing 727-200 Townsville-Singapore-Townsville. However, the Government did not grant the licence.

1980 cont. Having won the right to fly scheduled passenger services between Hobart and Christchurch, under the Qantas flight designator "QF", on 3 December Ansett launched its "Southern Connection" with a B727 from Hobart. It ran a weekly service until 3 March 1982.



To market its hoped-for international operation, the airline formed its Ansett International Travel division.

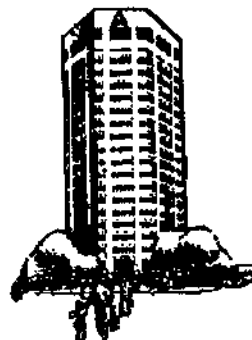
Ansett moved into its newly-built headquarters at 501 Swanston Street.

The Federal Government set up an Independent Inquiry into domestic air fares.

Melbourne's Channel 9 changed its frequency to Channel 10.

ATI's shares ceased trading on the Melbourne Stock Exchange.

Skywest Airlines Pty. was formed in February, from Skywest Jet Charter Air Services Ltd. and Stillwell Airlines Pty. Ltd. (previously Civil Flying Services (W.A.) Pty. Ltd.).



Ansett's headquarters
501 Swanston St, Melbourne

1981 In March Ansett ordered 21 Boeing jets (five B767-200s, 12 long-range B737-200s and four B727-200s). On 13 April, Ansett adopted a new livery which Californian designers Lander Associates had based

Ansett.

on the Southern Cross. This included new "Ansett" logo, refurbished airport terminals and upgraded in-flight services, such as hot meals in Economy class.

In the Northern Territory, Northern Airlines (which had been Connair until its takeover by East-West Airlines) collapsed. The N.T. Government asked Ansett to take over essential air services from 5 February, then granted it an operating licence, initially for five years. ATI set up Airlines of Northern Australia in March, and began scheduled flights on 29 April on the routes of Darwin-Katherine-Tennant Creek-Alice Springs; Darwin-Gove-Groote Eylandt-Cairns, and from Ayers Rock (then "Yulara") to Alice Springs, Perth and Cairns. Ansett N.T. also took over the medical services of Northern Territory Aerial Work and the N.T. Government coastal and maritime surveillance with its six Nomads.



Boeing 737-200

Ansett introduced Boeing 737-200s and 727LR-200s, and began to sell its DC-9s. At Tullamarine it built a B-767 hangar.

ATI renamed MacRobertson Miller Airline Services as Airlines of Western Australia on 1 July. Ansett Air Freight extended services to North Queensland, Perth, Launceston and Adelaide.

ATI sold its Air Niugini shares to the Papua New Guinea Government. The Government negotiated a new Airlines Agreement which provided for the establishment of the Independent Air Fares Committee (removing fare-setting responsibility from the Minister), the deregulation of domestic air freight, and limited access by regional airlines to the trunk routes. Complementary legislation provided for the privatisation of TAA. The Independent Air Fares Committee Act provided for the approval of discount fares as well as "core" fares.

On 3 September, ATI agreed to operate the newly founded Air Vanuatu (of which Ansett owned 40% and the Vanuatu Government 60%), between Australia and Vanuatu on behalf of Qantas. This arrangement continued until May 1989.

Sir Reginald Ansett died, aged 72, on 23 December.

In July Ansett introduced its Airsabord Departure Control System (DCS).

On 2 June Ansett Airlines of N.S.W. was renamed Air New South Wales.

On 17 July Ansett Airlines of South Australia reverted to Airlines of South Australia (albeit without the Pty. Ltd.)

Ansavac 2, the world's 1st colour airport flight information system, was introduced at Melbourne Airport.

- 1982** On 16 February Ansett launched its Golden Wing Club for frequent fliers. That month it began managing Apia-based Polynesian Airlines for the Government of West Samoa, flying to New Zealand and the Polynesian countries of American Samoa, Fiji, Tahiti, Vanuatu, Cook Islands and Tonga.

Ansett Golden Wing

ATI bought 75% of Denny's Restaurants in Australia and the Australian franchise, and began to build a chain of restaurants. Ansett introduced "Ansacare", an airline reservations system dedicated to the travel needs of disabled passengers. The Pacific International Hotel, a joint venture between Ansett and the Kemsler family, opened in Cairns on 8 October.

- 1983** Ansett introduced the Boeing 767-200, with 211 seats. Pacific Aviation was set up to take over the general aviation interests of ATI and Consolidated Press Holdings - Ansett General Aviation, Ansett Corporate Division, Aviall Australia, and Stillwell Aviation. It continued to sell Piper and Stillwell aircraft, charter corporate aircraft, provide maintenance, engineering and spare parts for several aircraft manufacturers at seven airports, and operate passenger terminals at Essendon, Sydney and Brisbane through its Flight Facilities division. ATI sold ATV Channel 10, Melbourne, to News Limited. Air N.S.W. began services between Brisbane and Norfolk Island on 15 July, using Fokker F28s. Ansett Air Freight had a Boeing 727-200 converted to a freighter and started dedicated cargo flights between Australia's east and west coasts. Ansett and Hazelton Airlines signed a commercial agreement on reservations and ground handling. Ansett installed new B767-200 and B737-200 simulators built by Singer in New York. Ted Forrester was appointed General Manager of Ansett.



Boeing 767-200

- 1984** Golden Wing opened lounges in Adelaide, Perth and Canberra. In April, Ansett ordered the 80-seat four-engined BAe 146 Jet from British Aerospace. Ansett began a second Melbourne-Sydney-Via service, and the first Brisbane-Via service for an Australian airline. In July the \$10 million Ansett-Hamilton Island joint venture airstrip opened. Airlines of Western Australia, renamed Ansett W.A. on 26 November, ordered the BAe 146-200. New Zealand deregulated its aviation industry and relaxed restrictions on foreign ownership. Following a change of Government in March 1983, legislation passed in 1981 providing for the privatisation of TAA was repealed. Newmans Air Ltd. was formed in New Zealand in October.

- 1985** In January Golden Wing launched Valet Car Parking at Melbourne Airport. ATI sold Ansett Motors on 24 April.

Air N.S.W

On 1 May 1985 Ansett Airlines of N.S.W. was renamed Air N.S.W. On 16 August ATI renamed Airlines of Northern Australia as Ansett N.T. TNT and News Limited set up an aircraft leasing division, Ansett Worldwide Aviation Services (AWAS), to lease aircraft to airlines and provide management, technical and training support. Ansett W.A. introduced the BAe 146-200 on 26 April, while Ansett ordered the Airbus Industrie A320-200 Jet with 134 seats and the 50-seat prop-jet Fokker 50. Sir Peter Abeles led an Australian Government Mission to China, which resulted in ATI plans, later shelved, for a Business Service Centre in Beijing. The Federal Government commissioned the Independent Review of Economic Regulation of Domestic Aviation (the "May Review") which took submissions from the public, airlines, State Governments and unions over the next two years. Air New South Wales became Air N.S.W. on 1 May (see notation for 2 June, 1981). Transcorp Airways (H.K.) Ltd. was formed in August, as an air-freight airline. Its 1st service was on 28 October. ATI acquired 51% of its shares on 3 December.

- 1986** On 15 September Ansett introduced the Boeing 737-300 with 110 seats. In October Ansett New Zealand Ltd. was formed as a joint venture between ATI (50%), The Newmans Group (22.5%) and Brierley Investments (27.5%) to operate domestic New Zealand services. Using 2 DHC-8 'Dash 8s', with 'Ansett Newmans' titles, services began on 25 December.

1986 cont. On 27 June, Airlines of South Australia ceased operating, and handed over its routes to Kendell Airlines. In April, Air N.S.W. began weekly Fokker F28 services between Sydney and Ayers Rock via Broken Hill, and Ansett N.T. began weekly direct flights from Adelaide to Ayers Rock. National Instrument Company was renamed Ansett Technologies. Ansett and Qantas signed a commercial agreement for joint Ansett/Qantas travel centres, and for Ansett to be Qantas's preferred domestic carrier, and Ansett bought the travel retail company Traveland International. ATI took over the operating leases of South Molle Island resort and Hook Island underwater observatory. Ansett sold Ansett Pioneer to Trailways. Ansett accepted a contract to manage the newly-formed Cook Islands International Airline and started B767 services on 17 August between Sydney and Rarotonga.



1987 In January the report of the Independent Review of Economic Regulation of Domestic Aviation was released. It presented the Government with a range of options ranging from full deregulation of Australian aviation to retention of the status quo. In 10 April ATI opened the rebuilt ultra-luxurious Hayman resort.

H A Y M A N

Ansett New Zealand

Ansett New Zealand began DHC-8 operations under its own title on 1 February, and began full jet operations on 25 July, with its infrastructure of new airport terminals with aerobridges, and introducing high standards of catering and other services. Based in Auckland, the airline began operating four leased Boeing 737-100s on trunk routes between Auckland, Christchurch and Wellington, and two DHC Dash 8s on tourist routes. It started out with airline code designator "ZQ", but adopted the Ansett "AN" code in 1990. ATI's 51%-owned Transcorp Airways began freight services between Asia and Australia on 1 June 1987, with a Boeing 707, withdrawing in October 1989.



East-West Airlines Fokker F28

TNT and News Limited bought East-West Airlines on 31 July, but continued to operate the 17-aircraft airline independently of Ansett. Ansett bought 20% of America West Airlines, based in Phoenix, Arizona. On 31 October, acting on the recommendations of the "May Review", the Australian Government gave the required three years notice that it would terminate "The Airlines Agreement", and so deregulate the Australian

domestic aviation industry, the most important aspects being removal of controls on:

• aircraft imports • passenger capacity • air fares • new entrants to trunk routes.

The Government and airlines agreed on long-term terminal leases which gave Ansett and Australian Airlines development rights over their terminals from 1989, while requiring them to provide guaranteed minimum facilities for new entrants.

On 16 November Air N.S.W. became the world's first airline to operate the Fokker 50 turbo prop.

ATI withdrew from Transcorp Airways in October 1988, not 1989.

East-West Airlines Ltd. was renamed Eastwest Airlines (Operations) Pty. Ltd.

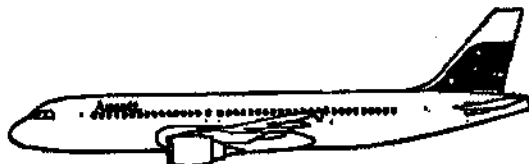
1988 Ansett's first A320-200 arrived via Darwin on 26 November. In January, New York-based "Air Transport World" magazine awarded Ansett its 1987 Passenger Service Award, the first time the honour had been made to a domestic airline, and in November "Condé Nast Traveler" magazine's readers voted Ansett the world's best domestic airline. Brierley Investments and Newmans sold their shareholdings in Ansett New Zealand to ATI, which became sole owner. Ansett New Zealand ordered the BAe 146.

Ansett and Australian Airlines (the former TAA), in a joint venture, set up Southern Cross Distribution Systems to market the global information and reservations system Galileo in Australia. Another joint venture, Coles Myer/Ansett Travel, was formed on 23 June.

Ansett sold its Gateway Hotel in Adelaide and the Ansett International Hotel in Perth.

Graeme McMahon was appointed Ansett's General Manager.

Transcorp Airways (H.K.) Ltd. ceased operations and went into liquidation on 25 October. Its Boeing 707-330C freighter was transferred to ATI.



Ansett SkyStar A320-200

1989 Ansett New Zealand began replacing its B737s with BAe 146-200s and -300s while Ansett withdrew the Fokker Friendship from service.
 Ansett installed its A320 simulator, built by British Rediffusion.
 On 1 March, Air N.S.W. was renamed Ansett N.S.W.
 In May ATI sold Denny's Restaurants to Whitbread & Co.
 On 17 July Ansett launched its first Business Class, entitled "Executive Class", and renamed its First Class as "Premier Class". These were later renamed to the standard "Business Class" and "First Class".
 The Australian domestic airline industry pilots' dispute erupted in late July, with pilots resigning en masse on 28 August. Industry capacity was gradually rebuilt, including use of military capacity and wet lease aircraft and crew during early rebuilding. The dispute continued until March 1990.
 On 29 December Ansett introduced its first Mystery fare, at \$50, offering same-day return travel to an interstate destination not identified to the passenger until check-in.

1990 Ansett launched a \$200 million terminal expansion program.
 From January to June Ansett W.A. operated weekly charters to Cocos and Christmas Islands.
 On 2 July ATI and Travelex Exchange Corporation of the U.K. announced a joint venture to operate currency exchange bureaux at Melbourne, Sydney, Brisbane and Canberra Airports.
 In September East-West Airlines introduced the BAe 146.

Ansett Australia.

On 4 October Ansett Airlines of Australia changed its name to Ansett Australia and unveiled a new livery with a stylised Australian flag on the tail.

Domestic airline deregulation became effective on 1 November, allowing carriers to set their own fares, decide their own capacity and determine their own route networks.

Ansett N.S.W. was renamed Ansett Express on 28 November. It resumed flights to Norfolk Island from Sydney using new long-range Fokker 28-4000s.

East-West Airlines introduced the BAe 146-300 and a new livery.

After approval of policy change by the Australia Labor Party Federal Conference, the Government announced the privatisation of Qantas to 49% and Australian Airlines to 100%.



Fokker F28

1991 On 25 August Ansett launched Australia's first domestic Frequent Flyer program, with the co-operation of partners:

- Hyatt, Parkroyal, Centra and Travelodge Hotels.
- Avis Rent-A-Car.
- Diners Club.

Ansett Frequent Flyer.

On 2 February Ansett NT ceased operations.

Ansett announced, on 7 February, that it was withdrawing from loss-making Darwin-Katherine-Tennant Creek-Alice Springs services previously subsidised by Ansett's Ayers Rock operations, after Government policy relating to the operational size of aircraft at Ayers Rock was changed.

On 8 April, Ansett Express launched the Express Shuttle between Canberra and Sydney.

In October Ansett withdrew from its contract to manage Polynesian Airlines.

ATI bought a controlling interest in Westintech Ltd.

1992 In its "One Nation" statement on 26 February, the Government announced fundamental changes to Australian aviation policy:

- Australian carriers other than Qantas would be allowed to fly internationally, thus bringing to an end the Single Designation Policy.
- Qantas would be able to fly domestically.
- Australian carriers were to be able to consider investments in each other, "allowing Qantas to consider possible investments in Australian Airlines or other domestic airlines" in the context of its privatisation.
- Negotiations to be held with New Zealand for liberalisation of the trans-Tasman market and, ultimately, a single Australasian air services market with a common border.

Legislation was passed establishing the International Air Services Commission (IASC) to award Australia's international air service capacity entitlements, obtained pursuant to bilateral air services agreements negotiated with various countries, to contending Australian applicants according to criteria relating to Tourism, Trade and Consumer Benefits and Industry Structure Implications.

On 2 June the Federal Government approved the sale of Australian Airlines to Qantas, and announced that Qantas would be privatised to 100%. From 1 November Qantas was permitted to carry domestic passengers within Australia.

On 17 July, News Corporation Chief Executive Rupert Murdoch handed over his role as ATI Joint Chairman and Joint Chief Executive to News Limited's Chief Executive Ken Cowley. ATI announced its new Board of Directors on 30 November, appointing Ken Cowley as Chairman and David Mortimer, Chief Executive of TNT, as Deputy Chairman. Sir Peter Abeles stood down as Joint Chairman and Chief Executive of Ansett, while remaining on the TNT Board as a Director.

1992 cont. In August the Australian and New Zealand Governments reached agreement regarding progressive liberalisation of the Tasman, with "beyond" rights for each country beyond the other, and for Air New Zealand to enter the Australian domestic market from November 1994.
On 13 September Ansett expanded its Frequent Flyer program internationally, signing participating partners Cathay Pacific, United Airlines, All Nippon Airways and British Airways (later withdrawn when British Airways bought 25% of Qantas). Singapore Airlines, Malaysia Airlines, Swissair and Austrian Airlines joined Ansett's program later.
On 14 September Ansett made its first application for international capacity, to Malaysia, and by December had also applied for capacity to Indonesia, Singapore and Hong Kong.
On 30 September Prime Minister Paul Keating opened Ansett's new Sydney terminal extension, which included a new Golden Wing Lounge.
In December British Airways purchased 25% of Qantas.
Pacific Aviation became a wholly-owned subsidiary of ATL.

1993 In January Ansett applied to the IASC for capacity to Japan when the Kansai Airport at Osaka would open at the end of the year, and later in the year applied for Korea.
Ansett formed commercial alliances with Malaysia Airlines on 17 January; Alltalia on 6 January; Garuda on 2 February and Hazelton Airlines on 25 March.

Ansett Australia.

One of the world's great airlines.

Ansett appointed George Patterson Advertising as its advertising agency. Its first campaign, launched in March, has the theme "Ansett Australia. One of the World's Great Airlines" and used Enya music in the campaign's distinctive television advertising.
On 1 September Ansett began regular scheduled services from Perth to Christmas Island and to the Cocos and Keeling Group of Islands.
Ansett Australia made its first international flights in its own right - from Perth, Darwin, Sydney and Melbourne to Denpasar in Bali - on 11 September.
Ansett signed commercial alliances with travel wholesaler Jetset on 14 July, Brisbane-based Flight West Airlines on 17 August, and Lufthansa Airlines on 23 December.
The NSW Government announced partial deregulation of intrastate air routes on 12 June.
During the year, ATL subsidiary airlines Ansett Express, Ansett W.A. and Eastwest Airlines were rationalised into Ansett Australia as one aviation group without separate, stand-alone overheads.

1994 New services to Bali were increased with the addition of a mid-week Darwin flight every Wednesday from March.
Four extra Boeing 737-300s were added to the domestic fleet.
In May, Ansett Australia announced an order for five extra A320s for delivery from 1995, and the lease of two Boeing 747-300 aircraft for flights to Osaka in Japan, and Hong Kong, due to start in September 1994. Also in May, Ansett introduced its new Merlin Departure Control System (DCS), replacing Ansaboard.
Subsidiary companies Ansett Worldways, Ansett Freight Express, Pacific Aviation and Whitsunday Connections were sold and joint venture manufacturer, Turbine Components Australia, was closed as part of the Ansett group's increasing concentration on core airline activity.
Ansett Australia was named 1994 Airline of the Year during the annual Travel Industry Awards announced in June.

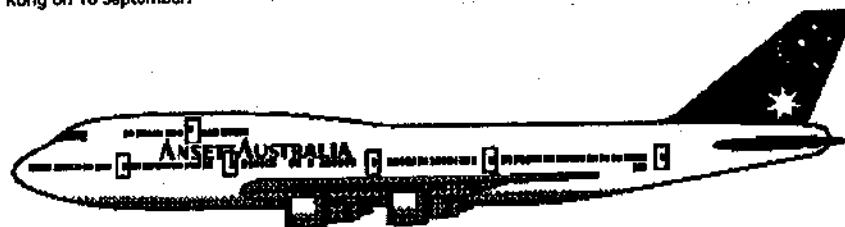


ANSETT AUSTRALIA

On 28 July Ansett Australia unveiled a new livery incorporating a white seven-pointed star in a stylised gold letter "A" in a ceremony at Sydney's Opera House, which included a helicopter flypast of a 60-foot flag in the new design.

In August Ansett Australia was named Best Airline in the Inaugural

Australian Federation of Travel Agents Australian Excellence Awards. The airline's holiday company, Ansett Holidays, was named best domestic tour operator in the same awards.
Ansett's first Boeing 747 was welcomed in Sydney by Prime Minister Paul Keating on 29 August.
Ansett Australia's first service to Osaka in Japan operated on 4 September and the first flight to Hong Kong on 10 September.



Boeing 747-300

1995 Ansett's Frequent Flyer and Golden Wing loyalty programs introduced their new trademarks. South African Airways became Ansett Frequent Flyer's eighth international partner. Ansett Australia increased its Hong Kong-Sydney flights from three a week to five from March.

In May Ansett was again named the National Travel Industry Awards Airline of the Year, with Hayman Island chosen as Best Hotel/Resort. The following month, readers of Asian Business magazine voted the airline Best Large Australian Business in Asia, and in August the Australian Federation of Travel Agents chose Ansett Australia as Best Airline for the second consecutive year.

In August, the airline announced several business travel initiatives. Ansett-owned Traveland entered a joint venture with global travel management specialist Carlson Wagonlit Travel to develop its corporate travel division. Ansett Australia and Diners Club introduced the world's first fully integrated airline charge card which would also enable businesses to improve their travel expense accounting and budgeting. Ansett split its Frequent Flyer scheme into four tiers - Diamond (the highest), Platinum, Gold and Silver - to link its benefits more closely to members' volume of travel.

The first of five new A320-200s arrived in September.

Ansett Australia and Malaysia Airlines started international code-sharing between Kuala Lumpur and Australia on September 16.

In September, Ansett New Zealand announced its first ever operating profit of NZ\$2.6 million, for the year ending June 1995.

New Boeing 747 services started to Kuala Lumpur on 9 November, to Taipei on 11 November, and to Auckland on 18 December.

On 17 November, TNT announced it was negotiating the sale of its Ansett shareholding to Air New Zealand, subject to Government approvals.

Fiona Welsh was appointed Ansett Australia's first female jet captain.



**ANSETT AUSTRALIA
FREQUENT FLYER**



**Golden Wing
CLUB**

1996 Ansett turned 60 on 17 February, with celebrations including a re-enactment of the 1936 Brisbane-Adelaide air race, and a Channel 9 national telecast of "R.M., the Ansett Story", a documentary on Sir Reginald Ansett.

Ansett services to Jakarta started on 12 January and Ansett applied to the IASC on 7 May for permission to fly to Shanghai, an application which was approved on 6 August. On the equity front, the New Zealand Commerce Commission on 4 June approved News Corporation buying 100% of Ansett New Zealand and Air New Zealand's proposal, which the Commission had previously rejected, to buy 50% of Ansett Australia Holdings from TNT. On 18 September, the Australian Government approved Air New Zealand's purchase of half of Ansett, subject to 51% of Ansett International remaining Australian owned.

Negotiations were concluded with the 1 October announcement that saw Air New Zealand become 50% owner of Ansett Australia in a deal in which Air New Zealand paid TNT \$A324 million, injected \$A150 million into Ansett, while News agreed to inject \$A50 million. Ansett Australia Holdings in turn owned 49% of Ansett International, with the balance held by Australian institutions. Messrs Bob Matthew, Jim McCrea and Robert Nazarlan from Air New Zealand joined Ansett's board.

Earlier in the year, Chief Executive and Managing Director Graeme McMahon, who had achieved 40 years service with the company, retired and on 27 September, it was announced that Mr Rod Eddington, an Australian Rhodes Scholar who was Managing Director of Cathay Pacific, would join Ansett as Executive Chairman from early New Year 1997.

In other milestones for 1996, Ansett sold general aviation business, Skywest Aviation (but retained Perth-based Skywest Airlines) and sold its half share of Travelax, a currency exchange business. Both sales were announced in July.

On 24 September, the Bureau of Air Safety Investigation published its report into the October 1994 landing of Boeing 747, VH-INH, at Sydney with its nose gear retracted. The report was critical of the speed with which B747s were introduced into Ansett's fleet. The Sydney Organising Committee for the Olympic Games named Ansett as "preferred proponent" to become the Sydney 2000 Olympic Games official airline on 27 March. Ansett won the National Travel Industry Awards' Airline of the Year for the third consecutive year on 19 May and the Australian Federation of Travel Agents Best Airline Award, also for the third year in a row, on 22 June. On 16 July, UK research of business travellers using 67 airlines around the world rated Ansett International as operating the world's best long-haul business class and as offering the best on-board catering. The same research rated Ansett as best Pacific-based airline.

Ansett on 8 October announced its decision to introduce ticketless travel, or E-ticket. On 18 November, Ansett's state-of-the-art Launceston Call Centre was opened.



Ansett Milestones

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1997



In an early speech to the National Aviation Press Club, new Executive Chairman Rod Eddington said Ansett was a great airline but a poor business and restoring profitability would include measures such as selling non-core assets such as Hayman Island.

Code sharing on 60 Air New Zealand trans-Tasman flights each week was announced on 14 January, with a further announcement on 26 February that 130 flights each week would be code shared. Ansett's frequent flyer program was rebranded as Global Rewards on 16 January and an Olympic-livery design A320 was unveiled on 28 January to celebrate the official launch of the Olympic Airline Team partnership of Air New Zealand, United Airlines, Lufthansa, Malaysia Airlines, South African Airways and Thai. A co-branded Ansett/Westpac/Visa credit card was announced on 10 February. A number of domestic network cutbacks were announced. Plans to withdraw from Norfolk Island were announced on 29 January

and Brisbane-based Flight West announced in March that it would use former Ansett F28 equipment to operate to Norfolk Island and to Proserpine in Queensland. On 7 March, Ansett advised it would be withdrawing Cocos Island and Christmas Island services from October.

Internationally, Ansett ended its Sydney-Auckland Boeing 747 services on 24 October after the end of a short-term contract with Aerolineas Argentinas, on whose behalf Ansett operated the flights.

In an attempt to reduce spiralling distribution costs, Ansett announced plans to reduce travel agent commissions in March but reversed the decision in late April. On 26 March, Ansett announced the 2 April introduction of a two-class domestic configuration, with a new premium-cabin BusinessFirst product and an upgraded Economy product.

The last Ansett Boeing 727-200 service operated on 23 April as AN36 from Hobart to Melbourne. The aircraft type was retired well ahead of its originally-planned retirement date as a voluntary move to reduce aircraft noise. Ansett's 6727s were sold to US-based Intrepid Aviation for conversion into freighters. Ansett's inaugural service to Shanghai operated on 8 June.



On 20 June, Ansett Australia, Ansett International, Air New Zealand and Singapore Airlines announced a plan to form a co-operative commercial alliance and, following detailed negotiation, a formal application seeking Australian Competition and Consumer Commission approval was lodged on 22 December.

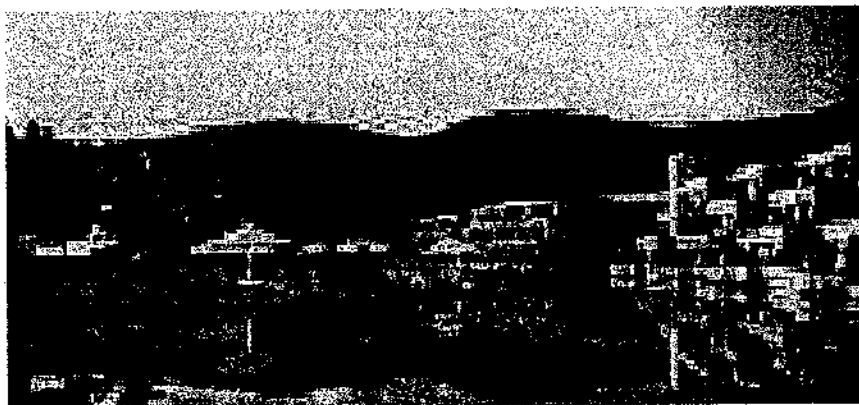
Ansett was named Airline of the Year for the 4th year in a row in the new Australian Federation of Travel Agents National Travel Industry Awards announced on 10 August. Ansett International was in September named as operator of the world's best long haul business class for the second year running in global research of business travellers, this time tying with Malaysia Airlines for the honour. Ansett was also named as best Pacific-based airline in the same research, again for the second year running.

Executive Chairman Rod Eddington announced on 9 September that a Business Recovery Program was being set up to plan a comprehensive review of all Ansett functions. A BRP strategy stream would determine a strategy for fundamental change, a process stream would identify ways of improving the way Ansett did things and a Quick Wins stream would target and implement key cost savings quickly. The vision was to make Ansett a great airline and a great business.

A \$167 million upgrade of Ansett's Sydney domestic terminal was announced on 13 October.

In November, Ansett announced it would convert its Boeing 747 aircraft to two-class configurations during the first half of 1998, and also announced it planned to stop non-stop Kuala Lumpur operations from 28 March 1998, to instead operate via Jakarta.

1998 Ansett International suspended services to Seoul on 8 February after a sharp drop in Korea-Australia traffic. Services to Kuala Lumpur and Jakarta were also suspended in May due to the economic crisis in Asia. However, the airline launched new services to Fiji and a non-stop Brisbane-Bali service. Ansett launched a two-class service; Businessfirst and Economy. Ansett is awarded 'Airline of the Year' for the fifth consecutive year at the Australian Federation of Travel Agents/National Travel Industry Awards. In April, Ansett finished converting its Boeing 767s from three-crew to two-crew cockpits eliminating the need for flight engineers on these aircraft. Organisational realignment started as a key platform for Ansett's Business Recovery Program. A new executive committee was appointed followed by a comprehensive management realignment program. Ansett also invited staff to submit expressions of interest in a Voluntary Redundancy (VR) program. Almost 1200 staff registered an interest. As a part of the BRP, Ansett announced its plans to divest its non-core assets. In May, Ansett sold Hayman Island and its 50% share in Hamilton Island airport to BT Hotels for \$94 million. It also sold its share of Carlson Wagonlit Travel and the Cairns Pacific International Hotel. On 11 June, the Australian Competition and Consumer Commission gave draft approval for the Ansett group, Air New Zealand and Singapore Airlines to form a commercial alliance. Ansett and Air New Zealand also became observer status members of the one-year-old Star Alliance. Ansett started redeveloping its Sydney Terminal for the 2000 Olympic Games.



1999 Ansett continued to divest its non-core assets selling:

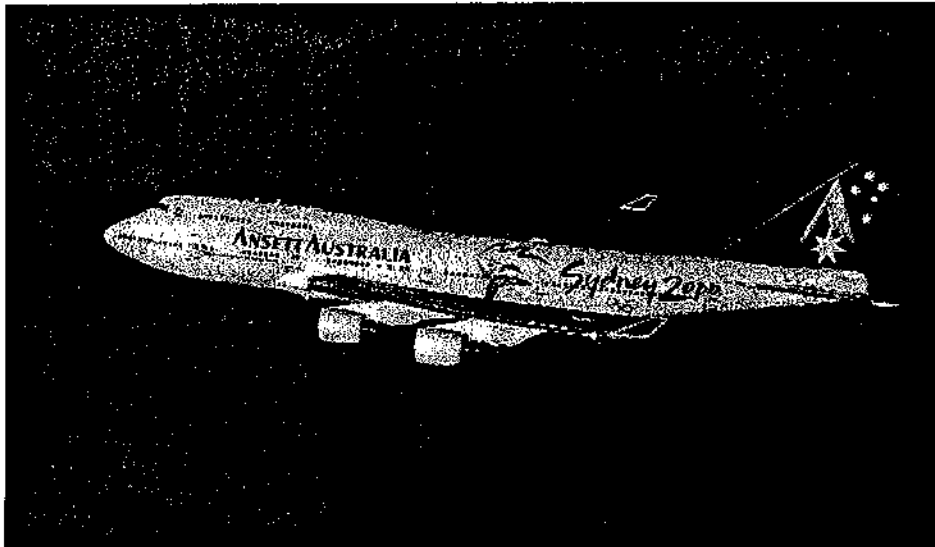
- 62.2% share of Diners Club Ltd to Diners Club International.
- Ansett Air Freight (express door-to-door service) to TNT
- Transport Industries Insurance (TII) to QBE Insurance.
- Inflight catering business to Gata Gourmet.

In March, Ansett officially joined the Star Alliance. Also in March, News Limited and Singapore Airlines (SQ) reached an understanding for SQ to buy News' 50% shareholding in Ansett Holdings Limited for \$500million, subject to a number of conditions. The transaction was vetoed by Ansett's other 50% shareholder, Air New Zealand. The engineering business units of Ansett Australia and Air New Zealand announced plans to combine to form Ansett New Zealand Engineering Services (ANNZES), a unique trans-Tasman Maintenance Repair and Overhaul (MRO) business. In September, Ansett upgraded its international fleet by leasing two Boeing 747-400 aircraft from SQ to replace its 747-300s. The new 747-400s included personal seat back video screens and telephones in economy class. Ansett met its Better Business targets achieving a \$140.8m trading profit for the financial year - a \$110 million improvement on the previous year. Ansett invested \$29 million in state-of-the-art call centres in state capitals.

Ansett Milestones

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2000 Ansett made a smooth transition through the Y2K millennium changeover. Executive chairman, Rod Eddington, departed Ansett in April to take up the position of Chief Executive Officer at British Airways. In February, Air New Zealand announced its intention to purchase News Limited's 50% shareholding in Ansett Holdings Limited and moved to full ownership of Ansett and its subsidiaries in June. A new trans Tasman, Australasian executive structure is announced in August and comprehensive work started on merging operations to form a new group; equivalent to the world's 20th biggest airline. Ansett launched a brand revitalisation campaign incorporating a new advertising style with refurbished lounges, inflight entertainment and aircraft interiors. The airline was first-to-market with E-check in and mobile phone WAP technology. Mexicana Airlines, Singapore Airlines, British Midland and the Austrian Airlines group (consisting of Austrian Airlines, Tyrolean Airways and Lauda Air) joined the Star Alliance bringing total membership to 15. ANNZES appointed a separate senior management team. EBIV part 2 agreements were achieved across the airline realising significant benefits for both staff and the business. Domestic airline competition intensified during the year with Impulse Airlines extending its services from its eastern Australian regional base to include major trunk routes from June and Virgin Blue entering the market in August. Ansett capitalised on its status as Official Airline of the Sydney 2000 Olympic and Paralympic Games - exceeding the financial targets sought from the sponsorship. Ansett Holdings Limited operating profit before tax fell to \$101.6 million. Growth in passenger numbers, revenue and load factors were offset by higher fuel costs, fluctuating foreign exchange rates and high internal costs. Gary Toomey took up the position of Chief Executive Officer of the combined airline Group in December. Gary was the former Deputy Chief Executive and Executive Director at Qantas Airways Limited.





INFORMATION COMPILED BY:
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16/501 Swanston Street
Melbourne, Victoria, 3000
Tel: (03) 9623 3450
Fax: (03) 9623 2887

Our sincere thanks to the many Ansett Australia and former airline people who helped compile this document.

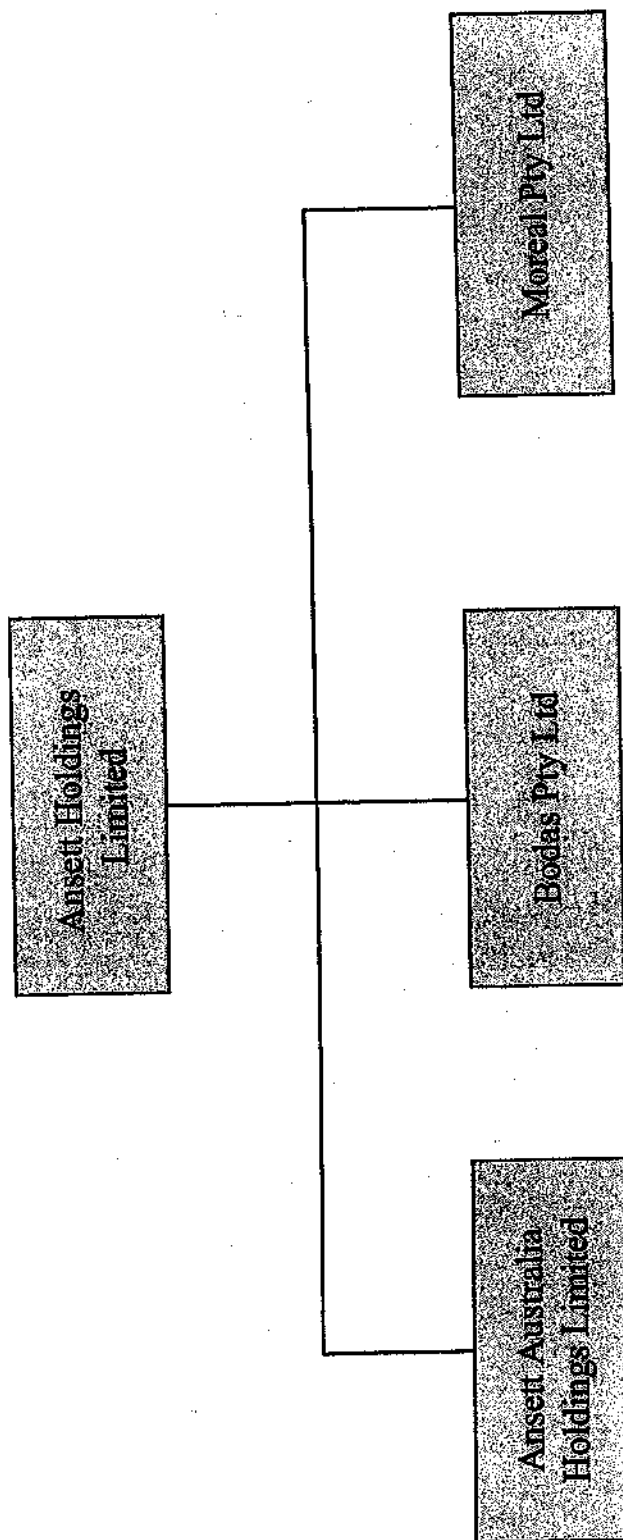
Our list of milestones is not meant to be a full Ansett history but we hope the chronology assists in giving a broad understanding of major airline developments over the years.

Every effort has been made to ensure accuracy, but some documents relating to Ansett's history are no longer available and occasional instances of written information contradicting other records were encountered.

We would welcome advice from readers who might have access to data we may have inadvertently overlooked.



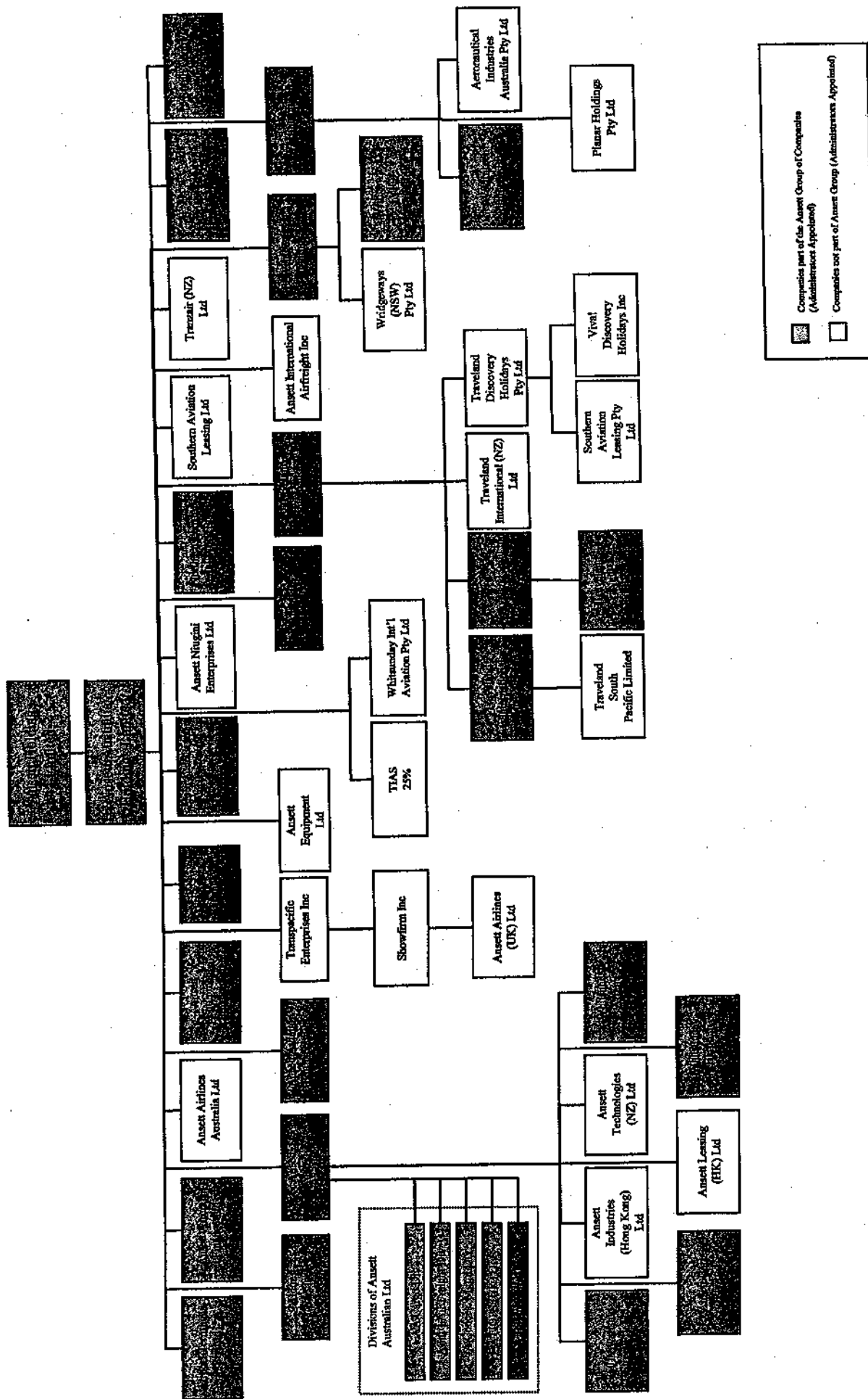
Ansett Group Structure



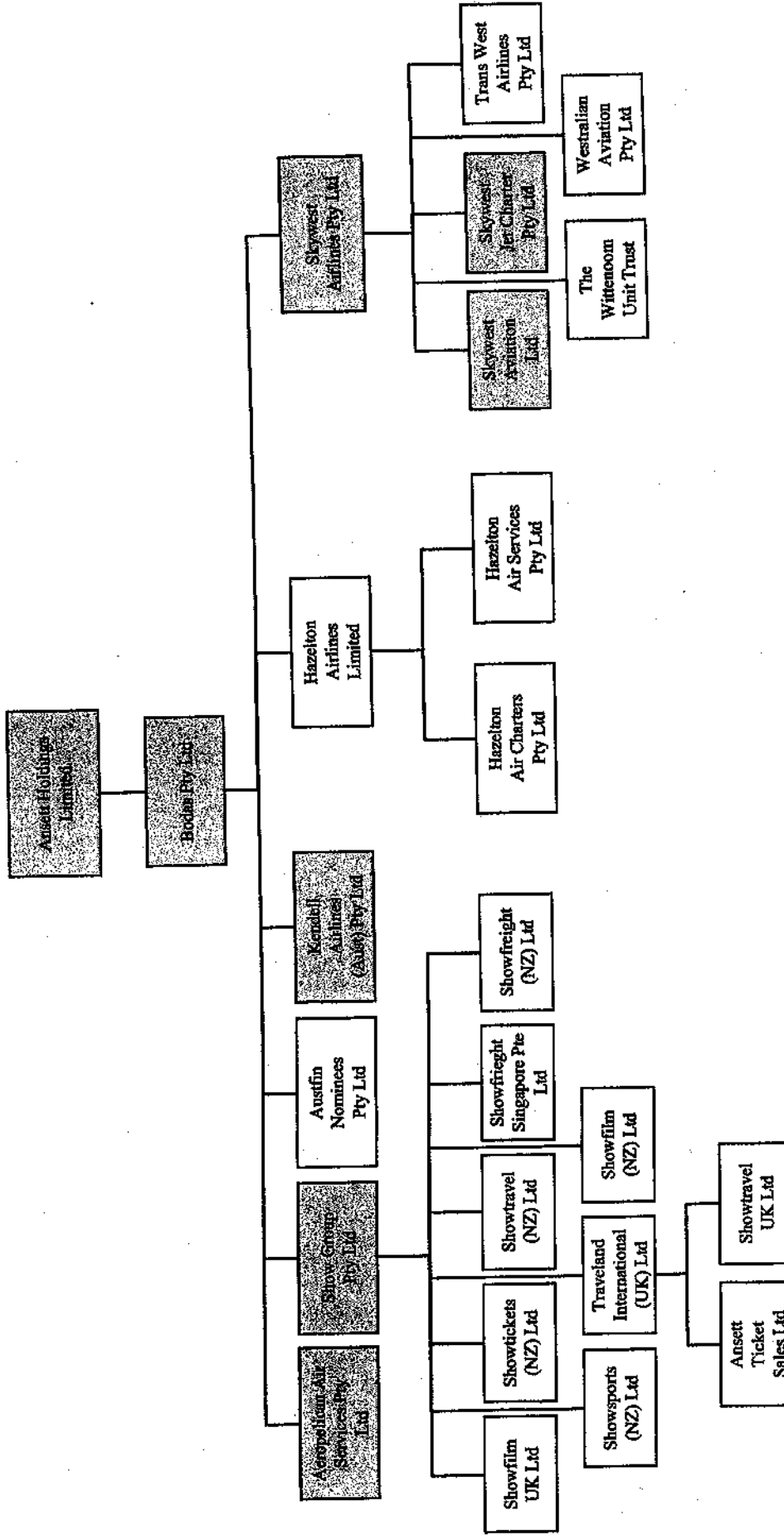
☒ Companies part of the Ansett Group of Companies (Administrators Appointed)

☐ Companies not part of Ansett Group (Administrators Appointed)

Ansett Group Structure

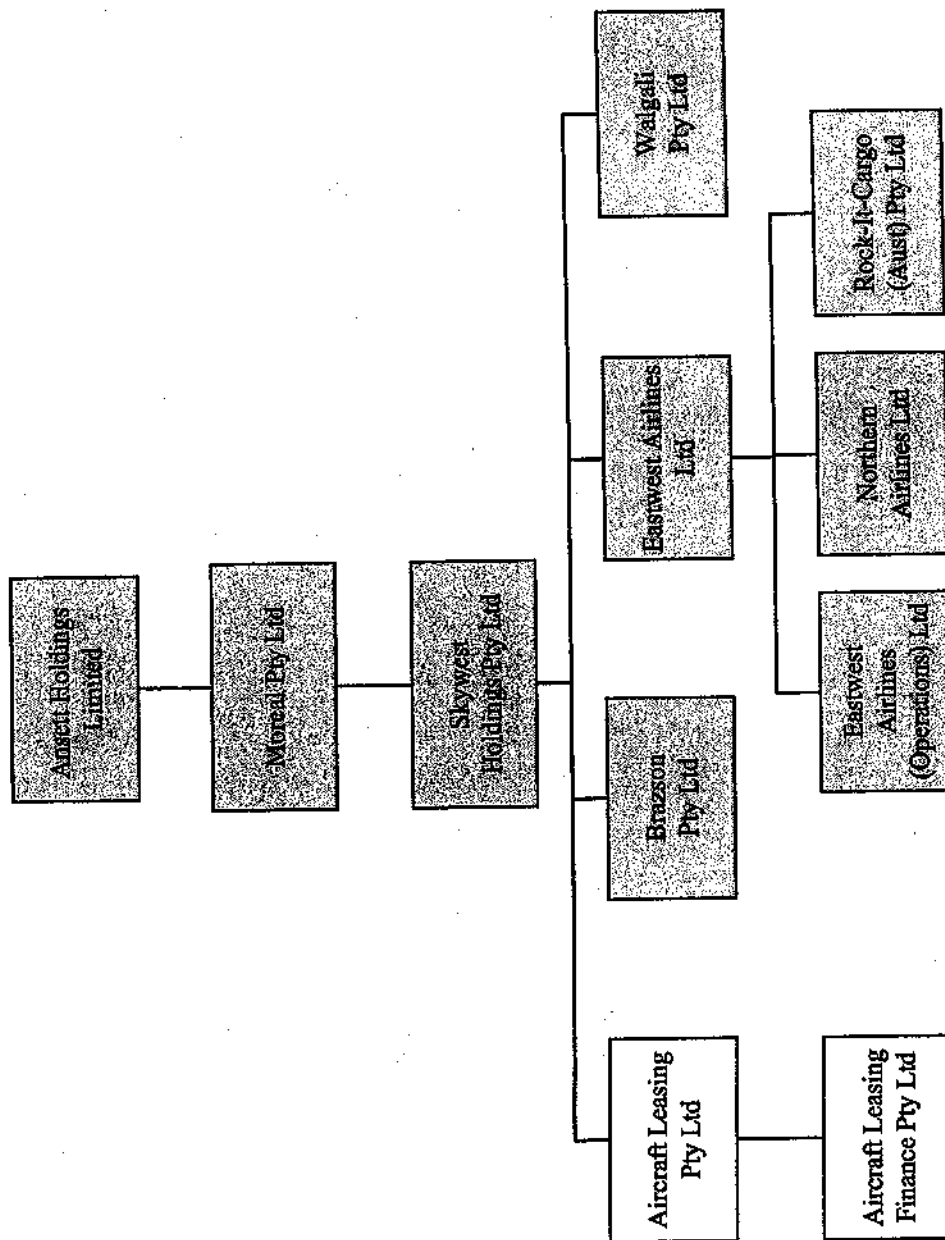


Ansett Group Structure



☒ Companies part of the Ansett Group of Companies (Administrations Appointed)
☐ Companies not part of Ansett Group (Administrations Appointed)

Ansett Group Structure



☒ Companies part of the Ansett Group of Companies (Administrations Appointed)
☐ Companies not part of Ansett Group (Administrations Appointed)

ANSETT GROUP OF COMPANIES (ADMINISTRATORS APPOINTED)

LIST OF DIRECTORS

Director	Company	Term of Directorship
1. Phillip Ralph Burdon	Ansett Holdings Ltd	11/07/00 -
2. Ronald Powell Carter	Ansett Holdings Ltd	11/07/00 -
3. Choong Kong Cheong	Ansett Holdings Ltd	23/08/00 -
4. Elizabeth Mary Coutts	Ansett Holdings Ltd	23/08/00 -
5. John Simon Curtis	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	27/05/98 - 05/03/01 27/05/98 - 23/06/00 -
6. Selwyn John Cushing	Ansett Holdings Ltd	11/07/00 -
7. Anthony St George Edmonds	Ansett International Ltd	22/01/00 -
8. Robert Estcourt	Ansett International Ltd	05/09/97 -
9. James Alfred Farmer	Ansett Holdings Ltd	11/07/00 -
10. John Thomas James Kline	Rock-It-Cargo (Aust) Pty Ltd	11/09/01 -
11. Ralph James Norris	Ansett Holdings Ltd	11/07/00 -
12. Mervyn Leonard Peacock	Ansett International Ltd	01/10/96 -
13. Philip John Barnes Rose	Ansett Holdings Ltd	06/12/00 -
14. Michael Jiak Ngee Tan	Ansett Holdings Ltd	23/08/00 -
15. Gregory James Terry	Ansett Holdings Ltd	11/07/00 -
16. William McLeod Wilson	Ansett Holdings Ltd	11/07/00 -
17. Christopher Wright	Rock-It-Cargo (Aust) Pty Ltd	11/09/01 -
18. Arun Amarsi	Ansett Holdings Ltd (alternate director for Cushing) Ansett Holdings Ltd (alternate director for Burdon) Ansett Holdings Ltd (alternate director for Terry)	18/07/01 - 21/08/01 - 21/08/01 -
19. Choon Seng Chew	Ansett Holdings Ltd (alternate director for Cheong)	16/07/01 -
20. Syn Chung Wah	Ansett Holdings Ltd (alternate director for Tan)	23/07/01 -

Director	Company	Term of Directorship
21. John Harvey Blair	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Bodas Pty Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Aviation Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	16/02/01 – 08/09/01
	Traveland Pty Ltd - Hazelton Airlines Ltd	19/3/01 – 8/9/01 30/03/01 – 08/09/01
	Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	10/04/01 – 08/09/01

Director	Company	Term of Directorship
22. George Frazis	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Bodas Pty Ltd Brazson Pty Ltd Kendell Airlines (Aust) Pty Ltd Morael Pty Ltd Northern Territory Aerial Work Rock-It-Cargo (Aust) Pty Ltd Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Traveland Pty Ltd Walgali Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways (Vic) Pty Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	24/8/01 - 08/09/01
	Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd EastWest Airlines (Operations) Ltd EastWest Airlines Ltd Northern Airlines Ltd Skywest Aviation Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Wridgways Holdings Ltd	16/02/01 - 08/09/01
	Hazelton Airlines Limited	01/05/01 - 08/09/01

Director	Company	Term of Directorship
23. Scott David Roworth	501 Swanston Street Pty Ltd Aeropelican Air Services Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Show Group Pty Ltd Sky West Airlines Pty Ltd Skywest Aviation Pty Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Spaca Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	16/02/01 – 07/09/01
	Bodas Pty Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd Hazelton Airlines Limited	21/12/00 07/09/01 30/03/01 – 07/09/01
	Traveland Pty Ltd	19/03/01 – 07/09/01

Director	Company	Term of Directorship
28. John Anthony Dell	501 Swanston Street Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Bodas Pty Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Pty Ltd Show Group Pty Ltd Skywest Aviation Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	22/09/00 – 16/02/01
	Traveland Pty Ltd	22/09/00 – 19/03/01
29. Lawrence Francis Doolan	Spaca Pty Ltd	23/08/00 – 16/02/01
30. John Laurence Gribble	Aeropelican Air Services Pty Ltd Kendell Airlines (Aust) Pty Ltd Skywest Airlines Pty Ltd	01/12/97 – 31/12/00
	Spaca Pty Ltd	23/08/00 31/12/00
31. William Keith Herdman	Aeropelican Air Services Pty Ltd (alternate director for Rosalky) Skywest Airlines Pty Ltd (alternate director)	17/08/99 – 16/02/01
	Bodas Pty Ltd Kendell Airlines (Aust) Pty Ltd	21/12/00 – 21/02/01 16/02/01 – 07/09/01
	Kendell Airlines (Aust) Pty Ltd (alternate director)	17/08/99 – 16/02/01

Director	Company	Term of Directorship
32. Trevor George Jensen	Skywest Airlines Pty Ltd	25/08/97 – 16/02/01
33. Donald Moreton Kendell	Aeropelican Air Services Pty Ltd Skywest Airlines Pty Ltd	18/10/96 – 31/12/00
	Kendell Airlines (Aust) Pty Ltd	21/06/97 – 03/12/00
34. Bey Soo Khlang	Ansett Holdings Ltd (alternate director for Goode)	31/05/01 – 20/09/01
35. Garry Robert Kingshott	Show Group Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd	23/12/97 – 05/03/01
	Traveland Pty Ltd	23/12/97 – 19/03/01
	Traveland New Staff Pty Ltd	15/06/99 – 05/03/01
36. Andrew Baxter Miller	501 Swanston Street Pty Ltd Airport Terminals Pty Ltd Aldong Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Ltd Ansett Aviation Equipment Pty Ltd Ansett Carts Pty Ltd Ansett Equipment Finance Ltd Ansett Finance Ltd Brazson Pty Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Morael Pty Ltd Northern Airlines Ltd Northern Territory Aerial Work Pty Ltd Rock-It-Cargo (Aust) Pty Ltd Show Group Pty Ltd Skywest Aviation Ltd Skywest Holdings Pty Ltd Skywest Jet Charter Pty Ltd South Centre Maintenance Pty Ltd Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Walgali Pty Ltd Westintech Ltd Westintech Nominees Pty Ltd Whitsunday Affairs Pty Ltd Whitsunday Harbour Pty Ltd Wridgways Holdings Ltd Wridgways (Vic) Pty Ltd	22/09/00 – 16/02/01

Director	Company	Term of Directorship
Andrew Baxter Miller	Aeropelican Air Services Pty Ltd	01/12/97 – 16/02/01
	Skywest Airlines Pty Ltd	
	Kendell Airlines (Aust) Pty Ltd	25/08/97 – 16/02/01
	Traveland Pty Ltd	22/09/00 – 19/03/01
37. Adam Francis Moroney	Ansett Australia Holdings Ltd	19/01/01 – 05/06/01
38. Allister Currie Paterson	501 Swanston Street Pty Ltd	22/09/00 – 16/02/01
	Airport Terminals Pty Ltd	
	Aldong Services Pty Ltd	
	Ansett Aircraft Finance Ltd	
	Ansett Aviation Equipment Pty Ltd	
	Ansett Carts Pty Ltd	
	Ansett Equipment Finance Ltd	
	Ansett Finance Ltd	
	Bodas Pty Ltd	
	Brazson Pty Ltd	
	Eastwest Airlines (Operations) Ltd	
	Eastwest Airlines Ltd	
	Morael Pty Ltd	
	Northern Airlines Ltd	
	Northern Territory Aerial Work Pty Ltd	
	Rock-It-Cargo (Aust) Pty Ltd	
	Skywest Aviation Ltd	
	Skywest Holdings Pty Ltd	
	Skywest Jet Charter Pty Ltd	
	South Centre Maintenance Pty Ltd	
	Walgali Pty Ltd	
	Westintech Ltd	
	Westintech Nominees Pty Ltd	
	Whitsunday Affairs Pty Ltd	
	Whitsunday Harbour Pty Ltd	
	Wridgways Holdings Ltd	
	Wridgways (Vic) Pty Ltd	
	Ansett Australia Holdings Ltd	18/07/00 – 16/02/01
	Ansett Australia Ltd	
	Ansett International Ltd	
39. Ronald Morris Rosalky	Aeropelican Air Services Pty Ltd	17/08/99 – 16/02/01
	Kendell Airlines (Aust) Pty Ltd	
	Bodas Pty Ltd	22/09/00 – 16/02/01
	Skywest Airlines Pty Ltd	
40. Paul van Ryn	Ansett International Ltd	18/02/97 – 22/01/01

Director	Company	Term of Directorship
41. Wayne Alan Walker	Traveland International (Aust) Pty Ltd	22/09/00 – 16/02/01
	Traveland International Pty Ltd	03/04/00 – 16/02/01
42. Sean Patrick Wareing	Traveland New Staff Pty Ltd	
	Traveland Pty Ltd	03/04/00 – 19/03/01
43. David James Irvine	Ansett Australia Holdings Ltd	17/07/00 – 01/11/00
	Ansett Holdings Ltd	
43. David James Irvine	501 Swanston Street Pty Ltd	23/04/93 – 21/08/00
	Ansett Carts Pty Ltd	
43. David James Irvine	Westintech Ltd	
	Wesintech Nominees Pty Ltd	
43. David James Irvine	Wridgways Holdings Limited	
	Wridgways (Vic) Pty Ltd	
43. David James Irvine	Airport Terminals Pty Ltd	25/11/92 – 21/08/00
	Aldong Services Pty Ltd	
43. David James Irvine	Ansett Aircraft Finance Ltd	
	Ansett Aviation Equipment Pty Ltd	
43. David James Irvine	Ansett Equipment Finance Ltd	
	Ansett Finance Ltd	
43. David James Irvine	Ansett Australia Ltd	01/03/93 – 21/08/00
	Bodas Pty Ltd	20/08/98 – 21/08/00
43. David James Irvine	Brazson Pty Ltd	31/03/93 – 21/08/00
	Northern Airlines Ltd	
43. David James Irvine	Walgali Pty Ltd	
43. David James Irvine	Eastwest Airlines (Operations) Ltd	21/12/92 – 21/08/00
	Eastwest Airlines Ltd	22/09/95 – 21/08/00
43. David James Irvine	Morael Pty Ltd	26/09/95 – 21/08/00
	Northern Territory Aerial Work Pty Ltd	13/03/96 – 21/08/00
43. David James Irvine	Rock-It-Cargo (Aust) Pty Ltd	
	Skywest Aviation Ltd	
43. David James Irvine	Spaca Pty Ltd	
	Skywest Holdings Pty Ltd	11/12/96 – 21/08/00
43. David James Irvine	Skywest Jet Charter Pty Ltd	17/08/99 – 21/08/00
	Aeropelican Air Services Pty Ltd (alternate director)	
43. David James Irvine	Kendell Airlines (Aust) Pty Ltd (alternate director)	
	Skywest Airlines Pty Ltd (alternate director)	
43. David James Irvine	South Centre Maintenance Pty Ltd	26/08/94 – 21/08/00
	Whitsunday Affairs Pty Ltd	28/04/94 – 21/08/00
43. David James Irvine	Whitsunday Harbour Pty Ltd	09/03/93 – 21/08/00
	Show Group Pty Ltd	17/08/99 – 11/08/00
43. David James Irvine	Traveland Pty Ltd (alternate director)	

Director	Company	Term of Directorship
44. Craig Alexander Wallace	Acropelican Air Services Pty Ltd Ansett Aircraft Finance Ltd Ansett Australia Limited Ansett Equipment Finance Ltd Ansett Finance Ltd Eastwest Airlines (Operations) Ltd Eastwest Airlines Ltd Kendell Airlines (Aust) Pty Ltd Northern Airlines Ltd Skywest Airlines Pty Ltd Skywest Aviation Ltd Westintech Limited Wridgways Holdings Ltd	17/08/99 – 25/08/00
45. Robert Harry Nazarian	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	01/10/96 – 17/07/00
46. James McCrea	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd Ansett Australia Ltd	01/10/96 – 07/07/00 23/06/00 – 07/07/00
47. Peter John Macourt	Ansett Australia Holdings Ltd Ansett Holdings Ltd Ansett International Ltd	21/08/91 – 23/06/00 29/06/94 – 23/06/00 25/06/96 – 23/06/00
48. Kenneth Edward Cowley	Ansett Australia Holdings Ltd Ansett Australia Ltd Ansett Holdings Ltd Ansett International Ltd	05/09/88 – 23/06/00 27/07/92 – 23/06/00 29/06/94 – 23/06/00 06/07/93 – 23/06/00
49. Roderick Ian Eddington	Ansett Australia Holdings Ltd Ansett Australia Ltd	08/01/97 – 28/04/00
	Ansett Holdings Ltd	04/02/97 – 28/04/00
50. Paul Craig Birch	Show Group Pty Ltd	17/08/99 – 11/08/00
51. Lyell Francis Strambi	Traveland International (Aust) Pty Ltd Traveland International Pty Ltd Traveland New Staff Pty Ltd Traveland Pty Ltd	17/08/99 – 11/08/00
52. Sean Gould Williams	Traveland Pty Ltd (alternate director for Walker)	01/07/00 – 19/03/01
53. Peter James Crogan	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	26/10/00 – 30/03/01

Director	Company	Term of Directorship
54. Norman William Fricker	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	28/11/97 - 30/03/01
55. Desmond Livingstone Nicholl	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	29/03/96 - 30/03/01
56. Stanley James Quinlivan	Hazelton Airlines Ltd Hazelton Air Charter Pty Ltd Hazelton Air Services Pty Ltd	05/09/96 - 30/03/01
57. Bradford Frederick McInnes Stuart	Hazelton Airlines Ltd Hazelton Air Services Pty Ltd Hazelton Air Charter Pty Ltd	26/11/93 - 16/05/01 22/06/94 - 16/05/01

Arnold Bloch Leibler

Lawyers and Advisers

9 January 2002

Jamie Orchard
Director- Enforcement
Australian Securities & Investment Commission
Victorian Regional Office
Level 13
485 Latrobe Street
MELBOURNE VIC 3000

By Facsimile - 9280 3434

AND TO:

Kathrine Morganwicks
Australian Securities & Investment Commission
Victorian Regional Office
Level 13
485 Latrobe Street
MELBOURNE VIC 3000

By Facsimile - 9280 3392

Dear Sir and Madam

Ansett Administration

In accordance with Section 439A of the *Corporations Act 2001* ("the Act"), the Second Meeting of Creditors of the Ansett Group (other than SkyWest and Aeropelican) is currently scheduled to take place on Tuesday, 29 January 2002. The Ansett Administrators will make statement to creditors that in their opinion it would be in the creditors' interests to execute a Deed of Company Arrangement but will also propose to adjourn the Second Meeting of Creditors for a further period of approximately 45 days. The Second Meeting of Creditors on 29 January 2002 will principally deal with the following matters, namely:

- (a) A general report as to the companies' business, property, affairs and financial circumstances;
- (b) Approval of the TESNA transaction; and
- (c) Approval of the Administrator's fees.

The Administrators are generally aware from the assistance they have provided to ASIC that ASIC is currently conducting its own investigation into the Ansett Group. In anticipation of concluding its first report to creditors, the Administrators would be grateful if you could advise by 11 January 2002 if possible of the current status of ASIC's investigation and whether ASIC anticipates taking any, and if so what, further steps.

Your ref
Our ref L2:DMM
File no 01-1213869
Doc no :ODMA/PGDOCS/ABL/1227421

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Partners
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Robert J Heathcote
Henry D Lenz
Steven M Sklar
Susan J Herbert
Joseph Benedek
Leon Zwier
Philip Chester
Ross A Peterson
Stephen L Sharp
Kevin P Fowler
Paul Chiappi
Michael N Dodge
Jane U Sheridan
Pauline Gredal
Steven Klein
Leanne R Thompson
Zaven Mordkhas
Justin Lathlean
Jonathan M Werlig
Paul Sokolowski

Senior Associates
Sam Doherty
Alex King
Niv Tadmor
Dany Merkel
Scott Standen
Fiona Harden
Nicola Gordon

Special Counsel
Public Interest Law
Peter M Seidul

Arnold Bloch Leibler
Page: 2
Date: 9 January 2002

Kindly note it is the Administrator's present intention to annex this letter and ASIC's reply to the Report.

Yours faithfully
ARNOLD BLOCH LEIBLER

per:

Leon Zwi





ASIC

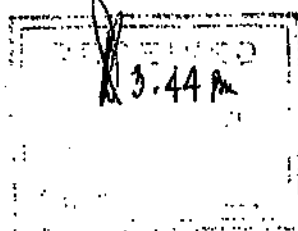
Australian Securities & Investments Commission

Regional Office - Victoria
CGL Tower, 485 Latrobe Street, Melbourne
GPO Box 9827 Melbourne VIC 3001
DX 423 Melbourne

Telephone: (03) 9280 3200
Facsimile: (03) 9280 3444

9 January 2002

Mr Leon Zwier
Partner
Arnold Bloch Leibler
Level 21
333 Collins Street
MELBOURNE VIC 3000



Dear Sir

Ansett Administration

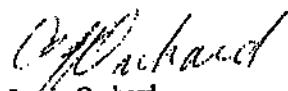
Thank you for your letter of 9 January 2002.

On 14 September 2001, the Australian Securities and Investments Commission ("ASIC") commenced a formal investigation pursuant to section 13 of the ASIC Act 2001 (Cth) into suspected contraventions of section 180 and / or section 588G and / or section 588V and / or section 995(2) of the Corporations Act 2001 relating to Ansett Holdings Limited (Administrator Appointed) ACN 065 117 535 and Air New Zealand Limited ACN 000 312 685 during the period 23 June 2000 to 12 September 2001.

This investigation is continuing, however, ASIC is unable to comment on anticipated future action, if any, in respect of the parties the subject of our investigation until ASIC's enquiries in this matter are finalised.

ASIC acknowledges the co-operation of the Administrators and their general assistance with our investigation to date.

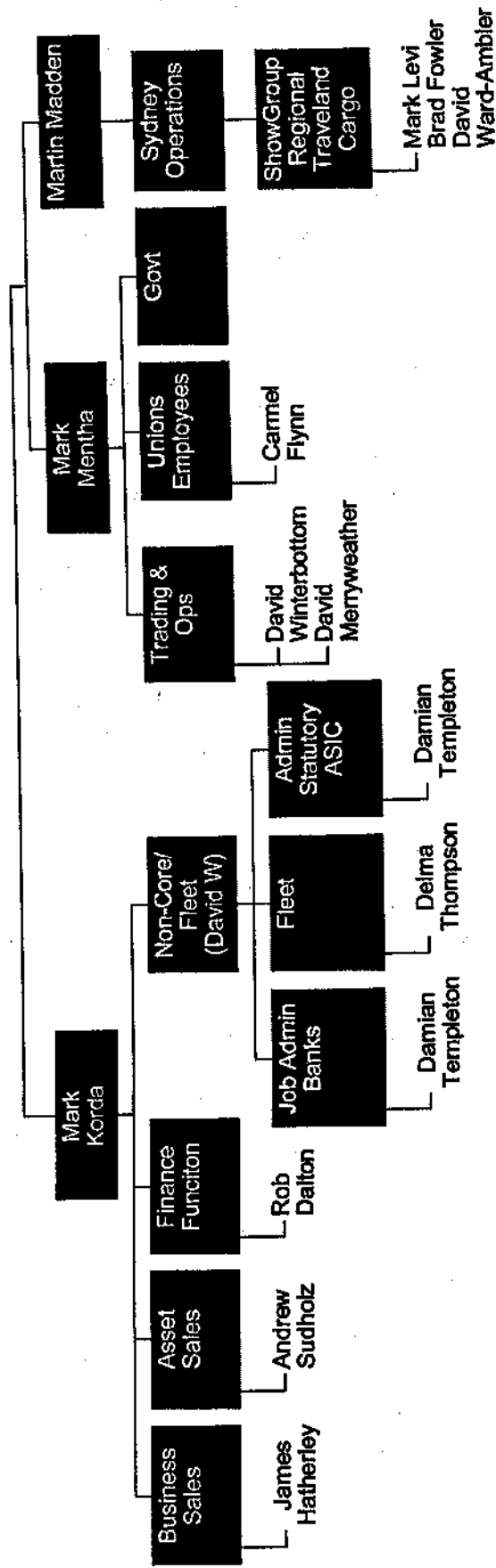
Yours faithfully,


Jamie Orchard
Director Enforcement South/West

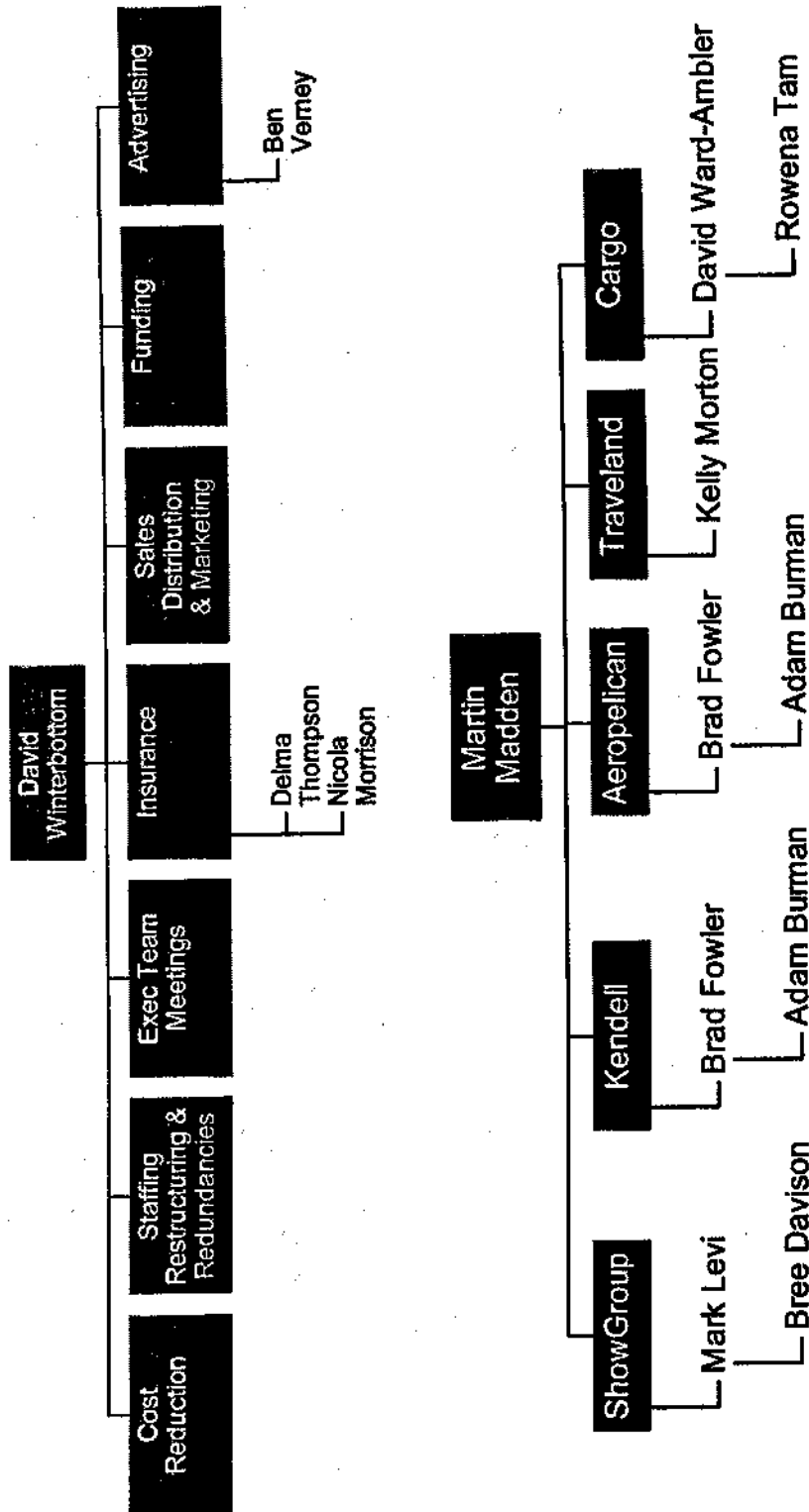


ANSETT AUSTRALIA

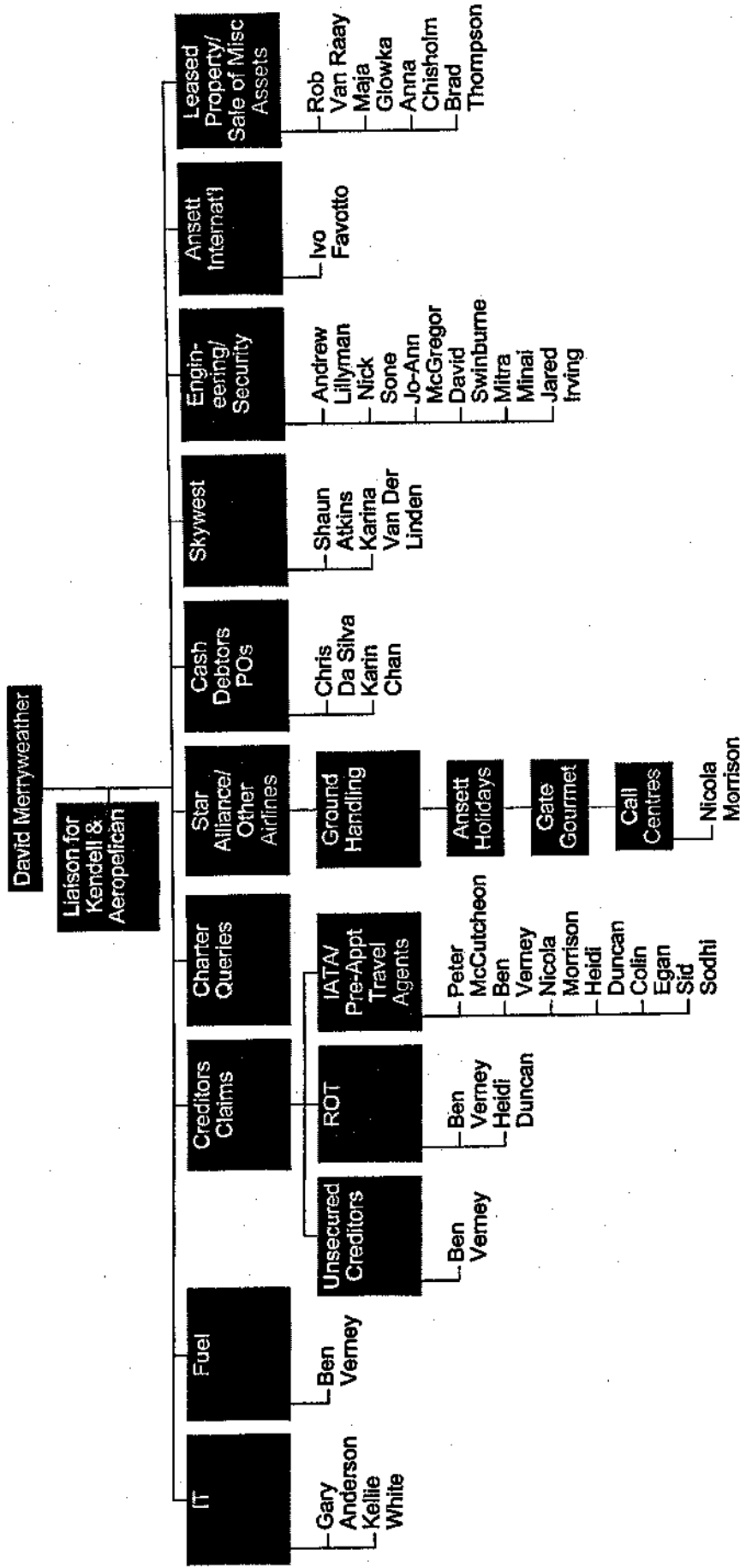
Andersen Staff Responsibilities - Overall



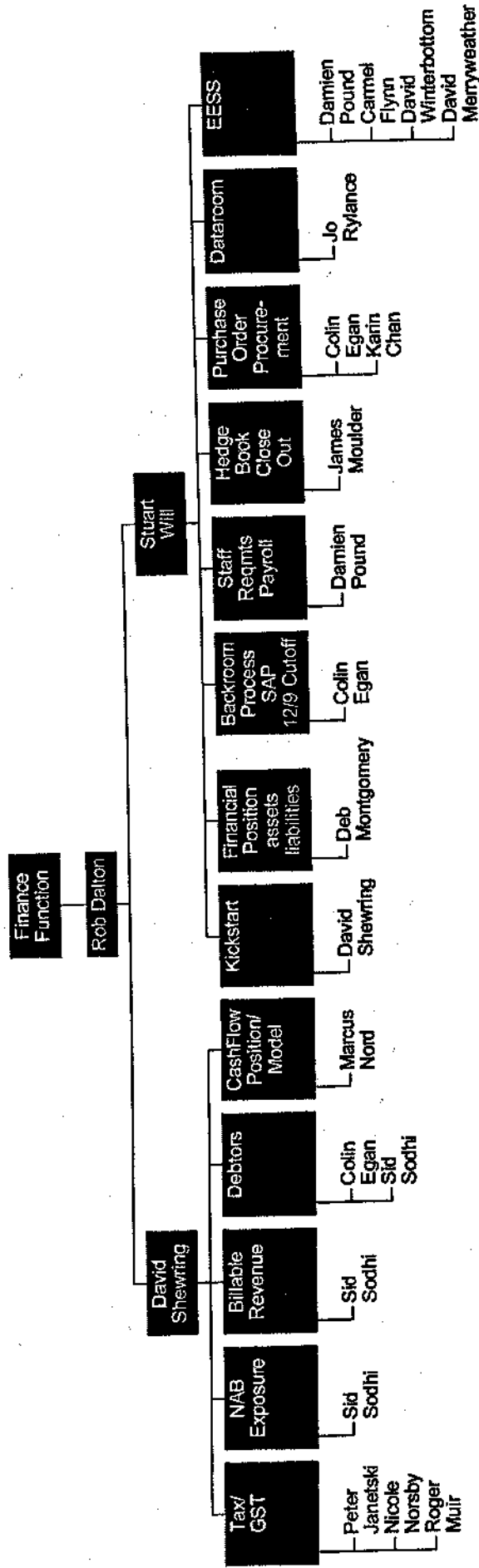
Andersen Staff Responsibilities - Trading & Operations



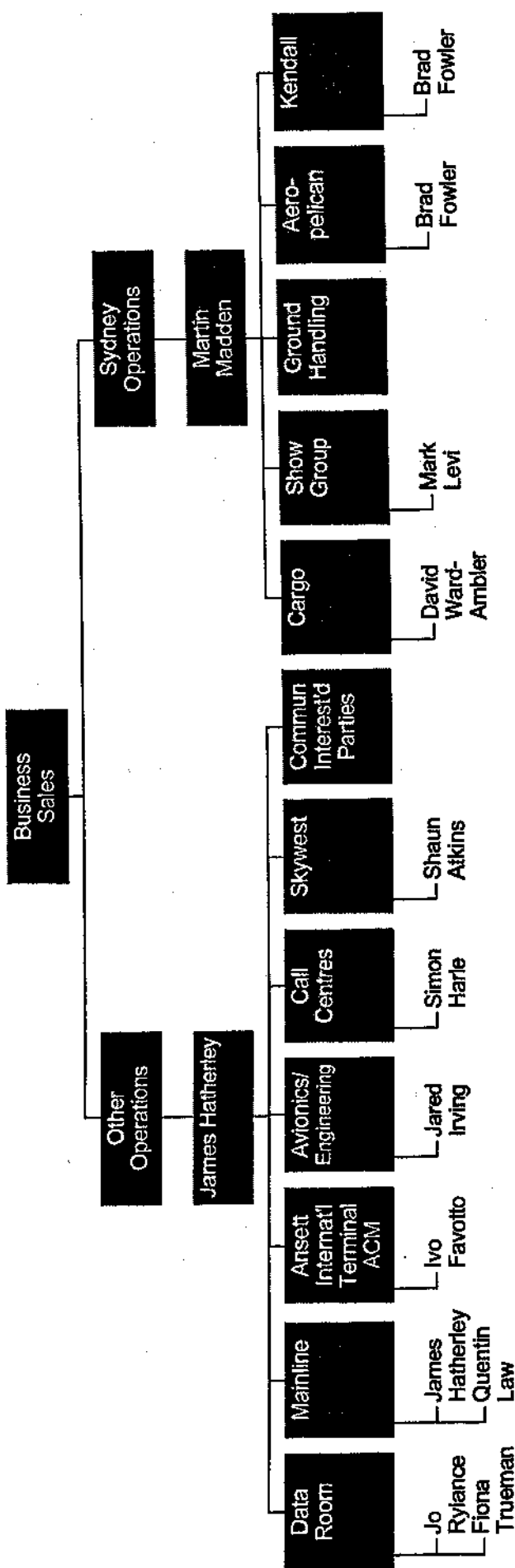
Andersen Staff Responsibilities - Trading & Operations (cont)



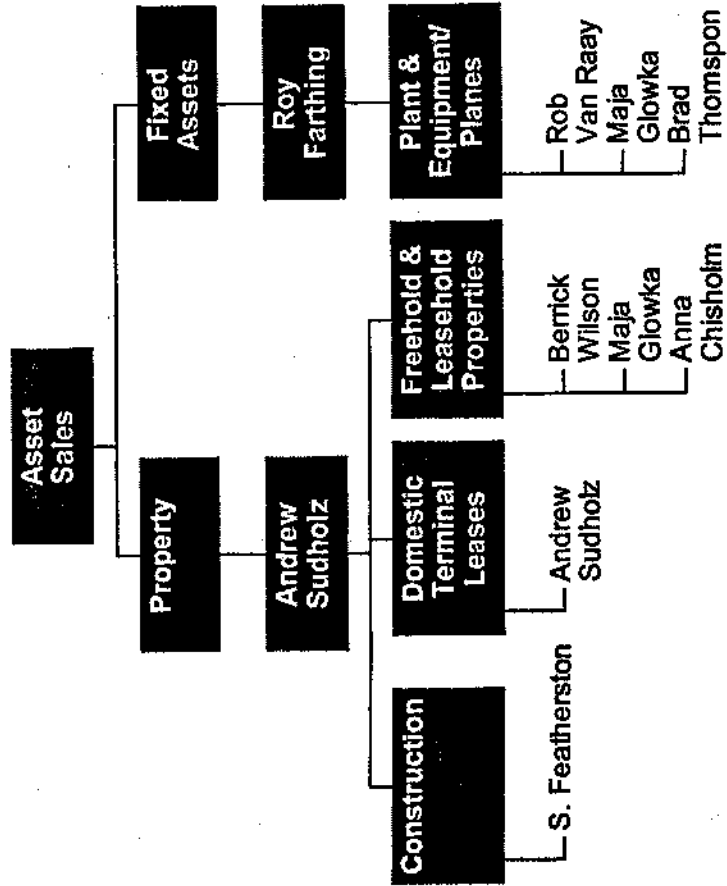
Andersen Staff Responsibilities - Finance Function



Andersen Staff Responsibilities - Business Sales



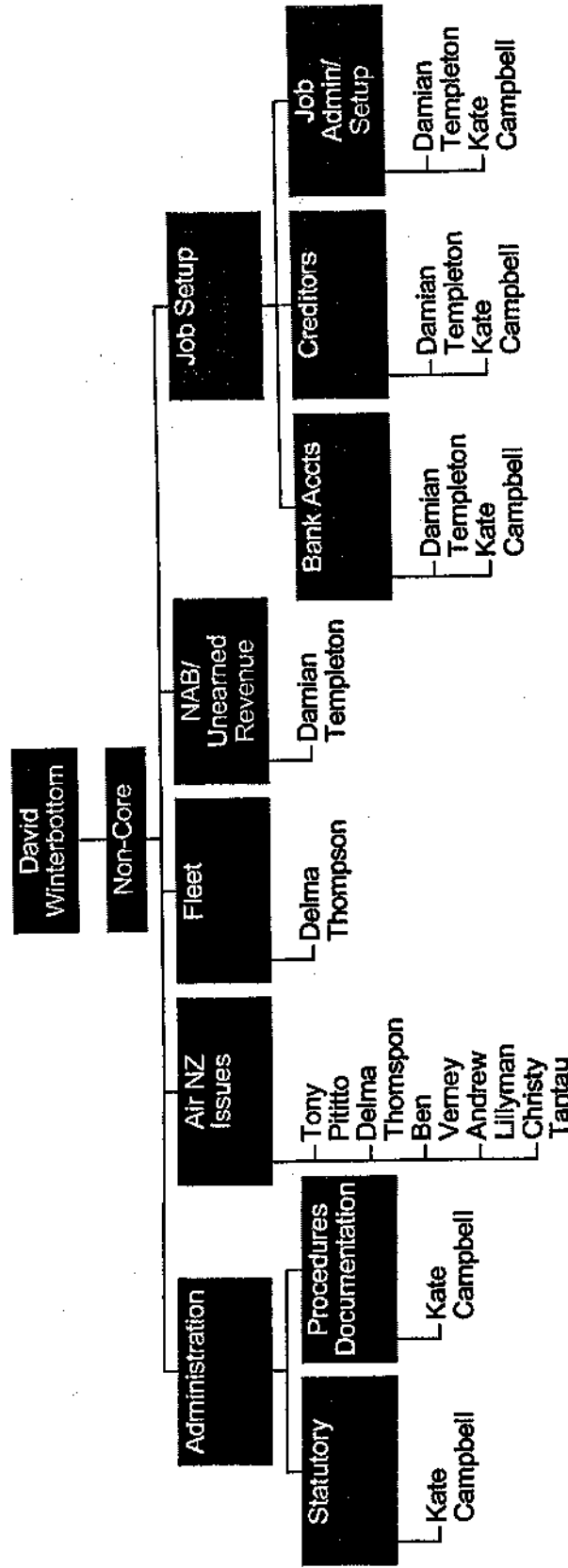
Andersen Staff Responsibilities - Asset Sales



Andersen Staff Responsibilities - Non-Core



ANSETT AUSTRALIA



Major Area of Responsibility for Administrator Staff



A summary of work performed by each of the major Andersen service lines is as follows:

<input type="checkbox"/> Corporate Recovery Services <ul style="list-style-type: none"> - Manage all operational issues - Business assessment - Fleet issues - Statutory issues - Government liaison - Manage creditor and retention of title claims process - All banking issues 	<input type="checkbox"/> Audit & Business Advisory (ABA) <ul style="list-style-type: none"> - Manage finance function and payroll - Prepare forecast and actual results - Reconstruct financial statements - Facilitate Air New Zealand separation - Union liaison - Identification of assets - Employee entitlement calculation and process - Assist bidders with information requirements
<input type="checkbox"/> Real Estate Services Group (RESG) <ul style="list-style-type: none"> - Identification and valuation of assets - Sale of property and plan assets (in conjunction with CF) 	<input type="checkbox"/> Corporate Finance (CF) <ul style="list-style-type: none"> - Manage sale process of businesses
<input type="checkbox"/> Risk Consulting (IT) <ul style="list-style-type: none"> - Assess & rebuild IT systems - Minimise IT Infrastructure costs without impacting on Kick-start 	<input type="checkbox"/> Tax <ul style="list-style-type: none"> - Identify potential GST refunds - Advise on GST issues associated with all categories of transactions

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

\$'000	Ansett Australia Ltd	Ansett Australia Holdings Ltd	Ansett Aviation Equipment Pty Ltd	Eastward Airbus (Operations) Pty Ltd	Alipood Terminals Pty Ltd	Ansett International Ltd	Ansett Equipment Finance Ltd	Ansett Aircraft Finance Ltd	Traveland Pty Ltd	Traveland International Pty Ltd	Bodas Pty Ltd
ASSETS											
Bank	14,653	10,400	0	0	0	3,328	0	0	788	0	0
Trade Debtors	148,823	0	0	0	0	4,752	3,635	0	3,047	0	0
Security Debtors & Prepayments	258,007	10,875	0	1,598	0	5,521	0	0	2,651	0	0
Consumables & WIP	128,578	0	0	0	0	407	0	0	0	0	77
Related Party Receivables	339,891	1,385,354	171,426	138,235	18,230	339,502	15,747	28,124	2,105	337	
Total Current Assets	889,552	1,398,428	171,426	138,833	18,230	353,510	19,382	28,124	5,592	337	77
Investments	1,086	105,970	0	0	0	0	0	0	49	275	46,837
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Benefit	240,724	12,085	607	5,308	1,023	0	112	1,188	4,286	205	1
Plant & Equipment	193,748	0	0	0	0	1,983	0	0	5,387	0	0
Aircraft	1,000,619	0	88,961	44,747	0	2,615	0	0	0	0	0
Rotables, Spares & Structures	141,943	0	7,285	0	0	0	0	0	0	0	0
Land & Buildings	350,155	0	0	0	30,869	0	0	0	0	0	0
Total Non-current Assets	1,928,273	118,065	96,833	50,055	31,892	4,578	112	1,188	9,652	480	46,839
TOTAL ASSETS	2,817,825	1,516,494	268,259	188,888	49,922	358,088	19,494	30,312	18,274	817	47,815
LIABILITIES											
Secured Creditors											
Loans over Aircraft (3rd Party)	(474,414)	0	0	0	0	0	0	0	0	0	0
Priority Creditors											
Employee Entitlements	(214,713)	0	0	0	0	(3,750)	0	0	(3,524)	0	0
Unsecured Creditors											
Loans & Overdrafts	(60,711)	(89,508)	0	0	0	(1,703)	0	0	(20)	0	0
Trade Creditors	(199,432)	(14,878)	0	(2,031)	0	(18,225)	0	0	(13,237)	0	0
Taxation Related Creditors	(47,829)	(8,937)	(1,139)	0	0	0	0	0	(47)	(288)	(1)
Provision for Deferred Income Tax	(234,361)	0	(27,770)	(6,338)	0	0	0	0	(6,716)	0	0
Other Creditors and Provisions	(288,826)	(30,280)	(1,977)	(8,717)	0	0	0	0	0	0	0
Sales in Advance	(288,826)	0	0	(338,006)	(32,500)	(280,682)	0	0	(9,208)	(8,990)	(60,800)
Related Party Payables	(1,135,834)	(1,024,663)	(14,052)	(338,006)	0	0	0	0	0	0	0
Total Unsecured Creditors	(2,234,716)	(1,165,286)	(44,835)	(356,090)	(32,500)	(310,610)	0	0	(29,230)	(6,258)	(60,801)
TOTAL LIABILITIES	(2,923,843)	(1,165,286)	(44,835)	(356,090)	(32,500)	(314,360)	0	0	(32,754)	(9,258)	(60,801)
NET ASSETS / (LIABILITIES)	(106,018)	350,208	223,321	(168,202)	17,422	43,728	19,494	30,312	(14,480)	(6,441)	(13,786)
Contributed Equity	(3,000)	(639,280)	0	(77,328)	0	(75,000)	0	0	(10,440)	(24,072)	(12,000)
Reserves	(135,138)	(508)	0	0	(20,782)	0	0	0	0	0	0
Retained Earnings	244,156	303,560	(223,321)	243,528	3,370	31,272	(19,494)	(30,312)	24,920	32,513	25,788
TOTAL EQUITY	106,018	(335,228)	(223,321)	(168,202)	(17,422)	(43,728)	(19,494)	(30,312)	(14,480)	(6,441)	(13,786)

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

\$'000	AANZES	South Centre Maintenance Pty Ltd	Ansett Holdings Ltd	Whitsunday Harbour Pty Ltd	Ansett Finance Ltd	Brazzton Pty Ltd	Eastwest Airlines Ltd	Wagtail Pty Ltd	Travelsend International (Aust) Pty Ltd	Alongside Services Pty Ltd	North Territory Aerial Work Pty Ltd
ASSETS											
Bank	0	0	0	0	0	0	0	0	0	0	0
Trade Debtors	0	0	0	0	0	0	0	0	0	0	0
Sundry Debtors & Prepayments	47	0	963	9	0	0	0	0	0	0	0
Consumables & WIP	0	0	0	0	0	0	0	0	0	0	0
Related Party Receivables	0	3,479	4,523	1,181	97,913	48,382	31,228	16,769	985	165	103
Total Current Assets	47	3,479	5,516	1,190	97,913	48,382	31,228	16,769	985	165	103
Investments	0	0	597,789	0	0	0	8,694	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Benefit	609	2,960	2,046	5,850	0	0	0	0	0	0	0
Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0
Aircraft	0	0	0	0	0	0	0	0	0	0	0
Robotics, Spares & Simulators	0	0	0	0	0	0	0	0	0	0	0
Land & Buildings	0	11,207	0	0	0	0	0	0	0	0	0
Total Non-current Assets	609	14,167	599,835	5,850	0	0	8,694	0	0	0	0
TOTAL ASSETS	656	17,646	605,351	7,040	97,913	48,382	39,920	16,769	985	165	103
LIABILITIES											
Secured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans over Aircraft (3rd Party)	0	0	0	0	0	0	0	0	0	0	0
Priority Creditors	0	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	0	0	0	0	0	0	0	0	0	0	0
Unsecured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans & Overdrafts	0	0	0	0	0	0	0	0	0	0	0
Trade Creditors	0	0	0	0	0	0	0	0	0	0	0
Taxation Related Creditors	(16)	0	0	0	0	(1,033)	0	(327)	0	0	0
Provision for Deferred Income Tax	(876)	0	0	0	0	0	0	0	0	0	0
Other Creditors and Provisions	0	0	0	0	0	0	0	0	0	0	0
Sales in Advance	0	0	0	0	0	0	0	0	0	0	0
Related Party Payables	(1,260)	0	(50,350)	(11,233)	0	0	(62,233)	0	(336)	(17,219)	0
Total Unsecured Creditors	(2,172)	0	(50,350)	(11,233)	0	(1,033)	(62,233)	(327)	(336)	(17,219)	0
TOTAL LIABILITIES	(2,172)	0	(50,350)	(11,233)	0	(1,033)	(62,233)	(327)	(336)	(17,219)	0
NET ASSETS / (LIABILITIES)	(1,516)	17,646	555,001	4,193	97,913	47,349	(22,313)	16,442	649	(17,054)	103
Contributed Equity	0	(18,000)	(625,614)	(14,722)	0	0	(80,325)	0	(100)	(2)	(103)
Reserves	0	(10,655)	0	0	0	0	(7,885)	0	0	0	0
Retained Earnings	1,516	9,006	70,813	18,915	(97,913)	(47,349)	120,306	(16,442)	(549)	17,056	0
TOTAL EQUITY	1,516	(17,646)	(555,001)	4,193	(97,913)	(47,349)	22,313	(16,442)	(649)	17,054	(103)

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

\$'000	Morpeth Pty Ltd	Northern Airlines Ltd	Westintech Ltd	Whitehead Affairs Pty Ltd	Wridgways Holdings Ltd	Ansett Carts Pty Ltd	Rock-H-Cargo (Aust) Pty Ltd	501 Swanton Street Pty Ltd	Traveland New Start Pty Ltd	Spacia Pty Ltd	Westintech Nominees Pty Ltd
ASSETS											
Bank	0	0	0	0	0	0	0	0	0	0	0
Trade Debtors	0	0	0	0	0	0	0	0	0	0	0
Sundry Debtors & Prepayments	0	0	0	0	0	0	0	0	0	0	0
Consumables & WIP	0	0	0	0	0	0	0	0	0	0	0
Related Party Receivables	267	8,694	13,888	12,993	9,870	0	0	0	0	0	0
Total Current Assets	267	8,694	13,888	12,993	9,870	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0	0	0	0
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Benefit	0	0	0	0	0	0	0	0	0	0	0
Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0
Accrual	0	0	0	0	0	0	0	0	0	0	0
Retainees, Spares & Simulators	0	0	0	0	0	0	0	0	0	0	0
Land & Buildings	0	0	0	0	0	0	0	0	0	0	0
Total Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	267	8,694	13,888	12,993	9,870	0	0	0	0	0	0
LIABILITIES											
Secured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans over Aircraft (3rd Party)	0	0	0	0	0	0	0	0	0	0	0
Priority Creditors	0	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	0	0	0	0	0	0	0	0	0	0	0
Unsecured Creditors	0	0	0	0	0	0	0	0	0	0	0
Loans & Overdrafts	0	0	0	0	0	0	0	0	0	0	0
Trade Creditors	0	0	0	0	0	0	0	0	0	0	0
Taxation Related Creditors	0	0	0	0	0	0	0	0	0	0	0
Provision for Deferred Income Tax	0	0	0	0	0	0	0	0	0	0	0
Other Creditors and Provisions	0	0	0	0	0	0	0	0	0	0	0
Sales in Advance	0	0	0	0	0	0	0	0	0	0	0
Related Party Payables	0	0	0	0	0	(2,556)	0	0	0	0	0
Total Unsecured Creditors	0	0	0	0	0	(2,556)	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0	(2,556)	0	0	0	0	0
NET ASSETS / (LIABILITIES)	267	8,694	13,888	12,993	9,870	(2,556)	0	0	0	0	0
Contributed Equity	(62,000)	(1,026)	(11,770)	(6)	(2,262)	0	0	0	0	0	0
Reserves	0	0	(170)	0	(139)	0	0	0	0	0	0
Retained Earnings	62,733	(7,668)	(1,948)	(12,887)	(7,469)	2,556	0	0	0	0	0
TOTAL EQUITY	(267)	(8,694)	(13,888)	(12,993)	(9,870)	2,556	0	0	0	0	0

Ansett Group of Companies (Administrators Appointed)
Balance Sheet Book Values as at 12 September 2001
Extracted from the General Ledger of each company. Unaudited.

	\$'000	Widgways (Nlc) Pty Ltd	Kendall Airlines (Australia) Pty Ltd	Shore Group Pty Ltd
ASSETS				
Bank		0	13	5,912
Trade Debtors		0	653	13,916
Sundry Debtors & Prepayments		0	8,344	2,129
Consumables & WIP		0	8,864	0
Related Party Receivables		0	50,895	256
Total Current Assets		0	68,569	22,213
Investments		0	0	0
Intangible Assets		0	0	0
Future Income Tax Benefit		0	15,888	713
Plant & Equipment		0	5,681	961
Aircraft		0	411,937	0
Rotables, Spares & Simulators		0	30,614	0
Land & Buildings		0	2,088	0
Total Non-current Assets		0	465,206	1,674
TOTAL ASSETS		0	534,775	23,887
LIABILITIES				
Secured Creditors		0	(343,178)	0
Loans over Aircraft (3rd Party)		0	(6,639)	(1,088)
Priority Creditors		0	(7,708)	0
Employee Entitlements		0	(11,213)	(5,485)
Unsecured Creditors		0	(756)	(86)
Loans & Overdrafts		0	(14,459)	(32)
Trade Creditors		0	(15,315)	(1,671)
Taxation Related Creditors		0	(48)	0
Provision for Deferred Income Tax		0	(154,866)	(22,863)
Other Creditors and Provisions		0	(204,163)	(30,117)
Sales In Advance		0	(554,181)	(31,203)
Related Party Payables		0	(19,406)	(7,316)
Total Unsecured Creditors		0	(204,163)	(30,117)
TOTAL LIABILITIES		0	(554,181)	(31,203)
NET ASSETS / (LIABILITIES)		0	(19,406)	(7,316)
Contributed Equity		0	(256)	(100)
Reserves		0	(850)	0
Retained Earnings		0	20,314	7,416
TOTAL EQUITY		0	19,406	7,316

**Ansett Group
Pro-forma Pooling Deed
Statement Pursuant to Section
439A(4)(c)
of the Corporations Act 2001**

Arnold Bloch Leibler

Lawyers and Advisers



ANSETT GROUP
PRO-FORMA POOLING DEED
STATEMENT PURSUANT TO SECTION 439A(4)(C)
OF THE CORPORATIONS ACT 2001

1 PARTIES

The parties to the Deed will be:

- 1.1 The Ansett Group Companies named in Schedule ## of this Statement (each "an Ansett Group Company" and collectively "the Ansett Group");
- 1.2 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as Administrators of each Ansett Group Company ("the Voluntary Administrators");
- 1.3 Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as the Administrators of the Deed ("the Deed Administrators").

2 PURPOSE AND OBJECTS

The purposes and objects of the Deed are to provide for the business, property and affairs of each Ansett Group Company to be administered in a way that:

- 2.1 maximises the chances of the Ansett Mainline Business continuing in existence under the ownership of Tesna and provides for a regime for that to occur;
- 2.2 facilitates a selective pooling of the assets and novation of the liabilities of certain Ansett Group Companies into one company;
- 2.3 results in a better return for the creditors of each Ansett Group Company than would result from an immediate winding-up of the Ansett Group;
- 2.4 facilitates a commercial resolution to the financial difficulties of the Ansett Group without unnecessary impediment or legal dispute; and
- 2.5 has due regard to any orders or directions made by the Court as to how Part 5.3A of the Act is to operate in relation to each Ansett Group Company.

3 DEFINITIONS

- 3.1 **"Act"** means the *Corporations Act 2001*;
- 3.2 **"Aircraft Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.3 **"Air New Zealand MOU"** means the Memorandum of Understanding dated 3 October 2001 between, amongst others, the Ansett Group, the Voluntary Administrators, the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group;
- 3.4 **"Appointment Date"** means the date of commencement of the voluntary administration of each Ansett Group Company;
- 3.5 **"Asset"** includes a mere cause of action or chose in action;
- 3.6 **"Assumed Claim"** means a Claim which was originally owing by another Ansett Group Company in respect of which the Principal Ansett Company has agreed to assume responsibility pursuant to the provisions of the Deed;
- 3.7 **"Assumed Creditor"** means a creditor who is owed an Assumed Claim;
- 3.8 **"Business Sale"** means a sale by any Ansett Group Company of a business or assets to a third party which occurs during the Voluntary Administration Period or the Deed Period, including the Tesla Sale;
- 3.9 **"Claim"** means a debt payable by, and all claims against, an Ansett Group Company (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims circumstances giving rise to which occurred on or before the Appointment Date;
- 3.10 **"Commencement Date"** means the date the conditions precedent in Clause 4 have been satisfied;
- 3.11 **"Coupon Creditor"** means a person who on the Appointment Date is the holder of a ticket for air travel to be provided by any Ansett Group Company on or after the Appointment Date and which has not been honoured by the carrier;
- 3.12 **"Court"** means the Federal Court of Australia at its Melbourne Registry;

- 3.13 **"Deed Administrators"** means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as administrators of the Deed;
- 3.14 **"Deed Creditor"** means any person who has a Claim, including Assumed Creditors;
- 3.15 **"Deed Period"** means the period commencing on the Commencement Date and ending on the Termination Date;
- 3.16 **"Domestic Terminal Leases"** means the leases for airport terminals located at Australian airports which are used by, occupied or in the possession of the Ansett Group Company, being the terminals at the following airports:
- (a) Melbourne;
 - (b) Sydney;
 - (c) Brisbane;
 - (d) Adelaide;
 - (e) Perth;
 - (f) Hobart;
 - (g) Canberra;
 - (h) Darwin;
 - (i) Alice springs;
 - (j) Cairns;
 - (k) Townsville;
 - (l) Coolangatta;
 - (m) Rockhampton;
- 3.17 **"Domestic Terminal Lessors"** means the lessors under Domestic Terminal Leases;
- 3.18 **"Electing Companies"** means the Ansett Group Companies listed in Schedule ## to this Statement;
- 3.19 **"Employees"** means all employees of any Ansett Group Company as at the Commencement Date;
- 3.20 **"Entitlement"** means the amount of a Claim that a Participating Creditor is entitled to be paid as a distribution in accordance with the Deed;

- 3.21 **"Excluded Assets"** means:
- (a) the assets of the Principal Ansett Company; and
 - (b) the shares in the Principal Ansett Company or the shares in any of its holding companies;
- 3.22 **"General Fund"** means the fund established for the payment of Participating Creditors;
- 3.23 **"Global Reward Creditor"** means a person who is a member of the frequent flyer scheme operated by the Ansett Group known as Global Rewards as at the Appointment Date;
- 3.24 **"Global Reward Claim"** means a Claim of a Global Reward Creditor which arises:
- (a) because he or she had Global Rewards points standing to his or her credit as at the Appointment Date; or
 - (b) because as at the Appointment Date, he or she held an airline ticket required through redemption of Global Rewards points for air travel to be provided by the Ansett Group or any other airline after the Appointment Date and which has not been honoured by the carrier; or
 - (c) otherwise by reason of being a member of the Global Rewards Frequent Flyer Scheme;
- 3.25 **"Golden Wing Claim"** means a Claim of a Golden Wing Creditor which arises:
- (a) because the expiry date for their membership falls on or after the Appointment Date;
 - (b) otherwise by reason of being a member of the Golden Wing Club;
- 3.26 **"Golden Wing Creditor"** means a person who was a member of the Golden Wing Club or would be a member of the Golden Wing Club but for the administration of the Ansett Group;
- 3.27 **"Insignificant Claim"** means the Claim of a Deed Creditor:
- (a) whose Claim as stated in the proof of debt lodged by it or in the assessment of the Deed Administrators is for an amount less than \$##; or
 - (b) in respect of which the Deed Administrators have estimated the likely dividend will be less than \$##;

- 3.28 **"Insignificant Creditor"** means a person with a Claim which is an Insignificant Claim;
- 3.29 **"IT Creditor"** means a person with a Claim which arises out of, or is related to, or is connected with the licensing of intellectual property in general or other rights to any Ansett Group Company;
- 3.30 **"Insured Creditor"** means a person with a Claim for a personal injury arising out of employment for which the Ansett Group Company is to be indemnified by an insurer or like agency;
- 3.31 **"Leases"** means any lease, licence or other agreement to use, occupy or possess real property or any other property;
- 3.32 **"Lessor"** means any person (other than an Ansett Group Company) who is the legal or beneficial owner of real property or any other property used, occupied or in the possession of an Ansett Group Company at the Appointment Date, comprising Property Lessors, Aircraft Lessors and Other Lessors;
- 3.33 **"Mainline Assets"** means the assets and property of the Mainline Business to be sold to Tesna Holdings Pty Ltd as contemplated by the Tesna Offer;
- 3.34 **"Mainline Business"** means the domestic passenger airline business conducted under the Ansett name prior to the Appointment Date to be sold to Tesna Holdings Pty Ltd in accordance with the Tesna Offer;
- 3.35 **"Mainline Liabilities"** means the liabilities of the Mainline Business to be assumed by Tesna Holdings Pty Ltd as contemplated by the Tesna Offer;
- 3.36 **"Members"** means shareholders of an Ansett Group Company;
- 3.37 **"Non-Pooling Ansett Group Company"** means an Electing Company whose creditors resolve at the Second Meeting of Creditors not to participate in Pooling;
- 3.38 **"Operative Provisions"** means Clauses 1, 2, 3, 4 and 5;
- 3.39 **"Other Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of an asset (other than real property or an aircraft) that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;
- 3.40 **"Participating Creditors"** means a Deed Creditor other than :-
- (a) Insignificant Creditors;
 - (b) Insured Creditors;

- (c) Transferred Creditors;
- (d) [To be determined];
- (e) [To be determined];
- (f) [To be determined];

3.41 **"Past Employees"** means employees of any Ansett Group Company whose employment has been or is terminated by the Voluntary Administrators or Deed Administrators or whose employment otherwise ceases during the Voluntary Administration Period or the Deed Period, but excluding those employees whose employment has been terminated to enable the transfer of their employment pursuant to a Business Sale;

3.42 **"Pooling"** means a transfer and pooling of the assets and liabilities of two or more Ansett Group Companies into the Principal Ansett Company so that creditors of each such company will be deemed to be creditors of the Principal Ansett Company;

3.43 **"Pooling Provisions"** means Clauses 15, 31 and 37;

3.44 **"Principal Ansett Company"** means ## Pty Ltd;

3.45 **"Priority Creditors"** means:

(a) the Voluntary Administrators and the Deed Administrators in relation to any amounts due and payable to the Voluntary Administrators or the Deed Administrators pursuant to the terms of the Deed;

(b) Past Employees and the SEESA Payer in relation to SEESA Payments;

(c) Priority ROT Creditors to the extent of their priority;

(d) Secured Creditors;

3.46 **"Priority ROT Creditor"** means a ROT Creditor in relation to such priority amount notified to it by the Deed Administrators under Clause 19, and in the event of a dispute about the notified amount such priority amount agreed between that ROT Creditor and the Deed Administrators or ordered by the Court;

3.47 **"Property Lessor"** means any person other than an Ansett Group Company who is the legal or beneficial owner of real property that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date;

- 3.48 **"ROT Claim"** means a claim by a supplier pursuant to the terms of trade by which the supplier traded with an Ansett Group Company, the supplier retained an interest in or ownership of goods and in respect of which there is no provision or act undertaken by that supplier inconsistent with those retention of ownership or interest provisions and in respect of which such goods remained in the possession of the Voluntary Administrators as at the Appointment Date and for which payment has not previously been made by an Ansett Group Company;
- 3.49 **"ROT Creditor"** means a person who has a ROT Claim;
- 3.50 **"Secured Creditor"** means any person who has the benefit of a Security which was valid at the Appointment Date or which is validated within 14 Business Days after the execution of the Deed over all or any assets of an Ansett Group Company securing all or any of its Claim but only to the extent of that Security as at the Appointment Date;
- 3.51 **"Secured Finance Lease Creditor"** means any Secured Creditor who has entered into a Financing Lease with an Ansett Group Company and holds, as security for the payment of any debt or liability or the performance of any obligation under that financing lease, a Security over an aircraft that is used or occupied by or in the possession of an Ansett Group Company or in relation to which an Ansett Group Company is liable as at the Appointment Date but only to the extent of that Security as at the Appointment Date;
- 3.52 **"Security"** means any mortgage, chattel mortgage, pledge, charge, agreement, encumbrance, lien, any right of set-off (arising otherwise than by operation of law or as a result of a banker's right to combine accounts), assignment which provides for and secures the payment of any debt or monetary liability or the performance of any obligation;
- 3.53 **"SEESA Payer"** means SEES Pty Ltd as agent for the Commonwealth of Australia, or the Commonwealth of Australia;
- 3.54 **"SEESA Payments"** means payments made by the SEESA Payer pursuant to the Special Employee Entitlement Scheme for Ansett Group employees established under the *Air Passenger Ticket Levy (Collection) Act 2001* and paid to the Voluntary Administrators or the Deed Administrators in accordance with a determination made by the Minister for Employment and Workplace Relations under that Act and the SEESA Payments Deed;
- 3.55 **"SEESA Payments Deed"** means the Deed dated 18 December 2001 between SEES Pty Ltd, the Ansett Group and the Voluntary Administrators setting out the terms on which SEESA Payments are to be paid to the Voluntary Administrators or the Deed

Administrators and the priority in which such payments will be repaid;

- 3.56 **"Superannuation Creditor"** means a person that is a trustee of a Superannuation Fund;
- 3.57 **"Superannuation Funds"** means Ansett Australia Ground Staff Superannuation Plan Pty Ltd (as trustee of the Ansett Australia Ground Staff Superannuation Plan), Ansett Australia Pilots/Management Superannuation Plan (as trustee of the Ansett Transport Industries Limited Pilots/Management Superannuation Plan) and Ansett Australia Flight Engineers' Superannuation Plan Pty Ltd (as trustee of the Ansett Transport Industries Limited Pilots/Management Superannuation Plan);
- 3.58 **"Supplier"** means a person whose Claim arises from or in consequence of the supply of goods;
- 3.59 **"Termination Date"** means the date of termination of the Deed;
- 3.60 **"Tesna Offer"** means the Letter of Offer from Tesna Holdings Pty Ltd dated 8 November 2001 which was accepted by the Voluntary Administrators on that date;
- 3.61 **"Tesna Sale"** means the sale of the Mainline Business (including the sale of the Mainline Assets and the assumption of the Mainline Liabilities) to Tesna Holdings Pty Ltd as contemplated by the terms of the Tesna Offer;
- 3.62 **"Transferred Creditors"** means a person with a Claim which a third party has on or before the Commencement Date assumed or agreed to assume, whether that agreement to assume the liability is conditional or unconditional;
- 3.63 **"Voluntary Administration Period"** means the period of time commencing on the Appointment Date and concluding on the Commencement Date;
- 3.64 **"Voluntary Administrators"** means Mark Francis Xavier Mentha and Mark Anthony Korda in their capacities as administrators of each Ansett Group Company.

4 CONDITIONS PRECEDENT

- 4.1 The provisions of the Deed, other than the Operative Provisions, will not come into effect unless and until:
- (a) at the meetings convened under Section 439A of the Act, the creditors of each Ansett Group Company (other than the Electing Companies) resolve to enter into a

Deed of Company Arrangement specified in the resolution (being the proposed Deed details of which accompanied the notice of meeting); and

- (b) if deemed necessary by the Voluntary Administrators, approval by the Court.

- 4.2 If the conditions precedent in Clause 4.1 are not satisfied on or before ## 2002, the Deed Administrators will cause a meeting of creditors of each Ansett Group Company to consider whether each Ansett Group Company should be wound up or enter into a different deed of company arrangement.

5 ELECTION OF POOLING OR NON-POOLING BY ELECTING COMPANIES

- 5.1 The creditors of each Electing Company will be given the opportunity at the Second Meeting of Creditors to participate in Pooling.

- 5.2 If at the Second Meeting of Creditors the creditors of one or more Electing Companies do not resolve to participate in Pooling, then the Pooling Provisions will not apply, and in particular:

- (a) its assets and liabilities will not be transferred as contemplated by Clause 15;
- (b) its creditors will not participate in the General Fund established under Clause 31, but instead a specific fund will be established for that Ansett Group Company in accordance with Clause 32;
- (c) inter-company claims owing to or by that company to any other Ansett Group Company will not be released in accordance with Clause 37.

- 5.3 If at the Second Meeting of Creditors the creditors of one or more of the Electing Companies do resolve to participate in Pooling, then the Pooling Provisions will apply to such companies.

- 5.4 For the avoidance of doubt:

- (a) the Pooling Provisions will apply to all Ansett Group Companies other than a Non-Pooling Ansett Group Company; and
- (b) all provisions of the Deed other than the Pooling Provisions will apply to all Non-Pooling Ansett Group Companies.

6 COMMENCEMENT DATE

The Deed will be taken to have commenced upon satisfaction of the Condition Precedent.

7 MORATORIUM

- 7.1 During the Deed Period, all Deed Creditors other than Insured Creditors, are restrained from taking any action or proceeding with an action in relation to Claims, including claims for damages, against an Ansett Group Company other than to enforce rights arising pursuant to the terms of the Deed, without the Deed Administrators prior written consent.
- 7.2 The Deed Administrators cannot be liable to an action or other proceeding for damages in respect of a refusal to give an approval or consent for the purposes of this moratorium.

8 ROLE OF DEED ADMINISTRATOR

- 8.1 During the Deed Period the Deed Administrators:
- (a) have control of each Ansett Group Company's business, property and affairs;
 - (b) may carry on that business and manage that property and these affairs;
 - (c) may terminate or dispose of all or part of that business and may dispose of any of that property; and
 - (d) may perform any function and exercise any power that the Ansett Group Company or any of its officers could perform or exercise if the Ansett Group Company were not subject to the Deed.

9 DEED ADMINISTRATORS ACT AS ANSETT GROUP COMPANIES AGENTS

When performing a function or exercising a power as Deed Administrators, the Deed Administrators are taken to be acting as agents of the Ansett Group Companies.

10 POWERS OF OTHER OFFICERS SUSPENDED

- 10.1 While an Ansett Group Company is subject to a Deed of Company Arrangement, a person (other than the Deed Administrators) cannot perform or exercise and must not purport to perform or exercise a

function or power as an officer of the Ansett Group Company except with the Deed Administrators prior written approval.

- 10.2 For the avoidance of doubt, the directors of each Ansett Group Company will undertake not to pass a resolution to place any Ansett Group Company into voluntary administration or take any step to wind it up except with the Deed Administrators prior written approval.

11 DEED ADMINISTRATORS MAY INVESTIGATE AFFAIRS

The Deed Administrators may investigate the Ansett Group Company's business, property, affairs and financial circumstances and may report the results of their investigations to ASIC.

12 DEED ADMINISTRATORS RIGHT TO ANSETT GROUP COMPANIES BOOKS

A person is not entitled as against the Deed Administrators of any Ansett Group Company :-

12.1 to obtain possession of books of the Ansett Group Company; or

12.2 to claim or enforce a lien on such books,

but such a lien is not otherwise prejudiced.

13 TRANSFER OF SHARES

In the Deed Period a shareholder will not transfer any shares owned by it in any Ansett Group Company except with the Deed Administrators prior written approval.

14 DOMESTIC TERMINAL LEASES

14.1 All persons bound by the Deed will acknowledge that in order to give effect to the objects of Part 5.3A of the Act in general and to maximise the chances of each Ansett Group Company continuing in existence the Voluntary Administrators entered into the Tesna Sale.

14.2 All persons bound by the Deed will further acknowledge that it is a term and condition of the Tesna Sale that each Domestic Terminal Lessor will consent to the assignment of its lease of the Domestic Terminal to Tesna (or its nominee) and will be required to perfect any such assignment.

14.3 Each Domestic Terminal Lessor hereby acknowledges to each other person bound by this Deed as follows :-

- (a) a failure by a Domestic Terminal Lessor to consent to or perfect an assignment of the lease to Tesna (or its nominee) may prejudice the sale of the Mainline Business to Tesna and thereby frustrate the objects of Part 5.3A of the Act;
- (b) each Domestic Terminal Lessor's interest in its lease will be adequately protected by Tesna acquiring the Mainline Business and abiding by the terms of the Domestic Terminal Lease.

15 TRANSFER OF ASSETS AND LIABILITIES

- 15.1 All property and assets of each Ansett Group Company other than a Non-Pooling Ansett Group Company will be transferred to the Principal Ansett Company.
- 15.2 The Principal Ansett Company will assume all Claims novated from each Ansett Group Company other than a Non-Pooling Ansett Group Company.
- 15.3 The Deed Administrators will endeavour to sell all property, assets and rights of the Ansett Group for the best price that is reasonably obtainable having regard to the circumstances existing when those assets are sold and having regard to the diminution of Ansett Group liabilities in general and a reduction of payments to Participating Creditors in particular.
- 15.4 If the Tesna Sale does not proceed to completion any liabilities which would have otherwise been assumed by the third party purchaser pursuant to the Tesna Sale had that sale completed will be transferred by the relevant Ansett Group Company to the Principal Ansett Company, and the Principal Ansett Company agrees to assume that liability.
- 15.5 Each Ansett Group Company and each person bound by the Deed will do all things and sign all documents required by the Deed Administrators to effect, ratify and perfect the transfer of assets and liabilities.

16 PROOFS OF DEBT

- 16.1 The Deed will contain a broadly based mechanism for making claims and establishing proofs of debt in similar terms as those that apply in a winding up.

- 16.2 For the avoidance of doubt, not all Deed Creditors claims will be paid a dividend under the Deed. Dividends will only be paid to Participating Creditors.

17 LESSORS GENERALLY

- 17.1 All persons bound by the Deed irrevocably agree that Section 444D(3) is limited to possessory rights of an owner or Lessor of property.
- 17.2 All persons bound by the Deed irrevocably agree that Section 444D(1) operates to enable Lessors to claim for future rent and future breaches of covenant.
- 17.3 The Ansett Group's Leases with the Lessors will not be assigned under the Deed. The Property Lessors premises which will be occupied by the Principal Ansett Company during the Deed Period will be on the basis of a monthly sub-licence from the Lessor to the Principal Ansett Company at a licence fee equal to the monthly rental payable as at the Commencement Date.
- 17.4 The Deed Administrators will not adopt, ratify or become liable to the Lessors under the any Lease with the Lessors.
- 17.5 Each Lessor who votes in favour of the Deed waives any prior default of its Lease.
- 17.6 Each Lessor will use its best endeavours to mitigate its loss and damage.

18 EMPLOYEES

- 18.1 The Deed Administrators will not adopt, ratify or become personally liable for the Employees' continued employment.
- 18.2 Employees whose employment is transferred to Tesna will waive all their rights to be paid a dividend under the Deed.
- 18.3 The Deed will contain detailed provisions to ensure that Employees who accept employment with Tesna will have no entitlements to receive a dividend in the administration or winding up of the Ansett Group or pursue any other rights against the Ansett Group.

19 RETENTION OF TITLE CREDITORS

- 19.1 Each Ansett Group Company and ROT Creditors will provide the Deed Administrators with all relevant documentation relating to its ROT Claim.

- 19.2 The Deed Administrators will on a without prejudice basis advise ROT Creditors as to their determination of the amounts which will rank as a priority.
- 19.3 If there is any dispute in relation to the classification of the amount determined by the Deed Administrators such dispute will be mediated.
- 19.4 If any disputes in relation to ROT Claims cannot be resolved by mediation, then ROT Creditors have the right to appeal against the Deed Administrators failure to admit their ROT Claims in full and have that appeal determined by the Court. The Principal Ansett Company will pay any amount which the Court orders to be paid, notwithstanding the respondent may be another Ansett Group Company.

20 AIRCRAFT LESSORS

The Claim of an Aircraft Lessor whose Lease was or is terminated or whose aircraft was or is returned or available for return by the Voluntary Administrators or the Deed Administrators is:

[To be determined]

21 PROPERTY LESSORS AND OTHER LESSORS

The Claim of a Lessor (other than an Aircraft Lessor) whose Lease was or is terminated or whose property was or is vacated or returned or available for return by the Voluntary Administrators or the Deed Administrators is:

[To be determined]

22 SECURED CREDITORS

The Claim of a Secured Finance Lease Creditor is:

[To be determined]

23 COUPON CREDITORS

The Claim of a Coupon Creditor is:

[To be determined]

24 GLOBAL REWARD CREDITORS

The Claim of a Global Reward Creditor is:

[To be determined]

25 GOLDEN WING CREDITORS

The Claim of a Golden Wing Creditor is:

[To be determined]

26 INSIGNIFICANT CREDITORS

The Deed will release and extinguish Insignificant Claims without the payment of any dividend.

27 IT CREDITORS

The Claim of an IT Creditor is:

[To be determined]

28 SUPERANNUATION CREDITORS

The Deed will contain provisions to ensure that each Ansett Group Company's obligation to make further contributions to the Superannuation Funds, if any, will not rank to any priority of payment unless the Court so determines that it would do so if the Ansett Group Companies were wound up.

29 LIMITATION OF ALL DEED CREDITORS CLAIMS (OTHER THAN INSURED CREDITORS)

The Deed will prohibit all Deed Creditors (other than Insured Creditors) from receiving a dividend in respect of expectation damages, special damages and damages for incidental and consequential loss.

30 AIR NEW ZEALAND MOU

30.1 All persons bound by this Deed acknowledge that pursuant to the Air New Zealand MOU:

(a) in consideration of the Voluntary Administrators being paid AUD\$150 million by the New Zealand Government on behalf of the Air New Zealand Group:

(i) the Voluntary Administrators and the Ansett Group released the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group from any actions, claims and demands arising out of a Letter of Comfort dated 8 August 2001 from Air New Zealand Limited to the Ansett Group;

(ii) subject to the accuracy of certain representations given by the directors in the Air New Zealand MOU, the Voluntary Administrators and the Ansett Group released the Air New Zealand Group and directors of both the Air New Zealand Group and the Ansett Group from actions, claims and demands relating to the management or affairs of the Ansett Group, but without effecting any rights or powers of or causes of action the Australian Securities & Investments Commission may directly or indirectly have in relation to any party to the Air New Zealand MOU;

(b) the Air New Zealand Group and the directors of both the Air New Zealand Group and the Ansett Group released the Ansett Group from all actions, claims and demands which any of them may have on any account whatsoever,

and the Deed will incorporate the above releases.

30.2 In accordance with the Air New Zealand MOU, the Deed Administrators will, after the Deed is entered into, request the Air New Zealand Group to sign and deliver to the Deed Administrators a transfer in blank of all shares held by the Air New Zealand Group in the Ansett Group for nominal value together with the share scrip for those shares.

31 GENERAL FUND

31.1 The General Fund will be comprised of:

(a) the proceeds from the Tesna Sale;

- (b) the proceeds from the sale of any other assets;
- (c) the refunds of stamp duty received on termination or surrender of any Lease; and
- (d) the proceeds from the realization of any asset including proceedings.

31.2 The General Fund will be applied in payment of the Voluntary Administrators, the Deed Administrators and the Participating Creditors as follows:

- (a) first, the Voluntary Administrators and Deed Administrators in relation to any amounts owing to them and unpaid pursuant to the terms of the Deed, to the extent they would be afforded priority in a winding up of the Principal Ansett Company;
- (b) secondly, the Secured Creditors, to the extent that their Security is valid;
- (c) thirdly, Priority ROT Creditors in relation to their priority amount;
- (d) fourthly, Rate Employees and the SEESA Payers in accordance with the terms of the SEESA Deed, Superannuation Creditors and any other Participating Creditor entitled to a priority under s556 of the Act as if the Ansett Group Company was wound up, in the order of priority set out in section 556; and
- (e) fifthly, to the other Participating Creditors on a pro rata basis,

in the amounts and on the dates determined by the Deed Administrators.

31.3 For the avoidance of doubt, if there is any apparent inconsistency between the Deed and the SEESA Deed concerning the priority of repayment to the SEESA Payer, the terms of the SEESA Deed will prevail.

32 SPECIFIC FUND FOR EACH NON-POOLING ANSETT GROUP COMPANY

32.1 For each Non-Pooling Ansett Group Company, a specific fund will be established for that company to be comprised of:

- (a) the proceeds from the sale of any assets owned by that company;

- (b) the refunds of stamp duty received on termination or surrender of any lease held by that company; and
- (c) the proceeds from the realization of any other asset of that company, including proceedings.

32.2 The specific fund established for each Non-Pooling Ansett Group Company will be applied in payment of the Voluntary Administrators, the Deed Administrators and the Participating Creditors of that Non-Pooling Ansett Group Company as follows:

- (a) first, the Voluntary Administrators and the Deed Administrators in relation to any amounts owing to them and unpaid pursuant to the terms of the Deed, to the extent they would be afforded priority in a winding up of that Non-Pooling Ansett Group Company;
- (b) secondly, the Secured Creditors of that Non-Pooling Ansett Group Company, to the extent that their Security is valid;
- (c) thirdly, Priority ROT Creditors of that Non-Pooling Ansett Group Company in relation to their priority amount;
- (d) fourthly, past employees of that Non-Pooling Ansett Group Company and the SEESA Payers in accordance with the terms of the SEESA Deed, Superannuation Creditors of that Non-Pooling Ansett Group Company and any other Participating Creditor of that Non-Pooling Ansett Group Company entitled to a priority under section 556 of the Act as if that company were to be wound up, in the order of priority set out in section 556; and
- (e) fifthly, to other Participating Creditors of that Non-Pooling Ansett Group Company on a pro rata basis,

in the amounts and on the dates determined by the Deed Administrators.

33 CHARGES OVER ASSETS

Each Ansett Group Company will provide the Deed Administrators with a fixed and floating charge over all of its assets and undertaking to secure all amounts to be paid to the Voluntary Administrators and Deed Administrators (including remuneration and costs and the liabilities of the Voluntary Administrators and Deed Administrators).

34 MANAGEMENT OF THE ANSETT GROUP

The Deed Administrators will retain day to day management and control of the Principal Ansett Company and all other Ansett Group Companies until the Termination Date to the exclusion of the directors.

35 POWERS OF ADMINISTRATORS

35.1 The Deed Administrators will be entitled in their capacity as Deed Administrators and trustee of the General Fund to exercise all the powers, authorities and discretions which are ordinarily exercised by or vest in a trustee of a fixed trust.

35.2 The Deed Administrators will be given such powers as are necessary for the effective operation of the Deed.

35.3 Without limiting Clauses 35.1 and 35.2, the Deed Administrators will have the following powers:

- (a) the powers conferred on the shareholders of each Ansett Group Company to the exclusion of those shareholders;
- (b) the powers conferred on the directors of each Ansett Group Company to the exclusion of the directors of those companies;
- (c) all of the powers set out in paragraph 2 of Schedule 8A of the Corporations Regulations;
- (d) the power to alter share capital;
- (e) the power to issue shares;
- (f) the power to vary class rights attaching to shares;
- (g) the power to change each Ansett Group Company's name;
- (h) the power to reduce each Ansett Group Company's capital;
- (i) the power to alter each Ansett Group Company's constitution;
- (j) the power to convene meetings of members of each Ansett Group Company; and
- (k) in relation to the property and assets of each Ansett Group Company, all the powers of a natural person who

is the absolute and beneficial owner of such property and assets.

- 35.4 In exercising any power of sale, the Deed Administrators will take reasonable care to sell the relevant asset for the best price that is reasonably obtainable, having regard to the circumstances existing when the asset is sold and having regard to the diminution of Ansett Group liabilities in general and any reduction in payments to Participating Creditors in particular.
- 35.5 The Deed Administrators will have power to engage solicitors and consultants, and the Ansett Group will pay all costs of any solicitors and consultants engaged by the Deed Administrators.

36 TERMINATION OF DEED

- 36.1 The Deed will terminate on the first to occur of:
- (a) ## months from the Commencement Date or such extended date as may be agreed between the Principal Ansett Company, the Deed Administrators and Deed Creditors (via a resolution at a Deed Creditors' meeting);
 - (b) the date a Court orders termination of the Deed;
 - (c) in respect of any Ansett Group Company which is deregistered, one day after a company is deregistered;
 - (d) payment of all Participating Creditors' Entitlements from the General Fund;
 - (e) in respect of each Non-Pooling Ansett Group Company, payment of all of its Participating Creditors' Entitlements from the specific fund established for it under Clause 32; or
 - (f) Deed Creditors passing a resolution at a meeting of Deed Creditors to terminate the Deed.
- 36.2 Notice of any meeting of Creditors will be given by advertising nationally and by posting on websites.
- 36.3 The Deed Administrators may deregister each of the Ansett Group Companies other than the Principal Ansett Company.

37 INTER-COMPANY CLAIMS

All Claims due by one Ansett Group Company against any other Ansett Group Company (other than the Non Pooling Ansett Group Companies) to

the extent that they have not previously been released will be released in respect of:

- 37.1 rights of contribution and indemnity;
- 37.2 loans;
- 37.3 internal sales;
- 37.4 shared Employees;
- 37.5 internal purchases;
- 37.6 shared assets; and
- 37.7 breaches of the Act (or Corporations Law).

Subject to the provisions of the Air New Zealand MOD, nothing contained in this clause will constitute a waiver of any Ansett Group Company's claims against any director or officer of the Ansett Group or any other person.

38 MEMBERS BOUND BY DEED

All Members consent to the Deed and appoint the Deed Administrators as their proxies or attorneys to vote and pass resolutions to give effect to the terms of the Deed.

39 ADMINISTRATOR'S REMUNERATION AND COSTS

The Principal Ansett Company will from time to time pay to the Voluntary Administrators and Deed Administrators:

- 39.1 remuneration in accordance with rates to be set out in a Schedule;
- 39.2 reimbursement of all of their legal and accountancy costs; and
- 39.3 all debts and liabilities incurred by the Voluntary Administrators and Deed Administrators during the Voluntary Administration Period and the Deed Period.

40 VOLUNTARY AND DEED ADMINISTRATOR'S INDEMNITY

The Voluntary Administrators and Deed Administrators are entitled to be indemnified by the Ansett Group in accordance with the Deed for their costs, expenses and liabilities incurred during the Voluntary Administration Period and Deed Period, other claims made against the Voluntary Administrators and Deed Administrators and all amounts for which they are entitled to be indemnified under the Deed.

41 DEED CREDITOR RELEASE

- 41.1 The Deed will contain full and complete releases by all Deed Creditors other than Insured Creditors of the amount of their Claims as and from the Commencement Date.
- 41.2 Insured Creditors will release all of their claims as and from the Commencement Date as and when they have exhausted their rights against the insurer or like agency.
- 41.3 The Deed will also contain releases in favour of the Voluntary Administrators and the Deed Administrators.

42 VOLUNTARY AND DEED ADMINISTRATORS RELEASE

All persons bound by the Deed release the Voluntary Administrators and the Deed Administrators from all claims and liability except in the case of fraud, dishonesty, breach of duty or negligence.

43 COMMITTEE OF CREDITORS

- 43.1 There will be a Committee of Creditors comprising those persons elected to the Committee of Creditors at the First Meeting of Creditors save for the Air New Zealand and Qantas representatives and any other persons who have or will resign from that Committee.
- 43.2 The representatives will otherwise be selected from amongst the creditor groups by the Deed Administrators from those presently appointed to the Committee of Creditors who nominate themselves for such purpose.
- 43.3 The function of the Committee of Creditors will be:
- (a) to consult with the Deed Administrators about matters relating to the administration; and
 - (b) to receive and consider reports by the Deed Administrators.
- 43.4 The Committee of Creditors cannot give directions to the Deed Administrators.

44 MEETINGS OF CREDITORS

44.1 The Deed Administrators:

- (a) may at any time convene a meeting of Deed Creditors; and
- (b) will convene a meeting of Deed Creditors if requested by Deed Creditors whose claims are more than 10% of the value of all claims.

44.2 Deed Creditors will be entitled to vote at those meetings according to their admitted Claims in the Principal Ansett Company or Non-Pooling Ansett Group Company.

44.3 All meetings of Deed Creditors will take place on a consolidated basis.

44.4 Written notice will not be sent by post to Deed Creditors of any further meetings. The Notice of Meeting will be advertised in newspapers nationally and a website and hotline established.

45 FORUM SHOPPING

45.1 All persons bound by the Deed agree that any application will only be made to the Court.

46 GOVERNING LAW

The Deed will be governed by Victorian Law.

47 RATIFICATION

All persons bound by the Deed will ratify the resolution to sell (or not to sell as the case may require) the Mainline Business to Tesna.

48 SEVERANCE PROVISION

If any provision of the Deed is illegal or void it may be severed from the Deed by Court order or direction and the remainder of the Deed will stand.

49 WINDING UP

49.1 If any Ansett Group Company is wound up by the Court, the Deed Creditors irrevocably consent to Mark Francis Xavier Mentha and



Mark Anthony Korda being appointed the liquidator of the Ansett Group Company.

- 49.2 In the event of a conflict between any Ansett Group Companies, the Deed Administrators will seek the Court's direction in relation to that conflict.

50 REPORTING

Except as required by law, the Deed Administrators will not be required to report to Deed Creditors. However, the Deed Administrators may, in their absolute discretion, report to Deed Creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of Deed Creditors.

51 FURTHER ASSURANCES

All persons bound by the Deed agree to do (at their own expense) all things required by the Deed Administrators to give effect to the Deed and the transactions and matters contemplated by it (including signing any documents).

WORKING DRAFT

Owner of Assets Subject of Tesna Sale

Ansett Company	Assets
Ansett Aviation Equipment Pty Ltd	Simulator Assets
Airport Terminals Pty Ltd	Perth Domestic Terminal Lease and related assets
South Centre Maintenance Pty Ltd	Melbourne Jet Base, South Centre Road
Ansett Australia Ltd	All other tangible assets

The employees expected to transfer to Tesna are primarily employed by Ansett Australia, however some employees may also be employed by Ansett International and AANZES.

* This is based on investigation to date, further searches on titles will be conducted prior to settlement date.