

FAI Traders Insurance Company Pty Limited
ACN 000 177 177
(In liquidation and subject to a Scheme of Arrangement)

Scheme Administrators' annual report to
creditors

30 June 2015



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1 Introduction & background

1.1 Introduction

This is the ninth annual report to the Creditors of FAI Traders Insurance Company Pty Limited - in liquidation and subject to a Scheme of Arrangement (“FAI Traders”).

The report has been prepared in accordance with clause 43.2 of the Scheme of Arrangement, which became operative in Australia on 30 May 2006. Under the terms of the clause: “Within three months after each anniversary of the date, being either 31 December or 30 June, at the discretion of the Scheme Administrators, after The Australian Scheme becomes effective, the Scheme Administrators shall report to the Scheme Creditors on the progress of The Australian Scheme, including details of remuneration paid to the Office Holders, since the date of the last such report”. Accordingly this report has been prepared for the period to 30 June 2015. It also covers any significant events between that date and completion of the report.

1.2 Background

HIH Insurance Limited and certain of its major subsidiaries were placed into Provisional Liquidation on 15 March 2001, and subsequently into liquidation on 27 August 2001. In total, eighty-two HIH Group companies in Australia have been placed into liquidation.

Summary details of the history of the group; its failure; and background information are available on the HIH website at www.hih.com.au. Extensive information on the failure of the group, including the final report of the HIH Royal Commission established by the Australian Federal Government, is available on the website www.hihroyalcom.gov.au.

Schemes of Arrangement for the eight licensed insurance companies in the HIH Group in Australia became effective on 30 May 2006, following approval by Creditors and the Court. Schemes of Arrangement for the UK branches of four of these companies became effective in the UK on 13 June 2006. Each of the Schemes has a Record Date (the date at which liabilities are measured) of 27 August 2001; and an estimation date of 31 May 2013 wherein all outstanding claims are valued.

The bar date for submission of Final Claims Forms by the Scheme Creditors against the eight licensed insurance companies in the HIH Group was set at midnight British Summer Time on 2 September 2013. Under the terms of the Schemes, no further claims will be accepted after this date.

The Schemes are currently in the “Estimation” phase where the claims received are determined to be Acknowledged Creditor Claims, in preparation for the finalisation of the Schemes.

The Scheme Administrators have determined all claims against FAI Traders, and the final Scheme Payments were made to creditors with Established Scheme Claims in mid-August 2015.



2 Principal developments to report during the period

The principal developments to report during the period were:

- + The Scheme Administrators realised and dealt with all of the assets of FAI Traders.
- + All claims lodged against FAI Traders were determined.
- + The Scheme Administrators paid the final interim Scheme Payments to creditors bringing the total Scheme Payment percentages paid to all creditors as follows:

Creditors with insurance liabilities in Australia	Creditors with insurance liabilities outside of Australia	Creditors with non-insurance liabilities in Australia	All other creditors worldwide
22.57%	n/a	22.52%	n/a

It should be noted that all creditors of FAI Traders are considered to be creditors with liabilities in Australia.

There will be no further Scheme Payments payable to creditors of FAI Traders.

- + The Scheme Administrators are currently finalising the FAI Traders Scheme.



3 Scheme Payment percentages and closure

3.1 Ultimate Scheme Payment percentages

The Scheme Administrators have paid the final Scheme Payment percentages to all creditors with Established Scheme Claims. The total Scheme Payment percentages paid to the creditors of FAI Traders are as follows:

	Creditors with insurance liabilities in Australia	Creditors with insurance liabilities outside of Australia	Creditors with non- insurance liabilities in Australia	All other creditors worldwide
FAI Traders	22.57%	n/a	22.52%	n/a

It should be noted that all creditors of FAI Traders are considered to be creditors with liabilities in Australia.

There will be no further Scheme Payment to the creditors of FAI Traders.

3.2 Termination of Scheme

The Scheme Administrators are now finalising the FAI Traders Scheme. Once all administrative matters have been finalised in accordance with the terms of the Scheme, the FAI Traders Scheme of Arrangement will be terminated.



4 Financial position

4.1 Estimated balance sheet at 30 June 2015

Included as Appendix 3 to the Australian Explanatory Statement section of the Scheme of Arrangement documentation, which was sent to creditors prior to the creditors' meeting on 29 March 2006, were balance sheets for each of the Scheme companies at 25 September 2005. An updated balance sheet for FAI Traders as at 30 June 2015, is included as Appendix 1 to this report.

4.2 Receipts and payments to 30 June 2015

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme on 30 May 2006 to 30 June 2015 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2014, \$18,756.50 has been approved by the FAI Traders' creditors for payment to the Scheme Administrators in their role as Office Holders for the period from 1 March 2014 to 26 September 2014, as disclosed in the receipts and payments set out in Appendix 2 to this report.

At the final meeting of Creditors held on 7 July 2015, the FAI Traders' creditors approved \$50,540 for payment to the Scheme Administrators in their role as Office Holders for the period from 27 September 2014 to completion of the Scheme.



5 Responsibilities and contact details

5.1 Scheme Administrators

The Australian Scheme Administrators are Tony McGrath and Chris Honey, partners of McGrathNicol, based in Sydney.

Contact details for the Australian Scheme Administrators are set out on the HIH website, www.hih.com.au.

5.2 Creditor Enquiries in Australia

Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the HIH Help Desk on +61 (0) 2 9650 5777. Written scheme queries should be directed to the Scheme Administrators at the following address: McGrathNicol, GPO Box 9986, Sydney NSW 2001 or to the HIH Help Desk at enquiries@hih.com.au.

Yours faithfully

For FAI Traders Insurance Company Pty Limited – in liquidation and subject to a Scheme of Arrangement

Tony McGrath
Scheme Administrator

Chris Honey
Scheme Administrator



Appendix 1

Updated balance sheet for FAI Traders as at 30 June 2015



FAI Traders Insurance Company Pty Limited - (In Liquidation and subject to Scheme of Arrangement)

All values in AUD

	RATA as at 30 June 2015 \$'000	RATA as at 30 June 2014 \$'000
Assets not specifically charged		
Cash		
Cash at bank	1,905	60
	<u>1,905</u>	<u>60</u>
Receivables		
Amounts owing by related bodies corporate	5	1,714
GST Recoverable	0	2
	<u>5</u>	<u>1,716</u>
Investments		
Short term deposits	511	5,392
ADD back: Dividends Paid	9,103	7,168
Other - repayment of overpaid intercompany dividend	273	0
	<u>9,887</u>	<u>12,560</u>
Reinsurance recoveries receivable	0	19
Total assets not specifically charged	<u>11,797</u>	<u>14,355</u>
Assets subject to specific charges		
Statutory Reinsurance Cut-Through	0	10
Total assets subject to specific charges	<u>0</u>	<u>10</u>
TOTAL ASSETS	<u>11,797</u>	<u>14,365</u>
Liabilities secured by specific charge over assets		
Statutory Reinsurance Cut-Through	0	(10)
Total liabilities secured by specific charge over assets	<u>0</u>	<u>(10)</u>
Unsecured creditors		
Accounts payable		
Trade Creditors	(100)	(100)
	<u>(100)</u>	<u>(100)</u>
ACCs - ESC at Estimation Date	(26,131)	(25,850)
Outstanding claims	<u>(26,131)</u>	<u>(25,850)</u>
Other liabilities		
Other creditors and accruals	0	(276)
Amounts owing to related bodies corporate	(25,470)	(46,116)
	<u>(25,470)</u>	<u>(46,392)</u>
Total unsecured creditors	<u>(51,701)</u>	<u>(72,342)</u>
TOTAL LIABILITIES	<u>(51,701)</u>	<u>(72,352)</u>
NET DEFICIT	<u>(39,904)</u>	<u>(57,987)</u>



Appendix 2

Summary of the Scheme Administrators' receipts and payments from 30 May 2006 to 30 June 2015



FAI Traders Insurance Company Pty Limited (In Liquidation and subject to a Scheme of Arrangement)

Receipts and Payments Account 1 July 2014 to 30 June 2015

	\$	\$
Opening balance at 1 July 2014		5,451,194.47
Receipts		
Scheme Payments received	3,927,985.80	
Interest income	151,148.79	
Reinsurance recoveries	7,385.36	
GST refund from ATO	<u>4,199.08</u>	
Total receipts		4,090,719.03
Payments		
Scheme Payments to creditors	(7,052,876.68)	
Central expense reimbursement to HIH C&G	(46,393.12)	
Scheme Administrators' fees	(18,756.50)	
GST on payments	(2,043.30)	
Stat cut through payments	(1,961.53)	
Professional fees	(1,577.52)	
Other sundry payments	(1,348.72)	
Liquidators' fees	(460.00)	
Scheme Administrators' disbursements	<u>(146.70)</u>	
Total payments		(7,125,564.07)
Balance at 30 June 2015		<u>2,416,349.43</u>