

**IN THE FEDERAL COURT OF AUSTRALIA
VICTORIAN DISTRICT REGISTRY**

No. VID 621 of 2005

IN THE MATTER OF:

**ANSETT AUSTRALIA LTD
(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)**

Plaintiffs

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "AWK-14" now produced and shown to **ALEXANDER
WILLIAM KING** at the time affirming his affidavit on 23 September 2005.

Before me:


CAROLINE ANNE GOULDEN
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.

Filed on behalf of the Plaintiffs

ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21, 333 Collins Street
MELBOURNE VIC 3000

Telephone: (03) 9229 9696
Facsimile: (03) 9229 9900
Reference: AWK:01-1349951
(Alex King)

Alex King

From: Mark Korda [mkorda@kordamentha.com]

Sent: Monday, 19 September 2005 5:05 PM

To: Alex King; alfonso.pereda-revuelta@calyon.com; andrew.richards@airservicesaustralia.com; atatl@arpos.com.au; bill.shorten@awu.net.au; Carmel Flynn; cdmason@caltex.com.au; Chris Ryan; Colin Egan; Daryl Watkins; David Merryweather; dennis.teen@auspost.com.au; doliver@amwu.asn.au; eggleszf@az1.bp.com; gcombet@actu.asn.au; george.proos@avis.com.au; henry.carr@dewr.gov.au; isabelle.piron@calyon.com; James Joseph; jartis@apesma.asn.au; jmc1941@bigpond.net.au; jo.higgins@aatkings.com.au; John Allan; john.hilton@goodrich.com; jwhelan@futurebrand.com; Ken Keech; kevin_j.potter@national.com.au; kieran.doyle@dtpha.tas.gov.au; lwhite@asu.asn.au; Leon Zwier; Mark Korda; pallen@allencapital.com.au; pfduffy@telstra.com; phowells@qbeaviation.com; raj.shan@qbe.com; rwatts@actu.asn.au; Sebastian Hams; steve@ppb.com.au; steven.w.widdop@exxonmobil.com; Terry O'Connell

Dear Member of the Committees,

Please find attached update 70 to members of the Ansett Committees of Creditors.

Any queries can be directed to Carmel on 03 8600 8485 or myself on 03 8623 3344.

Kind regards,

Mark Korda
Partner

KordaMentha
Level 24, 333 Collins Street
Melbourne VIC 3001

Telephone: +61 3 8623 3344
Facsimile: +61 3 8623 3399
Mobile: +61 (0) 414 262 530

mkorda@kordamentha.com
<http://www.kordamentha.com>

Confidentiality Notice

This email is intended only for the use of the recipient above, and may contain information that is confidential. Any distribution or copying or dissemination of the information contained in this email message is strictly prohibited. If you have received this email in error, please immediately advise this office by telephone or by the above email and delete the original message. Thank you.



**CONFIDENTIAL - AN UPDATE FOR THE MEMBERS OF
THE ANSETT COMMITTEES OF CREDITORS ONLY**

Update 70
15 September 2005

Dear Member of the Committees,

Creditors of AAE Agree to Facilitate Pooling

After months of negotiations the three major creditors of Ansett Aviation Equipment Pty Ltd (subject to deed of company arrangement) (AAE), being National Australia Bank (NAB), the Commonwealth Bank of Australia (CBA) and BNP Paribas (BNP), have agreed to compromise their likely claims for dividends from AAE. The compromise also resolves a series of broader claims between the Ansett Group and NAB.

In summary, in consideration of payments proposed to be made from the pooled assets of the Ansett Group as expenses properly incurred in the administrations of the Ansett Group Companies, the AAE bank creditors will vote to pool the assets and liabilities of AAE with the rest of the Ansett Group and not seek any dividends or other payments from or (save for a minor exception in relation to NAB) pursue any other claims against the pooled assets of the Ansett Group (AAE Compromise).

The AAE Compromise is subject to approval by the Federal Court of Australia and the pooling of the assets and liabilities of AAE with the rest of the Ansett Group.

Background

Soon after our appointment as Voluntary Administrators the Ansett Group Companies entered into various commercial arrangements, including the Air New Zealand memorandum of understanding dated 3 October 2001(MOU) and the SEESA Deed dated 14 December 2001, in order to maximise the chances that the Ansett Group would continue to exist and operate and, if that was not possible, to facilitate a better return for the Ansett Group's creditors and shareholders than would result from an immediate winding up of the Ansett Group Companies.

Pursuant to the MOU, Air New Zealand agreed to pay \$150m to the Ansett Group and we agreed to take all reasonable steps to propose and recommend that each Ansett Group Company enter into a DOCA which would acknowledge and incorporate the terms of the MOU and which would seek to pool all of the assets and liabilities of the Ansett Group. Pursuant to the SEESA Deed we agreed to recommend pooling.

Notwithstanding our contractual obligations under the MOU and the SEESA Deed, we also believe that all of the assets and liabilities of the Ansett Group Companies should be pooled. Prior to our

appointment as Voluntary Administrators, the Ansett Group largely operated as a single business. Further, we are of the view that it would be practically difficult, if not impossible, and financially prohibitive and detrimental to the Ansett Group as a whole, and thus to priority creditors, to continue to separately administer each of the Ansett Group Companies.

On 21 June 2005 we issued an application in the Federal Court for directions or orders in connection with the proposed pooling of the assets and liabilities of the Ansett Group into a single entity, namely Ansett Australia Limited (AAL) (Pooling Application). In the course of preparing for and since the commencement of the Pooling Application, it became clear that unless the claims by the AAE bank creditors were compromised, then lengthy, complex and costly litigation would inevitably ensue between the Ansett Group and NAB, and probably also between AAE and one or both of CBA and BNP. Some of the matters which will need to be litigated if the AAE Compromise is not approved by the Federal Court or AAE is not "pooled" include:

- We have not yet apportioned among the Ansett Group Companies the \$150m received by the Ansett Group under the MOU. The AAE Compromise will avoid almost certain litigation about how the MOU funds should be apportioned, if at all, to AAE.
- As the principal banker to the Ansett Group, NAB provided various facilities to Ansett Group entities. Between 13 September 2001 and 23 January 2002 NAB purported to set off the balances of certain Ansett Group accounts against various debts owed by Ansett Group Companies, and principally Ansett Holdings Limited, to NAB. As a result of NAB's actions, various Ansett Group Companies had potential claims against NAB, particularly in relation to NAB's "sweeping" of \$10.75m of post-administration receipts from Ansett Group bank accounts. Conversely, in relation to various facilities NAB provided to the Ansett Group, NAB had foreshadowed claims against AAE of up to approximately \$180m. All of these matters are resolved by the AAE Compromise.
- AAE had no employees, however AAL provided financial support (e.g. warranties and payment of expenses, such as insurance) and services (e.g. maintenance) to AAE, both pre-administration and post-administration. Pre-administration charges from AAL to AAE were not raised before the Ansett Group went into administration; post-administration charges from AAL to AAE have been raised but not finalised or agreed by creditors. The AAE Compromise will avoid the need to raise, reconcile, finalise and/or have approved these charges in respect of AAE.

Any litigation in regard to the above or any other matters connected with AAE or the claims between the Ansett Group and NAB would create uncertainty for all Ansett Group creditors, reduce the assets ultimately available for distribution (in particular, to Ansett Group priority creditors) and prolong the Ansett Group administrations for an indefinite period.

In summary, it is our opinion that, to avoid uncertain and costly litigation and in order to maximise returns to Ansett Group creditors as a whole, and in particular priority creditors, the AAE Compromise is in the best interests of the Ansett Group as a whole.

Summary of AAE Financial Position

The Statement of Financial Position for AAE as at 15 August 2005 is as follows:

	Receipts to date AUD'000	Yet to realise AUD'000	TOTAL AUD'000
Boeing 767 aircraft (5)	28,323	0	28,323
Fokker 50 aircraft (4)	9,856	0	9,856
Boeing B767-277 Digital Flight Simulator	151	300	451
Spare engines (7)	14,307	1,558	15,865
Insurance	(1,507)	(17)	(1,524)
Idle Maintenance	(7,198)	(1,150)	(8,348)
Heavy Maintenance	(3,154)	0	(3,154)
Other, including remarketing, valuation and Administration cost	(2,600)	(200)	(2,800)
Contingency	0	(669)	(669)
Estimated Assets Available for Creditors	38,178	(178)	38,000

Note: The estimated assets available for creditors, of \$38m, do not include any amount which nominally might flow into AAE were there to be an apportionment of the MOU monies; nor are potential costs of the continued separate administration of AAE (if AAE is not pooled) taken into account.

Summary of AAE Creditor Positions

There are five major creditors of AAE, being the bank creditors (NAB, CBA and BNP), the Commonwealth, through the Australian Taxation Office (Commonwealth) and Ansett Equipment Finance Pty Ltd (subject to deed of company arrangement) (AEF).

CBA and BNP each claim to be entitled to lodge proofs of debt in AAE of \$20m.

NAB claims to be entitled to lodge a proof of debt in AAE of approximately \$104m, but possibly as high as approximately \$180m.

The Commonwealth claims to be entitled to lodge a proof of debt of approximately \$3.5m, and AEF of approximately \$14m.

Accordingly, the range of possible claimed proofs of debt, in total, is \$161.5m to \$237.5m, against estimated available assets of \$38m.

AAE Compromise

The AAE Compromise, in simple terms, is that in consideration for:

- a) each of the AAE bank creditors agreeing to vote in favour of the pooling of AAE at a meeting of AAE creditors; and
- b) each of those creditors agreeing to vote in favour of the pooling of all other Ansett Group Companies of which any of those creditors is also a creditor; and
- c) each of those creditors (save for NAB) agreeing not to lodge a proof or proofs of debt or like claim or claims against AAL or any other Ansett Group Company following pooling; and
- d) each of those creditors agreeing to support and/or not object to the deregistration of each Ansett Group Company, following pooling; and
- e) certain releases between the parties to the AAE Compromise,

AAL will pay from the pooled assets as expenses properly incurred in the administrations of the Ansett Group Companies:

- a) To NAB: \$7.0m
- b) To CBA: \$10.0m
- c) To BNP: \$10.0m

The Outcome For the Ansett Group

The return to the Ansett Group is as follows:

- a) Receives from AAE: \$38.0m
- b) Pays to the AAE bank creditors: \$27.0m (as listed above)
- c) Therefore receives net: \$11.0m

In our opinion, the financial result of the AAE Compromise for the Ansett Group as a whole is satisfactory in that:

- AAL receives \$11.0m. As best we can determine without litigation concerning the AAE bank creditors' likely proofs of debt, AAL would receive a maximum of between \$3m-\$5m if AAE is not pooled. Part of the uplift from between the \$3m-\$5m estimate and the \$11m to be received is on account of settlement of the Ansett Group's non-AAE claims against NAB, in particular in relation to the post-administration "sweep" of \$10.75m.

- Any “upside/downside” in AAE’s contingency provision lies with AAL (assuming AAE is pooled). (No allowance has been made to pay any money to the ATO as we believe the claim (informal proof of debt only) should be rejected.)
- The AAE Compromise prevents lengthy, complex and costly litigation (for example, in relation to NAB’s claims against AAE or in relation to apportionment of the MOU monies).
- The AAE Compromise resolves the pooling of AAE and is likely to facilitate pooling of the Ansett Group as a whole, in which case we are likely to be able to pay pre-Christmas dividends to creditors of >\$100m.
- As the proposed settlement payments from AAL to the AAE bank creditors are within budget, our overall budgeted position in relation to forecast net realisable assets and distributions to Ansett Group priority creditors and unsecured creditors (i.e. at least \$590.0m) remains unchanged.

Next Steps

The AAE Compromise will enable the Pooling Application to proceed without delay. In that application we seek orders and directions (among others) allowing us, as deed administrators of the various Ansett Group Companies, to vote in favour of the pooling of the Ansett Group’s assets and liabilities at meetings of creditors of each Ansett Group Company proposed to be held in November this year.

On 12 September 2005 we served a detailed affidavit in relation to the proposed pooling of the assets and liabilities of the Ansett Group Companies. The affidavit also includes relevant details in relation to the AAE Compromise and exhibits a copy of the settlement deed. The affidavit and all other relevant Court documents in the Pooling Application are now available on the Administrators’ websites.

The next directions hearing in the Pooling Application is scheduled for 26 September 2005, at which the Court will request information as to which, and how, various Ansett Group stakeholders have been given notice of the Pooling Application. (Ansett stakeholders and creditors affected by the proposed pooling of the Ansett Group will have an opportunity to participate in the Pooling Application.)

The Court has set a tentative date to hear the Pooling Application on 10 October 2005.



We anticipate that following the Court's decision on the Pooling Application we will urgently convene November 2005 meetings of the creditors of each Ansett Group company so that those creditors may vote on pooling.

Should pooling occur as a result of those meetings of creditors, we anticipate paying a further dividend to Ansett Group priority creditors by Christmas 2005.

Handwritten signature of Mark Korda in cursive script.

Mark Korda
Joint Deed Administrator

Handwritten signature of Mark Mentha in cursive script.

Mark Mentha
Joint Deed Administrator

Level 24, 333 Collins Street
GPO Box 2985
Melbourne VIC 3001