

14 December 2006

The Manager
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Allco Finance Group Ltd (ASX Code: AFG)

Allco invests \$300 million in Qantas Offer bringing significant aviation experience to Airline Partners Australia

Allco Finance Group Limited (ASX: AFG) (**Allco**) announces that consistent with, and as part of, its funds management strategy, it is investing \$300 million in the Airline Partners Australia (**APA**) Offer to Qantas shareholders, which will provide a seed asset for the potential creation of a wholesale fund. The investment represents an economic interest of 8.4%.

Allco Equity Partners Limited (ASX:AEQ) (**AEP**) will co-invest alongside Allco and will hold a 26.8% economic interest in APA, such that the combined economic interest of Allco and AEP will be 35.2%.

Executive Chairman of Allco, Mr David Coe, said: "Allco's involvement in APA brings significant global aviation experience to the consortium comprising long-term aircraft leasing to international airlines and a relationship with Qantas that extends over 25 years."

"Allco, through our depth of airline experience at both Board and management level is uniquely placed to continue to provide valuable insight and support to Qantas going forward."

Executive Chairman of Allco, Mr David Coe and Allco Board members, independent Non-Executive Director, Mr Bob Mansfield and Executive Director, Mr David Turnbull, will join the Board of Airline Partners Australia.

David Coe is the Executive Chair of Allco and Allco has had a strong relationship with Qantas for over 20 years. Bob Mansfield is the Deputy Chair of Allco and has been Chairman of McDonald's Australia Limited since 2002 and a director since 1989. He was non-executive Chairman of Telstra Corporation Limited from 2000-2004 and serves on the boards of several other public companies in Australia. In January 2000, he was honoured with an Order of Australia award in recognition of his contribution to Australian business and economic development, and to the telecommunications industry. David Turnbull is the immediate past Chair of Swire Pacific Ltd, Cathay Pacific Airways Limited, John Swire & Sons (HK) Ltd and previous Chair of Hong Kong Aircraft Engineering Company Ltd.

Please refer to the attached announcement from Airline Partners Australia.

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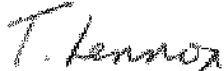
Singapore /

ASX RELEASE

Changes in the ownership and management of Allco Equity Partners (AEP)

As stated above, one of the other significant investors in Airline Partners Australia is AEP. As a result of this Offer and subject to completion, Allco announces it is acquiring the LJC Investment Group's interest in Allco Equity Partners Management Pty Limited, the management company of AEP.

In addition, one of Allco's Executive Directors, David Turnbull, will join the AEP Board.



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Allco Finance Group Limited

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About Allco Finance Group

Allco Finance Group ("Allco") is a fully integrated global financial services business, listed on the Australian Stock Exchange (ASX: AFG) and specialising in structured asset finance, specialised funds management and debt funding.

Allco commenced operations in Australia as a private structured finance business in 1979. The Group has evolved significantly from its origins as a leveraged lease packager and underwriter and is now a diversified finance group with a global network of operations.

Throughout its history, Allco has recognised that with change comes opportunity, and has positioned itself at the forefront of structured finance through product innovation.

Allco's business has grown rapidly as access to capital has facilitated the origination of more transactions. Headquartered in Sydney, Allco's growth prospects are augmented by its network of offices in key markets throughout UK/Europe, Asia and North America.



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ASX Announcement

14 December, 2006

QANTAS BOARD RECOMMENDS AIRLINE PARTNERS AUSTRALIA CASH OFFER

Airline Partners Australia today announced that it had reached agreement with Qantas Airways Limited (**Qantas**) on an improved offer which includes a cash offer of \$5.60 per share for 100% of the issued capital of Qantas.

Airline Partners Australia has been informed by Qantas that the non-executive directors have unanimously recommended that shareholders accept the offer in the absence of a superior proposal.

The recommendation is subject to the Qantas board receiving an opinion by an independent expert, Grant Samuel, that the offer is fair and reasonable.

Airline Partners Australia Director and Deputy Chairman, Allco Finance Group, Mr Bob Mansfield AO, said Airline Partners Australia supports Qantas management in undertaking the necessary large capital expenditure that underpins its current growth strategy, maintaining the airline's international competitiveness, and securing Qantas' future.

"A distinct point of difference is that Airline Partners Australia offers Qantas patient capital", Mr Mansfield said.

"We have a longer term perspective than the day to day equity market. Airline Partners Australia will invest for a stronger Qantas over the long term. We will bring our proven experience in the airline and finance industries in support of Geoff Dixon and his management team", he said.

Mr Mansfield confirmed other key benefits of the Offer are:

- A commitment to maintain Qantas' world leading maintenance and safety record
- Support of management's plans to invest in excess of \$10 billion over the next five years and the acquisition of more than 70 new aircraft, resulting in a 40% increase in capacity

- A commitment to management's existing plans for Qantas and Jetstar
- An expansion of services, particularly internationally
- The airline remains majority Australian-owned
- More than two thirds of the Airline Partners Australia Board will be Australian citizens
- Compliance with all ownership laws and regulations.

"Qantas would retain the current Australian management and their growth strategy, a strategy that does not involve a break-up of the airline, cuts to regional services or the movement of maintenance operations offshore," he said.

Mr Mansfield said the consortium partners are experienced in the aviation sector and acknowledged the significant responsibility of owning the national carrier.

Airline Partners Australia

"Qantas will remain majority Australian-owned in every sense – by way of voting rights and economic interest," Mr Mansfield said.

The consortium comprises, by way of voting rights, Allco Equity Partners (35%), Allco Finance Group (11%), and Macquarie Bank (less than 15%). Offshore investors include Texas Pacific Group (TPG) (less than 15%), Onex (9%) and other foreign investment funds (less than 15%). Offshore investors in total hold less than 40% with no single international investor holding more than 15%. Qantas is currently approximately 46% foreign owned.

Annexure 2 outlines Airline Partners Australia's voting and economic interests, which fulfil all requirements of Australian law.

Allco Finance Group is a fully integrated global financial services business specialising in structured asset finance, specialised funds management and debt funding. Allco's global aviation experience includes long-term aircraft leasing to international airlines and a relationship with Qantas that extends over 25 years. The Allco Board also includes directors with significant aviation experience.

Allco Equity Partners is a listed-investment company focused on large scale private equity and public market opportunities.

TPG is a top five global private equity investor, the most established private equity firm in the Asia Pacific and the most experienced in the airline sector. Airline investments have included Continental Airlines, America West Airlines and Ryanair. In the case of Continental, TPG took the airline from bankruptcy to being recognised as the leading airline in North America in terms of customer satisfaction and employee morale.

Onex is a leading Canadian-based private equity investor. Its key investments in the aviation industry include Spirit Aerosystems, the world's largest supplier of commercial airplane assemblies and components, and, formerly, Sky Chefs, the world's largest in-flight caterer.

Macquarie Bank is Australia's largest investment bank and has aviation sector experience including aircraft and engine leasing, the ownership or management of six airports and aircraft ownership.

Further information on the consortium members is included in Annexure 1.

Overview of the Offer

The Offer provides Qantas Shareholders with a number of significant benefits including:

- 100% cash offer
- Very limited offer conditions.

Mr Mansfield said: "Airline Partners Australia believes this is a compelling offer that maximises value for Qantas Shareholders."

Under the terms of the offer, the interim dividend that would otherwise be payable by Qantas in April 2007 will not be available. However, the Qantas Board is evaluating whether a fully franked special dividend could be paid during the offer period, in which case the offer consideration would be reduced by the dividend amount.

Airline Partners Australia considers its offer to be full and fair, representing a:

- 33% premium to the closing Qantas share price of \$4.20 on 6 November 2006, the day before first speculation about the offer
- 61% premium to Qantas' volume weighted average share price for the six month period to 6 November 2006
- 37% premium to the consensus broker valuation of \$4.09 per share¹
- Higher price than Qantas has ever traded on the ASX.

Airline Partners Australia has declared its offer price of \$5.60 to be final, in the absence of an alternative proposal from a third party.

Airline Partners Australia believes that its structure complies with the Airports Act, the Qantas Sale Act and does not require approval under the Foreign Acquisitions and Takeovers Act. However Airline Partners Australia will consult extensively with the Federal Government and regulators.

Airline Partners Australia and its key investors today entered into an implementation deed with Qantas under which the parties have agreed to facilitate the offer. This includes customary no-shop, no-talk and exclusivity provisions.

¹ Average broker price target refers to the average price target of 10 independent brokers as at 6 November 2006, detailed in reports published between 9 October 2006 and 6 November 2006

Financial Structure

Airline Partners Australia has in place fully committed financing to fund completion of the offer. Airline Partners Australia's financial structure will include a substantial cash reserve which will help to ensure Qantas remains financially strong.

Further details of Airline Partners Australia's capital structure will be disclosed in the Bidder's Statement.

Conditions

Airline Partners Australia's offer is subject to the following limited conditions:

- 90% minimum acceptance
- no material adverse change (limited in scope)
- no breach by Qantas of the implementation agreement
- no prescribed occurrences (as is customary for public company takeovers).

The full conditions of Airline Partners Australia's offer are set out in Annexure 3.

Next Steps and Timetable

Airline Partners Australia's Bidder's Statement and Qantas' Target's Statement are expected to be mailed to Qantas shareholders in late January or early February. These documents will provide shareholders with detailed information regarding the offer and ample opportunity to make an informed decision.

Further information on Airline Partners Australia can be found on the internet at www.airlinepartnersaustralia.com.au

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Annexure 1

Overview of Consortium Members

The principal members of APA are:

- Allco Finance Group
 - Allco Equity Partners
 - Texas Pacific Group
 - ONEX
 - Macquarie Bank
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Allco Finance Group ("Allco") is a fully integrated global financial services business, listed on the Australian Stock Exchange and specialising in structured asset finance, specialised funds management and debt funding.

Allco commenced operations in Australia as a private structured finance business in 1979. The Group has evolved significantly from its origins as a leveraged lease packager and underwriter and is now a diversified finance group with a global network of operations.

Throughout its history, Allco has recognised that with change comes opportunity, and has positioned itself at the forefront of structured finance through product innovation.

Allco's business has grown rapidly as access to capital has facilitated the origination of more transactions. Headquartered in Sydney, Allco's growth prospects are augmented by its network of offices in key markets throughout UK/Europe, Asia and North America.

Allco has established a global presence in the Aviation industry by focusing on long term aircraft leasing to mainly tier 1 airlines, such as Qantas, British Airways, Emirates, Singapore Airlines and Eva.

Allco Equity Partners (AEP) is an Australian investment company which provides its shareholders with the ability to invest in private equity transactions and public market opportunities through an ASX-listed security. As a publicly-listed vehicle AEP has several advantages over a traditional private equity fund including the ability to use its stock to fund acquisitions; the provision of liquidity to its investors; and the adoption of more flexible investment strategies.

The Company is managed by Allco Equity Partners Management Pty Limited as trustee of AEP Management Trust (Manager). The Manager has been appointed to source and analyse opportunities, present investment proposals to AEP and manage those investments that AEP elects to pursue. The relationship between AEP and the Manager has been structured to ensure a strong alignment of interests.



TPG

Texas Pacific Group ("TPG") is a top 5 global Private Equity investment firm, with more than US\$30 billion of committed equity capital under management. It is firmly established as a substantial economic entity. Portfolio companies controlled by TPG currently have combined revenues of more than US\$79 billion, operate in more than 120 countries and employ more than 340,000 employees. Fully aggregated, the TPG portfolio companies would create the 18th largest business of the Fortune 500.

TPG has had a presence in Asia Pacific since 1994 operating as TPG Newbridge. Earlier this year TPG made its first key acquisition in Australia with the purchase of Myer department stores for US\$1.4 billion.

TPG is the most experienced private equity player in the Airlines sector, with a strong track record of completing successful transactions across a wide range of industry sub-sectors. By partnering with strong management teams, TPG helps to drive transformational change.

- Continental Airlines: In 1993 TPG, in partnership with Air Canada, brought Continental Airlines out of a Chapter 11 bankruptcy proceeding and helped drive the turnaround of the airline, resulting in expanded routes and increased employment. Continental Airlines is now the fifth largest carrier in the US.
- America West Airlines: In 1994, TPG, in partnership with Continental, brought America West out of Chapter 11. In 2005, America West merged with US Airways and today is the sixth largest airline in the United States.
- Ryanair: In 1996, TPG principals acquired a 20% stake and three board seats in Ryanair, then a family owned airline with eight aircraft. Today Ryanair has 107 aircraft and is the largest and most successful low cost carrier in Europe.
- AerFi: In 1998, TPG acquired GPA Leasing (subsequently renamed AerFi Group), a major aircraft lessor. In 2000, AerFi was acquired by Debis AirFinance.

- Hotwire: In 2000, TPG, in partnership with most major US Airlines, founded Hotwire, an online retailer of unpublished fares for travel products, Hotwire was subsequently sold to Expedia, Inc., for US\$680 million.
 - Gate Gourmet: In 2002, TPG acquired Gate Gourmet, a leading global airline catering company, out of the Swiss Air liquidation proceedings.
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ONEX PARTNERS

Onex Corporation, a leading private equity firm with a long, established track record, has consolidated annual revenues of A\$21 billion, assets of A\$17 billion and 136,000 employees worldwide. Over its 22 years of private equity investing, Onex has generated top-tier investment returns while building businesses to global scale.

Onex operates through autonomous subsidiaries in a variety of industries, including electronics manufacturing services, aerostructures manufacturing, healthcare, financial services, theatre exhibition, customer management services, personal care products, and communications infrastructure.

Onex has A\$4.5 billion of funding commitments through Onex Partners. It also manages Oncap, a dedicated small-cap fund, a real estate fund and a public market fund. Onex's key investments in the aviation industry include Spirit Aerosystems, the world's largest supplier of commercial airplane assemblies and components, and, formerly, Sky Chefs, the world's largest in-flight caterer.



MACQUARIE

Macquarie Bank is an Australian-based diversified international provider of financial and investment banking services, headquartered in Sydney.

Macquarie's aviation experience includes aircraft and engine leasing, the ownership or management of six airports and aircraft ownership.

Macquarie Bank evolved from Hill Samuel Australia Limited, which was established in 1969 with three employees. In 1985 a banking licence was granted and operations began under the name Macquarie Bank. In 1996, Macquarie Bank listed on the Australian Stock Exchange, where it is now among Australia's top 20 companies, with a market capitalisation of approx \$A18 billion and over \$153 billion in assets under management.

Macquarie has reported successive years of record profits and growth since 1992, and now employs over 9000 people operating in over 24 countries. Macquarie's approach is characterised by a commitment to the chosen markets in which it operates and a clear focus on achieving outstanding results.

Annexure 2

Air Pacific Australia – Consortium Ownership

Voting interests below refer to the equity securities held by investors in Airline Partners Australia, whereas economic interests take into account those securities together with special warrants held by investors.

Investor	Voting Interest	Economic Interest
Allco Equity Partners	35%	27%
Allco Finance Group	11%	8%
Macquarie Bank	<15%	<15%
TPG	<15%	25%
Onex Partners	9%	12.5%
Other foreign investors	<15%	11.5%
Qantas Management	-	1%

Annexure 3

Offer Conditions

The offer is subject to the fulfilment of the following conditions.

1. 90% minimum acceptance

During, or at the end of, the Offer Period the number of Qantas Shares in which APA and its associates together have relevant interests (disregarding any relevant interest that APA has merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the Qantas Shares (even if that number later becomes less than 90% of all the Qantas Shares as a result of the issue of further Qantas Shares).

2. No injunction

Before the end of the Offer Period, there is not in effect any order of a Court or final decision of a Public Authority (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) that would be recognised as enforceable by an Australian Court that restrains or prohibits the making or implementation of the Offer or the transfer of Qantas Shares under the Offer.

3. Material adverse change

That no event or series of related events occurs during the Offer Period which has or is likely to have the effect of reducing the consolidated net profits after tax of the Qantas Group by at least A\$100 million (after taking into account any matters which offset the impact of the events giving rise to the adverse effect).

This condition will not be breached by any events, changes, effects, developments, conditions or occurrences to the extent resulting from:

- (a) changes in general economic or political conditions or the securities, credit or financial markets in general (excluding acts of terrorism against any airline or airport);
- (b) changes in generally accepted accounting principles or the interpretation of them;
- (c) a change in the price of jet fuel;
- (d) normal seasonal changes in Qantas's results of operations; or
- (e) any weather-related event or natural disaster.

4. No termination

There is no breach of the Implementation Deed by Qantas which entitles APA to terminate the Implementation Deed and APA has terminated the Implementation Deed within 5 Business Days of becoming aware of that entitlement.

5. No prescribed occurrence

Except with the prior written consent of APA or as disclosed to APA prior to the date of the Implementation Deed or in connection with a solvent winding-up, reconstruction or amalgamation of a subsidiary of Qantas, none of the following events happens during the period beginning on the date the Bidder's Statement is given to Qantas and ending at the end of the Offer Period:

- (a) Qantas converts all or any of its shares into a larger or smaller number of shares;
- (b) Qantas or a subsidiary of Qantas resolves to reduce its share capital in any way;
- (c) Qantas or a subsidiary of Qantas:

- (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Qantas or a subsidiary of Qantas issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, other than Qantas Shares issued:
 - (i) following the conversion of Performance Rights under the Qantas Deferred Share Plan;
 - (ii) as a result of exercise of Qantas options; or
 - (iii) under Qantas's dividend reinvestment plan;
- (e) Qantas or a subsidiary of Qantas issues, or agrees to issue, convertible notes;
- (f) Qantas or a subsidiary of Qantas disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Qantas or a subsidiary of Qantas charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Qantas or a subsidiary of Qantas resolves to be wound up;
- (i) a liquidator or provisional liquidator of Qantas or of a subsidiary of Qantas is appointed;
- (j) a court makes an order for the winding up of Qantas or of a subsidiary of Qantas;
- (k) an administrator of Qantas, or of a subsidiary of Qantas, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Qantas, or a subsidiary of Qantas, executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or substantial part, of the property of Qantas or of a subsidiary of Qantas.