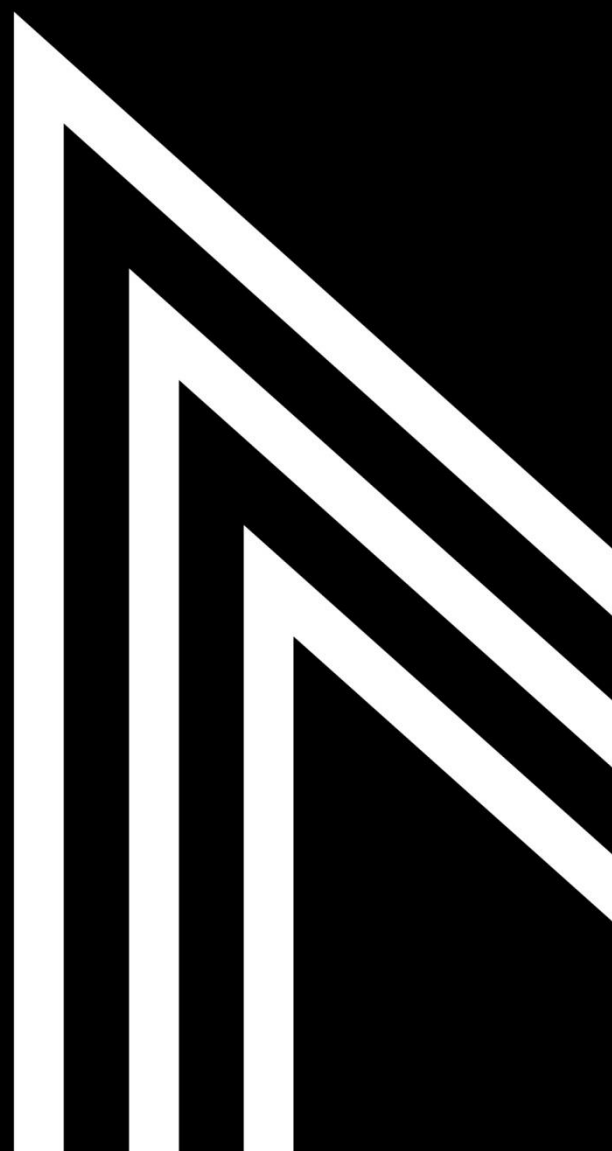

FAI Insurances Limited
ACN 004 304 545
(In Liquidation and subject to Schemes of Arrangement)

Scheme Administrators' Final Annual Report to Creditors

30 June 2016



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the final annual report to the Creditors of FAI Insurances Limited - in liquidation and subject to Schemes of Arrangement ("FAII").

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 2016. It also covers any significant events between that date and completion of the report.

An annual report has also been prepared by the Scheme Administrators of the UK Scheme of Arrangement for FAII. This will be published on the HIH website as a supplement to the Australian annual report for this company.

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. The HIH Royal Commission established by the Australian Federal Government has also prepared an extensive report on the failure of the group.

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 Scheme Administrators have determined all claims submitted in accordance with the FAII Schemes of Arrangement, and paid the final Scheme Payments to Scheme Creditors with Established Scheme Claims on 20 October 2015. In accordance with clause 63.1 of the Scheme of Arrangement, the Scheme terminates twelve months after the final Scheme Payment is made. Accordingly, the FAII Australian Scheme will terminate on 20 October 2016.

2 Principal Developments To Report During The Period

The principal developments to report during the period were:

- The Scheme Administrators paid the final interim Scheme Payment to creditors bringing the total Scheme Payment percentages paid to all creditors of FAII 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
76.56%	15.55%	14.44%	n/a

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

- The Scheme Administrators are currently finalising the FAII Schemes which will terminate on 20 October 2016.

3 Scheme Payment Percentages and Closure

3.1 Ultimate Scheme Payment Percentages

The Scheme Administrators have on 20 October 2015 paid the final Scheme Payment to all Scheme Creditors with Established Scheme Claims.

The total Scheme Payment Percentages paid to the creditors of FAII 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
76.56%	15.55%	14.44%	n/a

There will be no further Scheme Payment to the Scheme Creditors of FAII.

3.2 Termination of Scheme

The Scheme Administrators are now finalising the FAII Schemes. In accordance with clause 63.1 of the Scheme of Arrangement, the Australian Scheme will terminate twelve months after the final Scheme Payment is made. Accordingly, the FAII Australian Scheme will terminate on 20 October 2016.

4 Receipts and Payments to 30 June 2016

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme on 30 May 2006 to 30 June 2016 is set out in Appendix 1 to this report.

Since the last annual report dated 30 June 2015, \$109,576.00 has been approved by the FAII Scheme Creditors' Committee for payment of the Scheme Administrators final remuneration for the period from 28 February 2015 to completion of the Australian Scheme.

5 Responsibilities and Contact Details

5.1 Scheme Administrators

The Australian Scheme Administrator is Tony McGrath, partner of McGrathNicol based in Sydney. Chris Honey resigned as the Australian Scheme Administrator on 10 May 2016.

The English Scheme Administrators of FAI are Michael Walker and Barry Gale, partners of KPMG LLP based in London. The English Scheme of Arrangement is also expected to terminate in October 2016.

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 +6 (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 Insurances Limited – in liquidation and subject to Schemes of Arrangement



Tony McGrath
Scheme Administrator

Appendix 1

Summary of the Scheme Administrators' receipts and payments from 30 May 2006 to 30 June 2016

	\$	\$
Opening balance at 1 July 2015		12,423,128
Receipts		
Funding from UK	1,909,341	
Scheme Payments received from Scheme Companies	1,137,467	
Outsourced Claims Management Fees	912,000	
Transfer from FAI Leasing Finance	603,125	
Interest	87,153	
Foreign Exchange Movements on Foreign Currency Accounts	80,715	
GST Refund from ATO	57,829	
Other receipts	10,883	
Dividends received	10,183	
	<hr/>	
Total receipts		4,808,696
Payments		
Scheme Payments	(16,825,160)	
Scheme Administrators Fees	(109,576)	
Central Expense paid to HIH C&G	(34,141)	
GST	(13,086)	
Liquidators Fees	(11,932)	
Professional Fees	(11,106)	
Other Sundry Payments	(2,228)	
	<hr/>	
Total payments		(17,007,229)
Balance at 30 June 2016		<hr/> 224,594 <hr/>