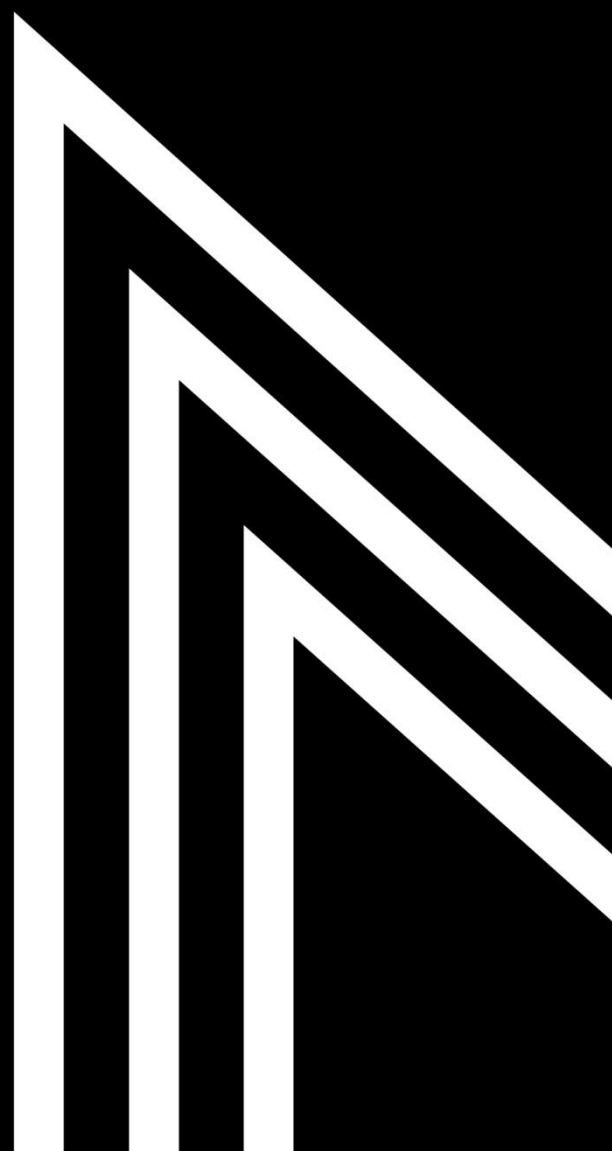

**HIH Underwriting and Insurance (Australia)
Pty Limited
ACN 004 906 110
(In Liquidation and subject to a Scheme of
Arrangement)**

Scheme Administrators' Final Annual Report to Creditors

30 June 2017



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the final annual report to the Creditors of HIH Underwriting & Insurance (Australia) Pty Limited (In Liquidation and subject to a Scheme of Arrangement) ("HIH U&I").

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 2017. 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. 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, including HIH U&I, 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 Claim Forms by 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.

Four of the eight Schemes have now been finalised and terminated in accordance with clause 63.1.

The Scheme Administrators have determined all claims submitted in accordance with the HIH U&I Scheme of Arrangement and paid the final Scheme Payments to Scheme Creditors with Established Scheme Claims on 16 August 2017. 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 HIH U&I Scheme will terminate on 16 August 2018.

2 Principal Developments To Report During The Period

The principal developments to report during the period were:

- On 16 August 2017, the Scheme Administrators paid the final Scheme Payment to all HIH U&I Scheme Creditors bringing the total Scheme Payment Percentages paid to:

Creditors with insurance liabilities in Australia	Creditors with non-insurance liabilities in Australia
48.48%	46.80%

3 Termination of the Scheme and Closure

As there will be no further Scheme Payments to HIH U&I creditors, the Scheme Administrators can now proceed to finalise the HIH U&I Scheme. In accordance with clause 63.1 of the Scheme, the HIH U&I Scheme automatically terminates twelve months after the final Scheme Payment is made. Accordingly, the HIH U&I Scheme will terminate on 16 August 2018.

4 Receipts and Payments to 31 August 2017

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme on 30 May 2006 to 31 August 2017 is set out in Appendix 1 to this report.

Since the last annual report dated 30 June 2016, \$184,359.50 has been approved by the HIH U&I Scheme Creditors' Committee for payment of the Scheme Administrators final remuneration for the period from 3 October 2015 to completion of the HIH U&I Scheme.

The cash balance at 31 August 2017 of \$92,081 will be used to settle all remaining Scheme expenses, notably holding costs, termination costs (advertising, legal and statutory) and document storage and destruction costs.

5 Responsibilities

5.1 Scheme Administrators

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

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 HIH Underwriting & Insurance (Australia) Pty Limited (In Liquidation and subject to a Scheme of Arrangement)



Tony McGrath
Scheme Administrator



Jason Preston
Scheme Administrator

Appendix 1

Summary of the Scheme Administrators' receipts and payments from 30 May 2006 to 31 August 2017

	\$	\$
Opening cash at Scheme date		3,034,024
Receipts		
Dividends/Scheme Payments from HIH entities	43,939,519	
Insurance recoveries	17,276,405	
Interest	2,738,869	
GST refunds	298,332	
Other receipts	22,018	
Total receipts		64,275,144
Payments		
Scheme Payments to creditors	(45,421,165)	
Section 562A(4) priority payment	(16,179,958)	
Professional fees	(1,594,777)	
Scheme Administrators' fees	(1,193,633)	
Statutory cut through payments	(1,089,347)	
Operating costs	(860,869)	
Claims run off expenses	(500,454)	
GST paid	(303,472)	
Other payments	(73,406)	
Scheme Administrators' disbursements	(5)	
Total payments		(67,217,087)
Balance at 31 August 2017		92,081