

## Circular to Creditors

11 December 2018

LBC Holdings New Zealand Limited (4772359)  
LBC Holdings UK Limited (4774859)  
LBC Holdings Europe Limited (4774919)  
LBC Holdings Australasia Limited (5535467)  
LBC Treasury Company Limited (6040888)  
(all Administrators Appointed)  
(‘Companies’)

### ADMINISTRATORS’ REPORT AND NOTICE OF MEETING FOR THE PURPOSES OF CREDITORS’ JOINT “WATERSHED” MEETING

As you will be aware, the Boards of the Companies placed the Companies in voluntary administration (‘VA’) on 23 February 2018.

At that time, Neale Jackson and Brendon James Gibson (the ‘Administrators’) were appointed Administrators of the Companies (together the ‘Companies’ and each a ‘Company’) and CBL Corporation Limited in accordance with Section 239I of the Companies Act 1993.

VA is a short-term measure that effectively freezes the Companies’ financial positions, giving creditors the opportunity to consider, and vote on, the future direction of each Company.

A joint first creditors meeting in respect of the Companies was held in Auckland on Wednesday, 7 March 2018. That meeting was largely procedural.

The VA of each Company has now progressed to the stage where you, as a creditor, need to have your say regarding the future direction of the Company/ies in respect of which you are a creditor.

This report and notice is in respect of the Companies and not CBL Corporation Limited. The Administrators applied to the High Court for an order to further adjourn the watershed meeting of CBL Corporation Limited to 15 February 2019, or any date prior by giving all creditors no less than five working days’ notice, unless further extended by the Court. The extension was granted on 7 December 2018. The extension was requested to allow the application by two of CBL Corporation’s creditors to liquidate the company to be heard. This application is scheduled to be heard on 17 December 2018.

#### What creditors need to know and do:

- The joint creditors’ watershed meetings are due to be held on **Tuesday, 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand.
- The Administrators’ Report to creditors in respect of each entity of which they are a creditor is **enclosed**. This provides analysis of the position of each company and considers the options available to creditors. The Report allows creditors to make an informed decision when they vote on the future of the Companies.
- Please provide your claim form to us **by 5.00 pm, Friday, 14 December 2018**. You do not need to send it to us again if you have already provided it to us and it has not changed. Please use Attachment 3 for this purpose.

- If you intend to vote by post or by proxy, you are required to return the relevant form to us **by 5.00 pm, Friday, 14 December 2018**. Please use Attachment 4 or 5 respectively, for this purpose.

## Business of the meeting

The business to be dealt with at the joint watershed meeting is for the creditors of each Company to resolve upon one of the following:

- (a) That the Company should execute a deed of company arrangement (**DOCA**); or
- (b) That the Company should be placed in liquidation; or
- (c) That the administration of the Company should come to an end and control of the Company be returned to the Company's directors.

**If you wish to vote, certain actions will be required from you before the meeting.  
Please pay particular attention to the matters below.**

## Attachments to this Circular

We now **enclose**:

- **Attachment 1: Formal notice of the joint watershed meetings for each of the Companies.** The meetings are due to be held on Tuesday, 18 December 2018 at **11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand.

If you wish to attend this meeting please email us at [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz).

On the day, creditors are required to register their attendance at the meeting. We encourage creditors to arrive 15 minutes prior to enable registration formalities to be completed.

### *Proposed Joint Meetings:*

In accordance with section 239AL of the Act, we propose to hold joint watershed meetings of creditors of the Companies to which we have been appointed as follows:

- LBC Holdings New Zealand Limited (4772359)
- LBC Holdings UK Limited (4774859)
- LBC Holdings Europe Limited (4774919)
- LBC Holdings Australasia Limited (5535467)
- LBC Treasury Company Limited (6040888)

We believe that holding joint watershed meetings will help expedite and streamline the process, as there is no need for a separate meeting to be held for each of the Companies. However, this is a decision for creditors. If any creditor wishes to object to the joint meetings they may do so by submitting an objection in writing to the Administrators via our postal, email, or street address (as set out below). The Administrators must receive objections **by 12.00pm, Friday, 14 December 2018**.

Unless any creditor objects in accordance with this notice, all creditors will be taken to have agreed to the joint watershed meetings.

Notwithstanding that the watershed meetings may be joint meetings, voting for the motions will be conducted separately for each Company.

- **Attachment 2: Administrators' Report to creditors.** A report for each company of which you are a creditor is attached. This report outlines the business, property, affairs and financial circumstances of the Companies and other factors material to the matters to be considered at the watershed meeting (for the purposes of

section 239AU(3)(a) of the Act). It also includes a statement of the Administrators' Opinion (for the purposes of section 239AU(3)(b) of the Act).

- **Attachment 3: Creditor's Claim Form.** A claim form for each company of which you are a creditor is attached. Your entitlement to vote at the watershed meeting relies on particulars of the claim being provided to the Administrators before the watershed meeting.

**If you have not done so already**, please complete a Creditor's Claim Form and return it to us **by 5.00 pm, Friday, 14 December 2018**.

Unless and until a claim form is received, you will not be able to be admitted to vote at the watershed meeting.

Any claim form submitted is not binding on the Administrators, and does not automatically denote acceptance of your claim for voting purposes or in the event of liquidation. Similarly, the value of a claim noted on this form does not confirm the amount owing or schedule the claim for payment. However, information contained in this form will assist us to determine the financial position of the Companies, and to streamline the creditors' registration process at the meeting.

***Please note, if you have already submitted a claim form for goods and services outstanding as at 23 February 2018 and it has not changed, you do not need to submit a further claim form.***

- **Attachment 4: Postal Voting Form.** A postal voting form for each company of which you are a creditor is attached. If creditors are unable to attend the watershed meeting in person and do not wish to appoint a proxy to vote on their behalf, they may submit a Postal Voting Form.

Forms must be received by the Administrators **by 5.00 pm, Friday, 14 December 2018** otherwise creditors or their proxies may be excluded from voting at the meeting. Further notes on the conduct of meetings and completion of forms are included with this circular.

- **Attachment 5: An Appointment of Proxy Form.** A proxy form for each company of which you are a creditor is attached. If creditors are unable to attend in person, but wish to nominate someone to vote on their behalf at the watershed meeting, they must complete and return a proxy form.

Please note the chairperson of the watershed meeting can only accept appointments as proxy in cases where the creditor specifies whether the vote is to be for or against or abstained in respect of each resolution (a special proxy). The chairperson is unable to accept appointments as general proxy without specific instruction.

Forms must be received by the Administrators **by 5.00 pm, Friday, 14 December 2018** otherwise creditors or their proxies may be excluded from voting at the meeting. Further notes on the conduct of meetings and completion of forms are included with this circular at Attachment 6.

- **Attachment 6: Further notes on the conduct of meetings and completion of forms.**

These documents are all also available on our website at <https://www.kordamentha.com/Creditors/CBL-Corporation>.

## Administrators' addresses

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

Post:	C/- KordaMentha	Phone:	+64 9 307 7865
	PO Box 982	Fax:	+64 9 377 7794
	Shortland Street	Email:	cbl@kordamentha.co.nz
	Auckland 1140	Courier:	Level 16, 45 Queen Street
			Auckland 1010

Yours faithfully



Neale Jackson  
Joint Administrator

*Enc.*

- Attachment 1: Formal Notice of Joint Watershed Meeting of Creditors
- Attachment 2: Administrators' Report
- Attachment 3 Creditor's Claim Form
- Attachment 4: Postal Voting Form and
- Attachment 5: Appointment of Proxy Form for the following entities
- Attachment 6: Further notes on conduct of meetings and completion of forms

Attachments 2 to 5 are attached for each of the following companies of which you are a creditor:

- LBC Holdings New Zealand Limited (4772359)
- LBC Holdings UK Limited (4774859)
- LBC Holdings Europe Limited (4774919)
- LBC Holdings Australasia Limited (5535467)
- LBC Treasury Company Limited (6040888)

## Attachment 1: Formal Notice of Joint Watershed Meeting of Creditors

**LBC Holdings New Zealand Limited (4772359)**

**LBC Holdings UK Limited (4774859)**

**LBC Holdings Europe Limited (4774919)**

**LBC Holdings Australasia Limited (5535467)**

**LBC Treasury Company Limited (6040888)**

**(‘Companies’) (all Administrators appointed)**

### Notice of joint watershed meeting of creditors

Pursuant to sections 239AU(1)(a) and 239AT of the Companies Act 1993, notice is hereby given that the watershed meetings of creditors of the Companies will be jointly held (in accordance with section 239AL of the Companies Act 1993) on Tuesday, 18 December 2018 at 11am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand.

Registration for all creditors and employees will be available 15 minutes prior to the meetings commencing.

If any creditor wishes to object to the joint meetings they may do so by submitting an objection in writing to the Administrators via postal, email, or street address (as set out below). The Administrators must receive objections by 12.00 pm, Friday, 14 December 2018. Unless any creditor objects in accordance with this notice, all creditors will be taken to have consented to the joint meetings.

The business to be dealt with at the joint watershed meeting is for the creditors of each Company to resolve upon one of the following:

- (a) That the Company should execute a deed of company arrangement (**DOCA**); or
- (b) That the Company should be placed in liquidation; or
- (c) That the administration of the Company should come to an end and control of the Company be returned to the Company's directors.

Relevant addresses of the Administrators for all purposes in the VA are:

Post: C/- KordaMentha  
PO Box 982  
Shortland Street  
Auckland 1140

Phone: +64 9 307 7865  
Fax: +64 9 377 7794  
Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)  
Courier: Level 16, 45 Queen Street  
Auckland 1010

Dated: 11 December 2018



Neale Jackson  
Joint Administrator

**Attachments 2-5**

**LBC Holdings New Zealand Limited (Administrators Appointed)**



**LBC Holdings New Zealand Limited (4774919)  
(Administrators Appointed)**

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

11 December 2018

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## 1 Introduction

### 1.1 Purpose of this report

This report is provided to creditors of LBC Holdings New Zealand Limited (**LBCNZ** or the **Company**) (Administrators Appointed) 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 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 7. *In brief, in our opinion it would be in the interests of the known creditors of LBCNZ for the proposed Deed of Company Arrangement (DOCA) to be approved*

### 1.2 Background

The Administrators were appointed to LBCNZ, CBL Corporation Limited (**CBLC**), LBC Holdings Europe Limited, LBC Holdings Americas Limited, LBC Holdings UK 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 LBCNZ only but we comment on the broader CBLC group where relevant to provide context.

We applied to the Court in March 2018 under Section 239AT of the Act to extend the watershed meeting of LBCNZ and the other CBL group companies. On 23 March 2018 Justice Hinton granted leave to extend the convening period until 11 May 2018, and the watershed meeting date to 18 May 2018.

In May 2018 two of the directors of CBLC put forward a restructuring proposal. To provide time to consider the proposal we made a further application to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting of LBCNZ and the other holding companies. On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018, and the watershed meeting date to 17 August 2018 so that the restructuring proposal could be developed.

An extension was not sought for CBLC and the Administrators convened and duly held the watershed meeting for CBLC on 18 May 2018. The Administrators adjourned the watershed meeting as it became apparent that, at that point in time, there would be a voting stalemate in relation to the resolutions required to be put forward (either placing the company into liquidation or handing control of the company back to its directors). Whilst the necessary 75% of creditors by value would have supported the resolution to put the company into liquidation at that point in time, a majority by number would not have been achieved which would have caused the liquidation resolution to fail. Related party creditors were a factor. The watershed meeting was adjourned to be held no later than 2 July 2018. In June 2018 the Court granted a further adjournment of the watershed meeting of CBLC to 17 August 2018. This aligned the watershed meeting date for CBLC with that of the subsidiaries.

As the restructuring proposal put forward by two of the directors may have had implications for LBCNZ and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. On 27 July 2018 Justice Hinton granted leave to extend the convening period to 10 November 2018, and the watershed meetings date to 17 November 2018.

The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBL Insurance Ltd (CBLI). CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration.

The outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors. The Administrators had been working to progress the restructuring plan which could have been implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation.

The CBLI liquidation hearing date was subsequently timetabled to start on 12 November 2018 in the High Court, requiring a further extension to the watershed meeting convening period to 11 December 2018, and concurrently the meeting date was extended to 18 December 2018.

In the Administrators' view a restructuring plan implemented through a voluntary administration offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL group companies. Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right. CBLI was placed in liquidation on 12 November 2018.

The known creditors of LBCNZ have since proposed a DOCA for the Company. No other DOCA proposals have been received. At this time it is the intention that LBCNZ's creditors will vote on the DOCA at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held at 11.00 am on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland.

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.

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.

The known creditors of LBCNZ have proposed a DOCA that will be voted on at the watershed meeting. Our opinion is that it would be in the interests of the known creditors of LBCNZ for the proposed DOCA to be approved. At the watershed meeting the creditors will be asked to vote on:

1. a resolution that the Company execute a proposed DOCA; OR
2. 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), OR
3. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Director.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade and is insolvent. 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 4.

## 2 Who and what is LBCNZ?

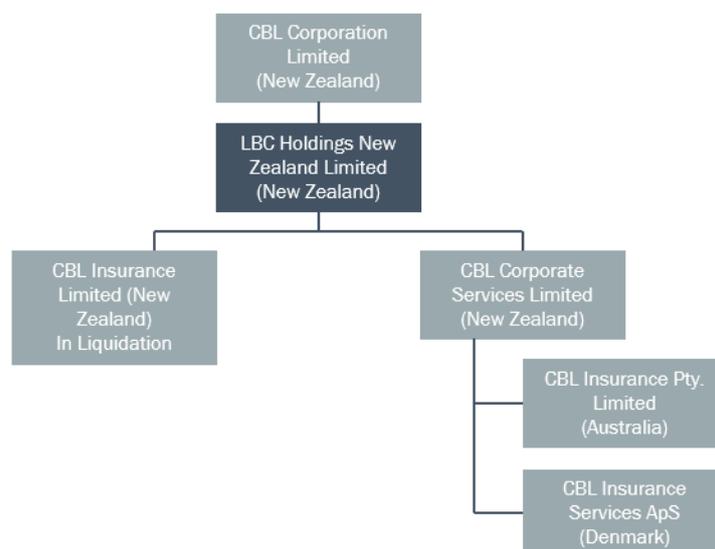
### 2.1 Overview

LBCNZ was incorporated on 12 November 2013 and is part of the CBL group of Companies. LBCNZ is a wholly-owned subsidiary of CBLC. CBLC is the ultimate parent company of the CBL group. CBLC is listed on the NZX and ASX. An overview of the broader CBL group and background and events leading up to administration are included in Appendix 2.

LBCNZ is a non-trading holding company. It is the parent of CBL Insurance Limited (**CBLI**) and CBL Corporate Services Limited (**CBLCS**). CBLI is the group's largest operating entity and is based in Auckland. CBLCS, which is also in administration, is a non-trading holding company that provides services to other CBL group companies. CBL Insurance Pty is dormant. CBL Insurance Services ApS has historically provided agency services to CBLI and CBL Insurance Europe (In Administration) but is currently being liquidated.

The subsidiaries of LBCNZ as at our appointment date, 23 February 2018, are shown in Figure 1. A more detailed structure of the CBL group of companies is provided in Appendix 3.

Figure 1: LBCNZ and subsidiaries



### 2.2 LBCNZ directors

At the date of our appointment the Companies Office recorded the directors of the Company as being:

- Anthony Charles Russell Hannon (appointed 29 June 2015)
- Carden James Mulholland (appointed 12 December 2013)

Anthony Charles Russell Hannon resigned on 12 November 2018. Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### 2.3 LBCNZ shareholders

LBCNZ is 100% owned by CBLC.

### 2.4 LBCNZ secured creditors

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

There are no registrations on the Personal Properties Securities Register against LBCNZ.

### 3 What does LBCNZ do?

#### 3.1 Overview of the CBL group

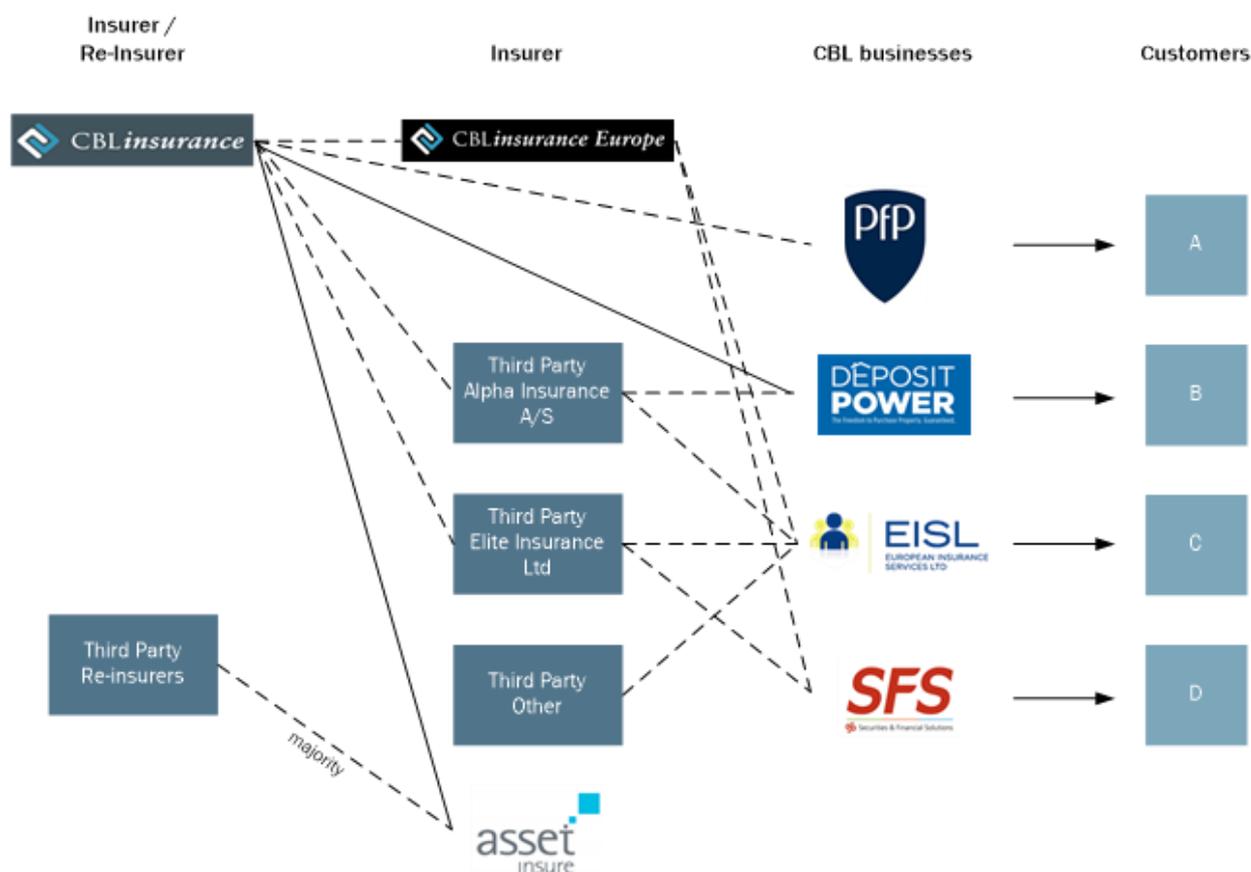
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- 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 CBLI (in Liquidation). 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.

The 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 were the critical driver of the options that were available when CBLC and its subsidiaries went into administration.

### 3.2 CBL Insurance Limited (In Liquidation)



- The main asset of LBCNZ is its investment in CBLI.
- 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.

### 3.3 LBCNZ trading performance and position

#### 3.3.1 Financial performance

In FY17 LBCNZ generated a nil net profit before tax. This was a decrease of \$16.5 million from FY16.

LBC Holdings New Zealand Limited	FY16	FY17	Variance
Statement of Financial Performance	\$'000	\$'000	\$'000
Total revenue	16,500	0	(16,500)
Net claims expense	0	0	0
Acquisition & operating costs	(0)	(0)	0
<b>Operating profit/(loss)</b>	<b>16,500</b>	<b>(0)</b>	<b>(16,500)</b>
Finance costs and FX	0	0	0
<b>Profit before tax</b>	<b>16,500</b>	<b>(0)</b>	<b>(16,500)</b>
Income tax expense	0	0	0
Dividends	(16,490)	0	16,490
Movt in Foreign Currency Translation Reserve	0	0	0
<b>Retained profit</b>	<b>10</b>	<b>(0)</b>	<b>(10)</b>

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

### 3.3.2 Financial position

The FY17 LBCNZ financial position reflected net assets and equity of \$88.3 million. The investment in associate relates to the investment in CBL Insurance Limited.

LBC Holdings New Zealand Limited	FY16	FY17	Variance
Statement of Financial Position	\$'000	\$'000	\$'000
Investment in associate	78,319	88,319	10,000
<b>Total Assets</b>	<b>78,329</b>	<b>88,329</b>	<b>10,000</b>
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>78,329</b>	<b>88,329</b>	<b>10,000</b>
Share capital	78,319	88,319	10,000
Retained earnings	10	10	(0)
<b>Total Equity</b>	<b>78,329</b>	<b>88,329</b>	<b>10,000</b>

LBCNZ guarantees the indebtedness to the bank lenders to the CBL group.

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 \$23,960 per person. Staff entitlements above this level per person rank as unsecured claims. LBCNZ had no staff and there were no sums owing to preferential creditors at the date of our appointment.

#### Secured creditors

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

#### Unsecured creditors

- We have received creditor claims totalling \$136 million from the bank lenders to the CBL group. They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. Subject to the timing of realisations and interest accruals, it is likely the bank group's claims against LBCNZ will reduce as a result of these repayments.

Liquidators would call for claims to be filed following appointment.

## 4 Issues facing LBCNZ and the CBL group following administration

### 4.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 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 would not be paid until CBLI's solvency position is confirmed. CBLI went into liquidation on 12 November 2018.
- CBLIE had also ceased to write new business but is paying some claims. CBLIE entered administration on 12 March 2018.
- 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 on 27 February 2018.
- 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 table as it is not impacted by the issues facing CBL.

Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

Trading entities	Formal appointment	Current status
	Interim Liquidators appointed 23 February 2018	Placed in to liquidation on 12 November 2018
	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims
	N/A	PFP Group sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners
	N/A	Sold in September 2018 to Phenix Holdings Limited
	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
	N/A	Liquidators appointed September 2018

## 5 Events in the Voluntary Administrations

### 5.1 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.
- Engage with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland).
- 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.
- Consider any restructuring proposals that have been received from third parties in order to assess whether they offered opportunities for increased realisations for the relevant group creditors.

### 5.2 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 sales processes we initiated ultimately led to the sale of the Assetinsure, PFP Group and EISL businesses. 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.

### 5.3 Restructuring proposals

In May 2018 two of the directors of CBLC put forward a restructuring proposal.

As this restructuring proposal may have had implications for LBCNZ and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBLI.

CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration. The

outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors.

The Administrators worked to progress the restructuring plan that could be implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation. In the Administrators' view the restructuring plan that was proposed offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL Group companies.

Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right, and CBLI went into liquidation on 12 November 2018.

A draft DOCA proposal was subsequently received from the known creditors of LBCNZ on 3 December 2018. The terms of that proposed DOCA are summarised at Appendix 1.

## **5.4 Business units**

As noted above the key asset of LBCNZ is its investment in CBLI.

### **CBLI**

Interim Liquidators were appointed to CBLI on 23 February 2018. Liquidators were appointed on 12 November 2018.

CBLI has not written insurance or paid claims since 23 February 2018.

We understand the liquidators are currently assessing options for realisation of assets and commutation of assets and liabilities. CBLI may or may not have an asset surplus available for its shareholder (LBCNZ) after settlement of all liabilities.

We continue to try and obtain information from the liquidators of CBLI to clarify what (if any) this surplus could be and how it can be realised.

## **5.5 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. LBCNZ is one of the companies that granted security. The security does not apply to monies outstanding prior to our appointment.

Accounts of receipts and payments have been filed with the Registrar of Companies.

Whether LBCNZ receives any funds will depend on the outcome of the wind-down of CBLI's affairs. The process and timetable for this is under the control of the CBLI liquidators so is uncertain.

## 6 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.

### 6.1 Deed of Company Arrangement ('DOCA')

A proposal for a DOCA has been received by the administrators from LBCNZ's only known creditors, the bank lenders to CBLC. The term sheet for the DOCA is attached at Appendix 1.

As noted above, the DOCA has been proposed by LBCNZ's only known creditors. We have been advised that the DOCA has the unanimous support of the creditors. On the basis there are no other known creditors of LBCNZ, a resolution to approve the proposed DOCA at the watershed meeting will be passed. We have no basis to consider that there are any other creditors of whom we are not aware.

Based on current information, there is no prospect that the company will return to the control of the directors or that the company may be placed in liquidation immediately. We have not contrasted the proposed DOCA against liquidation as liquidation is not a foreseeable outcome of the watershed meeting. We can consider this further if the position changes.

### 6.2 Administrations end and companies return to control of directors

We understand all the Directors of LBCNZ have resigned so this is not a viable option.

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).

### 6.3 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.

A liquidation of LBCNZ would entail materially:

- Receipt of the proceeds of sale or distribution (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, to the extent and are established and 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.

- **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.

Any review of the existence and prospects of any claims would need to be undertaken once liquidators are in place.

If the proposed DOCA is approved, none of these matters will be considered. Given the proposed DOCA has the unanimous support of the known creditors of LBCNZ, there is no benefit in the Administrators considering these matters further. We will reconsider these matters if the position changes.

## **7 Administrators' opinion on the options**

### **7.1 Opinion**

A DOCA has been proposed by LBCNZ's only known creditors and we understand it has the unanimous support of those creditors. On the basis that there are no other known creditors of LBCNZ, the administrators consider it would be in the interests of LBCNZ's known creditors, being the bank lenders to CBLC, for the DOCA to be approved.

We can consider this further if the creditor position changes.

## 8 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: LBC Holdings NZ 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](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street  
Auckland 1010

## Appendix 1: Key terms of the proposed DOCA

### CBL GROUP SUBSIDIARIES – VOLUNTARY ADMINISTRATION HIGH LEVEL TERM SHEET

Parties:	LBC Holdings New Zealand Limited (Administrators Appointed) LBC Holdings UK Limited (Administrators Appointed) LBC Holdings Europe Limited (Administrators Appointed) LBC Holdings Australasia Limited (Administrators Appointed) LBC Treasury Company Limited (Administrators Appointed) Each party will enter into a separate deed of company arrangement (each a <i>Deed</i> ).
Binding nature:	A Deed will bind a party (including any directors, officers and shareholders of a party), the Deed Administrators and each creditor once it is approved by creditors at that parties' watershed meeting. Each creditor's voting rights to be determined in accordance with the Companies Act.
Conditions:	There shall be no conditions to the effectiveness of a Deed.
Intent of the Deed:	The intent of each Deed is to provide for: <ul style="list-style-type: none"> <li>(a) the orderly realisation and distribution of recoveries;</li> <li>(b) a continuation of the moratorium established on the appointment of the administrator;</li> <li>(c) a consultative and controlled process for evaluating any potential claims against third parties and to determine whether it is in the best interests of creditors to pursue them;</li> <li>(d) a cost effective and controlled process for determining, funding and prosecuting any claims against third parties (with the support of the Creditor Committee);</li> <li>(e) the establishment of the Creditor Committee, the confirmation of the powers and processes of the Creditor Committee and the means by which reports to the Creditor Committee can be made;</li> <li>(f) a certain and controlled process for concluding the administrations of each of the parties in a timely and appropriate manner (for that particular party);</li> <li>(g) the removal of each of the parties from the Companies Register or (if the Registrar rejects an application to remove a party from the Companies Register and it is decided following consultation with the Creditor Committee) the entry of each party into liquidation following the completion of the administrations; and</li> <li>(h) the granting of all necessary and incidental powers to the Deed Administrators to effect the purpose and objects of the Deed.</li> </ul>
Distribution to Creditors:	The intent of each Deed is to distribute proceeds realised in relation to the assets of each individual party in the following order of priority: <ul style="list-style-type: none"> <li>(a) costs, expenses and liabilities of the Administrators and the Deed Administrators incurred in relation to the performance of the functions of the Administrators and the Deed Administrators, including <ul style="list-style-type: none"> <li>a. remuneration, legal costs and disbursements;</li> <li>b. any amounts which are Required Payments, as defined under the Overdraft Funding Deed dated 8 August 2018; and</li> <li>c. amounts owing to ANZ in relation to the Institutional Credit Agreement dated 21 March 2018 (the ICA);</li> </ul> </li> <li>(b) costs and expenses of the Creditor Committee incurred in performing any of the functions, making any of the decisions and or exercising any of the rights and powers of the Creditor Committee;</li> <li>(c) costs and expenses of ANZ, ICBC and BOC in developing and proposing each Deed;</li> <li>(d) <i>pari passu</i> and rateably between:</li> </ul>

	<ul style="list-style-type: none"> <li>a. amounts owing to ANZ, ICBC and BOC in relation to the syndicated loan dated 25 November 2017;</li> <li>b. amounts owing to ANZ in relation to separate facilities;</li> <li>c. amounts owing to any other creditor (admitted in accordance with the process for proof and admission of claims); and</li> </ul> <p>(e) any residual amounts to the shareholder of the relevant entity.</p> <p>A waterfall will be set out in each Deed and each Deed will provide that, upon a creditor being repaid in full its admitted claim, that creditor will agree not to commence any proceedings against that party to recover any indebtedness. Notwithstanding that a creditor has been paid pursuant to an individual Deed, it shall still be entitled to claim the full amount of its debt under any other Deed or insolvency process in New Zealand or any other jurisdiction.</p>
Exclusion of Personal Liability:	No member of the Creditor Committee, the Administrators or the Deed Administrators will have any personal liability in any circumstance for any loss or claim arising out of or in connection with any Deed (whether in contract, tort or otherwise).
Secured Creditor Rights:	Notwithstanding that ANZ may vote in favour of any Deed, its rights as a secured creditor under the ICA and its general security deed shall continue in full force and effect however ANZ will be bound by the order of priority as provided for in Distribution to Creditors.
Proof and Admission of Claims:	Each Deed shall contain a process consistent with the liquidation provisions of the Companies Act for the proof and admission of claims by the Deed Administrators. Each proof of debt must contain full particulars of the relevant claim together with such sufficient documentary evidence as the Deed Administrators may in their absolute discretion require (including, if so required by a Deed Administrator, a statutory declaration verifying the claim in such form as they may require) to determine whether or not a claim will be admitted and the amount in respect of which the claim will be admitted. The Deed Administrators shall have the power to accept, reject or compromise any claim. For the avoidance of doubt, any costs and expenses incurred by a person in seeking proof of a claim will be borne by that person and will not form part of that person's claim.
Provisions relating to Deed Administrator:	Each Deed will contain extensive market standard provisions in relation to the role of the Deed Administrator, the powers of the Deed Administrator, resignation and replacement, no personal liability, reporting, remuneration and indemnity. For the avoidance of doubt, the Deed Administrator will continue to be entitled to draw on the ICA to the extent that a party has not realised any recoveries in which to pay the Deed Administrator's costs (subject to availability and syndicate bank agreement as to limits and repayment priority).
Buffer for Deed Administrator:	The Deed Administrators shall be entitled to retain a total amount of \$500,000 from recoveries across all the "DOCA Companies" (being all the parties who have entered into a Deed) for their indemnity (which, if not used, will be paid out in accordance with the waterfall contained in the relevant Deed).
Challenge to the Deed:	If any person challenges a Deed, then the Deed Administrators, and the Creditor Committee shall consult together and may take such collective or individual action as they consider appropriate in their absolute discretion.
Deed Administrator's right to seek direction:	If the Deed Administrators have any concern about the effectiveness or validity of any provision of the Deed or about any action which they are required to take thereunder, they may either: <ul style="list-style-type: none"> <li>(i) consult with the Creditor Committee in order to seek a direction of the Court;</li> <li>(ii) propose an amendment to the Deed; or</li> <li>(iii) seek a direction of the Court.</li> </ul>
Termination on satisfaction:	Each Deed will terminate when (a) the Deed Administrators confirm that the creditors have received the final distribution and that no further distributions are reasonably anticipated and (b) the Creditor Committee confirms that they have no objection to termination. If the Deed Administrators or the Creditor Committee cannot agree to terminate the Deed, either party may apply to the Court under s239ADD to terminate the Deed. Following that confirmation, the Deed Administrators shall (in consultation with the Creditor Committee):

	<ul style="list-style-type: none"> <li>(i) request that the relevant party is struck off the Companies Register in accordance with section 318 of the Companies Act; and</li> <li>(ii) provide the Registrar the request in the prescribed form that a shareholder or the board of directors would provide under section 318(1)(d).</li> </ul>
	<p>If such application is rejected by the Registrar then the Creditor Committee shall have a further discussion, following which the Deed Administrator shall then either:</p> <ul style="list-style-type: none"> <li>(iii) challenge the Registrar's decision;</li> <li>(iv) liquidate the relevant party; or</li> <li>(v) consider and implement other options.</li> </ul>
Termination by Court:	<p>If a Deed is terminated by an order of the Court other than on satisfaction then:</p> <ul style="list-style-type: none"> <li>(i) the Deed shall be voided;</li> <li>(ii) the parties shall be restored to the pre-Deed position; and</li> <li>(iii) any party that has received any monies pursuant to a Deed shall be entitled to retain those monies.</li> </ul>
Termination by Creditors:	<p>The creditors may vote to terminate a Deed in accordance with the Companies Act.</p>
No Assignment:	<p>Rights arising out of or under the Deed will not be assignable by any party to the Deed or any party which has the benefit of the Deed.</p>
Conflict:	<p>Insofar as any provision of a Deed is inconsistent with a provision of the Companies Act, the Deed shall, to the extent of such inconsistency and to the extent permitted by law, prevail.</p>
Creditor Committee:	<p>A Creditor Committee shall be established under each Deed to monitor the performance of the Deed and shall be comprised of three members. The members shall be: ANZ, ICBC and BOC. Each member shall appoint a representative to represent it on the Creditor Committee.</p> <p>The Creditor Committee shall (among other things) consult with the Deed Administrators in:</p> <ul style="list-style-type: none"> <li>(i) confirming any potential advisers to the Deed Administrators;</li> <li>(ii) evaluating any potential claims against third parties;</li> <li>(iii) determining funding and process for prosecuting any claims against third parties; and</li> <li>(iv) determining how to act if the Registrar rejects an application to have a party struck off the Companies Register.</li> </ul> <p>A Deed Administrator shall be the initial Chairperson of the Creditor Committee. The quorum for any Creditor Committee meeting will be all members. Creditor Committee voting to have a unanimous threshold. For the avoidance of doubt, the Chairperson is not a member and has no vote at meetings of the Creditor Committee.</p> <p>The Creditor Committee shall meet monthly (as determined by the chairperson) or as otherwise determined by the Creditor Committee or requested by a party.</p> <p>The Deed Administrators and CBL must report to the Creditor Committee as and when the Creditor Committee reasonably requires.</p> <p>Creditor Committee Protocols to be developed regarding operations and decision making of the Creditor Committee and shall include provisions to deal with any challenge to the Deed and appropriate guidelines for the Creditor Committee to follow.</p> <p>While each party has a Creditor Committee, joint meetings of the Creditor Committees will be held.</p> <p>If the initially appointed Deed Administrators are removed or replaced, and the Creditor Committee resolve unanimously that they have lost trust and confidence in the ability of the replacement Deed Administrators to perform their obligations under the Deed, those Deed Administrators will undertake to resign.</p>
Deed Preparation:	<p>Deed to be drafted by Chapman Tripp.</p>
Timetable:	<p>Watershed meeting to be held on 18 December and Deed drafted, tabled and executed at the watershed meeting.</p>
Prescribed Provisions	<p>The Prescribed Provisions are excluded.</p>
Cut-off day	<p>For the purposes of s239ACN(2)(i) the "cut-off day" is 23 February 2018.</p>

## Appendix 2: Excerpts from CBLC watershed report

### What does CBLC do?

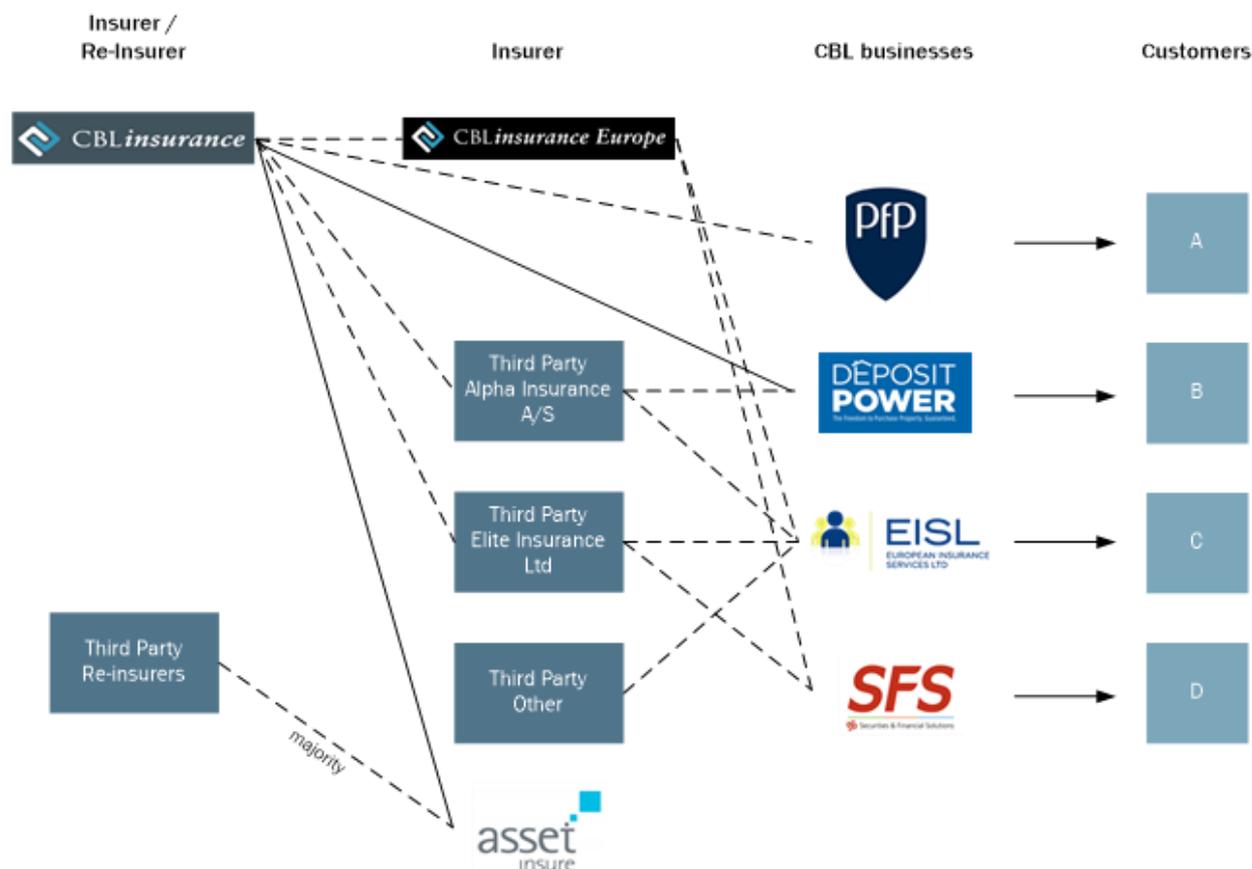
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

- 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.

### CBL Insurance Limited (In 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.

### 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.

### Assetinsure Pty Limited



- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLI 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.

### 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.

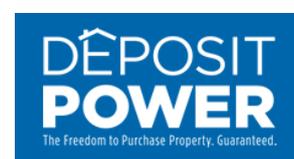
### European Insurance Services Limited

- 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.



### 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.



### 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 promoters
  - Architects
- SFS/IMS contributed 22.2% of total group revenue in 2017, up from 9.5% in 2016 (part year).



## 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.

### 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.

### 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 CBLI
  - 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.

## 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%;
  - CBLI 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, CBLI 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.



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## Appendix 4: Restrictions

- This report has been produced for the purpose of the watershed meeting LBCNZ 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

# Attachment 3: Creditor's Claim

**KordaMentha**

**LBC Holdings New Zealand Limited (4772359)  
(Administrators Appointed) ('the Company')**

**Creditors' Claim Form for the purposes of voting at creditors' meetings and claiming  
in Deed of Company Arrangement (if executed)**

<p>Name and postal address of creditor in full:</p> <p>Name: .....</p> <p>Postal address: .....</p> <p>.....</p> <p>Telephone Number: (.....).....</p> <p>Email: (.....).....</p> <p>My Reference is (if applicable): .....</p>	<p>* Any personal information collected is for the purpose of administering the VA in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. You may have access to and request correction of any personal information.</p> <p>(* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
---	--

I, .....

[If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the Company was at the date it was put into VA indebted to the abovenamed creditor for the sum of [Amount in words and figures]:

..... \$.....

[Cross out whichever does not apply] I hold no security interest in any of the assets of the Company; or

I hold a security interest in respect of certain assets of the Company and I attach supporting documents in respect of such claimed security interest

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.

Signed ..... Date: .....

<p><b>Received</b> (Date Stamp)</p>	<p><b>Reserved for Office Use:</b></p> <p>Claim admitted for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for payment:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim admitted for distribution under DOCA (if applicable):</p> <p>Preferential Claim for: <input style="width: 100px; height: 20px;" type="text"/> \$</p> <p style="text-align: right; margin-top: 20px;">Signed Deed Administrator: <input style="width: 150px; height: 30px;" type="text"/>    Dated:    /    /</p>
---	---



# Attachment 4: Postal Voting Form

## LBC Holdings New Zealand Limited (4772359) (Administrators Appointed) ('the Company')

### Postal Voting Form

Watershed meeting of creditors of the Company convened pursuant to sections 239AU(1) and 239AT of the Companies Act 1993 to be conducted by postal ballot and voting at meeting

Name and postal address of creditor in full:

Creditor<sup>1</sup>: .....

Address: .....

.....

I/We cast our vote on the following resolutions to be voted on at the watershed meeting of creditors to be held on on **Tuesday 18 December 2018 at 11.00am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions (please vote on all resolutions, in the event the first does not pass)	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

**Creditor Name** \_\_\_\_\_

**Signed<sup>2</sup>:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Position:** \_\_\_\_\_

**Telephone No:** \_\_\_\_\_ **Email address:** \_\_\_\_\_

Postal votes must be received by the Administrators no later than **5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings New Zealand Limited (4772359) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: cbl@kordamentha.co.nz

Courier: Level 16, 45 Queen Street, Auckland, 1010

<sup>1</sup> For example, company, body corporate, trust or individual

<sup>2</sup> By an authorised representative (in accordance with the Appointment of Proxy Form, as required)

# Attachment 5: Appointment of Proxy Form

**Appointment of Proxy for**  
**LBC Holdings New Zealand Limited (4772359)**  
**(Administrators Appointed) ('the Company')**

## 1. Full Name and Contact Details of Creditor (please print)

---

Creditor<sup>1</sup> name Telephone number

---

Address

## 2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company in voluntary administration, appoint:

..... of .....

as my/our general / special [*delete one*] proxy, or in his/her absence .....

to vote at the watershed meeting of creditors to be held on **Tuesday 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand, or at any adjournment of that meeting.

## 3. Voting by your Proxy

If appointed as a general proxy, he/she determines on my/our behalf. The Chairperson of the watershed meeting will not accept appointments as general proxy.

My/our special proxy is instructed to vote for some or all resolutions, specifically in the manner set out below (please tick).

Resolution	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

---

<sup>1</sup> For example, company, body corporate, trust or individual

#### 4. Signature Section

*Print Name*

**If you are signing on behalf of a company, this signature is your confirmation that you hold the authority necessary to do so**

Dated this .....

*Signature*

Proxy forms must be received by the Administrators **no later than 5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings New Zealand Limited (4772359) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street, Auckland, 1010

**Attachments 2-5**

**LBC Holdings UK Limited (Administrators Appointed)**



**LBC Holdings UK Limited (4774859)  
(Administrators Appointed)**

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

11 December 2018

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## 1 Introduction

### 1.1 Purpose of this report

This report is provided to creditors of LBC Holdings UK Limited (**LBC UK** or the **Company**) (Administrators Appointed) 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 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 7. *In brief, in our opinion it would be in the interests of the known creditors of LBC UK for the proposed Deed of Company Arrangement (DOCA) to be approved*

### 1.2 Background

The Administrators were appointed to LBC UK, CBL Corporation Limited (**CBLC**), LBC Holdings New Zealand Limited, LBC Holdings Americas 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 LBC UK only but we comment on the broader CBLC group where relevant to provide context.

We applied to the Court in March 2018 under Section 239AT of the Act to extend the watershed meeting of LBC UK and the other CBL group companies. On 23 March 2018 Justice Hinton granted leave to extend the convening period until 11 May 2018, and the watershed meeting date to 18 May 2018.

In May 2018 two of the directors of CBLC put forward a restructuring proposal. To provide time to consider the proposal we made a further application to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting of LBC UK and the other holding companies. On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018, and the watershed meeting date to 17 August 2018 so that the restructuring proposal could be developed.

An extension was not sought for CBLC and the Administrators convened and duly held the watershed meeting for CBLC on 18 May 2018. The Administrators adjourned the watershed meeting as it became apparent that, at that point in time, there would be a voting stalemate in relation to the resolutions required to be put forward (either placing the company into liquidation or handing control of the company back to its directors). Whilst the necessary 75% of creditors by value would have supported the resolution to put the company into liquidation at that point in time, a majority by number would not have been achieved which would have caused the liquidation resolution to fail. Related party creditors were a factor. The watershed meeting was adjourned to be held no later than 2 July 2018. In June 2018 the Court granted a further adjournment of the watershed meeting of CBLC to 17 August 2018. This aligned the watershed meeting date for CBLC with that of the subsidiaries.

As the restructuring proposal put forward by two of the directors may have had implications for LBC UK and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. On 27 July 2018 Justice Hinton granted leave to extend the convening period to 10 November 2018, and the watershed meetings date to 17 November 2018.

The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBL Insurance Ltd (CBLI). CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration.

The outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors. The Administrators had been working to progress the restructuring plan which could have been implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation.

The CBLI liquidation hearing date was subsequently timetabled to start on 12 November 2018 in the High Court, requiring a further extension to the watershed meeting convening period to 11 December 2018, and consequently the meeting date was extended to 18 December 2018.

In the Administrators' view a restructuring plan implemented through a voluntary administration offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL group companies. Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right. CBLI was placed in liquidation on 12 November 2018.

The known creditors of LBC UK have since proposed a DOCA for the Company. No other DOCA proposals have been received. At this time it is the intention that LBC UK's creditors will vote on the DOCA at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held at 11.00 am on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland.

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.

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.

The known creditors of LBC UK have proposed a DOCA that will be voted on at the watershed meeting. Our opinion is that it would be in the interests of the known creditors of LBC UK for the proposed DOCA to be approved. At the watershed meeting the creditors will be asked to vote on:

1. a resolution that the Company execute a proposed DOCA; OR
2. 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), OR
3. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Director.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade and is insolvent. 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 4.

## 2 Who and what is LBC UK?

### 2.1 Overview

LBC UK was incorporated on 12 November 2013 and is part of the CBL group of Companies. LBC UK is a wholly-owned subsidiary of CBL. CBL is the ultimate parent company of the CBL group. CBL is listed on the NZX and ASX. An overview of the broader CBL group and background and events leading up to administration are included in Appendix 2.

LBC UK is a non-trading holding company. It is the parent of PfP Holdings Pte Limited, a Singaporean entity which was placed in liquidation on 31 May 2018. Pfp Holdings Pte Limited is the parent of Professional Fee Protection Ltd, a UK entity. Professional Fee Protection Ltd is the parent of PFP Tax Services Ltd and Professional Financing Ltd (collectively the PFP Group). The PFP Group operates in the UK.

The subsidiaries of LBC UK as at our appointment date, 23 February 2018, are shown in Figure 1. A more detailed structure of the CBL group of companies is provided in Appendix 3.

Figure 1: LBC UK and subsidiaries



### 2.2 LBC UK directors

At the date of our appointment the Companies Office recorded the directors of the Company as being:

- Anthony Charles Russell Hannon (appointed 29 June 2015)
- Carden James Mulholland (appointed 12 December 2013)

Anthony Charles Russell Hannon resigned on 12 November 2018. Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### 2.3 LBC UK shareholders

LBC UK is 100% owned by CBL.

### 2.4 LBC UK secured creditors

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

There are no registrations on the Personal Properties Securities Register against LBC UK.

### 3 What does LBC UK do?

#### 3.1 Overview of the CBL group

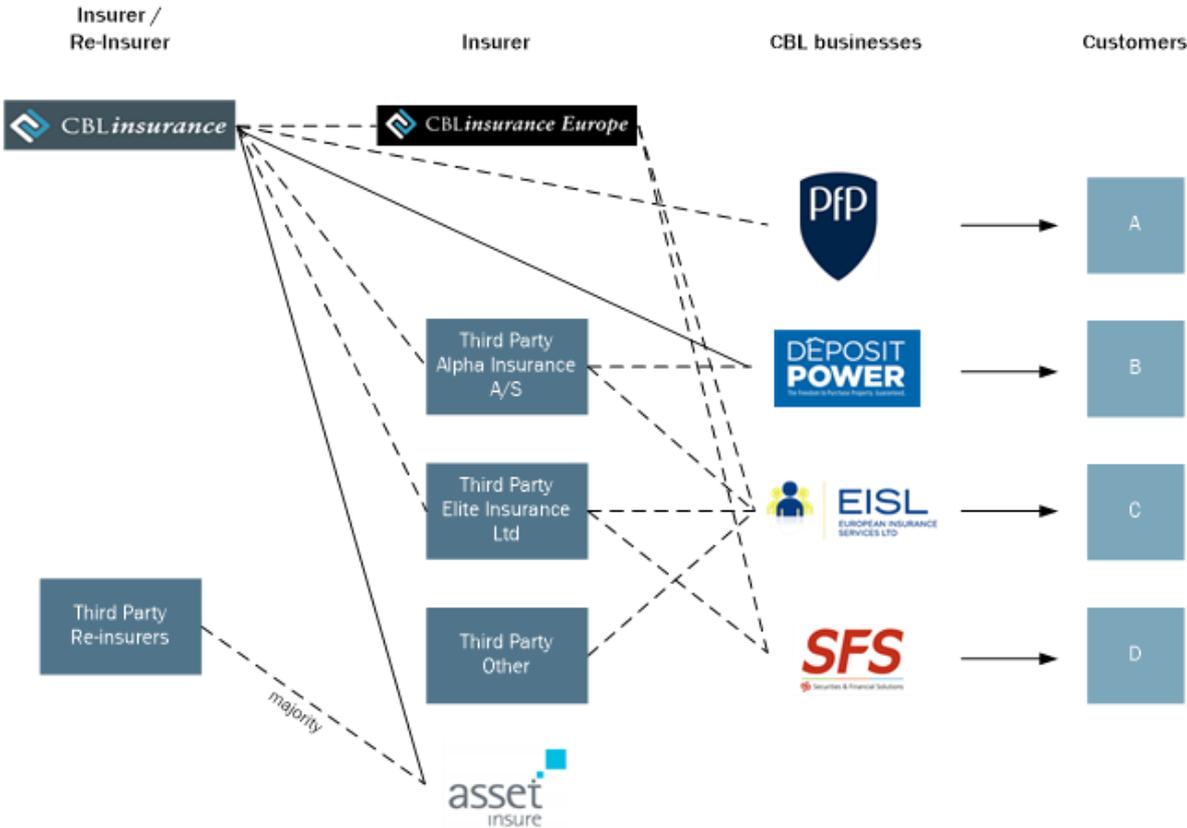
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- 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 CBLI (in Liquidation). 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.

The 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 were the critical driver of the options that were available when CBLC and its subsidiaries went into administration.

## 3.2 Professional Fee Protection Limited UK

- The only asset of LBC UK is its ultimate investment in the PFP Group. Professional Fee Protection Limited UK is a company registered in England and Wales authorised and regulated by the UK Financial Conduct Authority.
- PFP was acquired by the CBL Group 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 the CBL group revenue in 2017, down from 2.2% in 2016.
- PFP was sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners, through a process initiated by the Administrators.



## 3.3 LBC UK trading performance and position

### 3.3.1 Financial performance

In FY17 LBC UK incurred an operating loss of \$5k. The retained profit of the Company in FY17 was \$298k, primarily driven by a foreign exchange gain.

LBC Holdings UK Limited	FY16	FY17	Variance
Statement of Financial Performance	\$'000	\$'000	\$'000
Total revenue	196	0	(196)
Net claims expense	0	0	0
Acquisition & operating costs	(17)	(5)	12
<b>Operating profit / (loss)</b>	<b>179</b>	<b>(5)</b>	<b>(184)</b>
Finance costs and FX	499	303	(196)
<b>Profit before tax</b>	<b>678</b>	<b>298</b>	<b>(381)</b>
Income tax expense	0	(94)	(94)
Dividends	(341)	0	341
Movt in Foreign Currency Translation Reserve	(26)	95	120
<b>Retained profit</b>	<b>312</b>	<b>298</b>	<b>(13)</b>

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

### 3.3.2 Financial position

The FY17 LBC UK financial position reflected net assets and equity of \$17.2 million. The investment in associate relates to the investment in PFP Holdings Pte. Limited, which holds the investment in the PFP Group:

LBC Holdings UK Limited	FY16	FY17	Variance
Statement of Financial Position	\$'000	\$'000	\$'000
Cash and cash equivalents	237	587	349
Other receivables	35	33	(1)
Investment in associate	17,470	19,412	1,942
<b>Total Assets</b>	<b>17,743</b>	<b>20,032</b>	<b>2,290</b>
Other payables	1,374	1,772	398
Current tax liabilities	73	181	108
Contingent consideration	958	823	(135)
<b>Total Liabilities</b>	<b>2,406</b>	<b>2,776</b>	<b>370</b>
<b>Net Assets</b>	<b>15,337</b>	<b>17,256</b>	<b>1,920</b>
<b>Total Equity</b>	<b>15,337</b>	<b>17,256</b>	<b>1,920</b>

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

LBC UK guarantees the indebtedness owing to the bank lenders to the CBL group.

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 \$23,960 per person. Staff entitlements above this level per person rank as unsecured claims. LBC UK had no staff and there were no sums owing to preferential creditors at the date of our appointment.

#### Secured creditors

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

#### Unsecured creditors

- We have received creditor claims totalling \$136 million from the bank lenders to the CBL group. They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. Subject to the timing of realisations and interest accruals, it is likely the bank group's claims against LBC UK will reduce as a result of these repayments.

Liquidators would call for claims to be filed following appointment.

## 4 Issues facing LBC UK and the CBL group following administration

### 4.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 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 would not be paid until CBLI's solvency position is confirmed. CBLI went into liquidation on 12 November 2018.
- CBLIE had also ceased to write new business but is paying some claims. CBLIE entered administration on 12 March 2018.
- 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 on 27 February 2018.
- 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 table as it is not impacted by the issues facing CBL.

Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

Trading entities	Formal appointment	Current status
	Interim Liquidators appointed 23 February 2018	Placed in to liquidation on 12 November 2018
	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims
	N/A	PFP Group sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners
	N/A	Sold in September 2018 to Phenix Holdings Limited
	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
	N/A	Liquidators appointed September 2018

## 5 Events in the Voluntary Administrations

### 5.1 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.
- Engage with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland).
- 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.
- Consider any restructuring proposals that have been received from third parties in order to assess whether they offered opportunities for increased realisations for the relevant group creditors.

### 5.2 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 sales processes we initiated ultimately led to the sale of the Assetinsure, PFP Group and EISL businesses. 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.

### 5.3 Restructuring proposals

In May 2018 two of the directors of CBLC put forward a restructuring proposal.

As this restructuring proposal may have had implications for LBC UK and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBLI.

CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration. The

outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors.

The Administrators worked to progress the restructuring plan that could be implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation. In the Administrators' view the restructuring plan that was proposed offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL Group companies.

Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right, and CBLI went into liquidation on 12 November 2018.

A draft DOCA proposal was subsequently received from the known creditors of LBC UK on 3 December 2018. The terms of that proposed DOCA are summarised at Appendix 1.

## **5.4 Business units**

As noted above the administrators have secured several business unit sales since their appointment. The sale of the PFP Group is relevant to LBC UK.

### **PFP**

With CBLI/CBLIE not writing insurance, PFP obtained replacement capacity from third party providers. Capacity was secured to support trading for a short period.

The long-term stability of PFP has been secured by selling PFP so that it sits outside the CBL group. Keeping PFP within the CBL group would have likely resulted in value erosion.

PFP was sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners. The sale terms are confidential.

The proceeds from the sale of PFP are currently held by the liquidators of PFP Holdings Pte. Limited while they complete their investigation and statutory procedures to facilitate a distribution.

## **5.5 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. LBC UK is one of the companies that granted security. The security does not apply to monies outstanding prior to our appointment.

Accounts of receipts and payments have been filed with the Registrar of Companies.

Whether LBC UK receives any funds depends on the outcome of the PFP Holdings Pte Limited (In Liquidation) distribution process.

## 6 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.

### 6.1 Deed of Company Arrangement ('DOCA')

A proposal for a DOCA has been received by the administrators from LBC UK's only known creditors, the bank lenders to CBLC. The term sheet for the DOCA is attached at Appendix 1.

As noted above, the DOCA has been proposed by LBC UK's only known creditors. We have been advised that the DOCA has the unanimous support of the creditors. On the basis there are no other known creditors of LBC UK, a resolution to approve the proposed DOCA at the watershed meeting will be passed. We have no basis to consider that there are any other creditors of whom we are not aware.

Based on current information, there is no prospect that the company will return to the control of the directors or that the company may be placed in liquidation immediately. We have not contrasted the proposed DOCA against liquidation as liquidation is not a foreseeable outcome of the watershed meeting. We can consider this further if the position changes.

### 6.2 Administrations end and companies return to control of directors

We understand all the Directors of LBC UK have resigned so this is not a viable option.

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).

### 6.3 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.

A liquidation of LBC UK would entail materially:

- Receipt of the proceeds of the sale of PFP (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, to the extent and are established and 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.

- **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.

Any review of the existence and prospects of any claims would need to be undertaken once liquidators are in place.

If the proposed DOCA is approved, none of these matters will be considered. Given the proposed DOCA has the unanimous support of the known creditors of LBC UK, there is no benefit in the Administrators considering these matters further. We will reconsider these matters if the position changes.

## **7 Administrators' opinion on the options**

### **7.1 Opinion**

A DOCA has been proposed by LBC UK's only known creditors and we understand it has the unanimous support of those creditors. On the basis that there are no other known creditors of LBC UK, the administrators consider it would be in the interests of LBC UK's known creditors, being the bank lenders to CBLC, for the DOCA to be approved.

We can consider this further if the creditor position changes.

## 8 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: LBC Holdings UK 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](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street  
Auckland 1010

## Appendix 1: Key terms of the proposed DOCA

### CBL GROUP SUBSIDIARIES – VOLUNTARY ADMINISTRATION HIGH LEVEL TERM SHEET

Parties:	LBC Holdings New Zealand Limited (Administrators Appointed) LBC Holdings UK Limited (Administrators Appointed) LBC Holdings Europe Limited (Administrators Appointed) LBC Holdings Australasia Limited (Administrators Appointed) LBC Treasury Company Limited (Administrators Appointed) Each party will enter into a separate deed of company arrangement (each a <i>Deed</i> ).
Binding nature:	A Deed will bind a party (including any directors, officers and shareholders of a party), the Deed Administrators and each creditor once it is approved by creditors at that parties' watershed meeting. Each creditor's voting rights to be determined in accordance with the Companies Act.
Conditions:	There shall be no conditions to the effectiveness of a Deed.
Intent of the Deed:	The intent of each Deed is to provide for: <ul style="list-style-type: none"> <li>(a) the orderly realisation and distribution of recoveries;</li> <li>(b) a continuation of the moratorium established on the appointment of the administrator;</li> <li>(c) a consultative and controlled process for evaluating any potential claims against third parties and to determine whether it is in the best interests of creditors to pursue them;</li> <li>(d) a cost effective and controlled process for determining, funding and prosecuting any claims against third parties (with the support of the Creditor Committee);</li> <li>(e) the establishment of the Creditor Committee, the confirmation of the powers and processes of the Creditor Committee and the means by which reports to the Creditor Committee can be made;</li> <li>(f) a certain and controlled process for concluding the administrations of each of the parties in a timely and appropriate manner (for that particular party);</li> <li>(g) the removal of each of the parties from the Companies Register or (if the Registrar rejects an application to remove a party from the Companies Register and it is decided following consultation with the Creditor Committee) the entry of each party into liquidation following the completion of the administrations; and</li> <li>(h) the granting of all necessary and incidental powers to the Deed Administrators to effect the purpose and objects of the Deed.</li> </ul>
Distribution to Creditors:	The intent of each Deed is to distribute proceeds realised in relation to the assets of each individual party in the following order of priority: <ul style="list-style-type: none"> <li>(a) costs, expenses and liabilities of the Administrators and the Deed Administrators incurred in relation to the performance of the functions of the Administrators and the Deed Administrators, including <ul style="list-style-type: none"> <li>a. remuneration, legal costs and disbursements;</li> <li>b. any amounts which are Required Payments, as defined under the Overdraft Funding Deed dated 8 August 2018; and</li> <li>c. amounts owing to ANZ in relation to the Institutional Credit Agreement dated 21 March 2018 (the ICA);</li> </ul> </li> <li>(b) costs and expenses of the Creditor Committee incurred in performing any of the functions, making any of the decisions and or exercising any of the rights and powers of the Creditor Committee;</li> <li>(c) costs and expenses of ANZ, ICBC and BOC in developing and proposing each Deed;</li> <li>(d) <i>pari passu</i> and rateably between:</li> </ul>

	<ul style="list-style-type: none"> <li>a. amounts owing to ANZ, ICBC and BOC in relation to the syndicated loan dated 25 November 2017;</li> <li>b. amounts owing to ANZ in relation to separate facilities;</li> <li>c. amounts owing to any other creditor (admitted in accordance with the process for proof and admission of claims); and</li> </ul> <p>(e) any residual amounts to the shareholder of the relevant entity.</p> <p>A waterfall will be set out in each Deed and each Deed will provide that, upon a creditor being repaid in full its admitted claim, that creditor will agree not to commence any proceedings against that party to recover any indebtedness. Notwithstanding that a creditor has been paid pursuant to an individual Deed, it shall still be entitled to claim the full amount of its debt under any other Deed or insolvency process in New Zealand or any other jurisdiction.</p>
Exclusion of Personal Liability:	No member of the Creditor Committee, the Administrators or the Deed Administrators will have any personal liability in any circumstance for any loss or claim arising out of or in connection with any Deed (whether in contract, tort or otherwise).
Secured Creditor Rights:	Notwithstanding that ANZ may vote in favour of any Deed, its rights as a secured creditor under the ICA and its general security deed shall continue in full force and effect however ANZ will be bound by the order of priority as provided for in Distribution to Creditors.
Proof and Admission of Claims:	Each Deed shall contain a process consistent with the liquidation provisions of the Companies Act for the proof and admission of claims by the Deed Administrators. Each proof of debt must contain full particulars of the relevant claim together with such sufficient documentary evidence as the Deed Administrators may in their absolute discretion require (including, if so required by a Deed Administrator, a statutory declaration verifying the claim in such form as they may require) to determine whether or not a claim will be admitted and the amount in respect of which the claim will be admitted. The Deed Administrators shall have the power to accept, reject or compromise any claim. For the avoidance of doubt, any costs and expenses incurred by a person in seeking proof of a claim will be borne by that person and will not form part of that person's claim.
Provisions relating to Deed Administrator:	Each Deed will contain extensive market standard provisions in relation to the role of the Deed Administrator, the powers of the Deed Administrator, resignation and replacement, no personal liability, reporting, remuneration and indemnity. For the avoidance of doubt, the Deed Administrator will continue to be entitled to draw on the ICA to the extent that a party has not realised any recoveries in which to pay the Deed Administrator's costs (subject to availability and syndicate bank agreement as to limits and repayment priority).
Buffer for Deed Administrator:	The Deed Administrators shall be entitled to retain a total amount of \$500,000 from recoveries across all the "DOCA Companies" (being all the parties who have entered into a Deed) for their indemnity (which, if not used, will be paid out in accordance with the waterfall contained in the relevant Deed).
Challenge to the Deed:	If any person challenges a Deed, then the Deed Administrators, and the Creditor Committee shall consult together and may take such collective or individual action as they consider appropriate in their absolute discretion.
Deed Administrator's right to seek direction:	If the Deed Administrators have any concern about the effectiveness or validity of any provision of the Deed or about any action which they are required to take thereunder, they may either: <ul style="list-style-type: none"> <li>(i) consult with the Creditor Committee in order to seek a direction of the Court;</li> <li>(ii) propose an amendment to the Deed; or</li> <li>(iii) seek a direction of the Court.</li> </ul>
Termination on satisfaction:	Each Deed will terminate when (a) the Deed Administrators confirm that the creditors have received the final distribution and that no further distributions are reasonably anticipated and (b) the Creditor Committee confirms that they have no objection to termination. If the Deed Administrators or the Creditor Committee cannot agree to terminate the Deed, either party may apply to the Court under s239ADD to terminate the Deed. Following that confirmation, the Deed Administrators shall (in consultation with the Creditor Committee):

	<ul style="list-style-type: none"> <li>(i) request that the relevant party is struck off the Companies Register in accordance with section 318 of the Companies Act; and</li> <li>(ii) provide the Registrar the request in the prescribed form that a shareholder or the board of directors would provide under section 318(1)(d).</li> </ul> <p>If such application is rejected by the Registrar then the Creditor Committee shall have a further discussion, following which the Deed Administrator shall then either:</p> <ul style="list-style-type: none"> <li>(iii) challenge the Registrar's decision;</li> <li>(iv) liquidate the relevant party; or</li> <li>(v) consider and implement other options.</li> </ul>
Termination by Court:	<p>If a Deed is terminated by an order of the Court other than on satisfaction then:</p> <ul style="list-style-type: none"> <li>(i) the Deed shall be voided;</li> <li>(ii) the parties shall be restored to the pre-Deed position; and</li> <li>(iii) any party that has received any monies pursuant to a Deed shall be entitled to retain those monies.</li> </ul>
Termination by Creditors:	The creditors may vote to terminate a Deed in accordance with the Companies Act.
No Assignment:	Rights arising out of or under the Deed will not be assignable by any party to the Deed or any party which has the benefit of the Deed.
Conflict:	Insofar as any provision of a Deed is inconsistent with a provision of the Companies Act, the Deed shall, to the extent of such inconsistency and to the extent permitted by law, prevail.
Creditor Committee:	<p>A Creditor Committee shall be established under each Deed to monitor the performance of the Deed and shall be comprised of three members. The members shall be: ANZ, ICBC and BOC. Each member shall appoint a representative to represent it on the Creditor Committee.</p> <p>The Creditor Committee shall (among other things) consult with the Deed Administrators in:</p> <ul style="list-style-type: none"> <li>(i) confirming any potential advisers to the Deed Administrators;</li> <li>(ii) evaluating any potential claims against third parties;</li> <li>(iii) determining funding and process for prosecuting any claims against third parties; and</li> <li>(iv) determining how to act if the Registrar rejects an application to have a party struck off the Companies Register.</li> </ul> <p>A Deed Administrator shall be the initial Chairperson of the Creditor Committee. The quorum for any Creditor Committee meeting will be all members. Creditor Committee voting to have a unanimous threshold. For the avoidance of doubt, the Chairperson is not a member and has no vote at meetings of the Creditor Committee.</p> <p>The Creditor Committee shall meet monthly (as determined by the chairperson) or as otherwise determined by the Creditor Committee or requested by a party.</p> <p>The Deed Administrators and CBL must report to the Creditor Committee as and when the Creditor Committee reasonably requires.</p> <p>Creditor Committee Protocols to be developed regarding operations and decision making of the Creditor Committee and shall include provisions to deal with any challenge to the Deed and appropriate guidelines for the Creditor Committee to follow.</p> <p>While each party has a Creditor Committee, joint meetings of the Creditor Committees will be held.</p> <p>If the initially appointed Deed Administrators are removed or replaced, and the Creditor Committee resolve unanimously that they have lost trust and confidence in the ability of the replacement Deed Administrators to perform their obligations under the Deed, those Deed Administrators will undertake to resign.</p>
Deed Preparation:	Deed to be drafted by Chapman Tripp.
Timetable:	Watershed meeting to be held on 18 December and Deed drafted, tabled and executed at the watershed meeting.
Prescribed Provisions	The Prescribed Provisions are excluded.
Cut-off day	For the purposes of s239ACN(2)(i) the "cut-off day" is 23 February 2018.

## Appendix 2: Excerpts from CBLC watershed report

### What does CBLC do?

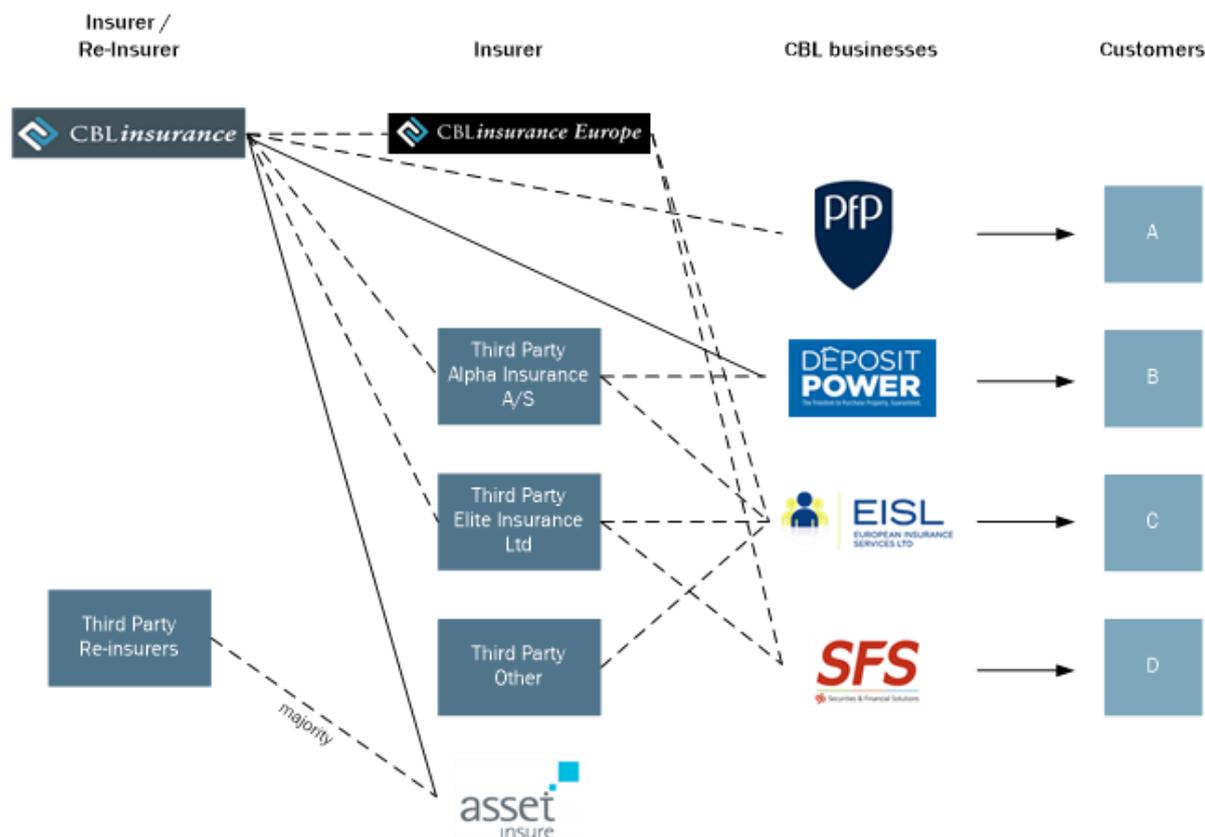
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

- 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.

### CBL Insurance Limited (In 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.

### 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.

### Assetinsure Pty Limited



- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLI 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.

### 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.

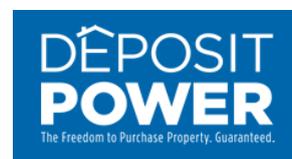
### European Insurance Services Limited

- 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.



### 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.



### 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 promoters
  - Architects
- SFS/IMS contributed 22.2% of total group revenue in 2017, up from 9.5% in 2016 (part year).



## 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.

### 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.

### 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 CBLI
  - 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.

## 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%;
  - CBLI 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, CBLI 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.



## Appendix 4: Restrictions

- This report has been produced for the purpose of the watershed meeting LBC UK 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.

# Attachment 3: Creditor's Claim

**KordaMentha**

**LBC Holdings UK Limited (4774859)  
(Administrators Appointed) ('the Company')**

**Creditors' Claim Form for the purposes of voting at creditors' meetings and claiming  
in Deed of Company Arrangement (if executed)**

<p>Name and postal address of creditor in full:</p> <p>Name: .....</p> <p>Postal address: .....</p> <p>.....</p> <p>Telephone Number: (.....).....</p> <p>Email: (.....).....</p> <p>My Reference is (if applicable): .....</p>	<p>* Any personal information collected is for the purpose of administering the VA in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. You may have access to and request correction of any personal information.</p> <p>(* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
---	--

I, .....

[If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the Company was at the date it was put into VA indebted to the abovenamed creditor for the sum of [Amount in words and figures]:

..... \$.....

[Cross out whichever does not apply] I hold no security interest in any of the assets of the Company; or

I hold a security interest in respect of certain assets of the Company and I attach supporting documents in respect of such claimed security interest

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.

Signed ..... Date: .....

<p><b>Received</b> (Date Stamp)</p>	<p><b>Reserved for Office Use:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Claim admitted for voting purposes:</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">Signed:</td> <td style="width: 30%; border: 1px solid black; padding: 2px;">Dated: / /</td> </tr> <tr> <td>Claim rejected for voting purposes:</td> <td style="border: 1px solid black; padding: 2px;">Signed:</td> <td style="border: 1px solid black; padding: 2px;">Dated: / /</td> </tr> <tr> <td>Claim rejected for payment:</td> <td style="border: 1px solid black; padding: 2px;">Signed:</td> <td style="border: 1px solid black; padding: 2px;">Dated: / /</td> </tr> </table> <p>Claim admitted for distribution under DOCA (if applicable):</p> <p>Preferential Claim for: \$ <span style="border: 1px solid black; display: inline-block; width: 100px; height: 15px; vertical-align: middle;"></span></p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 60%; border: 1px solid black; padding: 5px;">Signed Deed Administrator:</td> <td style="width: 40%; border: 1px solid black; padding: 5px;">Dated: / /</td> </tr> </table>	Claim admitted for voting purposes:	Signed:	Dated: / /	Claim rejected for voting purposes:	Signed:	Dated: / /	Claim rejected for payment:	Signed:	Dated: / /	Signed Deed Administrator:	Dated: / /
Claim admitted for voting purposes:	Signed:	Dated: / /										
Claim rejected for voting purposes:	Signed:	Dated: / /										
Claim rejected for payment:	Signed:	Dated: / /										
Signed Deed Administrator:	Dated: / /											



# Attachment 4: Postal Voting Form

## LBC Holdings UK Limited (4774859) (Administrators Appointed) ('the Company')

### Postal Voting Form

Watershed meeting of creditors of the Company convened pursuant to sections 239AU(1) and 239AT of the Companies Act 1993 to be conducted by postal ballot and voting at meeting

Name and postal address of creditor in full:

Creditor<sup>1</sup>: .....

Address: .....

.....

I/We cast our vote on the following resolutions to be voted on at the watershed meeting of creditors to be held on on **Tuesday 18 December 2018 at 11.00am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions (please vote on all resolutions, in the event the first does not pass)	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

Creditor Name \_\_\_\_\_

Signed<sup>2</sup>: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Position: \_\_\_\_\_

Telephone No: \_\_\_\_\_ Email address: \_\_\_\_\_

Postal votes must be received by the Administrators no later than **5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings UK Limited (4774859) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: cbl@kordamentha.co.nz

Courier: Level 16, 45 Queen Street, Auckland, 1010

<sup>1</sup> For example, company, body corporate, trust or individual

<sup>2</sup> By an authorised representative (in accordance with the Appointment of Proxy Form, as required)

# Attachment 5: Appointment of Proxy Form

**Appointment of Proxy for**  
**LBC Holdings UK Limited (4774859)**  
**(Administrators Appointed) ('the Company')**

## 1. Full Name and Contact Details of Creditor (please print)

\_\_\_\_\_  
*Creditor<sup>1</sup> name* \_\_\_\_\_  
*Telephone number*

\_\_\_\_\_  
*Address*

## 2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company in voluntary administration, appoint:

..... of .....

as my/our general / special [*delete one*] proxy, or in his/her absence .....

to vote at the watershed meeting of creditors to be held on **Tuesday 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand, or at any adjournment of that meeting.

## 3. Voting by your Proxy

If appointed as a general proxy, he/she determines on my/our behalf. The Chairperson of the watershed meeting will not accept appointments as general proxy.

My/our special proxy is instructed to vote for some or all resolutions, specifically in the manner set out below (please tick).

Resolution	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

<sup>1</sup> For example, company, body corporate, trust or individual

#### 4. Signature Section

*Print Name*

**If you are signing on behalf of a company, this signature is your confirmation that you hold the authority necessary to do so**

Dated this .....

*Signature*

Proxy forms must be received by the Administrators **no later than 5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings UK Limited (4774859) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street, Auckland, 1010

**Attachments 2-5**

**LBC Holdings Europe Limited (Administrators Appointed)**



**LBC Holdings Europe Limited (4774919)  
(Administrators Appointed)**

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

11 December 2018

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## 1 Introduction

### 1.1 Purpose of this report

This report is provided to creditors of LBC Holdings Europe Limited (**LBCE** or the **Company**) (Administrators Appointed) 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 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 7. *In brief, in our opinion it would be in the interests of the known creditors of LBCE for the proposed Deed of Company Arrangement (DOCA) to be approved*

### 1.2 Background

The Administrators were appointed to LBCE, CBL Corporation Limited (**CBLC**), LBC Holdings New Zealand Limited, LBC Holdings Americas Limited, LBC Holdings UK 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 LBCE only but we comment on the broader CBLC group where relevant to provide context.

We applied to the Court in March 2018 under Section 239AT of the Act to extend the watershed meeting of LBCE and the other CBL group companies. On 23 March 2018 Justice Hinton granted leave to extend the convening period until 11 May 2018, and the watershed meeting date to 18 May 2018.

In May 2018 two of the directors of CBLC put forward a restructuring proposal. To provide time to consider the proposal we made a further application to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting of LBCE and the other holding companies. On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018, and the watershed meeting date to 17 August 2018 so that the restructuring proposal could be developed.

An extension was not sought for CBLC and the Administrators convened and duly held the watershed meeting for CBLC on 18 May 2018. The Administrators adjourned the watershed meeting as it became apparent that, at that point in time, there would be a voting stalemate in relation to the resolutions required to be put forward (either placing the company into liquidation or handing control of the company back to its directors). Whilst the necessary 75% of creditors by value would have supported the resolution to put the company into liquidation at that point in time, a majority by number would not have been achieved which would have caused the liquidation resolution to fail. Related party creditors were a factor. The watershed meeting was adjourned to be held no later than 2 July 2018. In June 2018 the Court granted a further adjournment of the watershed meeting of CBLC to 17 August 2018. This aligned the watershed meeting date for CBLC with that of the subsidiaries.

As the restructuring proposal put forward by two of the directors may have had implications for LBCE and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. On 27 July 2018 Justice Hinton granted leave to extend the convening period to 10 November 2018, and the watershed meetings date to 17 November 2018.

The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBL Insurance Ltd (CBLI). CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration.

The outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors. The Administrators had been working to progress the restructuring plan which could have been implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation.

The CBLI liquidation hearing date was subsequently timetabled to start on 12 November 2018 in the High Court, requiring a further extension to the watershed meeting convening period to 11 December 2018, and consequently the meeting date was extended to 18 December 2018.

In the Administrators' view a restructuring plan implemented through a voluntary administration offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL group companies. Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right. CBLI was placed in liquidation on 12 November 2018.

The known creditors of LBCE have since proposed a DOCA for the Company. No other DOCA proposals have been received. At this time it is the intention that LBCE's creditors will vote on the DOCA at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held at 11.00 am on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland.

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.

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.

The known creditors of LBCE have proposed a DOCA that will be voted on at the watershed meeting. Our opinion is that it would be in the interests of the known creditors of LBCE for the proposed DOCA to be approved. At the watershed meeting the creditors will be asked to vote on:

1. a resolution that the Company execute a proposed DOCA; OR
2. 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), OR
3. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Director.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade and is insolvent. 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 4.

## 2 Who and what is LBCE?

### 2.1 Overview

LBCE was incorporated on 12 November 2013 and is part of the CBL group of Companies. LBCE is a wholly-owned subsidiary of CBLC. CBLC is the ultimate parent company of the CBL group. CBLC is listed on the NZX and ASX. An overview of the broader CBL group and background and events leading up to administration are included in Appendix 2.

LBCE is a non-trading holding company. It is the parent of CBL Insurance Europe DAC (**CBLIE**), a company registered in Ireland. CBLIE had administrators appointed on 12 March 2018. CBLIE operates in Ireland.

The subsidiaries of LBCE as at our appointment date, 23 February 2018, are shown in Figure 1. A more detailed structure of the CBL group of companies is provided in Appendix 3.

Figure 1: LBCE and subsidiaries



### 2.2 LBCE directors

At the date of our appointment the Companies Office recorded the directors of the Company as being:

- Anthony Charles Russell Hannon (appointed 29 June 2015)
- Carden James Mulholland (appointed 12 December 2013)

Anthony Charles Russell Hannon resigned on 12 November 2018. Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### 2.3 LBCE shareholders

LBCE is 100% owned by CBLC.

### 2.4 LBCE secured creditors

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

There are no registrations on the Personal Properties Securities Register against LBCE.

### 3 What does LBCE do?

#### 3.1 Overview of the CBL group

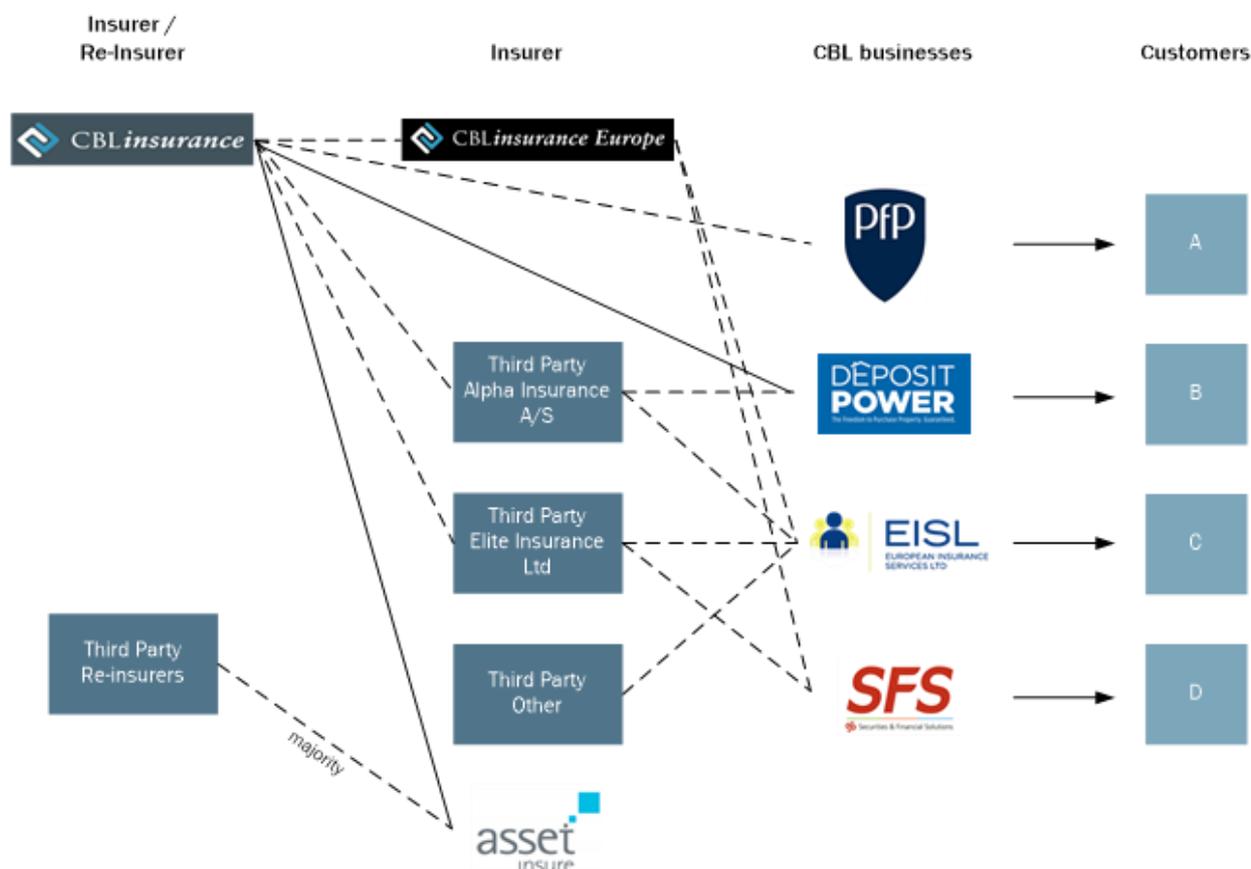
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- Decennial liability (France)
- Dommages Ouvrage (France)
- Property
- Surety bonds
- Performance bonds
- Contractor bonds
- IATA travel bonds
- Home deposits
- Builders warranty
- Professional indemnity
- Credit enhancement
- 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 CBLI (in Liquidation). 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.

The 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 were the critical driver of the options that were available when CBLI and its subsidiaries went into administration.

### 3.2 CBL Insurance Europe Limited (in Administration)



The only asset of LBCE is its investment in CBLIE.

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 provided the group with the ability to write business across the European Union with a focus on specialist, non-traditional business lines.

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 LBCE trading performance and position

#### 3.3.1 Financial performance

In FY17 LBCE reported a profit before tax of \$2.3 million. The Company incurred a retained loss in FY17 of \$464k, primarily driven by dividends of \$1.4 million.

LBC Holdings Europe Limited	FY16	FY17	Variance
Statement of Profit of Loss	\$'000	\$'000	\$'000
Total revenue	1,035	414	(621)
Net claims expense	0	0	0
Acquisition & operating costs	(0)	(0)	0
<b>Operating profit / (loss)</b>	<b>1,034</b>	<b>413</b>	<b>(621)</b>
Finance costs and FX	(982)	1,931	2,913
<b>Profit before tax</b>	<b>52</b>	<b>2,344</b>	<b>2,292</b>
Income tax expense	(574)	(1,297)	(723)
Dividends	0	(1,431)	(1,431)
Movt in Foreign Currency Translation Reserve	(48)	(80)	(32)
<b>Retained profit / (loss)</b>	<b>(570)</b>	<b>(464)</b>	<b>105</b>

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

### 3.3.2 Financial position

The FY17 LBCE financial position reflected net assets and equity of \$32.6 million, an increase from FY16 of \$25.6 million. The investment in associate relates to the investment in CBLIE.

LBC Holdings Europe Limited	FY16	FY17	Variance
Statement of Financial Position	\$'000	\$'000	\$'000
Cash and cash equivalents	1,376	428	(948)
Other financial assets	8,142	8,995	854
Investment in associate	15,122	44,595	29,473
<b>Total Assets</b>	<b>24,640</b>	<b>54,018</b>	<b>29,379</b>
Other payables	16,751	18,685	1,934
Current tax liabilities	296	829	533
Contingent consideration	0	380	380
Deferred tax liabilities	547	1,479	932
<b>Total Liabilities</b>	<b>17,594</b>	<b>21,374</b>	<b>3,780</b>
<b>Net Assets</b>	<b>7,045</b>	<b>32,645</b>	<b>25,599</b>
Share capital	7,567	33,630	26,064
Retained earnings	(521)	(986)	(464)
<b>Total Equity</b>	<b>7,045</b>	<b>32,645</b>	<b>25,599</b>

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

LBCE guarantees the indebtedness to the bank lenders to the CBL group.

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 \$23,960 per person. Staff entitlements above this level per person rank as unsecured claims. LBCE had no staff and there were no sums owing to preferential creditors at the date of our appointment.

#### Secured creditors

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

#### Unsecured creditors

- We have received creditor claims totalling \$136 million from the bank lenders to the CBL group. They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. Subject to the timing of realisations and interest accruals, it is likely the bank group's claims against LBCE will reduce as a result of these repayments.

Liquidators would call for claims to be filed following appointment.

## 4 Issues facing LBCE and the CBL group following administration

### 4.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 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 would not be paid until CBLI's solvency position is confirmed. CBLI went into liquidation on 12 November 2018.
- CBLIE had also ceased to write new business but is paying some claims. CBLIE entered administration on 12 March 2018.
- 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 on 27 February 2018.
- 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 table as it is not impacted by the issues facing CBL. Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

Trading entities	Formal appointment	Current status
	Interim Liquidators appointed 23 February 2018	Placed in to liquidation on 12 November 2018
	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims
	N/A	PFP Group sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners
	N/A	Sold in September 2018 to Phoenix Holdings Limited
	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
	N/A	Liquidators appointed September 2018

## 5 Events in the Voluntary Administrations

### 5.1 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.
- Engage with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland).
- 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.
- Consider any restructuring proposals that have been received from third parties in order to assess whether they offered opportunities for increased realisations for the relevant group creditors.

### 5.2 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 sales processes we initiated ultimately led to the sale of the Assetinsure, PFP Group and EISL businesses. 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.

### 5.3 Restructuring proposals

In May 2018 two of the directors of CBLC put forward a restructuring proposal.

As this restructuring proposal may have had implications for LBCE and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBLI.

CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration. The

outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors.

The Administrators worked to progress the restructuring plan that could be implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation. In the Administrators' view the restructuring plan that was proposed offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL Group companies.

Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right, and CBLI went into liquidation on 12 November 2018.

A draft DOCA proposal was subsequently received from the known creditors of LBCE on 3 December 2018. The terms of that proposed DOCA are summarised at Appendix 1.

## **5.4 Business units**

As noted above the only asset of LBCE is its investment in CBLIE.

### **CBLIE**

As noted above administrators were appointed to CBLIE in March 2018. CBLIE is not writing insurance but is currently paying claims.

Based on the financial information produced by the administrators of CBLIE, CBLIE may have an asset surplus available for its shareholder (LBCE) after settlement of all liabilities.

We continue to try and obtain information from the CBLIE administrators to clarify what (if any) this surplus could be and how it can be realised.

## **5.5 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. LBCE is one of the companies that granted security. The security does not apply to monies outstanding prior to our appointment.

Accounts of receipts and payments have been filed with the Registrar of Companies.

Whether LBCE receives any funds depends on the outcome of the wind-down of CBLIE's affairs. The process and timetable for this is under the control of the CBLIE administrators so is uncertain.

## 6 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.

### 6.1 Deed of Company Arrangement ('DOCA')

A proposal for a DOCA has been received by the administrators from LBCE's only known creditors, the bank lenders to CBLC. The term sheet for the DOCA is attached at Appendix 1.

As noted above, the DOCA has been proposed by LBCE's only known creditors. We have been advised that the DOCA has the unanimous support of the creditors. On the basis there are no other known creditors of LBCE, a resolution to approve the proposed DOCA at the watershed meeting will be passed. We have no basis to consider that there are any other creditors of whom we are not aware.

Based on current information, there is no prospect that the company will return to the control of the directors or that the company may be placed in liquidation immediately. We have not contrasted the proposed DOCA against liquidation as liquidation is not a foreseeable outcome of the watershed meeting. We can consider this further if the position changes.

### 6.2 Administrations end and companies return to control of directors

We understand all the Directors of LBCE have resigned so this is not a viable option.

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).

### 6.3 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.

A liquidation of LBCE would entail materially:

- Receipt of the proceeds of sale or distribution (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, to the extent and are established and 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.

- **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.

Any review of the existence and prospects of any claims would need to be undertaken once liquidators are in place.

If the proposed DOCA is approved, none of these matters will be considered. Given the proposed DOCA has the unanimous support of the known creditors of LBCE, there is no benefit in the Administrators considering these matters further. We will reconsider these matters if the position changes.

## **7 Administrators' opinion on the options**

### **7.1 Opinion**

A DOCA has been proposed by LBCE's only known creditors and we understand it has the unanimous support of those creditors. On the basis that there are no other known creditors of LBCE, the administrators consider it would be in the interests of LBCE's known creditors, being the bank lenders to CBLC, for the DOCA to be approved.

We can consider this further if the creditor position changes.

## 8 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: LBC Holdings UK 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](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street  
Auckland 1010

## Appendix 1: Key terms of the proposed DOCA

### CBL GROUP SUBSIDIARIES – VOLUNTARY ADMINISTRATION HIGH LEVEL TERM SHEET

Parties:	<p>LBC Holdings New Zealand Limited (Administrators Appointed)  LBC Holdings UK Limited (Administrators Appointed)  LBC Holdings Europe Limited (Administrators Appointed)  LBC Holdings Australasia Limited (Administrators Appointed)  LBC Treasury Company Limited (Administrators Appointed)</p> <p>Each party will enter into a separate deed of company arrangement (each a <i>Deed</i>).</p>
Binding nature:	<p>A Deed will bind a party (including any directors, officers and shareholders of a party), the Deed Administrators and each creditor once it is approved by creditors at that parties' watershed meeting.</p> <p>Each creditor's voting rights to be determined in accordance with the Companies Act.</p>
Conditions:	<p>There shall be no conditions to the effectiveness of a Deed.</p>
Intent of the Deed:	<p>The intent of each Deed is to provide for:</p> <ol style="list-style-type: none"> <li>(a) the orderly realisation and distribution of recoveries;</li> <li>(b) a continuation of the moratorium established on the appointment of the administrator;</li> <li>(c) a consultative and controlled process for evaluating any potential claims against third parties and to determine whether it is in the best interests of creditors to pursue them;</li> <li>(d) a cost effective and controlled process for determining, funding and prosecuting any claims against third parties (with the support of the Creditor Committee);</li> <li>(e) the establishment of the Creditor Committee, the confirmation of the powers and processes of the Creditor Committee and the means by which reports to the Creditor Committee can be made;</li> <li>(f) a certain and controlled process for concluding the administrations of each of the parties in a timely and appropriate manner (for that particular party);</li> <li>(g) the removal of each of the parties from the Companies Register or (if the Registrar rejects an application to remove a party from the Companies Register and it is decided following consultation with the Creditor Committee) the entry of each party into liquidation following the completion of the administrations; and</li> <li>(h) the granting of all necessary and incidental powers to the Deed Administrators to effect the purpose and objects of the Deed.</li> </ol>
Distribution to Creditors:	<p>The intent of each Deed is to distribute proceeds realised in relation to the assets of each individual party in the following order of priority:</p> <ol style="list-style-type: none"> <li>(a) costs, expenses and liabilities of the Administrators and the Deed Administrators incurred in relation to the performance of the functions of the Administrators and the Deed Administrators, including <ol style="list-style-type: none"> <li>a. remuneration, legal costs and disbursements;</li> <li>b. any amounts which are Required Payments, as defined under the Overdraft Funding Deed dated 8 August 2018; and</li> <li>c. amounts owing to ANZ in relation to the Institutional Credit Agreement dated 21 March 2018 (the ICA);</li> </ol> </li> <li>(b) costs and expenses of the Creditor Committee incurred in performing any of the functions, making any of the decisions and or exercising any of the rights and powers of the Creditor Committee;</li> <li>(c) costs and expenses of ANZ, ICBC and BOC in developing and proposing each Deed;</li> </ol>

- (d) pari passu and rateably between:
  - a. amounts owing to ANZ, ICBC and BOC in relation to the syndicated loan dated 25 November 2017;
  - b. amounts owing to ANZ in relation to separate facilities;
  - c. amounts owing to any other creditor (admitted in accordance with the process for proof and admission of claims); and
- (e) any residual amounts to the shareholder of the relevant entity.

A waterfall will be set out in each Deed and each Deed will provide that, upon a creditor being repaid in full its admitted claim, that creditor will agree not to commence any proceedings against that party to recover any indebtedness. Notwithstanding that a creditor has been paid pursuant to an individual Deed, it shall still be entitled to claim the full amount of its debt under any other Deed or insolvency process in New Zealand or any other jurisdiction.

Exclusion of Personal Liability:	No member of the Creditor Committee, the Administrators or the Deed Administrators will have any personal liability in any circumstance for any loss or claim arising out of or in connection with any Deed (whether in contract, tort or otherwise).
Secured Creditor Rights:	Notwithstanding that ANZ may vote in favour of any Deed, its rights as a secured creditor under the ICA and its general security deed shall continue in full force and effect however ANZ will be bound by the order of priority as provided for in Distribution to Creditors.
Proof and Admission of Claims:	Each Deed shall contain a process consistent with the liquidation provisions of the Companies Act for the proof and admission of claims by the Deed Administrators. Each proof of debt must contain full particulars of the relevant claim together with such sufficient documentary evidence as the Deed Administrators may in their absolute discretion require (including, if so required by a Deed Administrator, a statutory declaration verifying the claim in such form as they may require) to determine whether or not a claim will be admitted and the amount in respect of which the claim will be admitted. The Deed Administrators shall have the power to accept, reject or compromise any claim. For the avoidance of doubt, any costs and expenses incurred by a person in seeking proof of a claim will be borne by that person and will not form part of that person's claim.
Provisions relating to Deed Administrator:	Each Deed will contain extensive market standard provisions in relation to the role of the Deed Administrator, the powers of the Deed Administrator, resignation and replacement, no personal liability, reporting, remuneration and indemnity. For the avoidance of doubt, the Deed Administrator will continue to be entitled to draw on the ICA to the extent that a party has not realised any recoveries in which to pay the Deed Administrator's costs (subject to availability and syndicate bank agreement as to limits and repayment priority).
Buffer for Deed Administrator:	The Deed Administrators shall be entitled to retain a total amount of \$500,000 from recoveries across all the "DOCA Companies" (being all the parties who have entered into a Deed) for their indemnity (which, if not used, will be paid out in accordance with the waterfall contained in the relevant Deed).
Challenge to the Deed:	If any person challenges a Deed, then the Deed Administrators, and the Creditor Committee shall consult together and may take such collective or individual action as they consider appropriate in their absolute discretion.
Deed Administrator's right to seek direction:	If the Deed Administrators have any concern about the effectiveness or validity of any provision of the Deed or about any action which they are required to take thereunder, they may either: <ul style="list-style-type: none"> <li>(i) consult with the Creditor Committee in order to seek a direction of the Court;</li> <li>(ii) propose an amendment to the Deed; or</li> <li>(iii) seek a direction of the Court.</li> </ul>
Termination on satisfaction:	Each Deed will terminate when (a) the Deed Administrators confirm that the creditors have received the final distribution and that no further distributions are reasonably anticipated and (b) the Creditor Committee confirms that they have no objection to termination. If the Deed Administrators or the Creditor Committee cannot agree to terminate the Deed, either party may apply to the Court under s239ADD to terminate the Deed. Following that confirmation, the Deed Administrators shall (in consultation with the Creditor Committee):

	<ul style="list-style-type: none"> <li>(i) request that the relevant party is struck off the Companies Register in accordance with section 318 of the Companies Act; and</li> <li>(ii) provide the Registrar the request in the prescribed form that a shareholder or the board of directors would provide under section 318(1)(d).</li> </ul> <p>If such application is rejected by the Registrar then the Creditor Committee shall have a further discussion, following which the Deed Administrator shall then either:</p> <ul style="list-style-type: none"> <li>(iii) challenge the Registrar's decision;</li> <li>(iv) liquidate the relevant party; or</li> <li>(v) consider and implement other options.</li> </ul>
Termination by Court:	<p>If a Deed is terminated by an order of the Court other than on satisfaction then:</p> <ul style="list-style-type: none"> <li>(i) the Deed shall be voided;</li> <li>(ii) the parties shall be restored to the pre-Deed position; and</li> <li>(iii) any party that has received any monies pursuant to a Deed shall be entitled to retain those monies.</li> </ul>
Termination by Creditors:	The creditors may vote to terminate a Deed in accordance with the Companies Act.
No Assignment:	Rights arising out of or under the Deed will not be assignable by any party to the Deed or any party which has the benefit of the Deed.
Conflict:	Insofar as any provision of a Deed is inconsistent with a provision of the Companies Act, the Deed shall, to the extent of such inconsistency and to the extent permitted by law, prevail.
Creditor Committee:	<p>A Creditor Committee shall be established under each Deed to monitor the performance of the Deed and shall be comprised of three members. The members shall be: ANZ, ICBC and BOC. Each member shall appoint a representative to represent it on the Creditor Committee.</p> <p>The Creditor Committee shall (among other things) consult with the Deed Administrators in:</p> <ul style="list-style-type: none"> <li>(i) confirming any potential advisers to the Deed Administrators;</li> <li>(ii) evaluating any potential claims against third parties;</li> <li>(iii) determining funding and process for prosecuting any claims against third parties; and</li> <li>(iv) determining how to act if the Registrar rejects an application to have a party struck off the Companies Register.</li> </ul> <p>A Deed Administrator shall be the initial Chairperson of the Creditor Committee. The quorum for any Creditor Committee meeting will be all members. Creditor Committee voting to have a unanimous threshold. For the avoidance of doubt, the Chairperson is not a member and has no vote at meetings of the Creditor Committee.</p> <p>The Creditor Committee shall meet monthly (as determined by the chairperson) or as otherwise determined by the Creditor Committee or requested by a party.</p> <p>The Deed Administrators and CBL must report to the Creditor Committee as and when the Creditor Committee reasonably requires.</p> <p>Creditor Committee Protocols to be developed regarding operations and decision making of the Creditor Committee and shall include provisions to deal with any challenge to the Deed and appropriate guidelines for the Creditor Committee to follow.</p> <p>While each party has a Creditor Committee, joint meetings of the Creditor Committees will be held.</p> <p>If the initially appointed Deed Administrators are removed or replaced, and the Creditor Committee resolve unanimously that they have lost trust and confidence in the ability of the replacement Deed Administrators to perform their obligations under the Deed, those Deed Administrators will undertake to resign.</p>
Deed Preparation:	Deed to be drafted by Chapman Tripp.
Timetable:	Watershed meeting to be held on 18 December and Deed drafted, tabled and executed at the watershed meeting.
Prescribed Provisions	The Prescribed Provisions are excluded.
Cut-off day	For the purposes of s239ACN(2)(i) the "cut-off day" is 23 February 2018.

## Appendix 2: Excerpts from CBLC watershed report

### What does CBLC do?

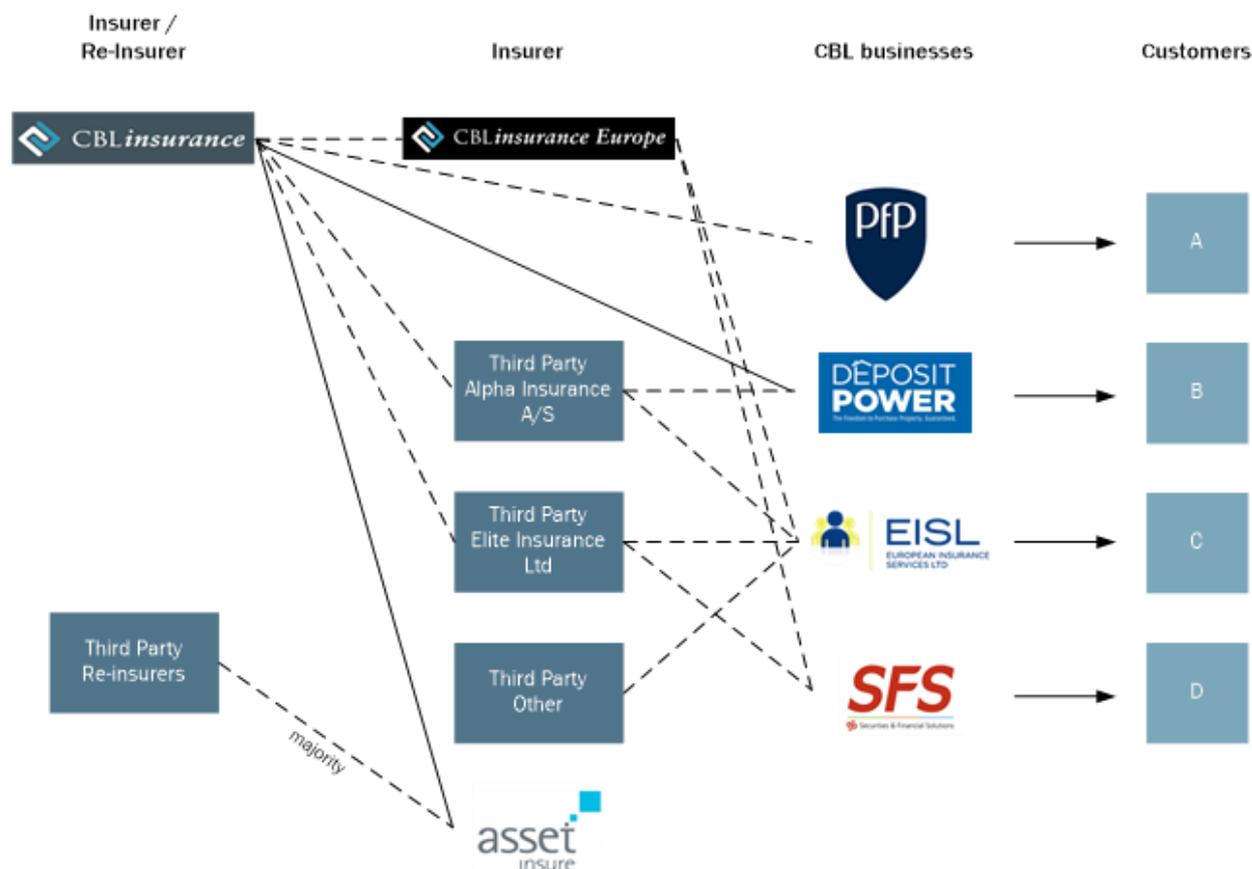
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

- 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.

### CBL Insurance Limited (In 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.

### 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.

### Assetinsure Pty Limited



- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLI 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.

### 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.

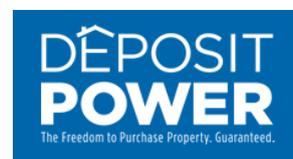
### European Insurance Services Limited

- 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.



### 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.



### 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).



## 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.

### 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.

### 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 CBLI
  - 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.

## 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%;
  - CBLI 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, CBLI 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.



## Appendix 4: Restrictions

- This report has been produced for the purpose of the watershed meeting LBCE 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.

# Attachment 3: Creditor's Claim

**KordaMentha**

**LBC Holdings Europe Limited (4774919)  
(Administrators Appointed) ('the Company')**

**Creditors' Claim Form for the purposes of voting at creditors' meetings and claiming  
in Deed of Company Arrangement (if executed)**

<p>Name and postal address of creditor in full:</p> <p>Name: .....</p> <p>Postal address: .....</p> <p>.....</p> <p>Telephone Number: (.....).....</p> <p>Email: (.....).....</p> <p>My Reference is (if applicable): .....</p>	<p>* Any personal information collected is for the purpose of administering the VA in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. You may have access to and request correction of any personal information.</p> <p>(* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
---	--

I, .....

[If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the Company was at the date it was put into VA indebted to the abovenamed creditor for the sum of [Amount in words and figures]:

..... \$.....

[Cross out whichever does not apply] I hold no security interest in any of the assets of the Company; or

I hold a security interest in respect of certain assets of the Company and I attach supporting documents in respect of such claimed security interest

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.

Signed ..... Date: .....

<p><b>Received</b> (Date Stamp)</p>	<p><b>Reserved for Office Use:</b></p> <p>Claim admitted for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for payment:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim admitted for distribution under DOCA (if applicable):</p> <p>Preferential Claim for: <input style="width: 100px; height: 20px;" type="text"/> \$</p> <p style="margin-top: 20px;">Signed Deed Administrator: <input style="width: 200px; height: 30px;" type="text"/>    Dated:    /    /</p>
---	--



# Attachment 4: Postal Voting Form

## LBC Holdings Europe Limited (4774919) (Administrators Appointed) ('the Company')

### Postal Voting Form

Watershed meeting of creditors of the Company convened pursuant to sections 239AU(1) and 239AT of the Companies Act 1993 to be conducted by postal ballot and voting at meeting

Name and postal address of creditor in full:

Creditor<sup>1</sup>: .....

Address: .....

.....

I/We cast our vote on the following resolutions to be voted on at the watershed meeting of creditors to be held on on **Tuesday 18 December 2018 at 11.00am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions (please vote on all resolutions, in the event the first does not pass)	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

Creditor Name \_\_\_\_\_

Signed<sup>2</sup>: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Position: \_\_\_\_\_

Telephone No: \_\_\_\_\_ Email address: \_\_\_\_\_

Postal votes must be received by the Administrators no later than **5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings Europe Limited (4774919) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: cbl@kordamentha.co.nz

Courier: Level 16, 45 Queen Street, Auckland, 1010

<sup>1</sup> For example, company, body corporate, trust or individual

<sup>2</sup> By an authorised representative (in accordance with the Appointment of Proxy Form, as required)

# Attachment 5: Appointment of Proxy Form

**Appointment of Proxy for**  
**LBC Holdings Europe Limited (4774919)**  
**(Administrators Appointed) ('the Company')**

## 1. Full Name and Contact Details of Creditor (please print)

---

Creditor<sup>1</sup> name Telephone number

---

Address

## 2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company in voluntary administration, appoint:

..... of .....

as my/our general / special [*delete one*] proxy, or in his/her absence .....

to vote at the watershed meeting of creditors to be held on **Tuesday 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand, or at any adjournment of that meeting.

## 3. Voting by your Proxy

If appointed as a general proxy, he/she determines on my/our behalf. The Chairperson of the watershed meeting will not accept appointments as general proxy.

My/our special proxy is instructed to vote for some or all resolutions, specifically in the manner set out below (please tick).

Resolution	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

---

<sup>1</sup> For example, company, body corporate, trust or individual

#### 4. Signature Section

*Print Name*

**If you are signing on behalf of a company, this signature is your confirmation that you hold the authority necessary to do so**

Dated this .....

*Signature*

Proxy forms must be received by the Administrators **no later than 5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings Europe Limited (4774919) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street, Auckland, 1010

## **Attachments 2-5**

### **LBC Holdings Australasia Limited (Administrators Appointed)**



**LBC Holdings Australasia Limited (5535467)  
(Administrators Appointed)**

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

11 December 2018

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## 1 Introduction

### 1.1 Purpose of this report

This report is provided to creditors of LBC Holdings Australasia Limited (**LBCA** or the **Company**)) (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 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 7. *In brief, in our opinion it would be in the interests of the known creditors of LBCA for the proposed Deed of Company Arrangement (DOCA) to be approved*

### 1.2 Background

The Administrators were appointed to LBCA, CBL Corporation Limited (**CBLC**), LBC Holdings New Zealand Limited, LBC Holdings Americas Limited, LBC Holdings Europe Limited, LBC Holdings UK 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 LBCA only but we comment on the broader CBLC group where relevant to provide context.

We applied to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting of LBCA and the other holding companies (LBC Holdings UK Limited, LBC Treasury Limited, LBC Holdings Americas Limited, LBC Holdings New Zealand Limited, and LBC Holdings Europe Limited). On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018, and the watershed meeting date to 17 August 2018.

The Administrators convened and duly held the watershed meeting for CBLC on 18 May 2018. The Administrators adjourned the watershed meeting as it became apparent that, at that point in time, there would be a voting stalemate in relation to the resolutions required to be put forward (either placing the company into liquidation or handing control of the company back to its directors). Whilst the necessary 75% of creditors by value would have supported the resolution to put the company into liquidation at that point in time, a majority by number would not have been achieved which would have caused the liquidation resolution to fail. Related party creditors were a factor. The watershed meeting was adjourned to be held no later than 2 July 2018.

In May 2018 two of the directors of CBLC put forward a restructuring proposal. Following application to Court the meeting for CBLC was further adjourned to 17 August 2018 so that the restructuring proposal could be developed.

As this restructuring proposal may have had implications for LBCA and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. On 27 July 2018 Justice Hinton granted leave to extend the convening period to 10 November 2018, and the watershed meetings date to 17 November 2018.

The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBL Insurance Ltd (**CBLI**). CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration.

The outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors. The Administrators had been working to progress the restructuring plan which could have been implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation.

The CBLI liquidation hearing date was subsequently timetabled to start on 12 November 2018 in the High Court, requiring a further extension to the watershed meeting convening period to 11 December 2018, and consequently the meeting date was extended to 18 December 2018.

In the Administrators' view a restructuring plan implemented through a voluntary administration offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL group companies. Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right. CBLI was placed in liquidation on 12 November 2018.

The known creditors of LBCA have since proposed a DOCA for the Company. No other DOCA proposals have been received. At this time it is the intention that LBCA's creditors will vote on the DOCA at the watershed meeting.

### **1.3 Purpose of the watershed meeting**

The creditors' watershed meeting will be held at 11.00 am on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland.

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.

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.

The known creditors of LBCA have proposed a DOCA that will be voted on at the watershed meeting. Our opinion is that it would be in the interests of the known creditors of LBCA for the proposed DOCA to be approved. At the watershed meeting the creditors will be asked to vote on:

1. a resolution that the Company execute a proposed DOCA; OR
2. 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), OR
3. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Director.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade and is insolvent. 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 4.

## 2 Who and what is LBCA?

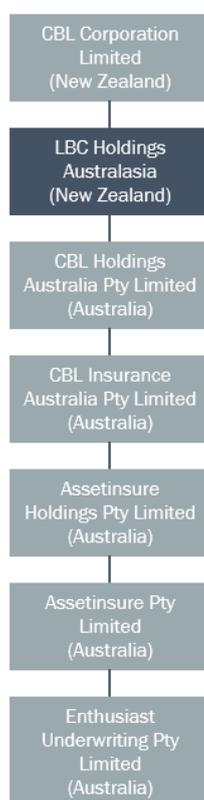
### 2.1 Overview

LBCA was incorporated on 12 November 2014 and is part of the CBL group of Companies. LBCA is a wholly-owned subsidiary of CBLC. CBLC is the ultimate parent company of the CBL group. CBLC is listed on the NZX and ASX. An overview of the broader CBL group and background and events leading up to administration are included in Appendix 2.

LBCA is a non-trading holding company. It is the parent of CBL Holdings Australia Pty Limited. CBL Holdings Australia Pty Limited is the parent of CBL Insurance Australia Pty Limited which is the holding company for the Assetinsure group. The Assetinsure group consists of Assetinsure Holdings Pty Limited, Assetinsure Pty Limited and Enthusiast Underwriting Pty Limited. All of the subsidiaries below LBCA are Australian registered companies.

The subsidiaries of LBCA as at our appointment date, 23 February 2018, are shown in Figure 1. A more detailed structure of the CBL group of companies is provided in Appendix 3.

Figure 1: LBCA and subsidiaries



### 2.2 LBCA directors

At the date of our appointment the Companies Office recorded the directors of the Company as being:

- Anthony Charles Russell Hannon (appointed 29 June 2015)
- Carden James Mulholland (appointed 12 December 2013)

Anthony Charles Russell Hannon resigned on 12 November 2018. Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### **2.3 LBCA shareholders**

LBCA is 100% owned by CBLC.

### **2.4 LBCA secured creditors**

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

There are no registrations on the Personal Properties Securities Register against LBCA.

### 3 What does LBCA do?

#### 3.1 Overview of the CBL group

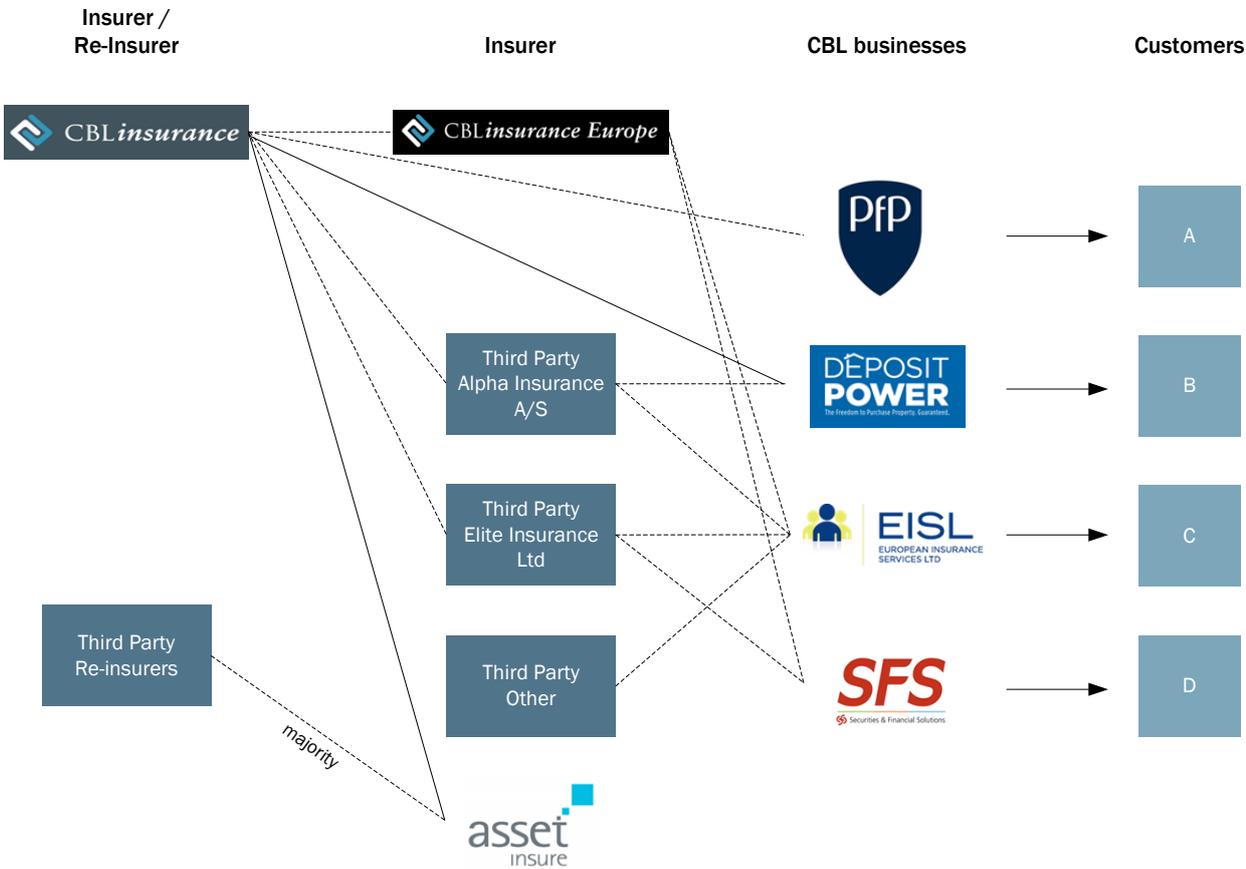
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- 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 CBLI (in Liquidation). 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.

The 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 were the critical driver of the options that were available when CBLI and its subsidiaries went into administration.

### 3.2 Assetinsure Group

- Assetinsure Holdings Pty Limited and its subsidiaries ("Assetinsure") is an Australian based business acquired by CBL in 2015. It operates separately from the CBL group.
- 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 with offices in Sydney, Brisbane and Perth.
- Assetinsure contributed 9.0% of total group revenue in 2017, down from 11.7% in 2016.
- Assetinsure was sold in November 2018 through a process initiated by the Administrators. The sale is subject to regulatory approvals.



### 3.3 LBCA trading performance and position

#### 3.3.1 Financial performance

In FY16 and FY17 LBCA had a nil profit and loss.

LBC Holdings Australasia Limited Statement of Financial Performance	FY16 \$'000	FY17 \$'000	Variance \$'000
Gross written premium	0	0	0
Net claims expense	0	0	0
Acquisition and operating costs	0	0	0
Operating profit / (loss)	0	0	0
Finance costs and FX	0	0	0
Profit before tax	0	0	0
Income tax expense	0	0	0
Dividends	0	0	0
Movt in Foreign Currency Translation Reserve	0	0	0
Retained earnings for the period	0	0	0

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

#### 3.3.2 Financial position

The FY17 LBCA financial position reflected net assets and equity of \$50.7 million. The investment in associate relates to the investment in CBL Holdings Australia Pty Limited, which ultimately holds the investment in Assetinsure:

LBC Holdings Australasia Limited Statement of Financial Position	FY16 \$'000	FY17 \$'000	Variance \$'000
Investment in associate	48,036	50,697	2,661
<b>Total Assets</b>	<b>48,036</b>	<b>50,697</b>	<b>2,661</b>
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>48,036</b>	<b>50,697</b>	<b>2,661</b>
<b>Total Equity</b>	<b>48,036</b>	<b>50,697</b>	<b>2,661</b>

LBCA guarantees the indebtedness to the bank lenders to the CBL group.

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 \$23,960 per person. Staff entitlements above this level per person rank as unsecured claims. LBCA had no staff and there were no sums owing to preferential creditors at the date of our appointment.

## **Secured creditors**

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

## **Unsecured creditors**

- We have received creditor claims totalling \$136 million from the bank lenders to the CBL group. They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. Subject to the timing of realisations and interest accruals, it is likely the bank group's claims against LBCA will reduce as a result of these repayments.

Liquidators would call for claims to be filed following appointment.

## 4 Issues facing LBCA and the CBL group following administration

### 4.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 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 would not be paid until CBLI's solvency position is confirmed. CBLI went into liquidation on 12 November 2018.
- CBLIE had also ceased to write new business but is paying some claims. CBLIE entered administration on 12 March 2018.
- 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 on 27 February 2018.
- 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 table as it is not impacted by the issues facing CBL. Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

Trading entities	Formal appointment	Current status
	Interim Liquidators appointed 23 February 2018	Placed in to liquidation on 12 November 2018
	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims
	N/A	PFP Group sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners
	N/A	Sold in September 2018 to Phoenix Holdings Limited
	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
	N/A	Liquidators appointed September 2018

## 5 Events in the Voluntary Administrations

### 5.1 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.
- Engage with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland).
- 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.
- Consider any restructuring proposals that have been received from third parties in order to assess whether they offered opportunities for increased realisations for the relevant group creditors.

### 5.2 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 sales processes we initiated ultimately led to the sale of the Assetinsure, PFP Group and EISL businesses. 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.

### 5.3 Restructuring proposals

In May 2018 two of the directors of CBLC put forward a restructuring proposal.

As this restructuring proposal may have had implications for LBCA and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBLI.

CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration. The

outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors.

The Administrators worked to progress the restructuring plan that could be implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation. In the Administrators' view the restructuring plan that was proposed offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL Group companies.

Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right, and CBLI went into liquidation on 12 November 2018.

A draft DOCA proposal was subsequently received from the known creditors of LBCA on 3 December 2018. The terms of that proposed DOCA are summarised at Appendix 1.

## **5.4 Business units**

As noted above the administrators have secured several business unit sales since their appointment. The sale of the Assetinsure business is relevant to LBCA.

### **Assetinsure**

As noted above, 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.

Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

At this stage it is anticipated that the sale proceeds of the Assetinsure business sale will be distributed by the Assetinsure holding companies to LBCA.

## **5.5 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. LBCA is one of the companies that granted security. The security does not apply to monies outstanding prior to our appointment.

Accounts of receipts and payments have been filed with the Registrar of Companies.

Whether LBCA receives any funds depends on the settlement of the Assetinsure sale and the treatment of the sale proceeds.

## 6 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.

### 6.1 Deed of Company Arrangement ('DOCA')

A proposal for a DOCA has been received by the administrators from LBCA's only known creditors, the bank lenders to CBLC. The term sheet for the DOCA is attached at Appendix 1.

As noted above, the DOCA has been proposed by LBCA's only known creditors. We have been advised that the DOCA has the unanimous support of the creditors. On the basis there are no other known creditors of LBCA, a resolution to approve the proposed DOCA at the watershed meeting will be passed. We have no basis to consider that there are any other creditors of whom we are not aware.

Based on current information, there is no prospect that the company will return to the control of the directors or that the company may be placed in liquidation immediately. We have not contrasted the proposed DOCA against liquidation as liquidation is not a foreseeable outcome of the watershed meeting. We can consider this further if the position changes.

### 6.2 Administrations end and companies return to control of directors

We understand all the Directors of LBCA have resigned so this is not a viable option.

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).

### 6.3 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.

A liquidation of LBCA would entail materially:

- Receipt of the proceeds of the sale of PFP (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, to the extent and are established and 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.

- **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.

Any review of the existence and prospects of any claims would need to be undertaken once liquidators are in place.

If the proposed DOCA is approved, none of these matters will be considered. Given the proposed DOCA has the unanimous support of the known creditors of LBCA, there is no benefit in the Administrators considering these matters further. We will reconsider these matters if the position changes.

## **7 Administrators' opinion on the options**

### **7.1 Opinion**

A DOCA has been proposed by LBCA's only known creditors and we understand it has the unanimous support of those creditors. On the basis that there are no other known creditors of LBCA, the administrators consider it would be in the interests of LBCA's known creditors, being the bank lenders to CBLC, for the DOCA to be approved.

We can consider this further if the creditor position changes.

## 8 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: LBC Holdings Australasia 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](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street  
Auckland 1010

## Appendix 1: Key terms of the proposed DOCA

### CBL GROUP SUBSIDIARIES – VOLUNTARY ADMINISTRATION HIGH LEVEL TERM SHEET

Parties:	LBC Holdings New Zealand Limited (Administrators Appointed) LBC Holdings UK Limited (Administrators Appointed) LBC Holdings Europe Limited (Administrators Appointed) LBC Holdings Australasia Limited (Administrators Appointed) LBC Treasury Company Limited (Administrators Appointed) Each party will enter into a separate deed of company arrangement (each a <i>Deed</i> ).
Binding nature:	A Deed will bind a party (including any directors, officers and shareholders of a party), the Deed Administrators and each creditor once it is approved by creditors at that parties' watershed meeting. Each creditor's voting rights to be determined in accordance with the Companies Act.
Conditions:	There shall be no conditions to the effectiveness of a Deed.
Intent of the Deed:	The intent of each Deed is to provide for: <ul style="list-style-type: none"> <li>(a) the orderly realisation and distribution of recoveries;</li> <li>(b) a continuation of the moratorium established on the appointment of the administrator;</li> <li>(c) a consultative and controlled process for evaluating any potential claims against third parties and to determine whether it is in the best interests of creditors to pursue them;</li> <li>(d) a cost effective and controlled process for determining, funding and prosecuting any claims against third parties (with the support of the Creditor Committee);</li> <li>(e) the establishment of the Creditor Committee, the confirmation of the powers and processes of the Creditor Committee and the means by which reports to the Creditor Committee can be made;</li> <li>(f) a certain and controlled process for concluding the administrations of each of the parties in a timely and appropriate manner (for that particular party);</li> <li>(g) the removal of each of the parties from the Companies Register or (if the Registrar rejects an application to remove a party from the Companies Register and it is decided following consultation with the Creditor Committee) the entry of each party into liquidation following the completion of the administrations; and</li> <li>(h) the granting of all necessary and incidental powers to the Deed Administrators to effect the purpose and objects of the Deed.</li> </ul>
Distribution to Creditors:	The intent of each Deed is to distribute proceeds realised in relation to the assets of each individual party in the following order of priority: <ul style="list-style-type: none"> <li>(a) costs, expenses and liabilities of the Administrators and the Deed Administrators incurred in relation to the performance of the functions of the Administrators and the Deed Administrators, including <ul style="list-style-type: none"> <li>a. remuneration, legal costs and disbursements;</li> <li>b. any amounts which are Required Payments, as defined under the Overdraft Funding Deed dated 8 August 2018; and</li> <li>c. amounts owing to ANZ in relation to the Institutional Credit Agreement dated 21 March 2018 (the ICA);</li> </ul> </li> <li>(b) costs and expenses of the Creditor Committee incurred in performing any of the functions, making any of the decisions and or exercising any of the rights and powers of the Creditor Committee;</li> <li>(c) costs and expenses of ANZ, ICBC and BOC in developing and proposing each Deed;</li> <li>(d) <i>pari passu</i> and rateably between:</li> </ul>

	<ul style="list-style-type: none"> <li>a. amounts owing to ANZ, ICBC and BOC in relation to the syndicated loan dated 25 November 2017;</li> <li>b. amounts owing to ANZ in relation to separate facilities;</li> <li>c. amounts owing to any other creditor (admitted in accordance with the process for proof and admission of claims); and</li> </ul> <p>(e) any residual amounts to the shareholder of the relevant entity.</p> <p>A waterfall will be set out in each Deed and each Deed will provide that, upon a creditor being repaid in full its admitted claim, that creditor will agree not to commence any proceedings against that party to recover any indebtedness. Notwithstanding that a creditor has been paid pursuant to an individual Deed, it shall still be entitled to claim the full amount of its debt under any other Deed or insolvency process in New Zealand or any other jurisdiction.</p>
Exclusion of Personal Liability:	No member of the Creditor Committee, the Administrators or the Deed Administrators will have any personal liability in any circumstance for any loss or claim arising out of or in connection with any Deed (whether in contract, tort or otherwise).
Secured Creditor Rights:	Notwithstanding that ANZ may vote in favour of any Deed, its rights as a secured creditor under the ICA and its general security deed shall continue in full force and effect however ANZ will be bound by the order of priority as provided for in Distribution to Creditors.
Proof and Admission of Claims:	Each Deed shall contain a process consistent with the liquidation provisions of the Companies Act for the proof and admission of claims by the Deed Administrators. Each proof of debt must contain full particulars of the relevant claim together with such sufficient documentary evidence as the Deed Administrators may in their absolute discretion require (including, if so required by a Deed Administrator, a statutory declaration verifying the claim in such form as they may require) to determine whether or not a claim will be admitted and the amount in respect of which the claim will be admitted. The Deed Administrators shall have the power to accept, reject or compromise any claim. For the avoidance of doubt, any costs and expenses incurred by a person in seeking proof of a claim will be borne by that person and will not form part of that person's claim.
Provisions relating to Deed Administrator:	Each Deed will contain extensive market standard provisions in relation to the role of the Deed Administrator, the powers of the Deed Administrator, resignation and replacement, no personal liability, reporting, remuneration and indemnity. For the avoidance of doubt, the Deed Administrator will continue to be entitled to draw on the ICA to the extent that a party has not realised any recoveries in which to pay the Deed Administrator's costs (subject to availability and syndicate bank agreement as to limits and repayment priority).
Buffer for Deed Administrator:	The Deed Administrators shall be entitled to retain a total amount of \$500,000 from recoveries across all the "DOCA Companies" (being all the parties who have entered into a Deed) for their indemnity (which, if not used, will be paid out in accordance with the waterfall contained in the relevant Deed).
Challenge to the Deed:	If any person challenges a Deed, then the Deed Administrators, and the Creditor Committee shall consult together and may take such collective or individual action as they consider appropriate in their absolute discretion.
Deed Administrator's right to seek direction:	If the Deed Administrators have any concern about the effectiveness or validity of any provision of the Deed or about any action which they are required to take thereunder, they may either: <ul style="list-style-type: none"> <li>(i) consult with the Creditor Committee in order to seek a direction of the Court;</li> <li>(ii) propose an amendment to the Deed; or</li> <li>(iii) seek a direction of the Court.</li> </ul>
Termination on satisfaction:	Each Deed will terminate when (a) the Deed Administrators confirm that the creditors have received the final distribution and that no further distributions are reasonably anticipated and (b) the Creditor Committee confirms that they have no objection to termination. If the Deed Administrators or the Creditor Committee cannot agree to terminate the Deed, either party may apply to the Court under s239ADD to terminate the Deed. Following that confirmation, the Deed Administrators shall (in consultation with the Creditor Committee):

	<ul style="list-style-type: none"> <li>(i) request that the relevant party is struck off the Companies Register in accordance with section 318 of the Companies Act; and</li> <li>(ii) provide the Registrar the request in the prescribed form that a shareholder or the board of directors would provide under section 318(1)(d).</li> </ul> <p>If such application is rejected by the Registrar then the Creditor Committee shall have a further discussion, following which the Deed Administrator shall then either:</p> <ul style="list-style-type: none"> <li>(iii) challenge the Registrar's decision;</li> <li>(iv) liquidate the relevant party; or</li> <li>(v) consider and implement other options.</li> </ul>
Termination by Court:	<p>If a Deed is terminated by an order of the Court other than on satisfaction then:</p> <ul style="list-style-type: none"> <li>(i) the Deed shall be voided;</li> <li>(ii) the parties shall be restored to the pre-Deed position; and</li> <li>(iii) any party that has received any monies pursuant to a Deed shall be entitled to retain those monies.</li> </ul>
Termination by Creditors:	The creditors may vote to terminate a Deed in accordance with the Companies Act.
No Assignment:	Rights arising out of or under the Deed will not be assignable by any party to the Deed or any party which has the benefit of the Deed.
Conflict:	Insofar as any provision of a Deed is inconsistent with a provision of the Companies Act, the Deed shall, to the extent of such inconsistency and to the extent permitted by law, prevail.
Creditor Committee:	<p>A Creditor Committee shall be established under each Deed to monitor the performance of the Deed and shall be comprised of three members. The members shall be: ANZ, ICBC and BOC. Each member shall appoint a representative to represent it on the Creditor Committee.</p> <p>The Creditor Committee shall (among other things) consult with the Deed Administrators in:</p> <ul style="list-style-type: none"> <li>(i) confirming any potential advisers to the Deed Administrators;</li> <li>(ii) evaluating any potential claims against third parties;</li> <li>(iii) determining funding and process for prosecuting any claims against third parties; and</li> <li>(iv) determining how to act if the Registrar rejects an application to have a party struck off the Companies Register.</li> </ul> <p>A Deed Administrator shall be the initial Chairperson of the Creditor Committee. The quorum for any Creditor Committee meeting will be all members. Creditor Committee voting to have a unanimous threshold. For the avoidance of doubt, the Chairperson is not a member and has no vote at meetings of the Creditor Committee.</p> <p>The Creditor Committee shall meet monthly (as determined by the chairperson) or as otherwise determined by the Creditor Committee or requested by a party.</p> <p>The Deed Administrators and CBL must report to the Creditor Committee as and when the Creditor Committee reasonably requires.</p> <p>Creditor Committee Protocols to be developed regarding operations and decision making of the Creditor Committee and shall include provisions to deal with any challenge to the Deed and appropriate guidelines for the Creditor Committee to follow.</p> <p>While each party has a Creditor Committee, joint meetings of the Creditor Committees will be held.</p> <p>If the initially appointed Deed Administrators are removed or replaced, and the Creditor Committee resolve unanimously that they have lost trust and confidence in the ability of the replacement Deed Administrators to perform their obligations under the Deed, those Deed Administrators will undertake to resign.</p>
Deed Preparation:	Deed to be drafted by Chapman Tripp.
Timetable:	Watershed meeting to be held on 18 December and Deed drafted, tabled and executed at the watershed meeting.
Prescribed Provisions	The Prescribed Provisions are excluded.
Cut-off day	For the purposes of s239ACN(2)(i) the "cut-off day" is 23 February 2018.

## Appendix 2: Excerpts from CBLC watershed report

### What does CBLC do?

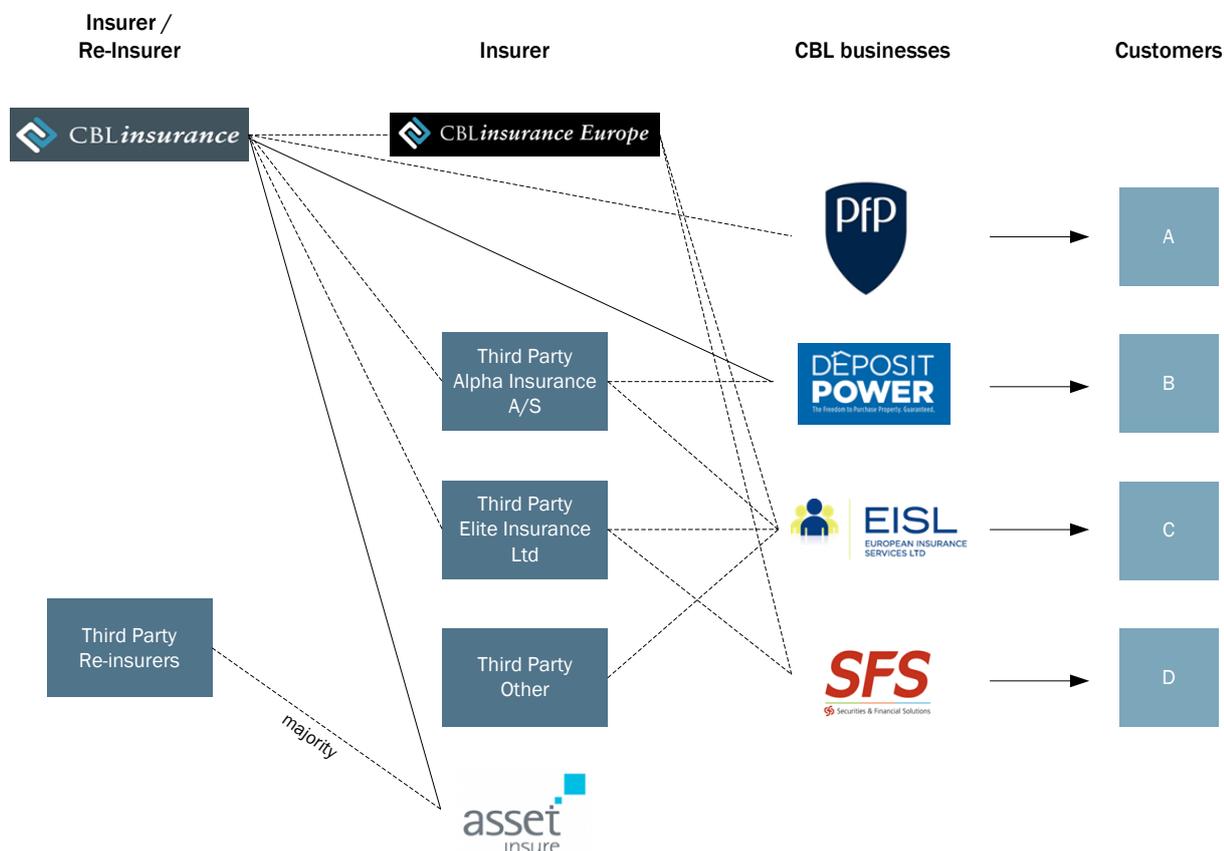
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

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

### CBL Insurance Limited (In 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.

### 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.

### Assetinsure Pty Limited



- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLI 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.

### 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.

### 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.



### 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.



### 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 promoters
  - Architects
- SFS/IMS contributed 22.2% of total group revenue in 2017, up from 9.5% in 2016 (part year).



## 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.

### 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.

### 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 CBLI
  - 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.

## 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%;
  - CBLI 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, CBLI 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.



## Appendix 4: Restrictions

- This report has been produced for the purpose of the watershed meeting LBCA 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.

# Attachment 3: Creditor's Claim

**KordaMentha**

**LBC Holdings Australasia Limited (5535467)  
(Administrators Appointed) ('the Company')**

**Creditors' Claim Form for the purposes of voting at creditors' meetings and claiming in Deed of Company Arrangement (if executed)**

<p>Name and postal address of creditor in full:</p> <p>Name: .....</p> <p>Postal address: .....</p> <p>.....</p> <p>Telephone Number: (.....).....</p> <p>Email: (.....).....</p> <p>My Reference is (if applicable): .....</p>	<p>* Any personal information collected is for the purpose of administering the VA in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. You may have access to and request correction of any personal information.</p> <p>(* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
---	--

I, .....

[If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the Company was at the date it was put into VA indebted to the abovenamed creditor for the sum of [Amount in words and figures]:

..... \$.....

[Cross out whichever does not apply] I hold no security interest in any of the assets of the Company; or

I hold a security interest in respect of certain assets of the Company and I attach supporting documents in respect of such claimed security interest

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.

Signed ..... Date: .....

<p><b>Received</b> (Date Stamp)</p>	<p><b>Reserved for Office Use:</b></p> <p>Claim admitted for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim rejected for payment:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /</p> <p>Claim admitted for distribution under DOCA (if applicable):</p> <p>Preferential Claim for: <input style="width: 100px; height: 20px;" type="text"/> \$</p> <p style="margin-top: 20px;">Signed Deed Administrator: <input style="width: 200px; height: 30px;" type="text"/>    Dated:    /    /</p>
---	--



# Attachment 4: Postal Voting Form

## LBC Holdings Australasia Limited (5535467) (Administrators Appointed) ('the Company')

### Postal Voting Form

Watershed meeting of creditors of the Company convened pursuant to sections 239AU(1) and 239AT of the Companies Act 1993 to be conducted by postal ballot and voting at meeting

Name and postal address of creditor in full:

Creditor<sup>1</sup>: .....

Address: .....

.....

I/We cast our vote on the following resolutions to be voted on at the watershed meeting of creditors to be held on on **Tuesday 18 December 2018 at 11.00am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions (please vote on all resolutions, in the event the first does not pass)	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

Creditor Name \_\_\_\_\_

Signed<sup>2</sup>: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Position: \_\_\_\_\_

Telephone No: \_\_\_\_\_ Email address: \_\_\_\_\_

Postal votes must be received by the Administrators no later than **5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings Australasia Limited (5535467) (Administrators Appointed)  
PO Box 982

Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: cbl@kordamentha.co.nz

Courier: Level 16, 45 Queen Street, Auckland, 1010

<sup>1</sup> For example, company, body corporate, trust or individual

<sup>2</sup> By an authorised representative (in accordance with the Appointment of Proxy Form, as required)

# Attachment 5: Appointment of Proxy Form

**Appointment of Proxy for**  
**LBC Holdings Australasia Limited (5535467)**  
**(Administrators Appointed) ('the Company')**

## 1. Full Name and Contact Details of Creditor (please print)

---

Creditor<sup>1</sup> name Telephone number

---

Address

## 2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company in voluntary administration, appoint:

..... of .....

as my/our general / special [*delete one*] proxy, or in his/her absence .....

to vote at the watershed meeting of creditors to be held on **Tuesday 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand, or at any adjournment of that meeting.

## 3. Voting by your Proxy

If appointed as a general proxy, he/she determines on my/our behalf. The Chairperson of the watershed meeting will not accept appointments as general proxy.

My/our special proxy is instructed to vote for some or all resolutions, specifically in the manner set out below (please tick).

Resolution	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

---

<sup>1</sup> For example, company, body corporate, trust or individual

#### 4. Signature Section

*Print Name*

**If you are signing on behalf of a company, this signature is your confirmation that you hold the authority necessary to do so**

Dated this .....

*Signature*

Proxy forms must be received by the Administrators **no later than 5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Holdings Australasia Limited (5535467) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street, Auckland, 1010

**Attachments 2-5**

**LBC Treasury Company Limited (Administrators Appointed)**



**LBC Treasury Company Limited (6040888)**  
**(Administrators Appointed)**

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

11 December 2018

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# 1 Introduction

## 1.1 Purpose of this report

This report is provided to creditors of LBC Treasury Company Limited (**LBCT** or the **Company**) (Administrators Appointed) 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 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 7. *In brief, in our opinion it would be in the interests of the known creditors of LBCT for the proposed Deed of Company Arrangement (DOCA) to be approved.*

## 1.2 Background

The Administrators were appointed to LBCT, CBL Corporation Limited (**CBLC**), LBC Holdings Europe Limited, LBC Holdings Americas Limited, LBC Holdings UK Limited, LBC Holdings Australasia Limited, LBC Holdings New Zealand, 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 LBCT only but we comment on the broader CBLC group where relevant to provide context.

We applied to the Court in March 2018 under Section 239AT of the Act to extend the watershed meeting of LBCT and the other CBL group companies. On 23 March 2018 Justice Hinton granted leave to extend the convening period until 11 May 2018, and the watershed meeting date to 18 May 2018.

In May 2018 two of the directors of CBLC put forward a restructuring proposal. To provide time to consider the proposal we made a further application to the Court on 9 May 2018 under Section 239AT of the Act to extend the watershed meeting of LBCT and the other holding companies. On 10 May 2018 Justice Hinton granted leave to extend the convening period until 10 August 2018, and the watershed meeting date to 17 August 2018 so that the restructuring proposal could be developed.

An extension was not sought for CBLC and the Administrators convened and duly held the watershed meeting for CBLC on 18 May 2018. The Administrators adjourned the watershed meeting as it became apparent that, at that point in time, there would be a voting stalemate in relation to the resolutions required to be put forward (either placing the company into liquidation or handing control of the company back to its directors). Whilst the necessary 75% of creditors by value would have supported the resolution to put the company into liquidation at that point in time, a majority by number would not have been achieved which would have caused the liquidation resolution to fail. Related party creditors were a factor. The watershed meeting was adjourned to be held no later than 2 July 2018. In June 2018 the Court granted a further adjournment of the watershed meeting of CBLC to 17 August 2018. This aligned the watershed meeting date for CBLC with that of the subsidiaries.

As the restructuring proposal put forward by two of the directors may have had implications for LBCT and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. On 27 July 2018 Justice Hinton granted leave to extend the convening period to 10 November 2018, and the watershed meetings date to 17 November 2018.

The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBL Insurance Ltd (CBLI). CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration.

The outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors. The Administrators had been working to progress the restructuring plan which could have been implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation.

The CBLI liquidation hearing date was subsequently timetabled to start on 12 November 2018 in the High Court, requiring a further extension to the watershed meeting convening period to 11 December 2018, and consequently the meeting date was extended to 18 December 2018.

In the Administrators' view a restructuring plan implemented through a voluntary administration offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL group companies. Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right. CBLI was placed in liquidation on 12 November 2018.

The known creditors of LBCT have since proposed a DOCA for the Company. No other DOCA proposals have been received. At this time it is the intention that LBCT's creditors will vote on the DOCA at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held at 11.00 am on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland.

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.

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.

The known creditors of LBCT have proposed a DOCA that will be voted on at the watershed meeting. Our opinion is that it would be in the interests of the known creditors of LBCT for the proposed DOCA to be approved. At the watershed meeting the creditors will be asked to vote on:

1. a resolution that the Company execute a proposed DOCA; OR
2. 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), OR
3. a resolution that the administration of the Company should come to an end and control of the Company be returned to the Director.

When considering the above resolutions, it should be taken into account that the Company has no ability to continue to trade and is insolvent. 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 4.

## 2 Who and what is LBCT?

### 2.1 Overview

LBCT was incorporated on 1 July 2016 and is part of the CBL group of Companies. LBCT is a wholly-owned subsidiary of CBLC. CBLC is the ultimate parent company of the CBL group. CBLC is listed on the NZX and ASX. An overview of the broader CBL group and background and events leading up to administration are included in Appendix 2.

LBCT has no subsidiaries. A more detailed structure of the CBL group of companies is provided in Appendix 3.

Figure 1: LBCT



### 2.2 LBCT directors

At the date of our appointment the Companies Office recorded the directors of the Company as being:

- Anthony Charles Russell Hannon (appointed 29 June 2015), resident in New Zealand
- Carden James Mulholland (appointed 12 December 2013)

Anthony Charles Russell Hannon resigned on 12 November 2018. Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### 2.3 LBCT shareholders

LBCT is 100% owned by CBLC.

### 2.4 LBCT secured creditors

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

There are no registrations on the Personal Properties Securities Register against LBCT.

### 3 What does LBCT do?

#### 3.1 Overview of the CBL group

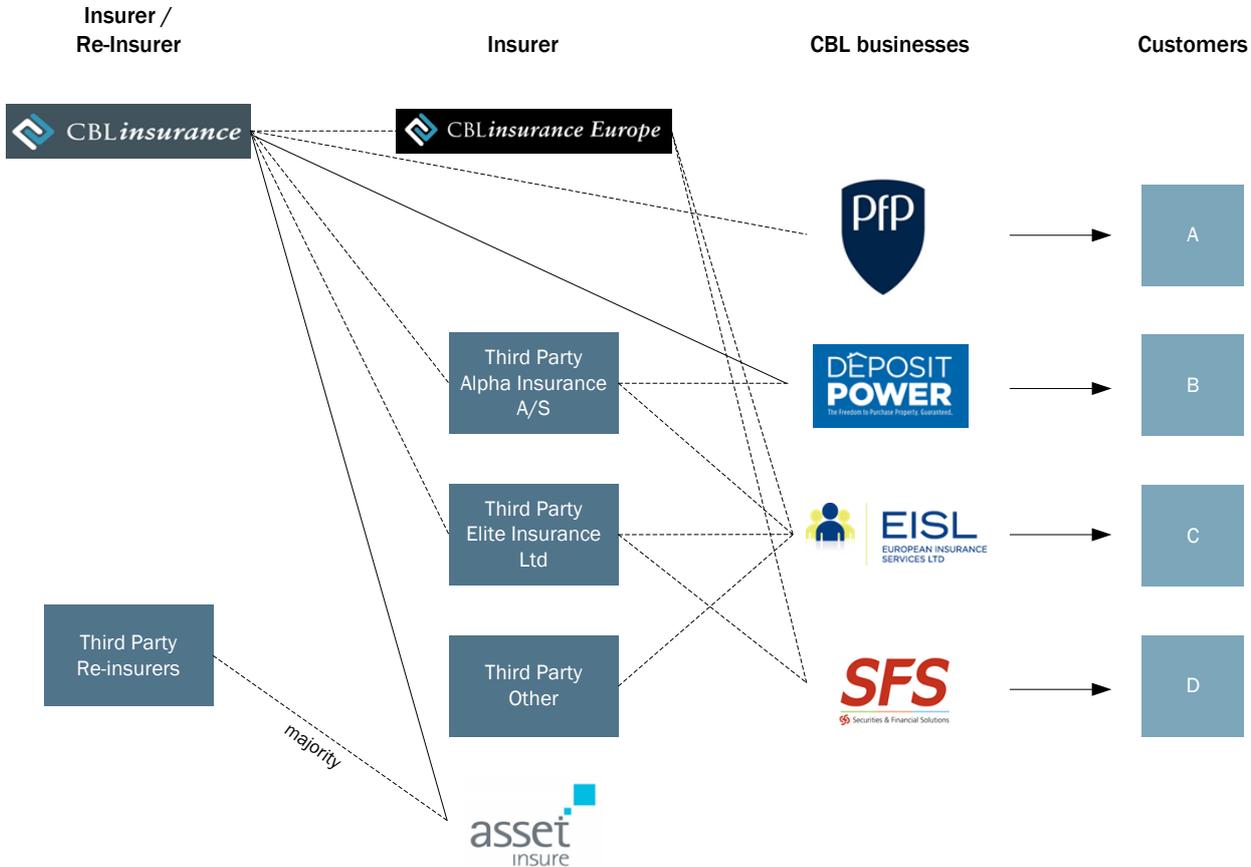
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- 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 CBLI (in Liquidation). 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.

The 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 were the critical driver of the options that were available when CBLI and its subsidiaries went into administration.

## 3.2 LBC Treasury Company Limited

LBCT is a non-trading entity that provided treasury services to other CBL companies.

## 3.3 LBCT trading performance and position

### 3.3.1 Financial performance

In FY17 LBCT reported revenue of \$886k with no expenses for the year ending 31 December 2017. There was a small profit after tax reported of \$638k falling from \$1.9 million in FY16.

LBC Treasury Company Limited	FY16	FY17	Variance
Statement of Financial Performance	\$'000	\$'000	\$'000
Total revenue	1,880	886	(995)
Net claims expense	0	0	0
Acquisition & operating costs	0	0	0
<b>Operating profit / (loss)</b>	<b>1,880</b>	<b>886</b>	<b>(995)</b>
Finance costs and FX	0	0	0
<b>Profit before tax</b>	<b>1,880</b>	<b>886</b>	<b>(995)</b>
Income tax expense	0	(248)	(248)
Dividends	0	0	0
Movt in Foreign Currency Translation Reserve	0	0	0
<b>Retained profit</b>	<b>1,880</b>	<b>638</b>	<b>(1,242)</b>

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

### 3.3.2 Financial position

The FY17 LBCT financial position reflected net assets and equity of \$48 million. The loan balance comprises primarily a ~\$21 million loan to Intercede 2408 Limited, a ~\$17 million loan to LBC Holdings Europe, and a ~\$10 million loan to CBL Corporate Services.

LBC Treasury Company Limited	FY16	FY17	Variance
Statement of Financial Position	\$'000	\$'000	\$'000
Other receivables	10	10	0
Loans	47,353	48,239	886
<b>Total Assets</b>	<b>47,363</b>	<b>48,249</b>	<b>886</b>
Current tax liabilities	0	248	248
<b>Total Liabilities</b>	<b>0</b>	<b>248</b>	<b>248</b>
<b>Net Assets</b>	<b>47,363</b>	<b>48,001</b>	<b>638</b>
Share capital	45,483	45,483	0
Retained earnings	1,880	2,518	638
<b>Total Equity</b>	<b>47,363</b>	<b>48,001</b>	<b>638</b>

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

LBCT guarantees the indebtedness to the bank lenders to the CBL group.

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 \$23,960 per person. Staff entitlements above this level per person rank as unsecured claims. LBCT had no staff and there were no sums owing to preferential creditors at the date of our appointment.

#### **Secured creditors**

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

#### **Unsecured creditors**

- We have received creditor claims totalling \$136 million from the bank lenders to the CBL group. They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. Subject to the timing of realisations and interest accruals, it is likely the bank group's claims against LBCT will reduce as a result of these repayments.

Liquidators would call for claims to be filed following appointment.

## 4 Issues facing LBCT and the CBL group following administration

### 4.1 Status of business operations

The regulatory orders and (ultimately) the insolvency/supervisory appointments that occurred through FY17 and early 2018 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 would not be paid until CBLI's solvency position is confirmed. CBLI went into liquidation on 12 November 2018.
- CBLIE had also ceased to write new business but is paying some claims. CBLIE entered administration on 12 March 2018.
- 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 on 27 February 2018.
- 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 table as it is not impacted by the issues facing CBL. Following a sale process initiated by the Administrators the Assetinsure business was sold in November 2018. The sale is subject to regulatory approvals.

Trading entities	Formal appointment	Current status
	Interim Liquidators appointed 23 February 2018	Placed in to liquidation on 12 November 2018
	Provisional Administrators appointed 12 March 2018	Ceased trading, no longer writing business but paying some claims
	N/A	PFP Group sold in July 2018 to Highbridge Principal Strategies and Madison Dearborn Partners
	N/A	Sold in September 2018 to Phoenix Holdings Limited
	External Administrators appointed 27 February 2018	Ceased operating VA's sale process was unsuccessful
	N/A	Liquidators appointed September 2018

## 5 Events in the Voluntary Administrations

### 5.1 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.
- Engage with insolvency practitioners appointed to CBLI (In New Zealand) and CBLIE (In Ireland).
- 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.
- Consider any restructuring proposals that have been received from third parties in order to assess whether they offered opportunities for increased realisations for the relevant group creditors.

### 5.2 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 sales processes we initiated ultimately led to the sale of the Assetinsure, PFP Group and EISL businesses. 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.

### 5.3 Restructuring proposals

In May 2018 two of the directors of CBLC put forward a restructuring proposal.

As this restructuring proposal may have had implications for LBCT and the other subsidiaries we sought further extensions of the convening period of their watershed meetings. The watershed extension applications had aligned the dates of the watershed meetings with the expected resolution of the status of one of CBL's largest subsidiaries, CBLI.

CBLI was in interim liquidation and a hearing to determine whether it would be permanently placed into liquidation was adjourned a number of times, necessitating deferral of the watershed meetings for the companies in administration. The

outcome for CBLI was a key consideration in assessing the potential options for the group, including the restructuring plan that was proposed by two of CBL's directors.

The Administrators worked to progress the restructuring plan that could be implemented through a voluntary administration of CBLI, to avoid it being placed into liquidation. In the Administrators' view the restructuring plan that was proposed offered the potential to deliver a better outcome for CBLI's creditors and creditors of the wider CBL Group companies.

Ultimately however two of CBLI's major creditors did not support voluntary administration, which is their right, and CBLI went into liquidation on 12 November 2018.

A draft DOCA proposal was subsequently received from the known creditors of LBCT on 3 December 2018. The terms of that proposed DOCA are summarised at Appendix 1.

## **5.4 Business units**

As noted above, LBCT is a non-trading entity that provided treasury services to other CBL group companies. Its assets primarily represent related party loans to other CBL group companies that are in Administration.

Significant asset realisations are not anticipated in LBCT.

## **5.5 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. LBCT is one of the companies that granted security. The security does not apply to monies outstanding prior to our appointment.

Accounts of receipts and payments have been filed with the Registrar of Companies.

Whether LBCT receives any funds depends on the ability of the related parties to repay their loans. As noted above, significant asset realisations are not anticipated in LBCT.

## 6 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.

### 6.1 Deed of Company Arrangement ('DOCA')

A proposal for a DOCA has been received by the administrators from LBCT's only known creditors, the bank lenders to CBL. The term sheet for the DOCA is attached at Appendix 1.

As noted above, the DOCA has been proposed by LBCT's only known creditors. We have been advised that the DOCA has the unanimous support of the creditors. On the basis there are no other known creditors of LBCT, a resolution to approve the proposed DOCA at the watershed meeting will be passed. We have no basis to consider that there are any other creditors of whom we are not aware.

Based on current information, there is no prospect that the company will return to the control of the directors or that the company may be placed in liquidation immediately. We have not contrasted the proposed DOCA against liquidation as liquidation is not a foreseeable outcome of the watershed meeting. We can consider this further if the position changes.

### 6.2 Administrations end and companies return to control of directors

We understand all the Directors of LBCT have resigned so this is not a viable option.

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).

### 6.3 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.

A liquidation of LBCT would entail materially:

- Receipt of the proceeds of the sale of PFP (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, to the extent and are established and 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.

- **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.

Any review of the existence and prospects of any claims would need to be undertaken once liquidators are in place.

If the proposed DOCA is approved, none of these matters will be considered. Given the proposed DOCA has the unanimous support of the known creditors of LBCT, there is no benefit in the Administrators considering these matters further. We will reconsider these matters if the position changes.

## **7 Administrators' opinion on the options**

### **7.1 Opinion**

A DOCA has been proposed by LBCT's only known creditors and we understand it has the unanimous support of those creditors. On the basis that there are no other known creditors of LBCT, the administrators consider it would be in the interests of LBCT's known creditors, being the bank lenders to CBLC, for the DOCA to be approved.

We can consider this further if the creditor position changes.

## 8 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: LBC Treasury 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](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street  
Auckland 1010

## Appendix 1: Key terms of the proposed DOCA

### CBL GROUP SUBSIDIARIES – VOLUNTARY ADMINISTRATION HIGH LEVEL TERM SHEET

Parties:	<p>LBC Holdings New Zealand Limited (Administrators Appointed)  LBC Holdings UK Limited (Administrators Appointed)  LBC Holdings Europe Limited (Administrators Appointed)  LBC Holdings Australasia Limited (Administrators Appointed)  LBC Treasury Company Limited (Administrators Appointed)  Each party will enter into a separate deed of company arrangement (each a <i>Deed</i>).</p>
Binding nature:	<p>A Deed will bind a party (including any directors, officers and shareholders of a party), the Deed Administrators and each creditor once it is approved by creditors at that parties' watershed meeting.  Each creditor's voting rights to be determined in accordance with the Companies Act.</p>
Conditions:	<p>There shall be no conditions to the effectiveness of a Deed.</p>
Intent of the Deed:	<p>The intent of each Deed is to provide for:</p> <ol style="list-style-type: none"> <li>(a) the orderly realisation and distribution of recoveries;</li> <li>(b) a continuation of the moratorium established on the appointment of the administrator;</li> <li>(c) a consultative and controlled process for evaluating any potential claims against third parties and to determine whether it is in the best interests of creditors to pursue them;</li> <li>(d) a cost effective and controlled process for determining, funding and prosecuting any claims against third parties (with the support of the Creditor Committee);</li> <li>(e) the establishment of the Creditor Committee, the confirmation of the powers and processes of the Creditor Committee and the means by which reports to the Creditor Committee can be made;</li> <li>(f) a certain and controlled process for concluding the administrations of each of the parties in a timely and appropriate manner (for that particular party);</li> <li>(g) the removal of each of the parties from the Companies Register or (if the Registrar rejects an application to remove a party from the Companies Register and it is decided following consultation with the Creditor Committee) the entry of each party into liquidation following the completion of the administrations; and</li> <li>(h) the granting of all necessary and incidental powers to the Deed Administrators to effect the purpose and objects of the Deed.</li> </ol>
Distribution to Creditors:	<p>The intent of each Deed is to distribute proceeds realised in relation to the assets of each individual party in the following order of priority:</p> <ol style="list-style-type: none"> <li>(a) costs, expenses and liabilities of the Administrators and the Deed Administrators incurred in relation to the performance of the functions of the Administrators and the Deed Administrators, including <ol style="list-style-type: none"> <li>a. remuneration, legal costs and disbursements;</li> <li>b. any amounts which are Required Payments, as defined under the Overdraft Funding Deed dated 8 August 2018; and</li> <li>c. amounts owing to ANZ in relation to the Institutional Credit Agreement dated 21 March 2018 (the ICA);</li> </ol> </li> <li>(b) costs and expenses of the Creditor Committee incurred in performing any of the functions, making any of the decisions and or exercising any of the rights and powers of the Creditor Committee;</li> <li>(c) costs and expenses of ANZ, ICBC and BOC in developing and proposing each Deed;</li> </ol>

- (d) pari passu and rateably between:
  - a. amounts owing to ANZ, ICBC and BOC in relation to the syndicated loan dated 25 November 2017;
  - b. amounts owing to ANZ in relation to separate facilities;
  - c. amounts owing to any other creditor (admitted in accordance with the process for proof and admission of claims); and
- (e) any residual amounts to the shareholder of the relevant entity.

A waterfall will be set out in each Deed and each Deed will provide that, upon a creditor being repaid in full its admitted claim, that creditor will agree not to commence any proceedings against that party to recover any indebtedness. Notwithstanding that a creditor has been paid pursuant to an individual Deed, it shall still be entitled to claim the full amount of its debt under any other Deed or insolvency process in New Zealand or any other jurisdiction.

Exclusion of Personal Liability:	No member of the Creditor Committee, the Administrators or the Deed Administrators will have any personal liability in any circumstance for any loss or claim arising out of or in connection with any Deed (whether in contract, tort or otherwise).
Secured Creditor Rights:	Notwithstanding that ANZ may vote in favour of any Deed, its rights as a secured creditor under the ICA and its general security deed shall continue in full force and effect however ANZ will be bound by the order of priority as provided for in Distribution to Creditors.
Proof and Admission of Claims:	Each Deed shall contain a process consistent with the liquidation provisions of the Companies Act for the proof and admission of claims by the Deed Administrators. Each proof of debt must contain full particulars of the relevant claim together with such sufficient documentary evidence as the Deed Administrators may in their absolute discretion require (including, if so required by a Deed Administrator, a statutory declaration verifying the claim in such form as they may require) to determine whether or not a claim will be admitted and the amount in respect of which the claim will be admitted. The Deed Administrators shall have the power to accept, reject or compromise any claim. For the avoidance of doubt, any costs and expenses incurred by a person in seeking proof of a claim will be borne by that person and will not form part of that person's claim.
Provisions relating to Deed Administrator:	Each Deed will contain extensive market standard provisions in relation to the role of the Deed Administrator, the powers of the Deed Administrator, resignation and replacement, no personal liability, reporting, remuneration and indemnity. For the avoidance of doubt, the Deed Administrator will continue to be entitled to draw on the ICA to the extent that a party has not realised any recoveries in which to pay the Deed Administrator's costs (subject to availability and syndicate bank agreement as to limits and repayment priority).
Buffer for Deed Administrator:	The Deed Administrators shall be entitled to retain a total amount of \$500,000 from recoveries across all the "DOCA Companies" (being all the parties who have entered into a Deed) for their indemnity (which, if not used, will be paid out in accordance with the waterfall contained in the relevant Deed).
Challenge to the Deed:	If any person challenges a Deed, then the Deed Administrators, and the Creditor Committee shall consult together and may take such collective or individual action as they consider appropriate in their absolute discretion.
Deed Administrator's right to seek direction:	If the Deed Administrators have any concern about the effectiveness or validity of any provision of the Deed or about any action which they are required to take thereunder, they may either: <ul style="list-style-type: none"> <li>(i) consult with the Creditor Committee in order to seek a direction of the Court;</li> <li>(ii) propose an amendment to the Deed; or</li> <li>(iii) seek a direction of the Court.</li> </ul>
Termination on satisfaction:	Each Deed will terminate when (a) the Deed Administrators confirm that the creditors have received the final distribution and that no further distributions are reasonably anticipated and (b) the Creditor Committee confirms that they have no objection to termination. If the Deed Administrators or the Creditor Committee cannot agree to terminate the Deed, either party may apply to the Court under s239ADD to terminate the Deed. Following that confirmation, the Deed Administrators shall (in consultation with the Creditor Committee):

	<ul style="list-style-type: none"> <li>(i) request that the relevant party is struck off the Companies Register in accordance with section 318 of the Companies Act; and</li> <li>(ii) provide the Registrar the request in the prescribed form that a shareholder or the board of directors would provide under section 318(1)(d).</li> </ul> <p>If such application is rejected by the Registrar then the Creditor Committee shall have a further discussion, following which the Deed Administrator shall then either:</p> <ul style="list-style-type: none"> <li>(iii) challenge the Registrar's decision;</li> <li>(iv) liquidate the relevant party; or</li> <li>(v) consider and implement other options.</li> </ul>
Termination by Court:	<p>If a Deed is terminated by an order of the Court other than on satisfaction then:</p> <ul style="list-style-type: none"> <li>(i) the Deed shall be voided;</li> <li>(ii) the parties shall be restored to the pre-Deed position; and</li> <li>(iii) any party that has received any monies pursuant to a Deed shall be entitled to retain those monies.</li> </ul>
Termination by Creditors:	The creditors may vote to terminate a Deed in accordance with the Companies Act.
No Assignment:	Rights arising out of or under the Deed will not be assignable by any party to the Deed or any party which has the benefit of the Deed.
Conflict:	Insofar as any provision of a Deed is inconsistent with a provision of the Companies Act, the Deed shall, to the extent of such inconsistency and to the extent permitted by law, prevail.
Creditor Committee:	<p>A Creditor Committee shall be established under each Deed to monitor the performance of the Deed and shall be comprised of three members. The members shall be: ANZ, ICBC and BOC. Each member shall appoint a representative to represent it on the Creditor Committee.</p> <p>The Creditor Committee shall (among other things) consult with the Deed Administrators in:</p> <ul style="list-style-type: none"> <li>(i) confirming any potential advisers to the Deed Administrators;</li> <li>(ii) evaluating any potential claims against third parties;</li> <li>(iii) determining funding and process for prosecuting any claims against third parties; and</li> <li>(iv) determining how to act if the Registrar rejects an application to have a party struck off the Companies Register.</li> </ul> <p>A Deed Administrator shall be the initial Chairperson of the Creditor Committee. The quorum for any Creditor Committee meeting will be all members. Creditor Committee voting to have a unanimous threshold. For the avoidance of doubt, the Chairperson is not a member and has no vote at meetings of the Creditor Committee.</p> <p>The Creditor Committee shall meet monthly (as determined by the chairperson) or as otherwise determined by the Creditor Committee or requested by a party.</p> <p>The Deed Administrators and CBL must report to the Creditor Committee as and when the Creditor Committee reasonably requires.</p> <p>Creditor Committee Protocols to be developed regarding operations and decision making of the Creditor Committee and shall include provisions to deal with any challenge to the Deed and appropriate guidelines for the Creditor Committee to follow.</p> <p>While each party has a Creditor Committee, joint meetings of the Creditor Committees will be held.</p> <p>If the initially appointed Deed Administrators are removed or replaced, and the Creditor Committee resolve unanimously that they have lost trust and confidence in the ability of the replacement Deed Administrators to perform their obligations under the Deed, those Deed Administrators will undertake to resign.</p>
Deed Preparation:	Deed to be drafted by Chapman Tripp.
Timetable:	Watershed meeting to be held on 18 December and Deed drafted, tabled and executed at the watershed meeting.
Prescribed Provisions	The Prescribed Provisions are excluded.
Cut-off day	For the purposes of s239ACN(2)(i) the "cut-off day" is 23 February 2018.

## Appendix 2: Excerpts from CBLC watershed report

### What does CBLC do?

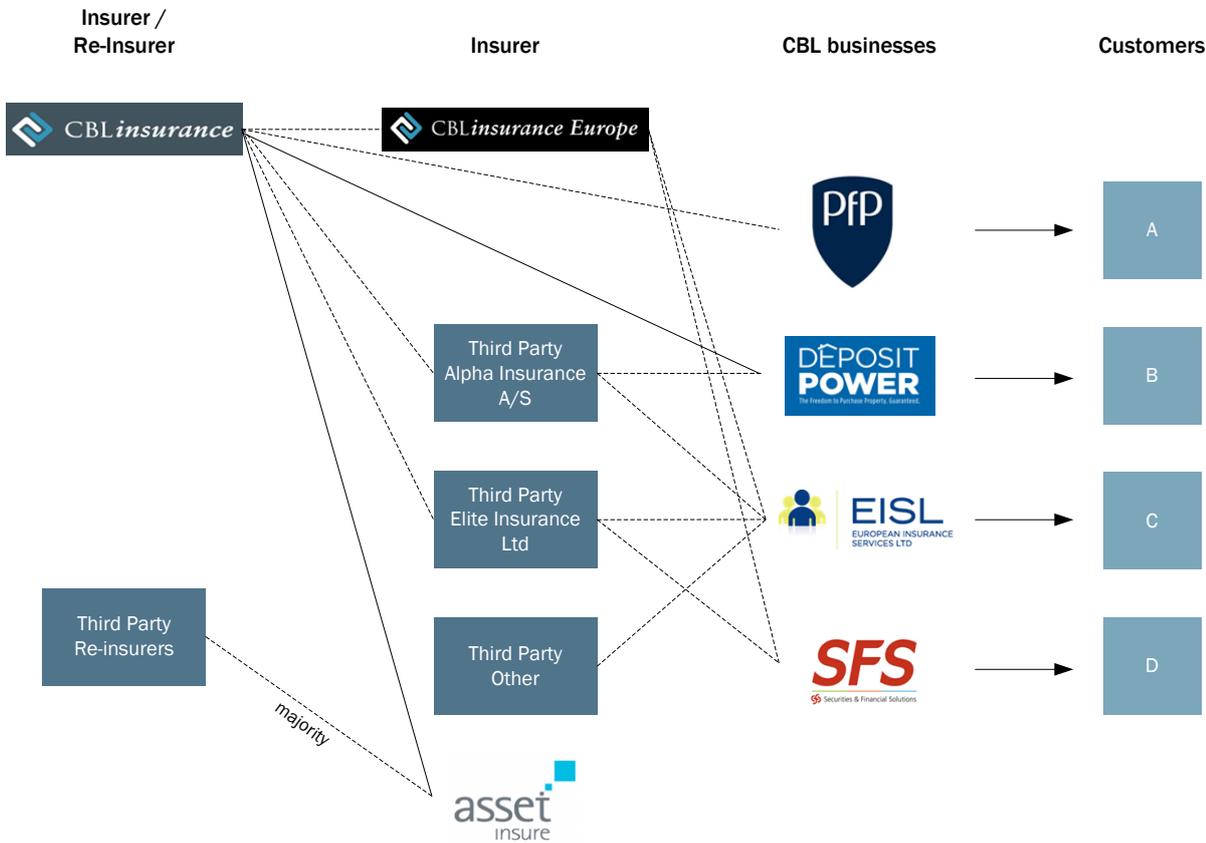
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group’s main product groups include:

- 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.

### CBL Insurance Limited (In 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.

### 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.

### Assetinsure Pty Limited



- Assetinsure Pty Limited ("Assetinsure") is an Australian based Company acquired by CBLI 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.

### 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.

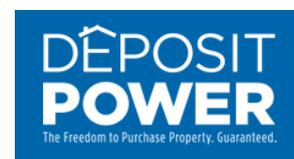
### European Insurance Services Limited

- 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.



### 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.



### 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 promoters
  - Architects
- SFS/IMS contributed 22.2% of total group revenue in 2017, up from 9.5% in 2016 (part year).



## 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.

### 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.

### 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 CBLI
  - 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.

## 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%;
  - CBLI 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, CBLI 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.



## Appendix 4: Restrictions

- This report has been produced for the purpose of the watershed meeting LBCT 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.

# Attachment 3: Creditor's Claim

**KordaMentha**

**LBC Treasury Company Limited (6040888)  
(Administrators Appointed) ('the Company')**

**Creditors' Claim Form for the purposes of voting at creditors' meetings and claiming  
in Deed of Company Arrangement (if executed)**

<p>Name and postal address of creditor in full:</p> <p>Name: .....</p> <p>Postal address: .....</p> <p>.....</p> <p>Telephone Number: (.....).....</p> <p>Email: (.....).....</p> <p>My Reference is (if applicable): .....</p>	<p>* Any personal information collected is for the purpose of administering the VA in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. You may have access to and request correction of any personal information.</p> <p>(* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
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I, .....  
*[If claim is made on behalf of creditor, specify relationship to creditor and authority]* claim that the Company was at the date it was put into VA indebted to the abovenamed creditor for the sum of *[Amount in words and figures]*:  
 ..... \$.....

*[Cross out whichever does not apply]* I hold no security interest in any of the assets of the Company; or  
 I hold a security interest in respect of certain assets of the Company and I attach supporting documents in respect of such claimed security interest

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.

Signed ..... Date: .....

<p><b>Received</b> (Date Stamp)</p>	<p><b>Reserved for Office Use:</b></p> <p>Claim admitted for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /    <input style="width: 40px; height: 20px;" type="text"/></p> <p>Claim rejected for voting purposes:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /    <input style="width: 40px; height: 20px;" type="text"/></p> <p>Claim rejected for payment:    Signed: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /    <input style="width: 40px; height: 20px;" type="text"/></p> <p>Claim admitted for distribution under DOCA (if applicable):          Preferential Claim for: <input style="width: 150px; height: 20px;" type="text"/> \$ <input style="width: 100px; height: 20px;" type="text"/></p> <p style="text-align: right;">Signed Deed Administrator: <input style="width: 150px; height: 20px;" type="text"/>    Dated:    /    /    <input style="width: 40px; height: 20px;" type="text"/></p>
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# Attachment 4: Postal Voting Form

## LBC Treasury Company Limited (6040888) (Administrators Appointed) ('the Company')

### Postal Voting Form

Watershed meeting of creditors of the Company convened pursuant to sections 239AU(1) and 239AT of the Companies Act 1993 to be conducted by postal ballot and voting at meeting

Name and postal address of creditor in full:

Creditor<sup>1</sup>: .....

Address: .....

.....

I/We cast our vote on the following resolutions to be voted on at the watershed meeting of creditors to be held on on **Tuesday 18 December 2018 at 11.00am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions (please vote on all resolutions, in the event the first does not pass)	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

**Creditor Name** \_\_\_\_\_

**Signed<sup>2</sup>:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Position:** \_\_\_\_\_

**Telephone No:** \_\_\_\_\_ **Email address:** \_\_\_\_\_

Postal votes must be received by the Administrators no later than **5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Treasury Company Limited (6040888) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: cbl@kordamentha.co.nz

Courier: Level 16, 45 Queen Street, Auckland, 1010

<sup>1</sup> For example, company, body corporate, trust or individual

<sup>2</sup> By an authorised representative (in accordance with the Appointment of Proxy Form, as required)

# Attachment 5: Appointment of Proxy Form

**Appointment of Proxy for**  
**LBC Treasury Company Limited (6040888)**  
**(Administrators Appointed) ('the Company')**

## 1. Full Name and Contact Details of Creditor (please print)

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Creditor<sup>1</sup> name Telephone number

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Address

## 2. Appointment of a Proxy (please complete)

I/We, a creditor of the Company in voluntary administration, appoint:

..... of .....

as my/our general / special [*delete one*] proxy, or in his/her absence .....

to vote at the watershed meeting of creditors to be held on **Tuesday 18 December 2018 at 11.00am** at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand, or at any adjournment of that meeting.

## 3. Voting by your Proxy

If appointed as a general proxy, he/she determines on my/our behalf. The Chairperson of the watershed meeting will not accept appointments as general proxy.

My/our special proxy is instructed to vote for some or all resolutions, specifically in the manner set out below (please tick).

Resolution	For	Against	Abstain
1. It is resolved that the Company should execute a deed of company arrangement (DOCA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is resolved that the Administration end and control of the Company be returned to the Company's directors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions listed above will not be considered.

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<sup>1</sup> For example, company, body corporate, trust or individual

#### 4. Signature Section

*Print Name*

**If you are signing on behalf of a company, this signature is your confirmation that you hold the authority necessary to do so**

Dated this .....

*Signature*

Proxy forms must be received by the Administrators **no later than 5.00 pm, Friday, 14 December 2018** and should be sent to any of the Administrators' addresses:

Post: LBC Treasury Company Limited (6040888) (Administrators Appointed)  
PO Box 982  
Shortland Street  
Auckland 1140

Fax: +64 9 377 7794

Email: [cbl@kordamentha.co.nz](mailto:cbl@kordamentha.co.nz)

Courier: Level 16, 45 Queen Street, Auckland, 1010

# **Attachment 6: Further notes on conduct of meetings and completion of forms**

## **Creditor Claim Form – refer to Attachment 3**

We encourage all creditors to submit a creditor's claim form **if they have not done so already**.

For the avoidance of doubt, if you are an employee of CBL Corporation Limited your claim will be calculated for you for voting purposes and you do not need to lodge a claim.

It is a creditor's responsibility to prove their claim to the satisfaction of the Administrators. Acceptance of any claim will be initially for voting purposes only and does not constitute acceptance of the claim for later purposes.

When lodging claim forms, creditors should make sure that:

- the claim form is fully completed
  - adequate documentary evidence, as described below, is attached to the claim form.
1. Insert the full name and address of the creditor, the amount you are owed inclusive of GST and then separately identify the GST component.
  2. Under 'Particulars of Claim':
    - Insert the date the debt arose. If you only have a couple of invoices, list each invoice date. If there are more invoices than fit into the table, you can insert a date range and provide further details in an attachment
    - In the 'Details of Claim' section,
      - provide details as to the substantiating documentation you have attached. e.g. 'copies of invoices', 'copy of hire agreement' etc.
      - explain how the debt arose. e.g. 'services provided to the company on [date]' or 'goods sold to the company on [date]'
    - Include the amounts owed (inclusive of GST) on each invoice. If there are more invoices than fit into the table, you can insert the total owed and provide further details in an attachment
  3. Please make sure you attach full supporting documentation to prove your claim.

## **What do you need to attach?**

We are not able to make a determination on a claim unless sufficient documentary evidence is attached to your creditor claim form. Outlined below are examples of the type of documents we would expect to see attached.

### **Trade creditors**

- Statements and supporting invoice(s) showing the amount of the debt
- Purchase orders and delivery dockets if available
- Agreements on terms of trade

### **Leases**

- Copy of the lease
- Statement showing amounts outstanding under the lease, differentiating between amounts outstanding at the date of our appointment and any amounts due in the future.

## **Prior to the Watershed Meeting**

Proxies and postal votes must be received at the Administrators' relevant address by **5.00 pm, Friday 14 December 2018**, failing which creditors or their proxies may be excluded from voting at the meeting.

## **Postal Voting Form – refer to Attachment 4**

A Postal Voting Form should be submitted if you are unable to attend the watershed meeting of creditors and do not wish to appoint a proxy to vote on your behalf. If the Administrator admits the claim form for the purposes of voting at a meeting, your vote will be recorded in that amount.

## Proxy Form – refer to Attachment 5

1. Insert the full name and address of the creditor entitled to attend the meeting. This will be a given name and surname of the creditor if you are entitled to attend in your personal capacity or the name of the creditor company if the creditor entitled to attend is a corporate entity. If you wish to, you can include a telephone number to make it easy for us to contact you.
2. In Section 2, insert the name of the person you appoint as your proxy (you may insert “the Chairperson of the meeting” if you wish) and then insert the name of the company the proxy holder represents or works for (not needed if you have nominated the Chairperson as your proxy).
3. If the proxy is a general proxy delete “special”. This means the proxy votes as they see fit at the meeting. The Chairperson of the meeting will not accept appointments as general proxy.
4. You may appoint an alternate proxy where it states “...or in his/her absence” who may act if your first appointed proxy cannot attend the meeting. You may insert “the Chairperson of the meeting” if you wish.
5. If you wish to appoint a special proxy, this means they must act in accordance with your exact instructions. In many cases, we will include the resolutions to be put before meetings and you are able to tick the way in which you want your proxy to vote. If you do wish to appoint a special proxy, you need to delete “general” and then tick the relevant box for each resolution to be put before the meeting.
6. Section 4 is where you sign the proxy form. Date and sign the Proxy Form using one of the following various forms of execution:
  - Sole Trader: Sign the proxy yourself
  - Partnership: e.g. sign: “ABC Partners per John Smith Partner”
  - Company:
    - a. By a director or secretary
    - b. By a person duly authorised to sign on behalf of the company, either as the company’s attorney or Authorised Representative

## At the meeting

Please arrive at the meeting with enough time to complete the registration process. Registration includes acceptance of your claim for voting purposes. Unless you are registered, you will not be entitled to vote.

We suggest you allow 15 minutes for registration. We regret we are unable to be more precise as we do not yet know how many creditors will attend in person.

Please note that a corporate creditor can only be represented at a creditors' meeting by proxy or by a representative appointed under clauses 6 and 9 of schedule 5 of the Act. Accordingly, please ensure that any representative of a corporate creditor who is to attend the creditors' meeting in person brings with them written evidence of their authority to represent the relevant corporate creditor – and satisfactory identification – to the meeting.

## Voting

To vote at any creditors' meeting, you must lodge details of your debt or claim with the Administrators. The Administrators shall determine whether or not to accept any debt or claim for voting purposes. For the purposes of voting at the creditors' meeting the Administrators may estimate the amount of any claim that is uncertain.

A vote on any resolution put to the watershed meeting shall be conducted by a paper ballot.

A resolution is adopted if more than 50% of a Company's creditors by number, and more than 75% of its creditors by value, who are voting (in person or by proxy or by postal vote) vote in favour of the resolution.

If voting according to number results in a deadlock, the Chairperson may exercise a casting vote in respect of the vote by value. The Chairperson will be the Administrator.

If a deed of company arrangement is not proposed to, or submitted by, creditors it is not an option for creditors to consider (unless a creditor proposes a deed of company arrangement at the watershed meeting). If however a deed of company arrangement is proposed at the watershed meeting, creditors will need to be present (in person or by general proxy) in order to vote on any resolution put to the meeting in respect of that deed of company arrangement.

If the creditors of the Company resolve that the Company should execute a DOCA then the future of the Company will be determined and the remaining resolutions will not be considered.