

FAI Reinsurances Pty Limited
ACN 004 304 545
(In liquidation and subject to a Scheme of Arrangement)

Scheme Administrators' final annual report to
creditors

15 June 2015



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1 Introduction & background

1.1 Introduction

This is the final annual report to the Creditors of FAI Reinsurances Pty Limited - in liquidation and subject to a Scheme of Arrangement ("FAI Re").

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".

The Scheme Administrators have paid in full the claims of all Scheme Creditors with Established Scheme Claims including statutory interest at the prescribed rate. As such, the FAI Re Scheme was terminated with effect from 31 March 2015 and the company deregistered on 15 June 2015. Accordingly this report has been prepared for the period to 15 June 2015.

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 Scheme Administrators have determined all claims submitted in accordance with the FAI Re Scheme of Arrangement, and have paid in full all Established Scheme Creditor Claims, together with statutory interest at the prescribed rate. As the liabilities of FAI Re have been discharged in full, in accordance with the provisions of the Scheme, the FAI Re Scheme was terminated with effect from 31 March 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 Re.
- + All claims lodged against FAI Re were determined.
- + The Scheme Administrators paid in full all Scheme Creditors with Established Scheme Claims, including statutory interest at the prescribed rate.
- + The FAI Re Scheme was terminated with effect from 31 March 2015 and the liquidation completed and the company deregistered on 15 June 2015.



3 Scheme Payment percentage and closure

3.1 Ultimate Scheme Payment percentage

The Scheme Administrators have paid a first and final Scheme Payment of 100 cents in the dollar to all creditors with Established Scheme Claims.

3.2 Payment of statutory interest

Section 563B(2) of the Australian Corporations Act 2001 states that payment of statutory interest is to be postponed "*until all other debts and claims in the winding up have been satisfied....*".

Based on the Corporations Act, the prescribed rate of interest payable is 8% per annum.

All claims lodged against FAI Re have been determined and paid in full. The Scheme Administrators have also paid the Scheme Creditors the statutory interest payable on their Established Scheme Claims.

3.3 Termination of Scheme

As the liabilities of FAI Re have been discharged in full, the FAI Re Scheme was terminated with effect from 31 March 2015.



4 Financial position

4.1 Estimated balance sheet at 15 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 Re as at 15 June 2015, is included as Appendix 1 to this report.

4.2 Receipts and payments to 15 June 2015

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme on 30 May 2006 to 15 June 2015 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2014, \$103,041 has been approved by the Court for payment to the Scheme Administrators in their role as Office Holders for the period from 29 September 2012 to completion of the Scheme, as disclosed in the receipts and payments set out in Appendix 2 to this report.

The Liquidators distributed \$6.892 million of surplus funds to FAI General Insurance Company Ltd, parent company of FAI Re, on finalisation of the liquidation in June 2015.



5 Responsibilities and contact details

5.1 Scheme Administrators

The Australian Scheme Administrators were Tony McGrath and Chris Honey, partners of McGrathNicol, based in Sydney. They ceased to act as Scheme Administrators on 15 June 2015.

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 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 Reinsurances Pty Limited – formerly in liquidation and subject to a Scheme of Arrangement

Tony McGrath
Former Scheme Administrator

Chris Honey
Former Scheme Administrator



Appendix 1

Updated balance sheet for FAI Re as at 15 June 2015



FAI Reinsurances Pty Limited - (In Liquidation and subject to Scheme of Arrangement)
All values in AUD

	RATA as at 15 June 2015 \$'000	RATA as at 30 June 2014 \$'000
Assets not specifically charged		
Cash		
Cash at bank	6,892	359
	<u>6,892</u>	<u>359</u>
Receivables		
Amounts owing by related bodies corporate to be distributed in specie to parent	2	660
	<u>2</u>	<u>660</u>
Investments		
Short term deposits	(0)	5,900
ADD back: Dividends Paid	1,655	1,412
ADD back: Statutory Interest Paid	312	0
	<u>1,966</u>	<u>7,311</u>
Total assets not specifically charged	<u>8,860</u>	<u>8,331</u>
Assets subject to specific charges		
Short term deposits	0	8
Total assets subject to specific charges	<u>0</u>	<u>8</u>
TOTAL ASSETS	<u>8,860</u>	<u>8,338</u>
Liabilities secured by specific charge over assets		
Amounts payable in relation to letters of credit	0	(8)
Total liabilities secured by specific charge over assets	<u>0</u>	<u>(8)</u>
Unsecured creditors		
Accounts payable		
Goods and services tax	0	(1)
	<u>(0)</u>	<u>(2)</u>
Provisions		
Other - Statutory Interest	(312)	0
	<u>(312)</u>	<u>0</u>
ACCs - ESC at Estimation Date	(1,150)	(939)
Outstanding claims	<u>(1,150)</u>	<u>(939)</u>
Other liabilities		
Other creditors and accruals	0	(276)
Amounts owing to related bodies corporate	(504)	(504)
	<u>(504)</u>	<u>(780)</u>
Total unsecured creditors	<u>(1,966)</u>	<u>(1,720)</u>
TOTAL LIABILITIES	<u>(1,966)</u>	<u>(1,728)</u>
NET ASSETS - Surplus Capital Paid to Parent Company	<u>6,894</u>	<u>6,610</u>



Appendix 2

Summary of the Scheme Administrators' receipts and payments from 30 May 2006 to 15 June 2015



FAI Reinsurances Pty Limited (In Liquidation and subject to a Scheme of Arrangement)
Receipts and Payments Account 1 July 2014 to 15 June 2015

	\$	\$
Opening balance at 1 July 2014		6,267,001.08
Receipts		
Scheme Payments received	908,911.41	
Interest earned	193,307.33	
Foreign exchange movements	30,478.00	
Reinsurance recoveries	3,193.31	
GST refund from ATO	1,170.28	
	<hr/>	
Total receipts		1,137,060.33
Payments		
Surplus capital to FAIG	(6,892,235.83)	
Statutory interest paid to creditors	(311,614.04)	
Scheme Administrators' fees	(103,041.00)	
Scheme Payments to creditors	(32,554.76)	
Professional Fees	(31,969.63)	
GST paid	(14,069.81)	
Settle LOC account	(9,656.12)	
Liquidators fees	(5,750.00)	
Bank fees	(3,170.22)	
	<hr/>	
Total payments		(7,404,061.41)
Balance at 15 June 2015		<hr/> 0.00 <hr/>