

**CoalCorp Services  
Limited (Subject to Deed  
of Company Arrangement)**  
(previously CoalCorp Insurance Services Limited)



**Financial Statements**  
for the year ended 30 June 2015

**COALCORP SERVICES LIMITED**  
**STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The Directors present the Financial Statements for the year ended 30 June 2015

**Principal Activities**

The principal activity during the year was providing insurance to Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement), ("Solid Energy") and its subsidiaries.

In August 2015 the company cancelled all insurance products and cancelled its insurance licence.

**Dividend**

The Directors recommend that no dividend is to be paid for the year ended 30 June 2015 (2014: \$31.9M).

**Directors**

The following people held office or ceased to hold office as Director during the year and received the following remuneration including benefits during the year.

<i>Name</i>	<i>Remuneration</i>		<i>Current Directors</i>
	<i>2015</i>	<i>2014</i>	
David Reece	Nil	Nil	Appointed on 28/02/2015
Keiran Horne	Nil	Nil	Appointed on 25/02/2014
Steve Surridge	Nil	Nil	Ceased on 27/02/2015

**Employees' Remuneration**

The Company did not have any employees during the year (2014: Nil).

**Donations**

The Company paid sponsorship of \$Nil during the year (2014: Nil).

**Interests Register**

No Director has had an interest in any transaction completed by the company during the year.

**Directors' Insurance**

The Directors have received an indemnity from CoalCorp Services Limited's ultimate Parent, Solid Energy. The company has arranged policies of Directors' Liability Insurance which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided that there is no criminal liability nor any breach of S131 of the Companies Act 1993.

**COALCORP SERVICES LIMITED  
STATUTORY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2015**

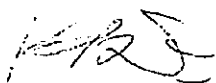
**Auditors**

In accordance with Section 19 of the State Owned Enterprises Act 1986, the Office of the Auditor-General is the auditor for CoalCorp Services Limited (Subject to Deed of Company Arrangement). The Auditor-General has appointed Dave Gates of KPMG to act on her behalf.

The Company paid the following remuneration to the auditors during the year:

	2015	2014
	\$	\$
Audit fee	7,500	12,000
Other services	2,700	1,856

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 29 October 2015



*Director - Keiran Horne*



*Director - David Reece*



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF COALCORP SERVICES LIMITED'S (SUBJECT TO DEED OF COMPANY ARRANGEMENT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Coalcorp Services Limited (Subject to Deed of Company Arrangement), (the Company). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Company on her behalf.

In September 2015, Solid Energy New Zealand Limited Group (Subject to Deed of Company Arrangement) ("the Group") and its creditors entered into a Deed of Company Arrangement which will result in the Group assets being offered for sale over the next two and a half years.

#### Opinion

We have audited the financial statements of the Company on pages 6 to 17 that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Company, which have been prepared on a non-going concern basis:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards

Our audit was completed on 29 October 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

#### Your attention is drawn to the following matters:

**1. Disclosures outlining that the financial statements have been appropriately prepared on a non-going concern basis**

Without modifying our opinion, we draw your attention to the disclosure within Note 2 on page 10 of the financial statements which outline that the financial statements have been prepared on a non-going concern basis. Subsequent to year end, the Group entered into a Deed of Company Arrangement with its creditors, which will result in the Group's assets being offered for sale over the next two and a half years. In preparing the financial statements of the Company on a non-going concern basis, the Board of Directors have continued to apply the requirements of the New Zealand equivalents of the International Financial Reporting Standards. We consider the decision to prepare the Company's financial statements on a non-going concern basis to be appropriate and the related disclosures to be adequate.

**2. Additional disclosures outlining the significant subsequent events of the Group**

We draw your attention to the disclosure within Note 13 on pages 16 to 17 of the financial statements which provide additional information about the cancellation of the Company's captive insurance licence, the Group being placed in voluntary administration, the appointment of Administrators, and execution of the Deed of Company Arrangement and a Restructured Debt Deed which occurred after the Group's balance date. The execution of the Deed of Company Arrangement and Restructured Debt Deed are likely to have a material impact on the carrying value of the Group's assets and liabilities and its future operations. The disclosures within Note 13 (G) on page 17 illustrate the estimated impact on the financial position of the Company as if the Deed of Company Arrangement and Restructured Debt Deed had been signed as at 30 June 2015 in accordance with the adjustments as described in the note. We consider these disclosures to be appropriate.



### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Company that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

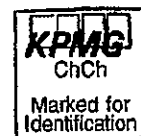
In addition to the audit we have carried out an assignment in the area of payroll internal controls assurance, which are compatible with audit independence requirements. Other than the audit and this assignment we have no relationship with or interests in the Company.

David Gates  
KPMG  
On behalf of the Auditor-General  
Wellington, New Zealand

**Statement of Comprehensive Income for the Year Ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>OPERATING REVENUE</b>			
Insurance premiums	3,7	2,826	4,075
Interest		573	1,333
<b>TOTAL OPERATING REVENUE</b>		<b>3,399</b>	<b>5,408</b>
<b>EXPENSES</b>			
Reinsurance premiums paid	3	2,576	3,661
Claims incurred	3,4	-	-
Audit fees		3	14
Other expenses	12	3,723	42
Impairment expense	7	7,971	-
Subvention expense	7	-	1,691
<b>TOTAL EXPENSES</b>		<b>14,273</b>	<b>5,408</b>
Profit/(Loss) before income tax		(10,874)	-
Income tax benefit/(expense)	5	-	-
<b>NET PROFIT/(LOSS) AFTER TAXATION</b>		<b>(10,874)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT</b>		<b>(10,874)</b>	<b>-</b>

*The accompanying notes form an integral part of these Financial Statements*

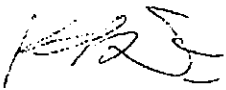


**Statement of Financial Position as at 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,672	8
Trade and other receivables		70	80
Intercompany loan	7	-	14,079
Prepaid reinsurance	13(D)	1,899	2,683
<b>TOTAL CURRENT ASSETS</b>		<b>5,641</b>	<b>16,850</b>
<b>TOTAL ASSETS</b>		<b>5,641</b>	<b>16,850</b>
<b>CURRENT LIABILITIES</b>			
Trade creditors		21	3,062
Provision for claims	4	-	-
Income in advance	13(D)	2,008	2,914
Financial guarantee provision	12	3,612	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,641</b>	<b>5,976</b>
<b>TOTAL LIABILITIES</b>		<b>5,641</b>	<b>5,976</b>
<b>NET ASSETS</b>		<b>0</b>	<b>10,874</b>
<b>EQUITY</b>			
Issued capital	8	10,874	10,874
Retained deficit		(10,874)	-
<b>TOTAL EQUITY</b>		<b>-</b>	<b>10,874</b>

*The accompanying notes form an integral part of these financial statements, in particular refer to Note 13 for details of significant subsequent events that occurred after balance date.*

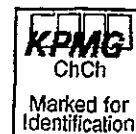
For and on behalf of the Board of Directors, which authorised the issue of the financial report on 29 October 2015.



Director - Keiran Horne



Director - David Reece



## Statement of Changes in Equity for the Year Ended 30 June 2015

	Notes	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
AS AT 1 JULY 2014		10,874	-	10,874
Total comprehensive (loss)/profit for the year		-	(10,874)	(10,874)
Dividends to owners	9	-		
AS AT 30 JUNE 2015		10,874	(10,874)	-
AS AT 1 JULY 2013		10,874	31,882	42,756
Total comprehensive income for the year		-	-	-
Dividends to owners	9		(31,882)	(31,882)
AS AT 30 JUNE 2014		10,874	-	10,874

*The accompanying notes form an integral part of these Financial Statements*





## Statement of Cash Flows for the Year Ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from services provided		1,920	2,829
Interest		573	1,333
		2,493	4,162
Cash was applied to:			
Payments to suppliers		(4,937)	(3,762)
		(4,937)	(3,762)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	6	<b>(2,444)</b>	<b>400</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was (applied to) / received from:			
Intercompany loan		6,108	(1,418)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>6,108</b>	<b>(1,418)</b>
Net increase/(decrease) in cash held		3,664	(1,018)
Add opening cash brought forward		8	1,026
Ending cash carried forward		<b>3,672</b>	<b>8</b>

*The accompanying notes form an integral part of these Financial Statements*



## Notes to the Financial Statements for the year ended 30 June 2015

### 1. Corporate Information

CoalCorp Services Limited (Subject to Deed of Company Arrangement) is a profit oriented company incorporated in New Zealand. The parent company is Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement).

CoalCorp Services Limited is registered under the Companies Act 1993.

### 2. Summary of significant accounting policies

#### (A) Basis of preparation

The financial statements for the year ended 30 June 2015 have been prepared in accordance with Generally Accepted Accounting practice in New Zealand and the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the State Owned Enterprises Act 1986.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

The Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

CoalCorp Services Limited was issued with a full licence as a captive insurance company under the Insurance (Prudential Supervision) Act 2010 and is an issuer under section 4(1) (da) of the Financial Reporting Act 2013 as at 30 June 2015. Subsequent to balance date this licence has been surrendered, refer Note 13(D).

#### Going Concern Assumption

The financial statements have been prepared on a non-going-concern basis.

On 17 September 2015, the company became a party to a Deed of Company Arrangement ('DOCA') which will see the assets of Solid Energy (the parent), and its subsidiaries, including CoalCorp Services Limited, offered for sale over the next 2.5 years. Refer to Note 13 for further detail on these agreements. At the end of that process, residual pre-administration debt of the group will be extinguished, with the intention that the company will be liquidated on a solvent basis.

The financial statements have been prepared on a non-going concern basis with all assets & liabilities measured at the lower of historic cost and fair value.

#### (B) Changes in accounting policies

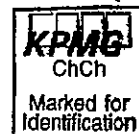
There have been no material changes in accounting policies in the current year.

#### (C) Premium Recognition

The company's primary revenue is from providing insurance services. Premium revenue is recognised from the date of attachment of risk. Premium income earned is recognised on the basis of passage of time. Any premiums received in advance are recognised on the Statement of Financial Position as a liability named "Income in advance".

#### (D) Reinsurance Premium

The reinsurance premium paid is recognised as an expense in profit or loss in accordance with the pattern of reinsurance services received. Prepaid reinsurance premiums are recognised in the Statement of Financial Position as an asset named "Prepaid reinsurance".



## Notes to the Financial Statements for the year ended 30 June 2015

### (E) Income Tax

The Income tax expense charged to profit or loss includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Subvention payables are recognised when the amount of the subvention payment can be reliably estimated and the company has confirmed its intention to make payment to Solid Energy New Zealand Limited to utilise group tax losses.

### (F) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less, bank overdrafts and overnight cash facilities.

### (G) Intercompany Loan

The intercompany loan is measured at fair value. Interest is charged at market rates and therefore the carrying value is considered to be the same as net market value.

### (H) Accounts payable

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (I) Provision for Claims / Claims Paid

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Reinsurance and other recoveries receivable on claims are recognised as revenue.

Full provision is made for the estimated present value of claims notified but not settled at balance date. Provision is made for settlement costs. Provision is also made for the costs of claims incurred at balance date but not reported until after balance date. No provision is made for claims incurred but not reported as the company is a captive insurer and the group has a policy of reporting all claims incurred when they occur. Claims incurred are stated gross of reinsurance recoveries. Outstanding claims liabilities are measured as the best estimate of the present value of the future claim payments. For claims expected to be settled in the next financial year, the liability of the claim is measured as the amount of the expected future payment.

### (J) Goods and Services Tax

All Goods and Services Tax (GST) amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.



## Notes to the Financial Statements

for the year ended 30 June 2015

### 3. Underwriting account

	2015 \$'000	2014 \$'000
Gross insurance premiums earned	2,826	4,075
Deduct gross reinsurance premiums paid	(2,576)	(3,661)
Claims provision incurred	-	-
<b>NET UNDERWRITING PROFIT</b>	<b>250</b>	<b>414</b>

### 4. Claims Provision

	As at 30 Jun 15 \$'000	As at 30 Jun 14 \$'000
Opening provision	-	-
Claims provided	-	-
Other movements in claims incurred in prior years	-	-
Claims paid	-	-
<b>CLOSING PROVISION</b>	<b>-</b>	<b>-</b>

### 5. Taxation

	As at 30 Jun 15 \$'000	As at 30 Jun 14 \$'000
<b>INCOME TAX EXPENSE</b>		
Income tax expense can be reconciled to accounting profit as follows:		
Accounting profit/(loss) before tax	(10,874)	-
Tax at the company's statutory income tax rate of 28%	(3,045)	-
Unrecognised movement in temporary differences	3,244	-
Tax effect of non-deductible subvention expense	-	473
Tax effect of losses subvented or offset from group companies	(199)	(473)
<b>INCOME TAX EXPENSE REPORTED IN PROFIT OR LOSS</b>	<b>-</b>	<b>-</b>



**Notes to the Financial Statements**  
for the year ended 30 June 2015

**6. Reconciliation of profit after taxation to net cash flows from operating activities**

	Year Ended 2015 \$'000	Year Ended 2014 \$'000
NET PROFIT AFTER TAXATION	(10,874)	-
NON CASH ITEMS:		
Impairment expense	7,971	-
Financial guarantee provision	3,612	-
Subvention expense	-	1,691
	<u>11,583</u>	<u>1,691</u>
MOVEMENTS IN WORKING CAPITAL:		
Trade and other receivables	10	(80)
Prepaid reinsurance	784	1,072
Trade creditors	(3,041)	(1,037)
Income in advance	(906)	(1,246)
	<u>(3,153)</u>	<u>(1,291)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(2,444)</u>	<u>400</u>

**7. Related Parties**

During the year CoalCorp Services Limited provided Insurance to its parent company, Solid Energy New Zealand Limited and various subsidiaries of Solid Energy New Zealand Limited, the value of these services during the year was \$2.8 million (2014: \$4.1m). The services have been conducted on a normal commercial basis.

CoalCorp Services Limited had a loan due from its parent company Solid Energy New Zealand Limited at 30 June 2015 of \$8.0 million (2014: \$14.1 million) which has been fully impaired based on the assessed fair value of the loan. This loan earned interest at a rate of 5% on the loan during the year totalling \$0.6 million (2014: \$1.3m).

No subvention payments were recognised during the year ending 30 June 2015. CoalCorp Services Limited recognised a subvention payment due to Solid Energy New Zealand Limited of \$1.69 million for the year ending 30 June 2014.



## Notes to the Financial Statements for the year ended 30 June 2015

### 8. Equity

	Year Ended 30 Jun 15 \$'000	Year Ended 30 Jun 14 \$'000
10,874,304 Ordinary shares - issued and fully paid	<u>10,874</u>	<u>10,874</u>

Fully paid ordinary shares carry one vote per share and carry equal right to dividends and surplus on winding up.

Capital and Reserves are retained to ensure that the maximum amount of probable loss that can be sustained by the company, from any individually large or multiple events, is able to be met after taking into account premiums received and reinsurance purchased.

In accordance with the Solvency Standard for Non-life Insurance Business (the "solvency standard"), the Company is required to maintain a positive solvency margin and actual solvency capital in excess of the minimum solvency capital level. Given the requirement to recognise a financial guarantee provision (refer Note 12), the solvency requirements were not met as at 30 June 2015. Details of solvency calculations for the Company are as follows:

	30 Jun 15 \$'000	30 Jun 14 \$'000
Actual Solvency Capital	-	10,874
Minimum Solvency Capital	1,848	5,878
Solvency Margin	(1,848)	4,996
Solvency Ratio	0.0%	185.0%

### 9. Dividends

No dividends were paid or declared during the year ending 30 June 2015. Dividends of \$31.9 million were paid to the parent company Solid Energy New Zealand Limited during the year ended 30 June 2014.



## Notes to the Financial Statements for the year ended 30 June 2015

### 10. Risk Management

#### INSURANCE RISK

The Company is a captive insurance company providing insurance for Solid Energy New Zealand Limited and its subsidiaries.

The insurance risk taken on by the company is the possibility that the company will have to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. These risks are unpredictable. The company has estimated in these financial statements the likely amounts which are expected to be paid out both in respect of claims incurred and expected future claims resulting from past events. The company is therefore at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claims. This could occur when the claim is of a greater severity than expected. All claims are expected to be settled within one year and there is no provision for inflation or discounting.

The company's objective is to minimise this insurance risk to within acceptable levels through policies which manage its insurance risk. The company has developed an underwriting strategy which limits its exposure within acceptable levels for each type of insurance risk. The company has reinsurance with reputable reinsurance companies to limit the company's exposure to insurance risk. CoalCorp Services Limited's risk exposure net of reinsurance at 30 June 2015 was limited to \$1.5 million (2014: \$1.5 million) property damage and business interruption in the annual aggregate.

The company assesses the adequacy of the unearned premium liability at each reporting date by considering current estimates of all expected and contractual cashflows. Claims are expected to be infrequent and the unearned premium liability is considered to be adequate.

#### LIQUIDITY RISK

Liquidity risk is the risk that the Company may encounter difficulty in raising funds at short notice to meet its commitments and arises from any mismatch of the maturity of monetary assets and liabilities. The company manages this risk by forecasting future cash requirements and keeping a stable funding base.

#### CREDIT RISK

Credit risk arises from the financial assets of the company, which comprise cash and cash equivalents, short term investments, receivables and Intercompany loans.

The company is also exposed to credit risk on reinsurance claims, where such claims are accrued. The company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The company trades only with recognised, creditworthy reinsurers with a minimum S & P Rating of "A" to minimise this risk.

### 11. Commitments

There were no capital commitments at 30 June 2015 (2014: Nil).



## Notes to the Financial Statements

for the year ended 30 June 2015

### 12. Guarantees

CoalCorp Services Limited is a guarantor of certain debt of its parent company, Solid Energy New Zealand Limited, totalling \$239.3M. The 30 June 2015 financial statements of the Solid Energy New Zealand Limited group have been prepared on a non-going-concern basis and reports an equity position for the group of negative \$94.6M. Due to the negative equity position, Solid Energy New Zealand Limited was not in compliance with all covenants at 30 June 2015.

As such, CoalCorp Services Limited is required to recognise a provision for the financial guarantee at 30 June 2015 to the extent of the remaining net assets of \$3.612M. A corresponding expense has been recognised and is included within Other Expenses.

No claim has been made against the company assets in relation to the guarantee noted above. On 17 September the existing debt facilities were amended as detailed in Note 13(B) and 13(C).

### 13. Significant after reporting date transactions

Subsequent to reporting date, the following significant events have taken place:

#### (A) Voluntary Administration (VA)

On 13 August 2015, CoalCorp Services Limited was placed into VA. Brendon Gibson and Grant Graham were appointed as Administrators. From that date the Administrators took full control of the company until a 'watershed' meeting on 17 September 2015 when the creditors voted that the company should execute a Deed of Company Arrangement (DOCA) and continue operating subject to its terms. From that date, the control of the company was returned from the Administrators back to the Directors.

During the VA period, cash from CoalCorp Services Limited was swept back to Solid Energy, increasing the intercompany loan.

#### (B) Deed of Company Arrangement (DOCA)

On 17 September 2015, the company became a party to a DOCA. Under the DOCA, Solid Energy will engage an investment bank to undertake an orderly, managed sale of the group's assets over the next 2.5 years. The existing Board will continue to govern CoalCorp Services Limited. The Deed Administrators and a participants committee will also have roles during the period.

The DOCA divided the group creditors and their claims into a number of categories, including:

- Trading Claims (generally, claims arising in respect of the company prior to the VA appointment date in the course of its day to day ordinary course of business activities), the majority of which were paid following the DOCA being implemented;
- Post-Administration Creditor Obligations (generally, obligations arising or incurred by the company from the VA appointment date), which shall be paid from the available revenues and realisations of the company in accordance with the DOCA and related documents.

At the end of the 2.5 year process, residual pre-administration debt of the group will be extinguished, with the intention that the company will be liquidated on a solvent basis.

#### (C) Refinance Debt Deed (RDD)

On 17 September 2015 the company became a party to the RDD. The RDD requires the company to proceed to an orderly sale of all its assets and distribution of its assets in accordance with the RDD. As a guarantor of group debt, any remaining assets will be distributed back to the parent company in order to repay participant creditors.





**Notes to the Financial Statements**  
**of the year ended 30 June 2015**

**(D) General Security Deed (GSD)**

On 17 September 2015, the company became a party to a General Security Deed. Under the GSD, the company grants security over all of its assets in favour of Trustees Executors Limited as security trustee to hold on behalf of all creditors of the company.

**(E) Insurance Licence and Name Change**

Subsequent to balance date, all insurance policies have been cancelled, prepaid reinsurance monies refunded and income in advance returned to the insurance party. CoalCorp Services Limited then surrendered its licence under the Insurance (Prudential Supervision) Act 2010 to operate as a captive insurer for the group.

On 7 August 2015, CoalCorp Insurance Services Limited changed its name to CoalCorp Services Limited.

**(F) Tax**

Based on the current tax loss position of the company and terms of the DOCA and associated agreements, the company does not anticipate having any income tax liability in the future.

**(G) Subsequent Non-GAAP Pro Forma Balance Sheet**

The non-GAAP pro forma balance sheet has been compiled to illustrate the impact of the events set out in Notes 13(A) to 13(F) as if these agreements had been signed as at 30 June 2015. The non-GAAP pro forma balance sheet is a hypothetical position only.

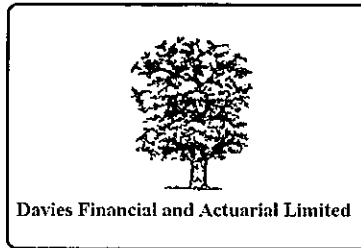
**Reconciliation from 30 June 2015 balance sheet to Non-GAAP pro forma balance sheet**

	30 June 2015 \$'000	Cash Sweep 13(A) \$'000	Cancelled Insurance Licence 13(E) \$'000	Further Impairment (3,563) \$'000	Financial Guarantee 13(C) \$'000	Pro Forma 30 June 2015 \$'000
see notes						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	3,672	(3,672)				-
Trade and other receivables	70					70
Intercompany loan	-	3,672	(109)	(3,563)		-
Prepaid reinsurance	1,899		(1,899)			-
<b>TOTAL CURRENT ASSETS</b>	<b>5,641</b>	<b>-</b>	<b>(2,008)</b>	<b>(3,563)</b>	<b>-</b>	<b>70</b>
<b>TOTAL ASSETS</b>	<b>5,641</b>	<b>-</b>	<b>(2,008)</b>	<b>(3,563)</b>	<b>-</b>	<b>70</b>
<b>CURRENT LIABILITIES</b>						
Trade creditors	21					21
Provision for claims	-					-
Income in advance	2,008		(2,008)			-
Financial guarantee	3,612				(3,563)	49
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,641</b>	<b>-</b>	<b>(2,008)</b>	<b>-</b>	<b>(3,563)</b>	<b>70</b>
<b>TOTAL LIABILITIES</b>	<b>5,641</b>	<b>-</b>	<b>(2,008)</b>	<b>-</b>	<b>(3,563)</b>	<b>70</b>
<b>NET ASSETS</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>(3,563)</b>	<b>3,563</b>	<b>-</b>

**(H) Other Significant Events**

There were no other significant events after the reporting date.





28<sup>th</sup> October 2015

To: The Directors  
CoalCorp Services Limited

From: Peter Davies  
Appointed Actuary

**Re: CoalCorp Services Limited (previously CoalCorp Insurance Services Limited): Report as at 30<sup>th</sup> June 2015 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010**

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for CoalCorp Services Limited as at 30<sup>th</sup> June 2015. "Actuarial information" includes the following:
  - policy liabilities;
  - balance sheet and other information allowed for in the calculation of the company's solvency position; and
  - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.
2. No limitations have been placed on my work.
3. I am independent with respect to CoalCorp Services Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.

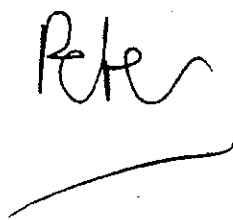
5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. CoalCorp Services Limited's solvency requirement under the RBNZ solvency standard for captive non-life insurers exceeded its solvency capital as at 30<sup>th</sup> June 2015. A summary of the solvency position is as follows:

	June 2015	December 2014	June 2014	December 2013	June 2013
Actual Solvency Capital:	-	11,297,000	10,874,000	11,831,000	10,874,000
Minimum Solvency Capital:	1,848,350	5,299,592	5,878,927	6,611,061	7,335,508
Solvency Margin:	(1,848,350)	5,997,408	4,995,073	5,219,939	3,538,492
Solvency Ratio:	0%	213%	185%	179%	148%

I note that the company ceased to be a licensed insurer in terms of the Insurance (Prudential Supervision) Act 2010, with effect from 5<sup>th</sup> August 2015, and is no longer transacting insurance business. Accordingly no assessment is made as to the Company's future solvency position in terms of the requirements of the Act and the RBNZ solvency standards.

I would be very happy to answer any queries concerning this report.

Yours sincerely



Peter Davies B.Bus.Sc., FIA, FNZSA  
Appointed Actuary