



KordaMentha

Ansett Committee of Creditors Update 88

30 November 2007



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Introduction

Introduction

The update distributed in September 2007 provided financial details for the quarter ending 31 August 2007.

This update reports on the events of September, October and November 2007 and the financial position at 30 November 2007.

The major issues in this report include:

- current entitlements / advances outstanding;
- value of the remaining assets;
- current litigation and asset valuations;
- details of costs to complete the administration;
- contingencies; and
- a financial summary of the quarter to 30 November 2007.

A ninth dividend is planned for December 2007 - to be discussed at the committee meeting.

Current Entitlements/Advances Outstanding

| Employees | |
|---|-------|
| To Date | \$m |
| Employees have been paid | 676.2 |
| Total Employee Entitlements | 760.0 |
| Therefore the Employees are currently owed | 83.8 |
| <i>The Employees, on average, have received approximately 89 cents in the dollar of their Entitlements to date.</i> | |

| SEES | |
|---|-------|
| To Date | \$m |
| SEES have been re-paid | 328.4 |
| The total SEES Advances are estimated to be | 384.0 |
| Therefore SEES are currently owed | 55.6 |

Value of the remaining assets

| Value of the remaining assets | |
|---|-------------|
| | \$m |
| Cash at Bank | 50.8 |
| Less: Funds held in trust (includes Diners monies) | (23.1) |
| Assets still to be realised: | |
| Spares | |
| Debtors (including IATA) | |
| Property (see further details) | |
| Total | 10.5 |
| Aircraft | 2.5 |
| Less: Costs to complete | (5.8) |
| Less: Contingency (to be restated at 31 Dec 2007) | (13.9) |
| Total | 21.0 |
| <i>Realisations in line with the above mean the total net asset realisations will be \$670 million.</i> | |

Further Details – Debtors

Debtors

- Current Valuation – nil - to be re-valued at year end (we have already exceeded the December 2006 estimate).
- BSP Collections - during 2007 the BSP team, comprising 2 staff, has recovered in excess of \$2.4 million through a combination of mass mailings, targeted correspondence and litigation. Legal and court costs represent less than 12% of the amount recovered. The team is currently finalising various proceedings and recovery arrangements and it is expected that this aspect of the Administration will be finalised during the first half of 2008. The total recoveries of this team now exceed \$13.2 million with less than 9% costs.
- Remaining assets to potentially realise:
 - **Diners** – as previously advised, Diners were ordered by the Supreme Court to pay Ansett the sum of \$9,632,793 plus interest of \$5,505,181 therefore a total sum of \$15,137,974. Diners were also ordered to pay Ansett's costs of the proceeding up until 13 April 2006 on a party/party basis and thereafter on an indemnity basis. Diners have paid the claim and interest amounts with the costs currently being determined.
 - Diners have exercised their right of appeal, and as such, Ansett are required to hold the monies in trust until the appeal is heard and a decision handed down. The matter was heard on 8 October and we are awaiting judgement.
 - **Diners Club – Merchant Agreement** – as previously advised and pursuant to a standstill agreement between the parties, the arbitration will not be commenced until the Global Rewards proceeding (outlined above) is completed.
- Potential Realisations – between \$1m and up to a further \$30 million (inclusive of the Diners and TSS monies currently held in trust) depending on results of litigation.
 - **IATA** – The High Court Justices granted IATA leave to appeal. IATA has given the required undertaking to pay Ansett's costs of the High Court appeal (irrespective of the outcome of the appeal). The matter was heard on 4 September 2007 and we are awaiting judgement. The decision as it currently stands enlivens Ansett's claims against debtors i.e. other airlines who are members of the IATA clearing house – this is potentially worth more than \$10 million.
 - **TSS** – the TSS trial was heard in the Supreme Court in May 2007. Justice Hargrave handed down a decision in Ansett's favour on 19 September and TSS have paid the \$4 million claim plus interest – a total of \$4,901,093. TSS have exercised their right of appeal, and as such, Ansett are required to hold the monies in trust until the appeal is heard. A hearing date has not yet been set.
 - **BSP** – 381 Agents with in excess of \$3 million outstanding (a significant portion of which are unavailed tickets) – recoveries difficult to estimate given unknown offsets and counter claims.
 - Other sundry items.



Further Details – Spares

Spares

- Current Valuation – \$10.0 million.
- Collections in quarter ended 30 November 2007 – \$2.5 million.
- Collections in 2007 calendar year to 30 November 2007 – \$10.1 million.
- Remaining assets to potentially realise:
 - there are approximately nine million spare parts across 205,000 line items remaining;
 - due to the sale of the AAES maintenance base, approximately half of the spares needed to be moved to the Supply building at Garden Drive, this consolidation and audit process is in progress and will be complete by April 2008. We are also undertaking a rationalisation process in tandem with the relocation;
 - as we no longer requiring CASA and EASA certification (due to the sale of the AAES maintenance base), we are moving to a new stand alone (and far less expensive) IT system – this process is on track to be complete by Christmas and will save approximately \$1 million per annum;
 - the Spares business will become a stand alone and independent operation from January 2008 potentially making this asset (either collectively or by aircraft type) a far more attractive to potential buyers / investors; and
 - we currently hold spares for 737, 767, A320, BAE146, CRJ, F27, F28, F50 and other sundry aircraft types.
- Potential Realisations – up to a further \$10 million depending on global demand for those aircraft types for which we hold spares.

Further Details – Aircraft

Aircraft

- Current Valuation – \$2.5 million (based on existing revenue stream as at 31 December 2006)
 - includes balance of the contract income from the four leased BAe146's with European Skybus (leases have expired and contract currently being paid out) and Orion Air (two aircraft – lease expires July 2008);
 - includes balance of the contract income from leased ALF engines with Eurowings (two engines – lease expires July 2008) and Malmo Aviation (four engines – lease expires March 2008)
- Collections in quarter ended 30 November 2007 – \$0.23 million
- Remaining assets to potentially realise:
 - new ALF engine leases entered into during the 2007 calendar year with Eurowings and Orion Air;
 - we currently have 22 ALF engines in storage in Australia – each of these engines vary in remaining life and residual parts and decisions will be made to spend monies on an “as required” basis pending the global demand and potential profitability;
 - in order that we have available engines close to the European markets, we have two engines at Sigma in the UK;
 - if and when these European based engines are leased or sold, we will re-condition the Australian based engines and ship them to Europe if such action is deemed profitable; and
 - negotiations are currently taking place to assign some of the leases and sell those engines not in use – the negotiations are confidential and we will advise on resolution.
- Potential Realisations – up to a further \$3 million dependent on global demand for ALF engines and competitors attitude towards Ansett leasing.

DC 3 Aircraft

- As previously discussed with the Committee – the DC3 aircraft is in the process of being transferred to the Ansett Historical Society for a nominal price of \$5,000.



Further Details – Property

Property

- Current Valuation – \$0.5 million (based on the December 2006 valuation less receipts in 2007 year).
- Collections in quarter ended 30 November 2007 – nil.
- Remaining asset to potentially realise:
 - Supply Centre – houses the spares and is valued at \$3 million.
 - this building will not be sold until the Spares are either sold or further sales become uneconomical;
 - parts of the building are rented to AASS and Ozjet; and
 - as of January 2008, the Administrators will also be located here.
- Further Receipt – a minimum of a further \$5 million (the balance of monies due on the sale of the AAES Maintenance Base). These monies will be paid at the earliest of either JHAS achieving EASA and CASA certification or 1 June 2008.
- JHAS has recently been audited by both authorities and as such, we expect the audit results shortly.

Further Details – Contingency

Contingencies

- We have built up the contingency reserve as assets are realised above budget. A total of \$110 million has been released to date and the contingency reserve at 30 November 2007 is \$13.9 million.
- As expected, we released a further \$30 million on completion of the 31 December 2006 revaluation exercise.
- Increase during quarter ended 30 November 2007 – \$1.9 million.
- Remaining assets to potentially realise have been set out in the proceeding pages.

Contingency Review

| | Assets realised above budget to 31 Dec 2005 \$m | Assets realised above budget to 31 Dec 2006 \$m | Assets realised above budget to 30 Nov 2007 \$m |
|--|---|---|---|
| Increase in collection of pre-admin debtors | 15.3 | 15.3 | 18.7 |
| Decrease in property realisations | (4.3) | (4.3) | (4.3) |
| Increase in spares realisations (and future realisations)* | 54.5 | 68.9 | 69.0 |
| Settlement of contingent claims ** | 16.7 | 6.9 | 22.0 |
| Cost to complete / working capital | 6.1 | 7.6 | 10.1 |
| Other | 8.3 | 25.4 | 8.5 |
| Total Over Budget to Date | 96.6 | 119.7 | 123.9 |
| Less amount reported over budget | (80.0) | (80.0) | (110.0) |
| Total currently held as contingency | 16.6 | 39.7 | 13.9 |

* includes future estimated realisations above budget

** includes Skywest Security Payment receipt and Air NZ settlement receipt

Further Details – Cost to Complete and Other

Cost to Complete

- Current Estimated Cost to Complete – \$5.8 million which includes current creditors.
- Net costs incurred during the quarter ended 30 November 2007 – \$0.6 million. (note: these costs have reduced considerably on sale of AAES)
- Remaining costs include:
 - Employee costs (for spares shipping, debtor collections, etc.)
 - Administration Fees
 - Legal Fees
 - IT (communications, storage and spares)
- Costs are only incurred once a Cost Benefit analysis has been completed.

Cost to Complete the administration

| | Cost to Complete as at 7th Report 31 Dec 2006 \$m | Cost to Complete Current 30 Nov 2007 \$m |
|---|--|---|
| Aircraft costs | 1.0 | 0.2 |
| Working Capital – includes trade creditors and employee entitlements accrued during the administration period | 3.1 | 1.7 |
| Shared services costs – includes clerical and accounting costs, IT, insurance, non asset specific payroll costs | 4.9 | 2.3 |
| Administration and legal fees | 3.5 | 1.8 |
| Total | 11.5 | 5.8 |

Summary

Summary

The estimated net asset realisations of \$670 million could potentially increase by:

| | |
|-----------------------------------|---------------------------------|
| ▪ Diners Club (Global Rewards) | \$0 – \$16.5m (including costs) |
| ▪ Diners Club (MMA) | \$0 – \$10m |
| ▪ IATA | \$0 – \$10m |
| ▪ TSS | \$0 – \$5m |
| ▪ BSP | \$0 – \$3m |
| ▪ Spares | \$0 – \$10m |
| ▪ Aircraft | \$0 – \$3m |
| ▪ Property | \$5 - \$8m |
| ▪ Contingency may not be required | \$0 – \$14m |
| ▪ Cost to Complete | ? |

Total excess over \$670m: more than \$5m

Note: a significant increase in the cost to complete (i.e. \$5m - \$10m) would be required from the current budget in order to realise the above. Costs are only incurred once a case by case cost benefit analysis has been completed.

What does this mean in terms of return to the Employees and SEES?

Net Asset Realisations – \$670 million

- Currently, the estimated net asset realisations are \$670 million.
- Based on this estimate, the total returns would be as follows:

| Employees | |
|---|-------|
| To Date | \$m |
| To Date – the employees have been paid | 676.2 |
| Given net assets remaining of \$21.0 million, employees would receive approximately 60% of these asset realisations | 12.6 |
| Therefore, the total payments to employees would be | 688.8 |
| <i>The Employees on average would receive approximately 90.6 cents in the dollar of their \$760 million Entitlements.</i> | |

| SEES | |
|--|-------|
| To Date | \$m |
| To Date – SEES have been re-paid | 329.9 |
| Given net assets remaining of \$21.0 million, SEES would receive approximately 40% of these asset realisations | 8.4 |
| Therefore, the total payments to SEES would be | 338.3 |
| <i>A return of 88.0 cents in the dollar on Advances of \$384 million.</i> | |

As discussed, it is likely that the actual net asset realisations will be higher than \$670 million.

Employee Entitlements

Statistics – Employee Entitlements Outstanding

| Value of entitlements outstanding | Number or Employees in Range |
|-----------------------------------|------------------------------|
| \$0 to \$5,000 | 4,133 |
| \$5,000 to \$10,000 | 2,308 |
| \$10,000 to \$20,000 | 1,964 |
| \$20,000 to \$30,000 | 794 |
| \$30,000 to \$40,000 | 171 |
| \$40,000 to \$50,000 | 86 |
| \$50,000 to \$75,000 | 51 |
| \$75,000 to \$100,000 | 5 |
| Total | 9,512 |

Further Financial Schedules

The following schedules detail the Ansett Group's total financial position at 30 November 2007

Further Financial Schedules – Overall Summary

Financial Summary - Overall we now expect to achieve total realisations in excess of \$670.0m which will be distributed as follows:

| | 5th Report 31 Dec 2004 | | 6th Report 31 Dec 2005 | | 7th Report 31 Dec 2006 | | Current 30 Nov 2007 | |
|--|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|------------------------|--------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Proceeds from Asset Sales used for entitlements (incl Trust Funds) and unsecured creditors - to date | | 436.0 | | 474.8 | | 634.2 | | 649.0 |
| Assets to be realised / distributed | | | | | | | | |
| Cash at Bank | 151.1 | | 142.4 | | 32.2 | | 50.8 | |
| Less: Funds held in trust | (22.5) | | (7.3) | | (4.5) | | (23.1) | |
| Assets still to be realised | 32.0 | | 33.6 | | 26.1 | | 10.5 | |
| Aircraft | 61.5 | | 37.1 | | 4.2 | | 2.5 | |
| Costs to complete | (42.3) | | (24.0) | | (12.5) | | (5.8) | |
| Contingency | (25.8) | 154.0 | (16.6) | 165.2 | (9.7) | 35.8 | (13.9) | 21.0 |
| Total | | 590.0 | | 640.0 | | 670.0 | | 670.0 |
| Amounts to be distributed | | | | | | | | |
| SEES | | 45.1 | | 54.0 | | 14.1 | | 8.6 |
| Employees | | 68.9 | | 84.2 | | 21.7 | | 12.4 |
| Unsecured Creditors | | 40.0 | | 27.0 | | - | | - |
| Total | | 154.0 | | 165.2 | | 35.8 | | 21.0 |
| Distributions to date | | | | | | | | |
| SEES | | 258.3 | | 272.6 | | 324.2 | | 329.7 |
| Employees | | 177.7 | | 202.2 | | 283.0 | | 292.3 |
| Unsecured Creditors | | - | | - | | 27.0 | | 27.0 |
| Total | | 436.0 | | 474.8 | | 634.2 | | 649.0 |
| Total distributions | | | | | | | | |
| SEES | | 303.4 | | 326.6 | | 338.3 | | 338.3 |
| Employees | | 246.6 | | 286.4 | | 304.7 | | 304.7 |
| Unsecured Creditors | | 40.0 | | 27.0 | | 27.0 | | 27.0 |
| Total | | 590.0 | | 640.0 | | 670.0 | | 670.0 |

Further Financial Schedules – Total Gross Employee Entitlements and Further Claims on SEES

| Total Gross Employee Entitlements and Further Claims on SEES | | | | | | |
|--|-----------------|--|-------------------------------------|---------------------------------|------------------------|--------------|
| | SEES To Date | SEES Cont Emp and Further Claims | Non-SEES Continuing Employees | Non-SEES Former Employees | Non-SEES Contingent | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| 1st Priority | | | | | | |
| Wages | 3.0 | - | - | 10.9 | - | 13.9 |
| AL/LSL (incl Z, TIL) | 190.3 | 1.0 | - | 1.9 | - | 193.2 |
| | 193.3 | 1.0 | 0.0 | 12.8 | 0.0 | 207.1 |
| 2nd Priority | | | | | | |
| PILN | 65.6 | 0.5 | - | - | - | 66.1 |
| Severance < 8 weeks | 123.4 | 0.2 | - | - | - | 66.1 |
| Severance > 8 weeks | - | - | 1.7 | 361.5 | - | 363.2 |
| | 189.0 | 0.7 | 1.7 | 361.5 | 0.0 | 552.9 |
| Grand Total | 381.7 | 2.3 | 1.7 | 374.3 | 0.0 | 760.0 |

Further Financial Schedules – Payments to Employees to Date

| Payments to Employees to Date | | | | | | | | |
|-------------------------------------|------------------|---------------|-----|-------------------|---------------|-----|---------------|-------|
| | Former Employees | | | Current Employees | | | Contingencies | Total |
| | SEES | Administrator | | SEES | Administrator | | Administrator | |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | |
| 1st Priority | | | | | | | | |
| Wages | 3.0 | 10.9 | - | - | - | - | - | 13.9 |
| AL/LSL | 190.3 | 1.9 | 1.0 | - | - | - | - | 193.2 |
| PILN | 65.6 | - | 0.5 | - | - | - | - | 66.1 |
| Severance < 8 wks | 123.4 | - | 0.2 | - | - | - | - | 123.6 |
| Severance > 8 wks (1st and 2nd div) | - | 147.1 | - | 1.4 | - | - | - | 148.6 |
| Total (incl 1st and 2nd div) | 382.4 | 159.9 | 1.6 | 1.4 | 0.0 | - | - | 545.4 |
| 7.5% Add Third Dividend | - | 16.0 | - | 0.1 | - | - | - | 16.1 |
| Total (incl 3rd Div) | 382.4 | 176.0 | 1.6 | 1.5 | 0.0 | - | - | 561.5 |
| 12.5% Add Fourth Dividend | - | 24.7 | - | 0.1 | - | - | - | 24.8 |
| Total (incl 4th Div) | 382.4 | 200.7 | 1.6 | 1.6 | 0.0 | - | - | 586.3 |
| 10.0% Add Fifth Dividend | - | 17.3 | - | 0.0 | - | - | - | 17.3 |
| Total (incl 5th Div) | 382.4 | 218.0 | 1.6 | 1.6 | 0.0 | - | - | 603.6 |
| 30.0% Add Sixth Dividend | - | 46.7 | - | 0.2 | - | - | - | 46.9 |
| Total (incl 6th Div) | 382.4 | 264.7 | 1.6 | 1.8 | 0.0 | - | - | 650.5 |
| 15.0% Add Seventh Dividend | - | 16.4 | - | 0.1 | - | - | - | 16.4 |
| Total (incl 7th Div) | 382.4 | 281.1 | 1.6 | 1.8 | 0.0 | - | - | 666.9 |
| 10.0% Add Eighth Dividend | - | 9.3 | - | 0.0 | - | - | - | 9.3 |
| Total (incl 8th Div) | 382.4 | 290.4 | 1.6 | 1.9 | 0.0 | - | - | 676.2 |

Employees paid includes amounts actually paid to employees, amounts held in trust for continuing employees and the final amounts due under SEES for continuing employees.