CBL Corporation Limited (3888838)
(Administrators Appointed)

Administrators' report to creditors for the purposes of the watershed meeting

11 May 2018

KordaMentha

Contents

1 Introduction

1.1 Purpose of this report

This report is provided to creditors of CBL Corporation Limited (‘CBLC’) (Administrators Appointed) (the ‘Company’) for the purpose of the Watershed meeting. The watershed meeting is the meeting at which creditors of the Company have the opportunity to vote on its future.

This report only relates to CBLC. Two key businesses of the CBL group that hold insurance assets (CBL Insurance in New Zealand and CBL insurance Europe in Ireland) are under the control of other insolvency officials who hold control all the information for those businesses. We do not have visibility to that information and there are Court orders in place restricting disclosure of certain information relating to CBLI. We have utilised the best information available to us, but these factors significantly limit the information available in, and scope of, this report.

This report records our opinion as to the course of action which is in the best interests of creditors of the Company and contains information to help you make a decision as to how you will vote at the watershed meeting. However, if you have further queries, please contact us at the addresses set out in the report.

Our opinion as to the course of action which is in the interests of creditors of the Company is set out at Section 8. *In brief, in our opinion it would be in the interests of creditors for the Company to be placed in liquidation.*

1.2 Background

The Administrators were appointed to CBLC, LBC Holdings New Zealand Limited, LBC Holdings Americas Limited, LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings Australasia Limited, LBC Treasury Company Limited, Deposit Power Limited, South British Funding Limited and CBL Corporate Services Limited (all Administrators Appointed) (together the ‘Companies’) on 23 February 2018. All ten Companies are New Zealand companies.

While a company is in administration, the administrator;

- Has control of the company’s business, property, and affairs; and
- May carry on that business and manage that property and those affairs; and
- May terminate or dispose of all or part of that business, and may dispose of that property; and
- May perform any function, and exercise any power, that the company or any of its officers could perform or exercise if the company were not in administration.

In addition, the administrator must call a first creditors’ meeting and a creditors’ watershed meeting. The first creditors’ meeting of the Companies took place on 7 March 2018.

This report is the Administrators’ report pursuant to s239AU(3)(a) of the Companies Act 1993 (‘Act’) for the purposes of the creditors’ watershed meeting.

This report is for the parent company CBLC only.

We applied to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting(s) of the holding companies (LBC Holdings UK Limited, LBC Treasury Limited, LBC Holdings Americas Limited, LBC Holdings New Zealand Limited, LBC Holdings Europe Limited and LBC Holdings Australasia Limited). On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018. As such the watershed meeting for these companies must be held by 17 August 2018 unless a further extension is granted.

1.3 Purpose of the watershed meeting

The creditors’ watershed meeting will be held on 18 May 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland at 3.00 pm.

The Notice of Meeting is included with the enclosed Circular to Creditors.

The meeting is an opportunity for creditors of the Company to consider and vote on the options for its future. The three potential resolutions are:

1. that the Company execute any proposed Deed of Company Arrangement ('**DOCA**'); OR

2. that the Company be placed in liquidation; OR

3. that the Administration of the Company should end and control of the Company be returned to the Directors.

In order for any resolution to be approved, the resolution must receive support from more than 50% of the Company's creditors by number, and more than 75% of the Company's creditors by value.

There is no DOCA proposal put up by the Company or the Administrators. We are aware that the Company is working on a proposal but that it is not fully developed. If a viable proposal/DOCA is later received it is possible for the Company to exit liquidation and return to Voluntary Administration under Section 239(J) and Section 250 of the Act. A return to Voluntary Administration under these sections of the Act would require approval by resolution of creditors or approval of the Court. A return to Administration would enable creditors to vote on the proposal/DOCA. We believe the extension of the watershed meeting convening date for the holding companies maintains optionality in respect of this potential proposal and for the asset realisation process.

Our opinion is that the Company should be placed into liquidation at this time. At the watershed meeting the creditors will therefore be asked to vote on:

1. a resolution that the Company be placed in liquidation (and if passed, the Company will be in liquidation immediately and the Administrators will be the liquidators); and, if such liquidation resolution fails,
2. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Directors.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade. If creditors do not resolve to liquidate the Company (with the result that the Company would return to the control of the Directors), we consider the Director(s) would most likely themselves seek liquidation of the Company. In our opinion, it is not in creditors' interests for the Company to return to the control of the Directors.

1.4 Restrictions

Please note this report contains information derived from various sources including the Company and the information has not been verified to third party sources.

The report should be read together with the restrictions at Appendix 1.

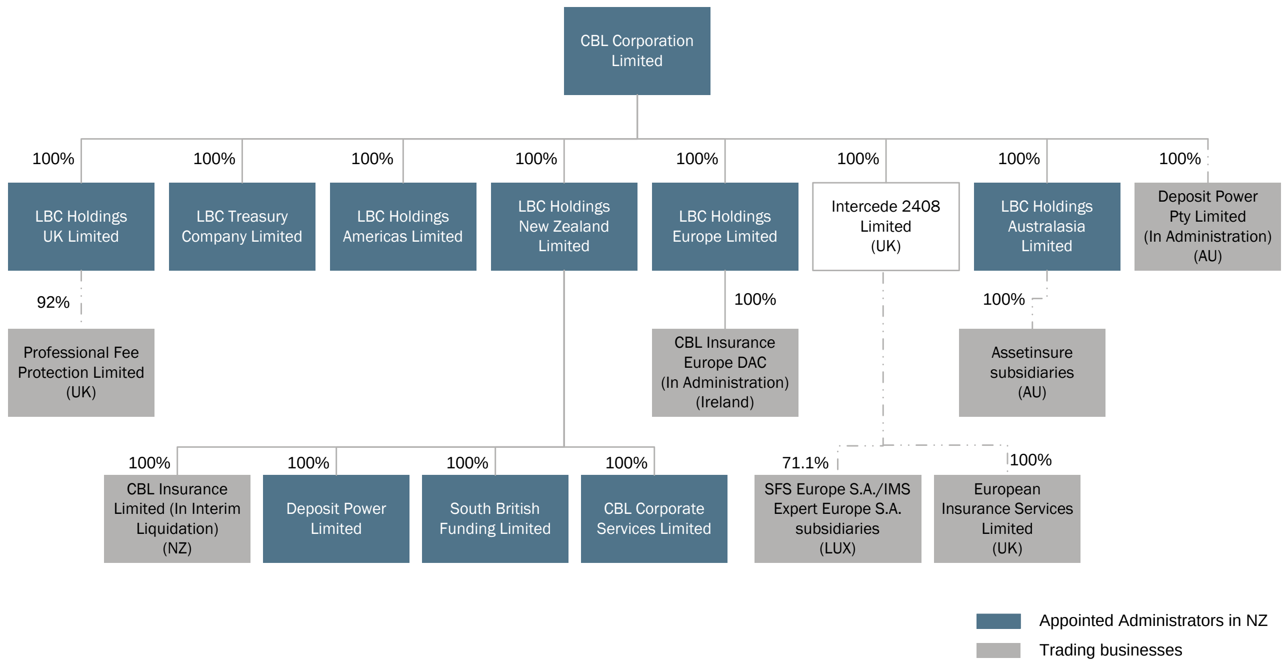
2 Who and what is CBLC

2.1 Overview

CBLC was incorporated on 18 June 2012 and is the ultimate parent Company of the CBL group of Companies (CBL group). CBLC is a publicly listed company. It listed on the New Zealand Stock Exchange ('NZX') and the Australian Stock Exchange ('ASX') on 12 October 2015.

A simplified group structure showing the entities in Voluntary Administration and where the shares in the key trading businesses are ultimately held is shown in Figure 1. A more detailed company structure diagram is provided in Appendix 2.

Figure 1: Simplified CBL Group Structure (collectively the "CBL group")



Different companies in the group have different creditors. Creditors of CBLC cannot assume that cash or other value that might exist at a subsidiary level will be available to CBLC.

2.2 CBLC Board of Directors

Directors of CBLC at the date of our appointment were:

- Norman Gerald Paul Donaldson (appointed 27 July 2015), resident in Ireland
- Anthony Charles Russell Hannon (appointed 14 October 2013), resident in New Zealand
- Peter Alan Harris (appointed 19 November 2013), resident in New Zealand
- Alistair Leighton Hutchison (appointed 19 November 2013), resident in New Zealand
- Ian Kelvin Marsh (appointed 19 November 2013), resident in Hong Kong
- Sir John Wells (appointed 19 November 2013), resident in New Zealand

Senior staff resignations in the 12 months prior to our appointment were:

- Carden James Mulholland (CFO resigned 24 October 2017)

2.3 CBLC Shareholders

CBLC listed on the NZX and ASX on 12 October 2015. CBLC has 1,484 shareholders in total, the ten largest of which hold 66.6% of the total shares on issue:

Shareholder name	No. of shares	Percentage of shares
Federal Pacific Group Limited	46,004,347	19.50%
Oceanic Securities Pte Limited	35,999,041	15.30%
Stichting Lygon Pension Fund	15,000,000	6.40%
Argo Investments Limited	11,286,706	4.80%
Accident Compensation Corporation – NZCSD	10,138,219	4.30%
JP Morgan Nominees Australia Limited	8,311,970	3.50%
BNP Paribas Nominees (NZ) Limited – NZCSD	8,250,000	3.50%
Forsyth Barr Custodians Limited	7,598,271	3.20%
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	7,554,181	3.20%
HSBC Nominees (New Zealand) Limited - NZCSD	6,766,666	2.90%
Total	**156,909,401**	**66.60%**
Other shareholders	78,868,630	33.40%
	235,778,031	**100.00%**

Founder shareholders and directors hold 87,176,822 shares, 37% of total shares on issue:

Director	Shareholding (number)	Shareholder (%)
Alistair Leighton Hutchison via Federal Pacific Group Limited	46,004,347	19.512%
Peter Alan Harris via Oceanic Securities Pte Limited	35,999,041	15.268%
Carden James Mulholland	5,000,000	2.121%
Norman Gerald Paul Donaldson	164,498	0.070%
Sir John Wells	6,936	0.003%
Anthony Charles Russell Hannon	2,000	0.001%
Ian Kelvin Marsh	-	-

2.4 CBLC Secured Creditors

There were no General Security Agreements registered against CBLC at the date of our appointment.

There is one registration on the Personal Properties Securities Register against CBLC:

Organisation name	Registration number	Date of registration	Collateral type	Description
NZX Limited	F65SD50N89V8124M	10 September 2015	Intangibles	All present and future right, title and interest (legal and equitable) of the debtor arising out of, or in connection with, the Deposit (as that term is defined in the Specific Security Deed between the Debtor and the Secured Party) including, but not limited to, all proceeds of that property

We understand this secures payment of amounts due to NZX up to the value of the deposit.

3 What does CBLC do

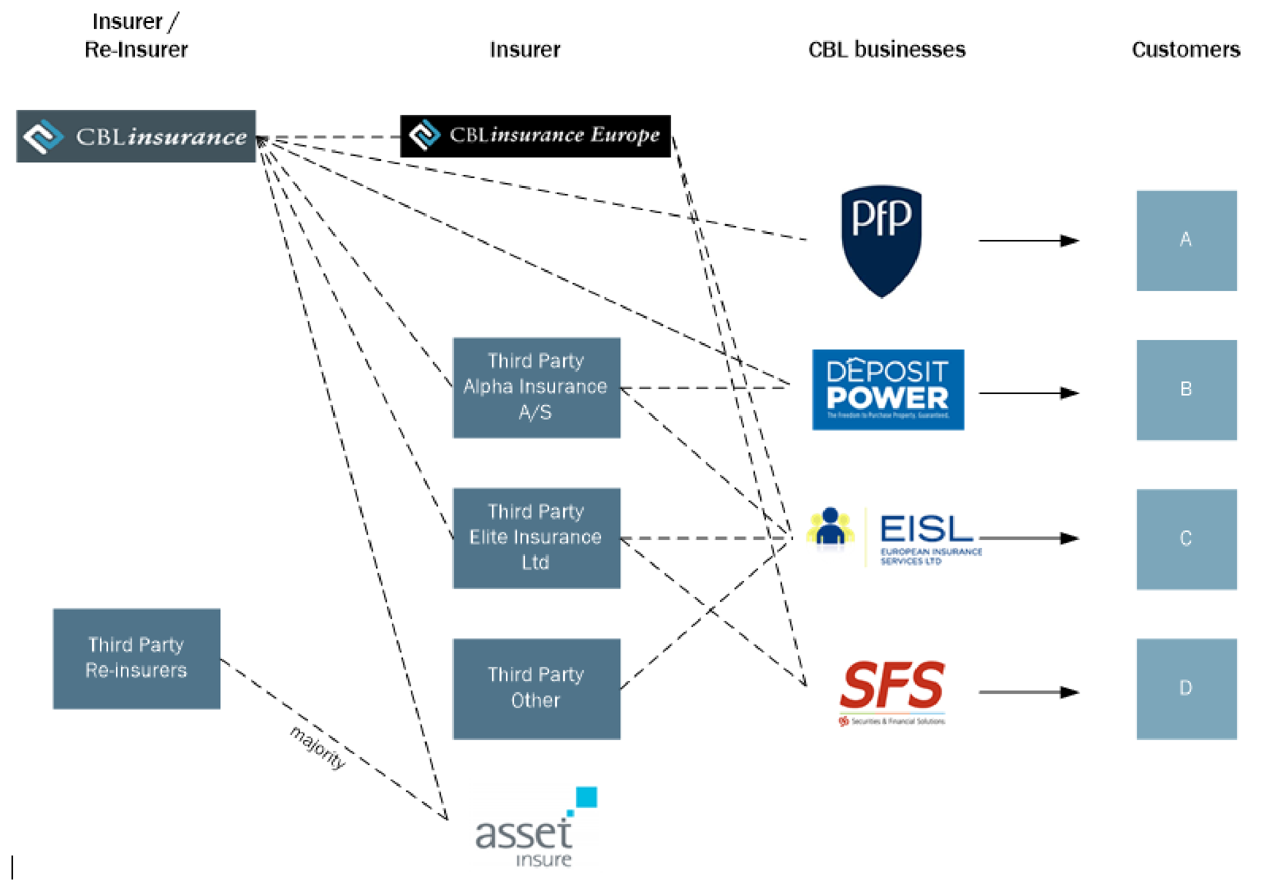
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

- Decennial liability (France)
- Surety bonds
- IATA travel bonds
- Professional indemnity
- Dommages Ouvrage (France)
- Performance bonds
- Home deposits
- Credit enhancement
- Property
- Contractor bonds
- Builders warranty
- Completion guarantee

The CBL group provides a range of insurance and re-insurance services in New Zealand and offshore, generally through subsidiaries in local jurisdictions throughout the UK, Europe and Australia. All re-insurance services are carried out by CBL Insurance Limited (in Interim Liquidation) ("CBLI"). CBL Insurance Europe (In Administration) ("CBLIE") carries out the business of insurance in Europe. Both CBLI and CBLIE are under the control of other insolvency practitioners.

CBL group built up an international distribution network, establishing eight offices on four continents and writing business in 25 countries with underwriting, accounting, treasury, claims and management all run from its head office in Auckland.

CBL group companies operated as primary insurers, re-insurers and managing general agents across multiple businesses and jurisdictions. While some of these functions were provided by third parties outside the CBL group many business units were dependent on other group companies to generate revenue:



These interdependencies are the critical driver of the options that were available when CBLC went into administration.

3.1 CBL Insurance Limited (in interim liquidation)

- CBLI is the group's largest operating entity and is based in Auckland. This entity offers a wide range of credit insurance, reinsurance and financial surety related products through an international distribution network throughout 25 countries.
- In Europe, CBLI carries out most of its business as a reinsurer whereby the risk is written by a local insurer partner, which retains a share of the premium and risk, with the rest ceded to CBLI as reinsurance. Outside Europe, the business is a mixture of direct and inwards reinsurance.
- Products provided by CBLI include;
  - Contractor bonds
  - Builders warranty
  - Property deposit bonds
  - Rental guarantee bonds
  - Travel and cargo agents
  - Income protection
  - Reinsurance support
  - Broker opportunities
- CBLI contributed 59.9% to total group revenue in 2017, down from 68.4% in 2016.
- Less than 1% of CBLI's business was in respect of New Zealand policyholders.

3.2 CBL Insurance Europe Limited (in Administration)

- CBLIE is a licensed European insurer headquartered in Dublin and regulated by the Central Bank of Ireland ("CBI").
- The business was acquired from Rabobank Group in 2013.
- CBLIE provides the group with the ability to write business through the European Union with a focus on specialist, non-traditional business lines throughout Europe.
- CBLIE relied on CBLI for most of its reinsurance, supplemented by other international reinsurers.
- CBLIE contributed 13.5% of total group revenue in 2017, up from 4.2% in 2016.

3.3 Assetinsure Pty Limited

- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLC in 2015. It operates separately from the CBL group and was not exposed to the same interdependency risk as EISL and SFS.
- Assetinsure is a specialty insurance provider for domestic building, crop, surety bonds, motor insurance, owner builder insurance and credit enhancement services.
- It is the largest surety bond insurer in Australia regulated by the Australian Prudential Regulation Authority ("APRA") with offices in Sydney, Brisbane and Perth.
- Assetinsure contributed 9.0% of total group revenue in 2017 down from 11.7% in 2016.

3.4 Professional Fee Protection Limited UK

- Professional Fee Protection Limited UK (PFP) is a company registered in England and Wales authorised and regulated by the UK Financial Conduct Authority ("UKFCA").
- CBL group acquired PFP in December 2015.
- PFP offers insurance that indemnifies business owners for the cost of professional accounting fees that occur in the event of a tax enquiry. The policies are provided through a wide network of more than 1,600 medium-sized national and regional accounting firms in the UK.
- PFP provides a range of products including;
  - Fee protection
  - R&D tax relief
  - Capital allowance
  - HR services
  - IR35 contract review
  - Payroll services
- PFP contributed 1.9% to group revenue in 2017, down from 2.2% in 2016.

3.5 European Insurance Services Limited

- European Insurance Services Limited ("EISL") is a licensed insurance broker based in the UK operating solely in France. It is regulated by the UKFCA. EISL distributes construction-sector insurance products throughout France via a network of 800 independent brokers. EISL relied on CBLIE for insurance capacity.
- CBLC acquired EISL in 2011.
- EISL operates in the French construction insurance market where it is an underwriting agency for insurance products, mandated by European insurance companies.
- Products provided by EISL include;
  - Property damage insurance
  - Liability insurance
  - Special risks insurance
  - Financial guarantees
- EISL contributed 3.0% of total group revenue in 2017, down from 4.0% in 2016.

3.6 Deposit Power Pty Limited (Administrators Appointed)

- Deposit Power Pty Limited ("Deposit Power") is an Australian based Company specialising in property deposit bonds
- CBLC acquired Deposit Power in 2012.
- A Deposit Power guarantee is a substitute for the cash deposit required when purchasing a residential property (customers pay the full purchase price at settlement).
- Deposit Power was the largest issuer of deposit bonds in Australia.
- Services provided by Deposit Power were aimed at;
  - Investment property buyers
  - New home and land buyers
  - Companies and trusts
  - Commercial property buyers
  - First home buyers
  - Self-managed super funds
- Deposit Power contributed 1.4% of total group revenue in 2017.

3.7 Securities and Financial Solutions Europe / IMS Expert Europe

- CBLC acquired a controlling interest in Securities and Financial Solutions Europe ("SFS") and IMS Expert Europe ("IMS") in early 2017.
- SFS is a Managing General Agent ("MGA") and was France's largest specialist producer of construction insurance specialising in dommages ouvrage (French building defects insurance held by the client) and decennial liability (French building insurance taken out by the contractor or principal to cover costs associated with a partial or complete collapse of the building after completion). SFS relied on CBLIE for insurance capacity.
- IMS provides SFS's claims management operations.
- Products provided by SFS were aimed at;
  - Property damage
  - Liability
  - Financial guarantees
  - Building professionals
  - Real estate promotors
  - Architects
- SFS/IMS contributed 22.2% of total group revenue in 2017, up from 9.5% in 2016 (part year).

4 What is the history of CBLC

4.1 Growth Chronology 1973 to 2017

1973	CBL Insurance founded
1996	The current major shareholders (Peter Harris and Alistair Hutchinson) purchased 100% of the company
2000	Expansion initiated offshore with the objective of transforming the Group into an international player in the insurance industry, whilst retaining its core competencies in credit risk – particularly in the building sector
2002	The business won the right to offer Travel Agents' Bonds and Cargo Agents' Bonds in Malaysia and Australia Opened its first overseas representative office
2003	Started underwriting business in the UK
2006	Acquired the Danish business of Accent, a European provider of unemployment insurance. The Group opened its second overseas representative office, in London
2007	Carried out a formal restructure of its corporate and organisational structure, and appointed a new CFO, Carden Mulholland, and Managing Director, Peter Harris
2010	Developed a 5-year strategic plan to grow Gross Written Premiums (GWP) ($40 million) six-fold to $240 million by the end of 2015
2011	CBLI obtained an investment grade international financial rating from insurance company ratings specialist A.M. Best EISL acquired (for cash consideration, contemporaneously the vendors of EISL purchased shares in CBLC, over which CBLC exercised an option to purchase in 2013). Group revenue exceeded $100 million for the first time
2012	Acquired the business, brands, intellectual property and distribution of Deposit Power (for cash consideration) Deposit Power was the market leader in deposit bonding in Australia
2013	Acquired CBLIE (then called Achmea Insurance Ireland Ltd) (for cash consideration), providing the group with a licensed European insurer able to write business throughout the European Union
2014	Achieved audited financial year-end GWP of $188 million, and Net Profit Before Tax ("NPBT") of $26.4 million – a year ahead of the 5-year projection in 2010
2015	Acquired a 34.99% stake in Mexican bonding and surety insurance provider, Fiducia (for cash consideration). Received an upgrade in A.M. Best rating to B++ (Good) with an outlook of stable IPO of CBL Corporation on 12 October 2015 Entered into an agreement to acquire 100% of Australia based insurance provider, Assetinsure (for consideration of both cash and shares in CBLC) Audited financial year-end GWP of $242 million, and NPBT of $49.5 million
2016	Capital raise of $63 million in September 2016 Acquired 71% of SFS group (including IMS) Received an upgrade in A.M. Best rating to A- (Excellent) with an outlook of stable Audited financial year-end GWP of $322 million, and NPBT of $44.1 million
2017	Closed SFS Acquisition (January) Acquired a 40% stake in Allied Risk Holdings in Ireland Management share sell-down in April 2017 Bank debt syndicated in November 2017 Unaudited financial year-end GWP of $429 million, and Net Loss Before Tax of $79.5 million

4.1.1 Initial public offer ('IPO')

CBLC listed on the NZX and ASX on 12 October 2015.

The initial public offering raised $125.3 million of which $90 million went to CBL and $35.5 million went to existing shareholders. The Directors chose an IPO over other options due to it providing access to capital markets, increasing CBLC's profile and providing an opportunity to CBLC to broaden its investor base.

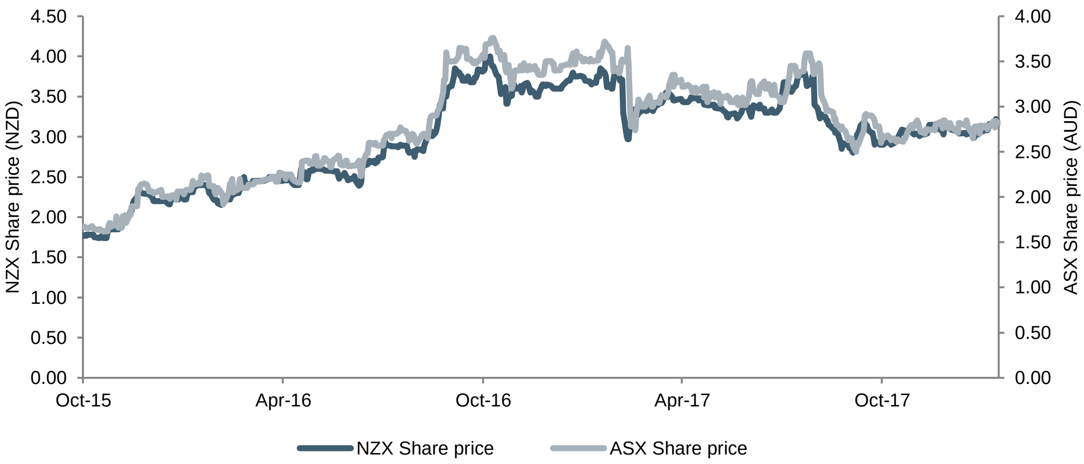
The purpose of the offer was primarily to raise capital to assist CBLC to fund further growth, strengthen regulatory capital and to enable the selling shareholders to realise a portion of their investment.

New capital raised was to be used to fund the acquisition of Assetinsure, increase the regulatory capital of CBLI and to seek to improve over time the financial ratings of CBLI and CBLIE.

Funds were received by the Company, and immediately afterwards CBLC settled on the Assetinsure acquisition.

Across the period from the IPO to our appointment the average share price on the ASX was AUD$3.01 and on the NZX NZD$2.79:

CBL Corporation share price



CBLC's share price increased steadily on both exchanges from the IPO date to September 2016. The increases occurred at a time when CBL was continuing to report strong financial results, obtained a further ratings upgrade and raised additional capital. The share price then remained stable from September 2016 to February 2017 where it suffered a fall due to a number of factors. We consider these factors in the next section.

4.1.2 Capital raise of $63 million in September 2016

In September 2016 CBLC sought further capital of $63 million.

The Company successfully placed $60 million with institutional investors and a further $3 million through a share placement plan with existing retail investors.

The capital raised in 2016 was used to partially fund the acquisition of the SFS/IMS businesses and to retire debt.

4.1.3 Management sell down April 2017

As part of the IPO management shares were held in escrow until the 2016 results were released. Following release CBLC management and directors sold down shares in April 2017. Peter Harris sold 5 million shares and Alistair Hutchison sold 5.4 million shares (representing approximately 9.4% of their combined shareholdings, or 4.4% of the total CBLC shares on issue). Not all of the other Directors sold shares in the sell down but a further 9.6 million shares were sold by some of senior management.

4.1.4 Bank borrowings

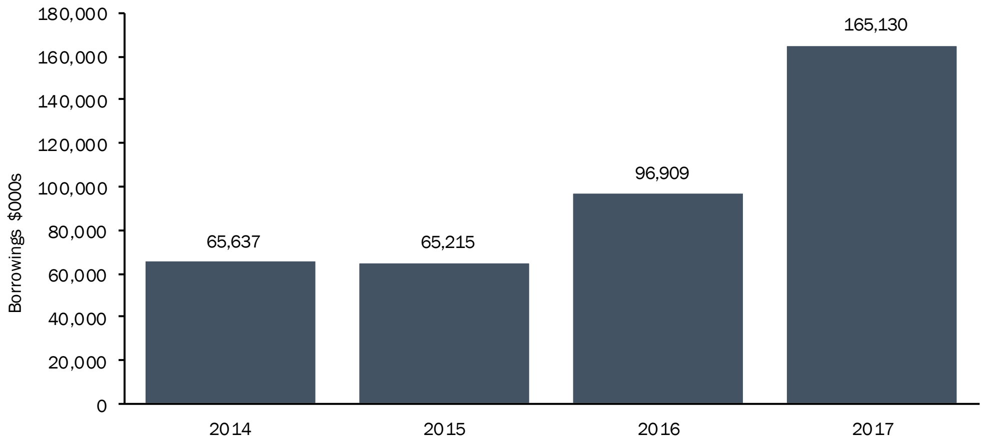
In April 2014 CBLC repaid its then existing bank debt financing from BNZ and Clydesdale by issuing AU$55 million of 5-year fixed rate notes through FIIG Securities Limited in Sydney. The balance of the funds were used for growth.

In September 2016 CBLC required further funding to acquire SFS and ANZ were secured as bankers at that time. This also enabled CBLC to repay the FIIG notes and in October 2016 CBLC exercised its right to repay the notes early. This reduced interest costs.

Following the settlement of SFS in January 2017, CBLC worked with ANZ to syndicate the loan between Industrial and Commercial Bank of China and Bank of China. This occurred in November 2017.

CBL Group Bank Borrowings

Year-end borrowings FY14 to FY17



4.2 CBL Group Consolidated Trading Performance and Position

4.2.1 Consolidated Performance

In FY17 the consolidated CBL group achieved revenue growth of $121 million (36.3%) on FY16. This did not translate into an uplift in profitability due primarily to prior period reserve strengthening (~$120 million) and the write off of $44 million of SFS premium receivables:

CBL Corporation Consolidated **Statement of Financial Performance**	**FY16 $000**	**FY17 $000**	**Variance $000**
Total Revenue	333,460	454,605	121,145
Net claims expense	(86,359)	(238,906)	(152,547)
Acquisition & operating costs	(170,929)	(290,694)	(119,765)
Operating Profit	**76,172**	**(74,995)**	**(151,167)**
Finance costs and FX	(32,054)	(4,539)	27,515
Profit before tax	**44,118**	**(79,533)**	**(123,652)**
Income tax expense	(13,409)	26,466	39,876
Dividend paid	(16,862)	(8,252)	8,609
Retained profit	**13,847**	**(61,319)**	**(75,167)**

Source: FY16 audited accounts, FY17 management accounts prior to finalisation of FY17 actuary review

Loss Ratio	32.7%	69.6%	36.9%
Acquisition Expense Ratio	32.4%	30.9%	-1.5%
Combined Ratio excl Admin Exps	65.1%	100.5%	35.4%

- Revenue expansion was driven by new business, increases in existing products and a full year of SFS trading (only three months in FY16 as economic ownership occurred from October 2016, settlement in January 2017). The inclusion of 12 months trading for SFS accounted for approximately $70 million of the revenue uplift.
- Net claims expenses and acquisition costs increased as a function of the revenue growth but claims expenses were also impacted by ~$120 million of prior period reserve strengthening in respect of CBLI and CBLIE French Construction business. At the date of our appointment the actuarial reviews of CBLI and CBLIE had not been finalised such that the FY17 accounts summarised above are draft and unaudited. In addition, CBLI wrote-off receivables of $44 million arising from broker/insurer/reinsurer reconciliations following a detailed post acquisition examination of SFS during FY17.
- Finance and forex costs also reduced substantially in FY17 reflecting:
  - One-off early repayment costs on the FIIG Securities notes in FY16 and subsequent lower interest costs in FY17.
  - Lower capital raising and business combination costs due to the FY16 capital raise and the majority of SFS related costs being borne in that year.
  - Favourable realised and unrealised foreign exchange gain variance of $17.4 million driven primarily by higher Euro denominated debt and a favourable movement in the EUR:NZD rate.
- The income tax expense reflects the change in profit/loss before tax.
- Dividends of $8.2 million were declared in FY17, $8.6 million lower than FY16.

4.2.2 Consolidated Position

The FY17 consolidated CBL group financial position (reflecting the draft unaudited position at the date of our appointment) reflected net assets and equity of $250 million, a $42 million reduction on FY16:

CBL Corporation Consolidated Statement of Financial Position	FY16 $000	FY17 $000	Variance $000
Cash and cash equivalents	403,893	527,163	123,270
Other financial assets	67,295	57,606	(9,689)
Insurance and other receivables	349,901	356,098	6,197
Recoveries on outstanding claims	91,671	195,839	104,169
Deferred costs and expenses	60,522	80,074	19,552
Intangible assets	59,501	46,865	(12,635)
Goodwill	154,953	195,393	40,440
Other assets	16,191	59,315	43,124
Total Assets	**1,203,927**	**1,518,354**	**314,427**
			-
Other payables	322,015	301,177	(20,838)
Unearned premium liability	166,958	226,451	59,493
Outstanding claims liability	272,291	544,112	271,821
Borrowings	96,909	165,130	68,221
Other liabilities	53,134	31,354	(21,780)
Total Liabilities	**911,307**	**1,268,224**	**356,917**
Net Assets	**292,620**	**250,129**	**(42,490)**
			-
Total Equity	**292,620**	**250,129**	**(42,490)**

Source: FY16 audited accounts, FY17 management accounts prior to finalisation of FY17 actuary review

Key movements across the 12 months to December 2017 reflect:

- Increases in cash and cash equivalents driven by the accumulation of trading cash and reserves, reflecting the acquisitions and organic growth that occurred in FY17.
- Increases in recoveries and outstanding claims as a function of the reserve strengthening on the French construction books. This is off-set by the increase in the outstanding claims liability.
- Increases in deferred costs and expenses consistent with growth in revenue.

- Increases in goodwill reflecting the favourable movement in the EUR:NZD and revision of the SFS assets and liabilities at the acquisition date (actual assets reduced, goodwill increased). Note as economic settlement of the SFS transaction occurred in October 2016, the SFS assets and liabilities are reflected in the FY16 position in the table.
- Movement in other assets, primarily deferred and current tax related.
- Reduction in other payables reflecting lower premiums due from external insurers to MGAs.
- Increases in the unearned premium liability consistent with growth in revenue.
- Increases in the liability for future claims expected as a function of revenue growth and increased reserving on the French construction books.
- Increased borrowings to enable settlement of the SFS transaction in January 2017.
- Reductions in other liabilities, primarily tax liabilities and deferred consideration.

In summary, CBL group captured revenue uplift in FY17 driven by organic growth and acquisition. This increase in trading activity is reflected in the CBL group net assets at FY17 year end, but is outweighed by the substantial increase in the expected future claims liability (prior period reserve strengthening) and write-off of SFS receivables.

We are unable to provide final financial results for FY17 as we cannot ascertain the final position arrived at by the insolvency practitioners in control of CBLI and CBLIE. We also have been unable to secure financial accounts for SFS.

5 What events led to the appointment of administrators

What happens from July 2017 is important to understanding how the group ended up in its current position. Events before this period are relevant to understanding why or how the post-July 2017 issues arose but it is events between July 2017 and February 2018 that culminate in the insolvency processes commencing.

The CBL group came under regulatory scrutiny during 2017, both directly in respect of the group's insurance businesses (CBLI and CBLIE) and indirectly in terms of third parties with which the group had a relationship.

5.1 First Half of 2017

- CBLI provided quota share reinsurance to Alpha Insurance A/S of Denmark ("Alpha") and Elite Insurance Limited ("Elite") of Gibraltar. Alpha and Elite wrote considerable business in French builder's warranty insurance ("French business") which was historically the biggest portion of CBLI's insurance portfolio representing 64% of gross outstanding claims as at 31 December 2016 and ~75% by 31 December 2017.
- From the middle of 2016 Elite was subject to supervisory oversight from the Gibraltar Financial Services Commission ("GFSC"). The GFSC's work was supported by PwC UK, who were engaged in 'Skilled Persons' and 'Inspector' capacities pursuant to the Financial Services (Information Gathering and Co-Operation) Act 2013.
- PwC UK noted in a June 2017 Skilled Person Report Elite's significant exposure to CBLI (as Elite's reinsurer) and recommended a review of the risk if CBLI should fail. PwC UK's concern was directed at CBLI's ability to meet its reinsurance obligations to Elite, and cast doubt on the accuracy of Elite's reserving for its exposure to the French construction business.
- CBLI's actuary, PwC NZ, disagreed with PWC UK's conclusions on CBLI's ability to meet its obligations to Elite and CBLIE.
- Through this same period, Alpha was required by its regulator to increase its claims provision substantially. These requirements were imposed amid concerns about Alpha's exposure to the French construction business, reinsured by CBLI.
- CBLIE had been the subject of increasing regulatory supervision from the Central Bank of Ireland (CBI) since the first half of 2017. During the course of that engagement CBI raised a number of issues relating to the financial position of CBLIE and the manner in which it was carrying on its business.
- RBNZ became aware of the concerns of the European supervisors of these three ceding insurers; Elite, Alpha and CBLIE. The European supervisors had concerns CBLI was unable to fulfil its reinsurance obligations.

5.2 Second Half of 2017

- Some action was taken in early 2017 but the regulators' actions from July 2017 onwards put increasing financial pressure on the CBL group.
- In July 2017 CBI imposed a condition on CBLIE requiring cash reinsurance recoveries to be placed in a trust for the exclusive benefit of CBLIE to alleviate concerns regarding the high-level of exposure CBLIE had to CBLI under the terms of their reinsurance agreements. This had the effect of increasing CBLIE's cash reserves at the expense of CBLI.
- RBNZ's investigations into CBLI's reserving led them to issue a s143 Direction to CBLI in July 2017 which directed it not to:
  - Enter into any transaction to increase exposure to any insurance or reinsurance business of Elite
  - Provide new or increased levels of financial support to any insurer or reinsurer not currently owned by CBLC
  - Obtain or increase ownership in any insurer or reinsurer
  - Purchase from another insurer a portfolio of insurance or reinsurance policies
  - Purchase any other business
  - To maintain a solvency ratio of at least 170% (an increase from 100%)
- In August 2017 RBNZ appointed an investigator to investigate the reserving position of CBLI. The RBNZ investigator appointed NZ and French actuarial firms, to carry out valuations of CBLI's French construction business. We are advised that RBNZ also served a Confidentiality Direction on CBLI.

- CBLI filed with RBNZ in respect of solvency at 31 July 2017, 30 August 2017 and 30 September 2017 respectively in respect of its monthly management accounts at 186.6%, 183.6% and 176.1%. These solvency calculations were without an adjustment by way of formal actuarial reviews which were carried out in accordance with requirements.
- Over this period CBLC was also working through issues with the financial position of SFS. Projects commenced to reconcile diverse sources of financial information within SFS so it could produce financial accounts, and verify its cash position. This project remains incomplete but one result was $44 million of receivables being written off.
- In November 2017 CBLI advised RBNZ that CBLI may need to strengthen reserves at year end FY17 and, while the data was still draft and still being worked on, it was likely or possible that CBLI's solvency margin could drop below 170% at 31 December 2017.

5.3 First Quarter of 2018

- The regulators' actions eventually impacted on the group's liquidity profile:
  - Cash could no longer be paid from CBLIE (which was collecting the insurance business's revenue) into CBLI; and
  - CBLC's cash needs increased as it was required to inject more capital into CBLIE and build up reserves within CBLI.
- CBLI and CBLIE were both being required by their respective regulators to carry significantly higher solvency capital buffers in respect of the same underlying risk.
- On 2 February 2018 RBNZ lifted the Confidentiality order placed on CBLI and on 7 February 2017 CBLC informed the markets that:
  - the RBNZ had commissioned an independent review of CBLI, imposed restrictions on transactions over NZD5m and set a solvency margin of 170%;
  - CBI had issued a series of directions to CBLIE that were intended to strengthen its capital base, reserves and reinsurance security;
  - A.M. Best, the group's rating agency, had downgraded CBLC and CBLI.
- Shortly after this announcement CBLC requested the NZX and ASX to suspend trading in its securities. ASX agreed and the NZX regulatory arm (NZXR) suspended trading of CBLC shares.
- CBLC retained First NZ Capital ('FNZC') to advise on a potential capital raise. The quantum of the capital raise was uncertain but FNZC commenced a diligence process to understand the business. This diligence process would have taken some time to conclude.
- CBLI subsequently announced that the CBL group would cease to write insurance business in the French market from April 2018 but that given the French construction business was profitable, all exit options were being considered including a sale of the insurance book and sales of EISL and SFS, on a going concern basis. After the CBL announcement, CBI issued a direction to CBLIE requiring it to, amongst other things, immediately cease writing all new contracts of insurance
- It would have been clear to CBLC that the regulators were concerned that the insurance businesses were not adequately capitalised. From our work in the administration, it is apparent that senior management and directors were aware of the regulators' views but, until January 2018, did not have firm advice from their own actuary about any required increase.
  - In communication with directors we have been advised that CBLC considered it could not publicly disclose actions that the regulators were taking where they were subject to confidentiality orders. We are advised that the RBNZ pointed out the penalty for any breach.
- On 23 February 2018, with short notice, the RBNZ applied for immediate appointment of interim liquidations of CBLI. CBLI tried to oppose that application. The Court appointed interim liquidators at 5.30pm on 23 February 2018.
- Later that same day the Board of CBLC appointed KordaMentha as voluntary administrators of CBLC and other NZ subsidiaries.

6 Issues facing CBLC now

6.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 have had a profound impact on the CBL group's operations. At the time of our appointment:

- CBLI, the final risk carrier in the group, had ceased trading and was no longer paying claims. On its appointment, the interim liquidator immediately advised that claims will not be paid until CBLI's solvency position is confirmed.
- CBLIE had also ceased to write new business but is paying some claims.
- PFP, Deposit Power, EISL and SFS consequently no longer had insurer capacity so needed to obtain replacement capacity to continue trading.
- Without any capacity from CBLI, Deposit Power's directors appointed Voluntary Administrators.
- The flow of capital around the group had stopped so individual businesses within the group were no longer able to support each other financially. CBLC, the parent company, had no source of income.

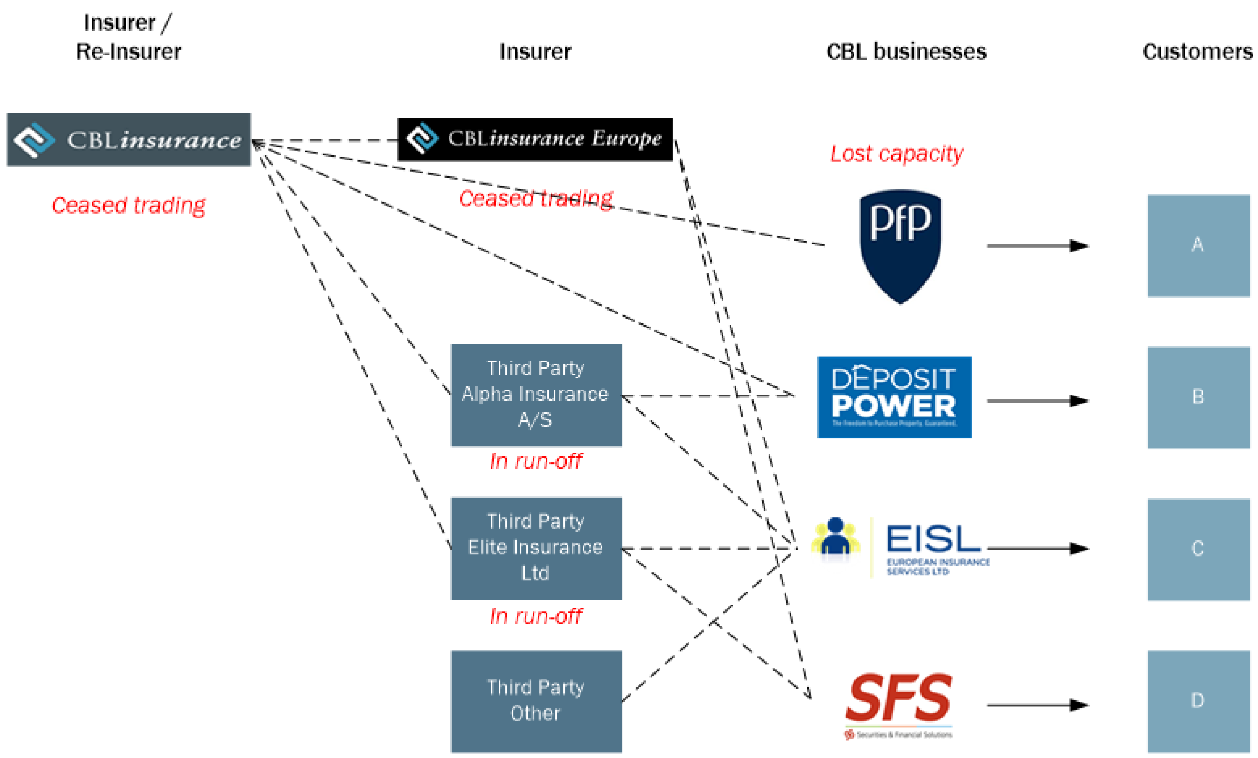
Assetinsure has established relationships with third-party reinsurers so the CBL Group's problems have not had any impact on its day-to-day trading. Assetinsure is not discussed in the following summary of 'Issues facing CBL now' as it is not impacted.

Trading entities	Formal appointment	Current status
CBLinsurance	Interim Liquidators appointed 23 February 2018	Ceased trading, no longer writing insurance or paying claims Liquidation being pursued by RBNZ and opposed by: a) Peter Harris and Alistair Hutchinson; and b) Elite Insurance Liquidation hearing set for 5/6 June 2018
CBLinsurance Europe	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims Subject to ongoing regulatory review by CBI
PfP	N/A	Trading with short-term replacement insurance capacity Sale process progressing Liquidators appointed to holding company, as part of the CBL administration strategy
EISL EUROPEAN INSURANCE SERVICES LTD	N/A	Trading with replacement medium-term insurance capacity Sale process underway
DEPOSIT POWER The Freedom to Purchase Property. Guaranteed.	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
SFS Securities & Financial Solutions	N/A	Limited trading activity as efforts to stabilise the business continues Value for CBL is highly uncertain

In summary the CBL group is now in a position where its core insurance and re-insurance businesses have ceased to write new business. It was not therefore possible for the other entities within the group that relied on those insurers to continue trading under the same operating framework.

Other third-party insurers with whom CBL group has considerable trading history and business are in run-off under separate processes.

The MGA businesses have therefore had to urgently secure replacement capacity to continue trading. The process is ongoing. Securing replacement capacity has been a difficult process as a result of the issues affecting the CBL group:



6.2 CBLC trading performance

As noted in the structure diagram at Section 2.1, CBLC is a holding company that does not directly trade with parties external to the CBL group.

As such, trading inflows are represented by interest, dividends and sundry income, and outflows by debt servicing, capital raising costs and operating/other expenses.

Based on the draft management accounts, for the 12 months to December 2017 (FY17) CBLC (the stand-alone entity not consolidated) suffered an after-tax loss of $11.9 million, $11.8 million lower (worse) than FY16 driven by lower revenue, higher operating costs and forex losses partially offset by lower finance costs and other expenses:

CBL Corporation **Statement of Financial Performance**	**FY16 $000**	**FY17 $000**
Revenue (Dividends)	**18,439**	**2,829**
Claims and operating expenses	(1,601)	(3,074)
Operating profit	**16,838**	**(245)**
Finance costs	(12,310)	(7,920)
Other expenses	(4,165)	(1,507)
Share of profit from associate	55	49
FX translation adjustment	(471)	(7,527)
Profit before tax	**(52)**	**(17,149)**
Income tax expense	(47)	5,285
Profit after tax	**(99)**	**(11,864)**
Dividends	(16,862)	(8,252)
Retained earnings for the period	(16,961)	(20,117)

Source: Management Accounts

- Revenue, represented by dividends, was substantially lower at $2.8 million. These were received from Intercede 2408 Limited (the holding company of the SFS/IMS and EISL investments) and LBC Holdings Europe DAC (the holding company for CBLIE). This reflects the challenges that were being dealt with across the key operating businesses of CBLI and CBLIE.
- Other operating expenses increased in FY17 due to increased consultancy costs, directors' fees and inter-company recharges.
- Finance costs were lower reflecting the repayment of the FIIG notes in 2016 from capital raising proceeds.
- Other expenses reduced due to lower project and acquisition cost, following the purchase of SFS/IMS in late 2016 (settled January 2017).
- Higher forex losses reflect realised and unrealised losses on foreign denominated debt and cash balances.
- These results do not reflect any adjustments to the carrying value of investments that could arise as a result of additional reserving or other adjustments in the trading businesses.
- The information presented above is based on the draft unaudited position at 31 December 2017.

6.3 CBLC trading cashflows

The reported $11.9 million net loss after tax in FY17 contributed to a net cash reduction of $43 million across the period:

CBL Corporation	FY16	FY17
Statement of Cashflows	**$000**	**$000**
Operating Cashflows		
Dividends received	16,831	2,685
Other operating income	163	144
Other operating payments	(9,377)	(6,610)
Finance costs	(4,767)	(4,684)
Tax paid	0	0
Operating cashflows	**2,851**	**(8,465)**
Investing Cashflows		
Acquistion costs	(13,622)	(97,738)
Related party loans	(955)	18,788
Investing Cashflows	(14,576)	(78,951)
Financing Cashflows		
Borrowings	4,659	51,551
Issue of shares	58,607	0
Dividends paid	(17,747)	(8,700)
Financing Cashflows	45,519	42,851
Opening cash	10,247	43,991
Net movement	33,793	(44,565)
FX impacts on cash balances	(49)	1,360
Closing cash	**43,991**	**786**

Source: Management Accounts

- Negative operating cash of $8.5 million was driven by substantially lower dividends partially offset by lower operating and finance costs. Dividend flows up to CBLC as parent were clearly impacted by the focus on solvency in the operating businesses.
- Negative investing cashflow of $79.0 million in FY17 reflects the settlement of the SFS/IMS transaction. The related party loan reflects cash received from CBL Corporate Services generated primarily from forex gains.
- The FY17 operating and investing cashflows were also partially funded by the increase in borrowings to complete the SFS transaction (settled in January 2017). In FY16 a $60 million capital raise occurred (September 2016). Dividends of $17.7 million and $8.7 million were also paid across FY16 and FY17 respectively.
- The information presented above is based on the draft unaudited position at 31 December 2017.

6.4 CBLC financial position

At 31 December 2017, CBLC reported a net asset position of $159 million. Key assets are reflected in the investments in associates:

CBL Corporation Statement of Financial Position	FY16 $000	FY17 $000
Assets		
Cash and cash equivalents	43,991	786
Other receivables	1,437	1,757
Current tax asset	112	5,397
Investment in associate	197,674	303,229
Total assets	**243,215**	**311,169**
Liabilities		
Other payables	(3)	24,340
Borrowings	64,241	127,970
Total liabilities	**64,239**	**152,309**
Net assets	**178,976**	**158,859**
Equity		
Share capital	203,516	203,516
Retained earnings	(24,540)	(44,656)
Total equity	**178,976**	**158,859**

Source: Management Accounts

CBL Corporation Investment in associates	Underlying Asset	FY16 $000	FY17 $000
LBC Treasury Company Ltd	I/C loans	45,483	45,483
LBC Holdings New Zealand Ltd	CBLI	78,319	88,319
LBC Holdings Europe Ltd	CBLIE	7,632	32,246
LBC Holdings UK Ltd	PFP	14,590	14,590
LBC Holdings Aust. Ltd	Assetinsure	48,036	48,036
Intercede 2408 Ltd	SFS/IMS/EISL	47	70,939
Associate-Fiducia	Shareholding	3,615	3,615
Unreconciled		(49)	
Total		**197,674**	**303,229**

- Cash at bank was offset against other borrowings following our appointment as voluntary administrators.
- Other receivables represent sundry debtors, primarily amounts paid to third parties on behalf of other CBL group companies.
- The key asset of CBLC is its investment in its subsidiaries. We have outlined the status of these in the previous section. Their realisable value will ultimately be determined by the sale processes that are underway in the various jurisdictions. We expect their total value to be less than is recorded in the balance sheet. A key variable is any equity that can be extracted from CBLI or CBLIE. Those entities are under the control of other insolvency practitioners so the value of their assets (and therefore any resulting equity) is outside our control. As noted above, these results do not reflect any adjustments to the carrying value of investments that could arise as a result of additional reserving or other adjustments in these trading businesses.
- Other payables are advances from other entities within the group.
- The borrowings represent amounts due to lenders under an unsecured syndicated facility dated November 2017. A claim for ~$144 million has been received in respect of this liability.
- The information presented above is based on the draft unaudited position at 31 December 2017.

6.4.1 Creditor ranking in liquidation

We summarise the creditor position of the Company in the context of liquidation as below.

Preferential creditors

- Certain obligations to staff are accorded statutory priority in a liquidation, to a limit of $22,160 per person. Staff entitlements qualifying under this head are estimated in the region of $100k but this will need to be finalised once liquidators are in place. Staff entitlements above this level per person rank as unsecured claims. These obligations are payable by CBLC.

Secured creditors

- There are no sums owing to secured creditors at the date of our appointment.

Unsecured creditors

- We have received creditor claims totalling $172 million. This includes the non-preferential portion of staff entitlements.
- $144 million is owing to the group's bankers (included in the total above). They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. It is likely the bank group's claims against CBLC will reduce as a result of these repayments (but subject to interest accruals).

Liquidators will call for claims to be filed following appointment.

7 Events in the Voluntary Administrations

7.1 Administration strategy

As Administrators, our focus is on protecting the business, and maximising the return for creditors and shareholders in the particular circumstances.

The key objective of our administration strategy has been to try and stabilise the group's trading businesses that are not controlled by other insolvency officials. We control the New Zealand-based holding companies within the group but we do not control the trading businesses directly. The level of control we can exert needs to be balanced against regulatory requirements in each jurisdiction. It is critical to ensure regulatory compliance to avoid the stabilisation strategy (and value) being compromised.

We have worked closely with relevant members of the CBLC management team to execute this strategy, within an appropriate control framework. We have also been assisted by the directors of subsidiaries in other jurisdictions.

The primary components of this strategy have been:

- Implement a strategy to stabilise operating units where possible by resolving business interruption issues, so they could continue to trade while recovery or realisation options are assessed
- Align strategic advisors in each geographical location with each unit to support implementation of the strategy at a local level
- Seek to establish working relationships with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland)
- Attempt to agree with these insolvency practitioners the appointment of a global investment bank as sales advisor to explore realisation options for the CBL group businesses and optimise the value of CBLC's equity in subsidiaries
- Analyse CBL's financial position to identify any potential asset recoveries and understand the group's liabilities
- Undertake preliminary assessment of the existence of any potential legal claims that may be considered or transactions that may be reviewed

7.2 Coordinated sale process

There are many interdependencies and interrelationships across the group. Some external stakeholder and creditor interests touch on multiple CBLC subsidiaries, often with conflicting positions.

We believed the appointment of one sales advisor to the group would enable a strategy for each business unit to be developed and implemented as a coordinated approach to the market that would provide a platform to manage these different interrelationships and interdependencies, for the benefit of the CBL group as a whole. We recognised however that some outcomes may impact differently on individual group assets so each insolvency official would ultimately need to consider any arrangements in the context of their duties to the entity they control.

Unfortunately, it was not possible to agree the appointment of one advisor with the insolvency practitioners controlling CBLI and CBLIE. The options and terms proposed (including the lack thereof) by those practitioners did not permit the sale advisor to run a coordinated sale process. We do not have good visibility into the actions that are being taken within CBLI and CBLIE and we are not in a position to assess what might result from those processes at this time. These businesses represented 74% of group revenue in the 12 months to 31 December 2017.

We have mandated a sales advisor in respect of the business units outside of CBLI/CBLIE but we remain of the view, given the structure and relationships between the various businesses, that a coordinated sale process would have optimised outcomes across the CBL group.

7.3 Business units

7.3.1 PFP & EISL

With CBLI/CBLIE not writing insurance, PFP and EISL have obtained replacement capacity from third party providers. This has been made more complicated by the insolvency processes in the wider CBL group. Capacity has been secured to support trading for the immediate future.

The long-term stability of PFP and EISL can be secured by selling the businesses so they sit outside the CBL group. Keeping these businesses within the CBL group would likely result in value erosion.

Sale processes for each are well advanced but no transactions are confirmed at the date of this report. The proceeds from the sale of these entities will be first available to creditors of CBLC's subsidiaries.

7.3.2 SFS

SFS was most impacted by CBLI/CBLIE ceasing to write new business. It has not ceased operating but it faces significant challenges in continuing to operate. It has a large cost base that it needs to generate revenue to cover. It too is under regulatory scrutiny.

CBL initiated a process in late 2017 to reconcile diverse sources of financial information within SFS and better understand its cash position. External accountants were appointed to undertake forensic analysis. Some of the issues that CBL was trying to understand and address were identified in CBLC's due diligence when it purchased SFS. The process CBL initiated was incomplete at the date of our appointment as administrators. Financial accounts for SFS for 2016 and 2017 have not been finalised. These issues have made it more difficult for SFS to stabilise itself since CBLC went into administration.

Efforts to obtain replacement capacity continue in parallel with consideration of sale and capital-raising options. If any transaction is secured, it is highly uncertain what return (if any) would be available for CBLC after SFS's own obligations are considered.

7.3.3 Assetinsure

As noted previously, Assetinsure's day-to-day operations are unaffected by the issues facing the CBL group. It continues to trade as normal.

7.4 Funds and assets available to liquidators

At the date we were appointed the Companies had no money available to fund the administration.

In order to undertake the administration, we made arrangements for funding with existing bankers of the Companies. These arrangements required security to be granted in respect of monies drawn down in the administrations. The security does not apply to monies outstanding prior to our appointment.

An account of receipts and payments will be filed with the Registrar of Companies in the prescribed form within 20 working days of the end of the administration.

On this basis there are not anticipated to be any funds on hand at the date of the Watershed meeting.

8 Options available to creditors

In a voluntary administration there are generally three courses of action available to creditors:

1. Approval of a DOCA. A DOCA is an agreement between a company and its creditors as to how the debts of the company may be restructured and how the affairs of the company may be conducted; or
2. The administrations end and the companies return to the control of their directors; or
3. The companies may be placed in liquidation.

8.1 Deed of Company Arrangement ('DOCA')

No DOCA has been proposed in regard to CBLC.

We are aware that the Company is working on a proposal but that it is not fully developed. If a viable proposal/DOCA is later received it is possible for the Company to exit liquidation and return to Voluntary Administration under Section 239(J) and Section 250 of the Act. A return to Voluntary Administration under these sections of the Act would require approval by resolution of creditors or approval of the Court. A return to Administration would enable creditors to vote on the proposal/DOCA.

8.2 Administrations end and companies return to control of directors

If creditors choose to return CBLC to the control of its directors, it will fall to the directors to determine how the available assets should be realised. No cash is available to meet the obligations of the company, and in our view the directors would be likely to seek the appointment of liquidators in any case.

In this case the issue of voidable transactions would not arise (see below), and the issue of potential breaches of duty in the conduct of the company would be unlikely to be raised (see below).

8.3 Liquidation

Liquidation is a statutory process governed by the Companies Act 1993 ('Act'). Liquidation is the process of winding up the affairs of a company when it is unable to meet its obligations to its creditors or it has otherwise reached the end of its useful life.

The liquidations of CBLC will entail materially:

- Receipt of the proceeds of the administration (if any);
- Determination of claims against the proceeds in each company, in the context of the statutory priorities;
- Consideration of the prospects of recoveries for creditors from voidable transactions (if any) and breaches of duty (if any);
- All statutory reporting and administrative obligations;
- Payment of proceeds to creditors in the statutory order being:
  - Preferential claims of staff, to the extent funds are available for payment;
  - Unsecured claims, again to the extent funds are available for payment;
  - Shareholders, in the event a surplus of funds is available over and above the company's obligations to creditors.

The Liquidators' principal duty is to take possession of, protect, realise, and distribute the assets, or the proceeds of the realisation of the assets, in accordance with the Act.

The Liquidators may also review certain transactions undertaken by the company ('voidable transactions') and the conduct of the company ('breaches of duty'), with a view to seeking recoveries for the benefit of creditors:

- **Voidable transactions** can be pursued to recover money from a person or entity which received money from the company at a time when it was unable to pay its due debts, and that money is more than the person or entity would receive, or be likely to receive, in the company's liquidation. The process is not without cost, and there are defences available to recipients of money.

In the case of CBLC, our preliminary observation is that there are transactions in respect of which a liquidator would likely give consideration to assessing or establishing whether they were voidable. Such claims would be the subject of detailed legal argument and factual analysis. The relevant facts will extend to evidence of the group's financial position as a whole, not just the position of CBLC itself, given that CBLC was reliant on its subsidiaries for funding.

It is uncertain whether any claims would succeed. It is not possible, at this time, to form a robust view on the merits of voidable claims, and defences to those claims which the recipient would have.

- **Breaches of duty** by responsible parties can result in recoveries for creditors in circumstances where the business of a company is carried on in a manner likely to create a substantial risk of serious loss to the company's creditors, or where an obligation is incurred without reasonable grounds to believe that the company will be able to perform the obligation when it is required to do so.
- On balance, we consider it would be reasonable for creditors to assume that a liquidator would investigate further and potentially bring claims against parties involved with the Company before its administration.

  Some shareholders have notified us that they consider they have claims they can bring but they are not claims the Company can take and, if they were taken, they would not benefit the Company's creditors.

  Any review will need to be undertaken once liquidators are in place.

9 Administrators' opinion on the options

9.1 Opinion

CBLC is unable to meet its obligations to creditors. It has no direct trading assets. Two of its largest operating business units are subject to separate insolvency processes where we were not able to agree a coordinated sales process and into which we do not currently have visibility. Sale processes have commenced for some of the other business units and they are likely to be sold. Equity proceeds received by CBLC will be used to repay creditors.

No restructuring proposal has been put forward at this time that creditors could vote upon at the meeting as an alternative to liquidation.

The Administrators consider it would be in the interests of creditors for the Company to be placed in liquidation.

10 Administrators' addresses

If you have any queries or concerns regarding this report, please contact us at our contact details below.

Relevant addresses of the Administrators for **all purposes** in respect of the companies are:

Post:	CBL Corporation Limited (Administrators Appointed) PO Box 982 Shortland Street Auckland 1140
Phone:	+64 9 307 7865
Fax:	+64 9 377 7794
Email:	cbl@kordamentha.co.nz
Courier:	Level 16, 45 Queen Street Auckland 1010

Appendix 1: Restrictions

This report has been produced for the purpose of the watershed meeting CBLC and is not intended for general circulation, nor is it to be reproduced or used for any purpose without our written permission in each specific instance. We do not assume any responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

In preparing this report we have relied on information provided to us by the Companies. We have not carried out any form of due diligence or audit on that information. The information provided to us included forecasts of future revenues and expenditures, profits and cashflow that were prepared by the Companies. Forecasts by their very nature are uncertain, and some assumptions inevitably will not materialise. Therefore the actual results achieved may vary significantly from those in the forecasts.

We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in light of any information existing at the date of this report which becomes known to us after that date.

Appendix 2: Group Structure Diagram