

## Circular to Creditors

11 December 2018

**Deposit Power Limited (5413982)**  
**South British Funding Limited (5481482)**  
**CBL Corporate Services Limited (3755461)**  
(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 an 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 10.30am** 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 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 applicable. Please note no DOCA has been submitted to or proposed by the Administrators for the Companies.*

**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 **10.30am** 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 a joint watershed meeting of creditors of the Companies to which we have been appointed as follows:

- Deposit Power Limited (5413982)
- South British Funding Limited (5481482)
- CBL Corporate Services Limited (3755461)

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  
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

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:

- Deposit Power Limited (5413982)
- South British Funding Limited (5481482)
- CBL Corporate Services Limited (3755461)

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

**CBL Corporate Services Limited (3755461)**  
**Deposit Power Limited (5413982)**  
**South British Funding Limited (5481482)**  
**(‘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 10.30 am 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.

\*Please note no DOCA has been submitted to or proposed by the Administrators for the Companies.

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

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

Dated: 11 December 2018



Neale Jackson  
Joint Administrator

**Attachments 2-5**

**Deposit Power Limited (Administrators Appointed)**



**Deposit Power Limited (5413982)**  
**(Administrators Appointed)**

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

11 December 2018

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## Contents

1	Introduction .....	1
1.1	Purpose of this report .....	1
1.2	Background .....	1
1.3	Purpose of the watershed meeting.....	2
1.4	Restrictions .....	2
2	Who and what is DPL? .....	3
2.1	Overview .....	3
2.2	What did DPL do? .....	3
2.3	DPL board of directors .....	3
2.4	DPL shareholders.....	3
2.5	DPL secured creditors .....	3
3	What did DPL do?.....	4
3.1	Overview of the CBL group .....	4
3.2	DPL trading performance and position.....	5
4	Issues facing DPL and the CBL group following administration .....	6
4.1	Status of business operations.....	6
5	Events in the Voluntary Administrations .....	7
5.1	Administration strategy.....	7
5.2	Coordinated sale process.....	7
5.3	Restructuring proposals .....	7
5.4	Funds and assets available to liquidators .....	8
6	Options available to creditors.....	9
6.1	Deed of Company Arrangement ('DOCA') .....	9
6.2	Administrations end and companies return to control of directors.....	9
6.3	Liquidation.....	9
7	Administrators' opinion on the options .....	11
7.1	Opinion .....	11
8	Administrators' addresses.....	12
	Appendix 1: Excerpts from CBLC watershed report .....	13
	What does CBLC do?.....	13
	What events led to the appointment of administrators? .....	16
	Appendix 2: Group structure diagram .....	18
	Appendix 3: Restrictions .....	19

# 1 Introduction

## 1.1 Purpose of this report

This report is provided to creditors of Deposit Power Limited (**DPL** 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 DPL for it to be placed in liquidation.*

## 1.2 Background

The Administrators were appointed to DPL, 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, CBL Corporate Services Limited, South British Funding Limited and LBC Holdings UK 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 DPL 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 DPL 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 DPL 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 DPL 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 of the watershed meeting convening period to 11 December 2018, and the meeting date 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.

A DOCA has not been proposed to, or submitted by the creditors of DPL and therefore it is not an option for creditors to consider. At this time it is intended that DPL's creditors will vote on a liquidation resolution at the watershed meeting.

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

The creditors' watershed meeting will be held on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland at 10.30 am.

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.

There is no DOCA proposed.

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

1. a resolution that the Company be placed in liquidation (and if passed, the Company will be in liquidation immediately and the Administrators will be the liquidators); and, if such liquidation resolution fails,
2. a resolution that the administration of the Company should come to an end and control of the Company be returned to the 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. Further, it has no directors. In our opinion, it is not in creditors' interests to vote 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. The information has not been verified to third party sources.

The report should be read together with the restrictions at Appendix 3.

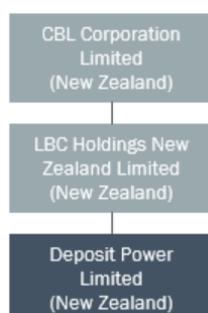
## 2 Who and what is DPL?

### 2.1 Overview

DPL was incorporated on 4 August 2014 and is part of the CBL group of companies. DPL is a wholly owned subsidiary of LBC Holdings NZ Limited ('LBCNZ'). LBCNZ also has administrators appointed. LBCNZ is a non-trading company and a subsidiary of CBL. 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 1.

DPL has no subsidiaries. A more detailed structure of the CBL group of companies as provided to us by the group is provided in Appendix 2.

Figure 1: DPL



### 2.2 What did DPL do?

DPL is a non-trading dormant entity. We understand it has never traded.

### 2.3 DPL board of directors

Directors of DPL at the date of our appointment were:

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

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.

### 2.4 DPL shareholders

DPL is 100% owned by LBCNZ.

### 2.5 DPL secured creditors

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

There were no registrations on the Personal Properties Securities Register against DPL.

### 3 What did DPL do?

#### 3.1 Overview of the CBL group

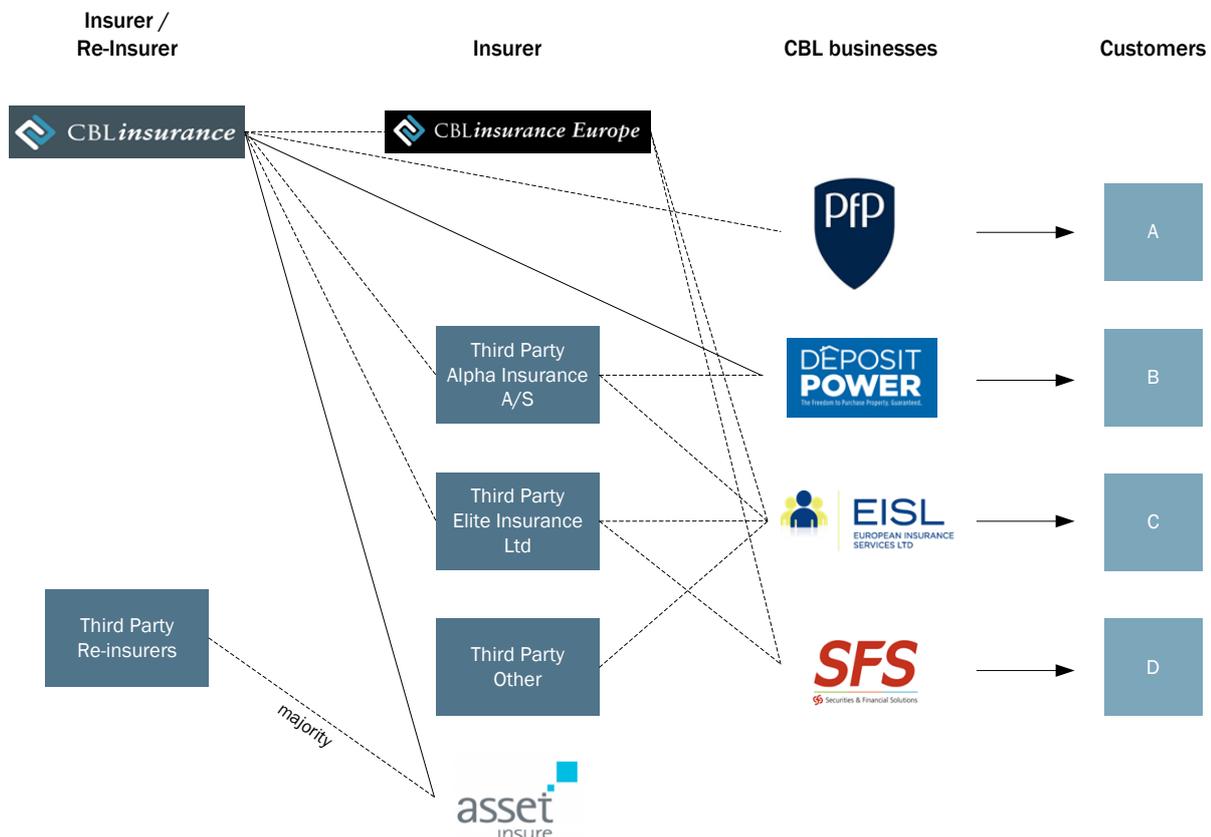
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group's main product groups include:

- 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 DPL trading performance and position**

### **3.2.1 Financial performance**

As noted above, DPL is a non-trading entity. As such, DPL had no income or expenses reported for the years ending 31 December 2017 and 31 December 2016.

### **3.2.2 Financial position**

DPL had no assets or liabilities reported as at 31 December 2017 or 31 December 2016.

DPL guarantees the indebtedness owing to the bank lenders to CBL Corporation.

We summarise the creditor position of the Company in the context of liquidation 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. DPL 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. It is likely the bank group's claims against DPL will reduce as a result of these repayments.

Liquidators will call for claims to be filed following appointment.

## 4 Issues facing DPL 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. CBLI 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 23 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 summary of 'Issues facing CBL now' as it is not impacted. Following a sale process initiated by the Administrators the Assetinsure business was sold in November. 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.
- Seek to establish working relationships 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 DPL 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.

No DOCA proposal has been received from the known creditors of DPL.

## **5.4 Funds and assets available to liquidators**

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

In order to undertake the administration, we made arrangements for funding with existing bankers of the Companies. These arrangements required security to be granted in respect of monies drawn down in the administrations. DPL 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.

Based on current information we do not anticipate realisations occurring in DPL.

## 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')

No DOCA has been proposed in regard to DPL.

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

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

We understand all the Directors of DPL 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.

The liquidation of DPL would entail materially:

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

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

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

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

- **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 will need to be undertaken once liquidators are in place.

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

### **7.1 Opinion**

DPL is unable to meet its obligations to creditors. It has no direct trading assets.

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

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

## 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: Deposit Power 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: Excerpts from CBLC watershed report

### What does CBLC do?

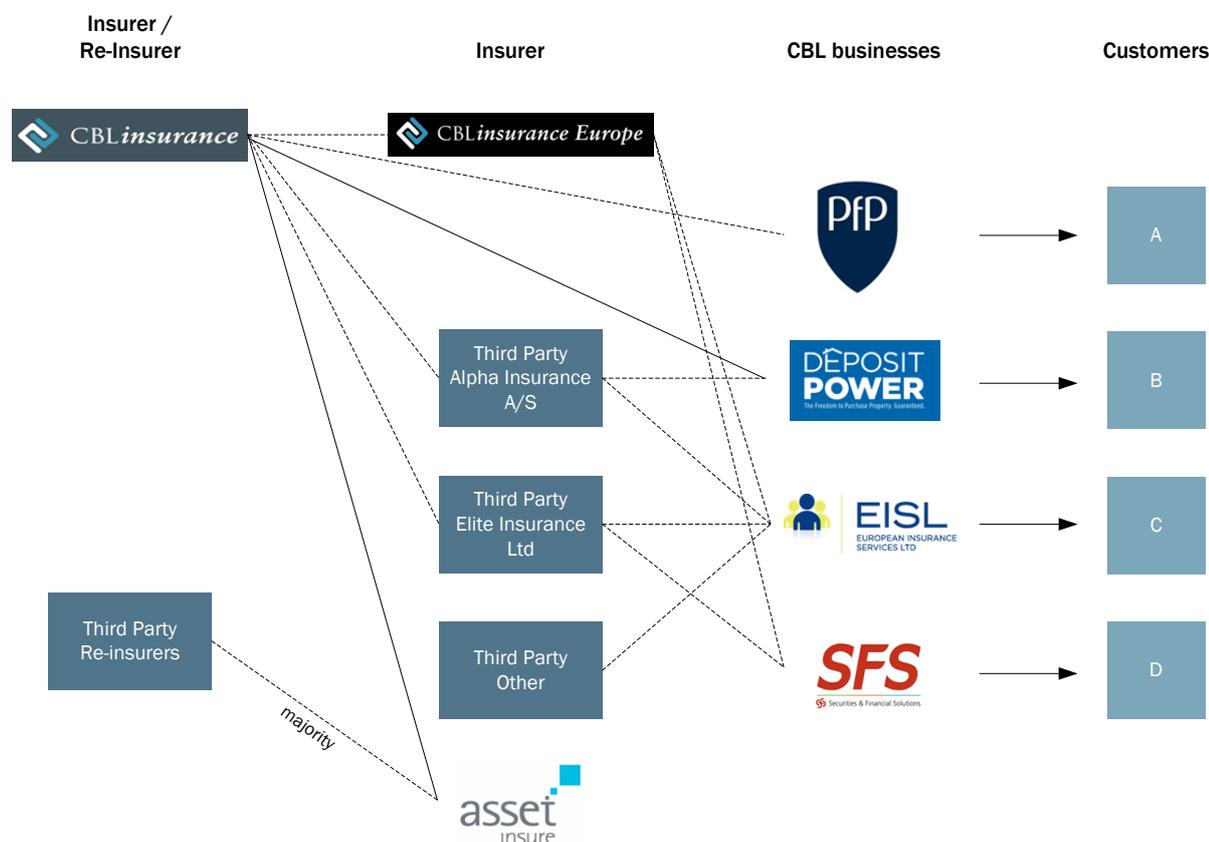
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group's main product groups include:

- 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.

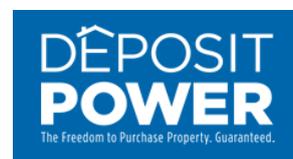
### European Insurance Services Limited

- 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 3: Restrictions

This report has been produced for the purpose of the watershed meeting of DPL 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**

**Deposit Power Limited (5413982)  
(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

## Deposit Power Limited (5413982) (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 10.30am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions ( <i>please vote on all resolutions, in the event the first does not pass</i> )	For	Against	Abstain
1. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: Deposit Power Limited (5413982) (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  
Deposit Power Limited (5413982)  
(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 10.30am** 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 be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: Deposit Power Limited (5413982) (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**

**South British Funding Limited (Administrators Appointed)**



**South British Funding Limited (5481482)**  
**(Administrators Appointed)**

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

11 December 2018

## Contents

1	Introduction .....	1
1.1	Purpose of this report .....	1
1.2	Background .....	1
1.3	Purpose of the watershed meeting.....	2
1.4	Restrictions .....	2
2	Who and what is SBF? .....	3
2.1	Overview .....	3
2.2	What did SBF do? .....	3
2.3	SBF board of directors .....	3
2.4	SBF shareholders.....	3
2.5	SBF secured creditors .....	3
3	What did SBF do? .....	4
3.1	Overview of the CBL group .....	4
3.2	SBF trading performance and position .....	5
4	Issues facing SBF and the CBL group following administration .....	6
4.1	Status of business operations.....	6
5	Events in the Voluntary Administrations .....	7
5.1	Administration strategy.....	7
5.2	Coordinated sale process.....	7
5.3	Restructuring Proposals .....	7
5.4	Funds and assets available to liquidators .....	8
6	Options available to creditors.....	9
6.1	Deed of Company Arrangement ('DOCA') .....	9
6.2	Administrations end and companies return to control of directors.....	9
6.3	Liquidation.....	9
7	Administrators' opinion on the options .....	11
7.1	Opinion .....	11
8	Administrators' addresses.....	12
	Appendix 1: Excerpts from CBLC watershed report .....	13
	What does CBLC Do? .....	13
	What events led to the appointment of administrators? .....	16
	Appendix 2: Group structure diagram .....	18
	Appendix 3: Restrictions .....	19

# 1 Introduction

## 1.1 Purpose of this report

This report is provided to creditors of South British Funding Limited (**SBF** 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 SBF for it to be placed in liquidation.*

## 1.2 Background

The Administrators were appointed to SBF, 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, CBL Corporate Services Limited, Deposit Power Limited and LBC Holdings UK 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 SBF 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 SBF 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 SBF 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 SBF 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 of the watershed meeting convening period to 11 December 2018, and the meeting date 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.

A DOCA has not been proposed to, or submitted by the creditors of SBF and therefore it is not an option for creditors to consider. At this time it is intended that SBF's creditors will vote on a liquidation resolution at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland at 10.30 am.

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.

There is no DOCA proposed.

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

1. a resolution that the Company be placed in liquidation (and if passed, the Company will be in liquidation immediately and the Administrators will be the liquidators); and, if such liquidation resolution fails,
2. a resolution that the administration of the Company should come to an end and control of the Company be returned to the 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. Further, it has no directors. In our opinion, it is not in creditors' interests to vote 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. The information has not been verified to third party sources.

The report should be read together with the restrictions at Appendix 3.

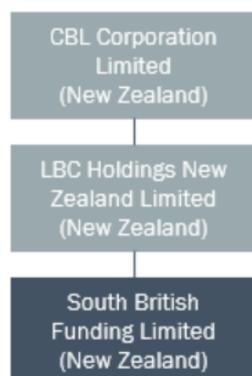
## 2 Who and what is SBF?

### 2.1 Overview

SBF was incorporated on 30 October 2014 and is part of the CBL group of companies. SBF is a wholly-owned subsidiary of LBC Holdings NZ Limited ('LBC NZ'). LBCNZ also has administrators appointed. LBCNZ is a non-trading company and a subsidiary of CBL. 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 1.

SBF has no subsidiaries. A more detailed structure of the CBL group of companies as provided to us by the group is provided in Appendix 2.

Figure 1: SBF



### 2.2 What did SBF do?

SBF is a non-trading dormant subsidiary. We understand it has never traded.

### 2.3 SBF board of directors

Directors of SBF at the date of our appointment were:

- Carden James Mulholland (appointed 12 December 2013), resident in New Zealand

Carden James Mulholland advises he resigned on 24 October 2017. Mr Mulholland's resignation was not recorded at the Companies Office.

### 2.4 SBF shareholders

SBF is 100% owned by LBC NZ.

### 2.5 SBF secured creditors

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

There were no registrations on the Personal Properties Securities Register against SBF.

### 3 What did SBF do?

#### 3.1 Overview of the CBL group

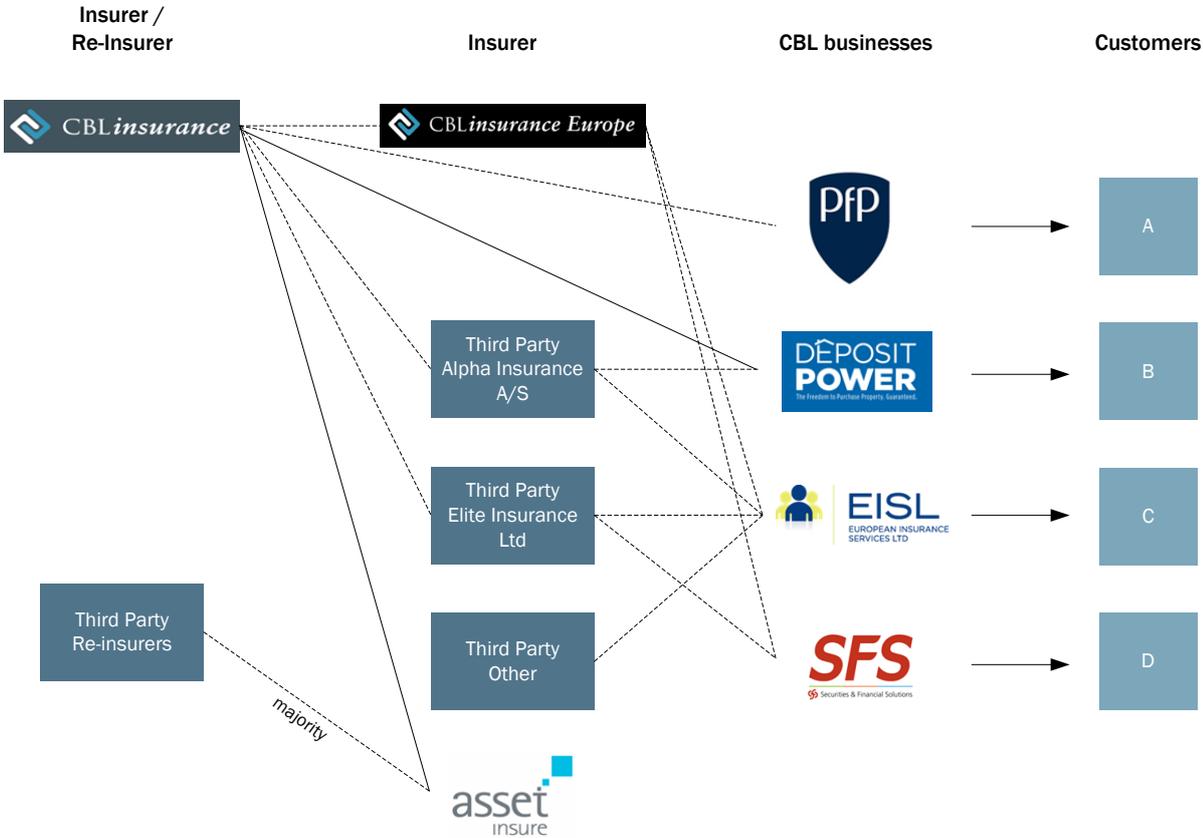
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group’s main product groups include:

- 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 SBF trading performance and position**

### **3.2.1 Financial performance**

SBF is a non-trading entity. As such, SBF had no income or expenses reported for the years ending 31 December 2017 and 31 December 2016.

### **3.2.2 Financial position**

SBF had no assets or liabilities reported as at 31 December 2017 or 31 December 2016.

SBF guarantees the indebtedness owing to the bank lenders to CBL Corporation.

We summarise the creditor position of the Company in the context of liquidation 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. SBF 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. It is likely the bank group's claims against SBF will reduce as a result of these repayments.

Liquidators will call for claims to be filed following appointment.

## 4 Issues facing SBF 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. CBLI 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 23 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 summary of 'Issues facing CBL now' as it is not impacted. Following a sale process initiated by the Administrators the Assetinsure business was sold in November. 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.
- Seek to establish working relationships 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 SBF 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.

No DOCA proposal has been received from the known creditors of SBF.

## **5.4 Funds and assets available to liquidators**

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

In order to undertake the administration, we made arrangements for funding with existing bankers of the Companies. These arrangements required security to be granted in respect of monies drawn down in the administrations. SBF 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.

Based on current information we do not anticipate realisations occurring in SBF.

## 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')

No DOCA has been proposed in regard to SBF.

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

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

We understand all the Directors of SBF 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.

The liquidation of SBF would entail materially:

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

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

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

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

- **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 will need to be undertaken once liquidators are in place.

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

### **7.1 Opinion**

SBF is unable to meet its obligations to creditors. It has no direct trading assets.

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

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

## 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: South British Funding 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: Excerpts from CBLC watershed report

### What does CBLC Do?

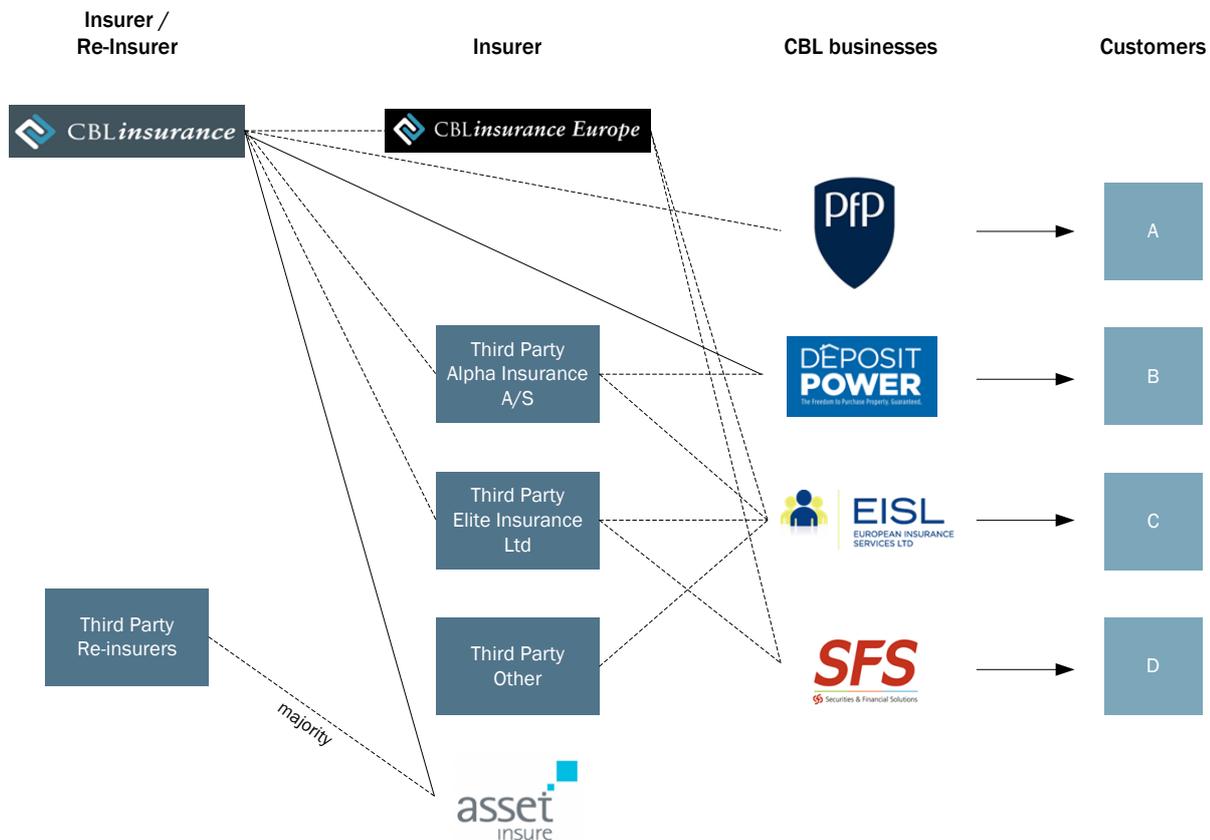
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- Surety bonds
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- Professional indemnity
- Dommages Ouvrage (France)
- Performance bonds
- Home deposits
- Credit enhancement
- Property
- Contractor bonds
- Builders warranty
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The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

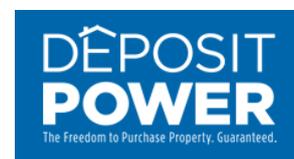
### European Insurance Services Limited

- 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

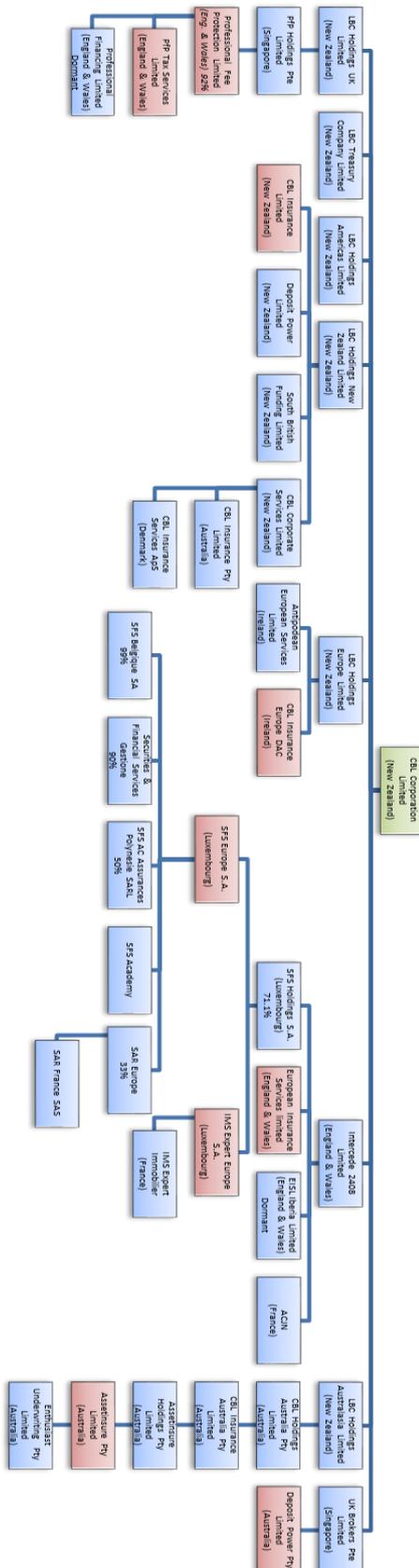
- Some action was taken in early 2017 but the regulators' actions from July 2017 onwards put increasing financial pressure on the CBL group.
- In July 2017 CBI imposed a condition on CBLIE requiring cash reinsurance recoveries to be placed in a trust for the exclusive benefit of CBLIE to alleviate concerns 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 2: Group structure diagram



## Appendix 3: Restrictions

This report has been produced for the purpose of the watershed meeting of SBF 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**

**South British Funding Limited (5481482)  
(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

## South British Funding Limited (5481482) (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 10.30am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions ( <i>please vote on all resolutions, in the event the first does not pass</i> )	For	Against	Abstain
1. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: South British Funding Limited (5481482) (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**  
**South British Funding Limited (5481482)**  
**(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 10.30am** 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 be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: South British Funding Limited (5481482) (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**

**CBL Corporate Services Limited (Administrators Appointed)**



**CBL Corporate Services Limited (3755461)  
(Administrators Appointed)**

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

11 December 2018

## Contents

1	Introduction .....	1
1.1	Purpose of this report .....	1
1.2	Background .....	1
1.3	Purpose of the watershed meeting.....	2
1.4	Restrictions .....	2
2	Who and what is CBLCS? .....	3
2.1	Overview .....	3
2.2	What did CBLCS do? .....	3
2.3	CBLCS board of directors .....	3
2.4	CBLCS shareholders .....	3
2.5	CBLCS secured creditors .....	4
3	What did CBLCS do? .....	5
3.1	Overview of the CBL group .....	5
3.2	CBLCS trading performance and position .....	6
4	Issues facing CBLCS and the CBL group following administration .....	8
4.1	Status of business operations.....	8
5	Events in the Voluntary Administrations .....	9
5.1	Administration strategy.....	9
5.2	Coordinated sale process.....	9
5.3	Restructuring proposals .....	9
5.4	Funds and assets available to liquidators .....	10
6	Options available to creditors.....	11
6.1	Deed of Company Arrangement ('DOCA') .....	11
6.2	Administrations end and companies return to control of directors.....	11
6.3	Liquidation.....	11
7	Administrators' opinion on the options .....	13
7.1	Opinion .....	13
8	Administrators' addresses .....	14
	Appendix 1: Excerpts from CBLC watershed report .....	15
	What does CBLC do?.....	15
	What events led to the appointment of administrators? .....	18
	Appendix 2: Group structure diagram .....	20
	Appendix 3: Restrictions .....	21

## 1 Introduction

### 1.1 Purpose of this report

This report is provided to creditors of CBL Corporate Services Limited (**CBLCS** 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 CBLCS for it to be placed in liquidation.*

### 1.2 Background

The Administrators were appointed to CBLCS, 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 LBC Holdings UK 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 CBLCS 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 CBLCS 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 CBLCS 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 CBLCS 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 of the watershed meeting convening period to 11 December 2018, and the meeting date 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.

A DOCA has not been proposed to, or submitted by the creditors of CBLCS and therefore it is not an option for creditors to consider. At this time it is intended that CBLCS's creditors will vote on a liquidation resolution at the watershed meeting.

## 1.3 Purpose of the watershed meeting

The creditors' watershed meeting will be held on 18 December 2018 at KordaMentha, Level 16, 45 Queen Street, Auckland at 10.30 am.

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.

There is no DOCA proposed.

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

1. a resolution that the Company be placed in liquidation (and if passed, the Company will be in liquidation immediately and the Administrators will be the liquidators); and, if such liquidation resolution fails,
2. a resolution that the administration of the Company should come to an end and control of the Company be returned to the 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. Further, it has no directors. In our opinion, it is not in creditors' interests to vote 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. The information has not been verified to third party sources.

The report should be read together with the restrictions at Appendix 3.

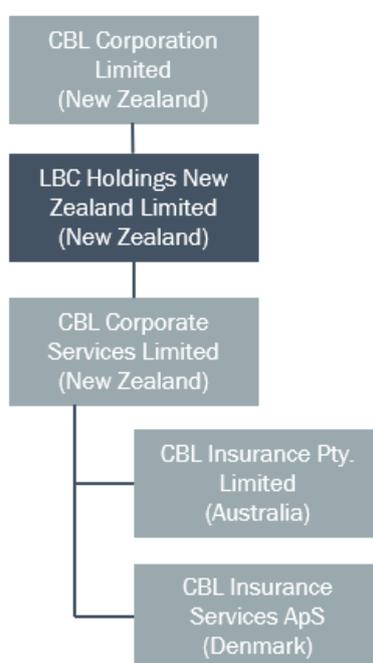
## 2 Who and what is CBLCS?

### 2.1 Overview

CBLCS was incorporated on 19 March 2012 and is part of the CBL group of companies. CBLCS is a wholly-owned subsidiary of LBC Holdings NZ Limited ('LBC NZ'). LBCNZ also has administrators appointed. It too is a non-trading company and a subsidiary of CBLC. A detailed structure of the CBL group of Companies as provided by the group is provided in Appendix 2.

CBLCS has two subsidiaries: CBL Insurance Pty. Limited, an Australian owned entity, and CBL Insurance Services ApS, a Company incorporated in Denmark. The subsidiaries of CBLCS as at our appointment date, 23 February 2018, are shown in Figure 1.

Figure 1: CBLCS and subsidiaries



### 2.2 What did CBLCS do?

CBLCS was not a trading entity. Its main activity was holding the leases for various premises and undertaking foreign exchange hedging. CBL Insurance Pty Limited was a dormant subsidiary. CBL Insurance Services ApS has one staff member and has historically acted as an agency for CBL Insurance Limited and CBL Insurance Europe DAC. We understand it is currently being liquidated.

### 2.3 CBLCS board of directors

Directors of CBLCS recorded at the Companies Office at the date of our appointment were:

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

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.

### 2.4 CBLCS shareholders

CBLCS is 100% owned by LBC NZ.

## **2.5 CBLCS secured creditors**

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

There were no registrations on the Personal Properties Securities Register against CBLCS.

### 3 What did CBLCS do?

#### 3.1 Overview of the CBL group

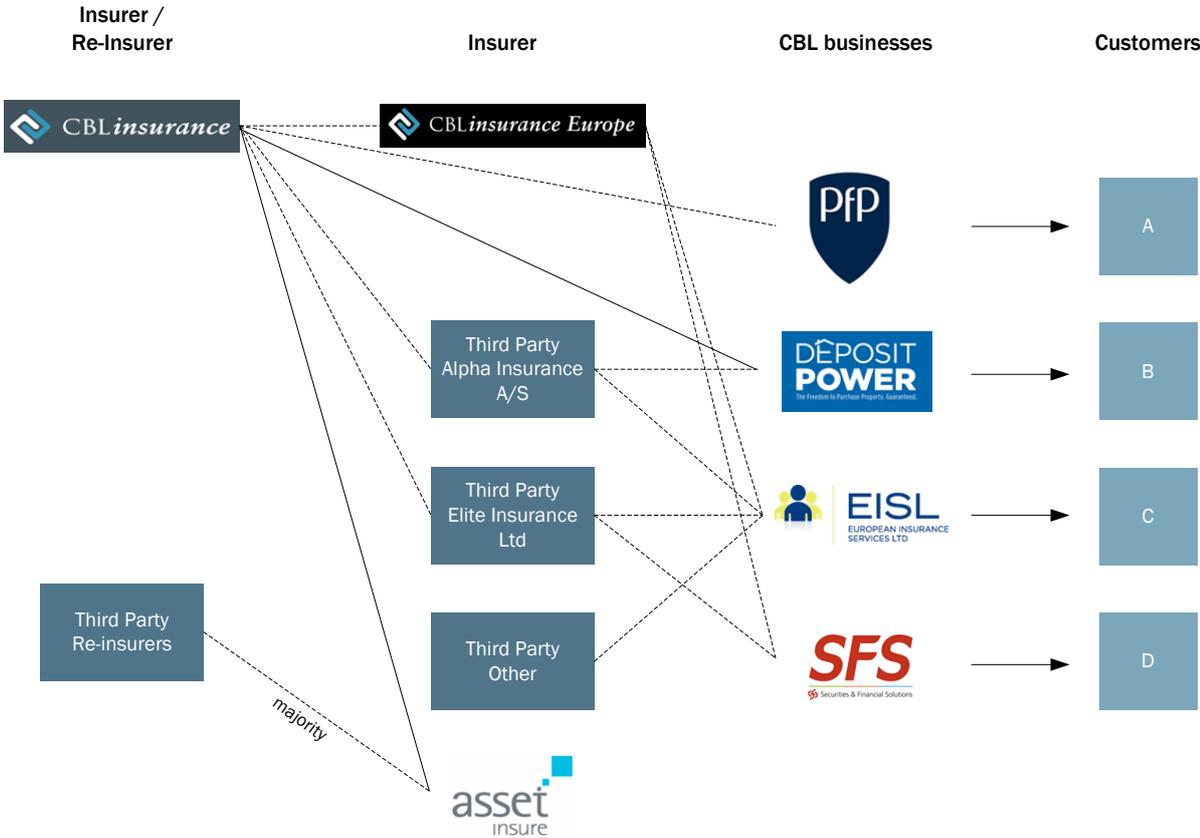
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. The CBL group's main product groups include:

- 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 CBLCS trading performance and position

### 3.2.1 Financial performance

In FY17 CBLCS generated a net profit after tax of \$8.7 million. The profit was mainly driven by a \$10.8 million increase in the fair value of swap contracts.

CBL Corporate Services Limited	FY16	FY17	Variance
Statement of Financial Performance	\$'000	\$'000	\$'000
Total revenue	29	284	255
Net claims expense	0	0	0
Acquisition & operating costs	(101)	(219)	(118)
<b>Operating profit / (loss)</b>	<b>(72)</b>	<b>65</b>	<b>137</b>
Finance costs and FX	(6,384)	11,951	18,335
<b>Profit before tax</b>	<b>(6,456)</b>	<b>12,016</b>	<b>18,472</b>
Income tax expense	3	(3,364)	(3,367)
Dividends	0	0	0
<b>Retained profit</b>	<b>(6,457)</b>	<b>8,652</b>	<b>15,108</b>

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

### 3.2.2 Financial position

The FY17 CBLCS financial position reflected net assets and equity of \$1.5 million. The loan is the largest asset of CBLCS. This relates to an inter-company loan made to CBLC. The other payables primarily represents a \$10.3m inter-company payable to LBC Treasury and a \$9.2m payable in intragroup SWAP accounts.

CBL Corporate Services Limited	FY16	FY17	Variance
Statement of Financial Position	\$'000	\$'000	\$'000
Cash and cash equivalents	7,460	935	(6,524)
Other receivables	5	265	261
Loan	0	25,733	25,733
Property, plant and equipment	0	585	585
<b>Total Assets</b>	<b>7,464</b>	<b>27,518</b>	<b>20,054</b>
Other payables	13,328	21,366	8,038
Current tax liabilities	1,238	4,603	3,364
<b>Total Liabilities</b>	<b>14,566</b>	<b>25,969</b>	<b>11,403</b>
<b>Net Assets</b>	<b>(7,102)</b>	<b>1,549</b>	<b>8,652</b>
<b>Total Equity</b>	<b>(7,102)</b>	<b>1,549</b>	<b>8,652</b>

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

At the date of administration, CBLCS had no assets that could be realised.

CBLCS guarantees the indebtedness owing to the bank lenders to CBL Corporation.

We summarise the creditor position of the Company in the context of liquidation 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. CBLCS 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 \$147 million. This includes inter-company payables.
- We have received creditor claims totalling \$136 million from the bank lenders to the CBL Group (included in the total above). They have guarantees from other group companies and are likely to receive repayments from those other companies as assets are sold. It is likely the bank group's claims against CBLCS will reduce as a result of these repayments.

Liquidators will call for claims to be filed following appointment.

## 4 Issues facing CBLCS 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. CBLI 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 23 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 summary of 'Issues facing CBL now' as it is not impacted. Following a sale process initiated by the Administrators the Assetinsure business was sold in November. 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.
- Seek to establish working relationships 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 CBLCS 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.

No DOCA proposal has been received from the known creditors of CBLCS.

## **5.4 Funds and assets available to liquidators**

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

In order to undertake the administration, we made arrangements for funding with existing bankers of the Companies. These arrangements required security to be granted in respect of monies drawn down in the administrations. CBLCS 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.

Based on current information we do not anticipate realisations occurring in CBLCS.

## 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')

No DOCA has been proposed in regard to CBLCS.

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

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

We understand all the Directors of CBLCS 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.

The liquidation of CBLCS would entail materially:

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

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

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

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

- **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 will need to be undertaken once liquidators are in place.

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

### **7.1 Opinion**

CBLCS is unable to meet its obligations to creditors. It has no direct trading assets.

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

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

## 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: CBL Corporate Services 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: Excerpts from CBLC watershed report

## What does CBLC do?

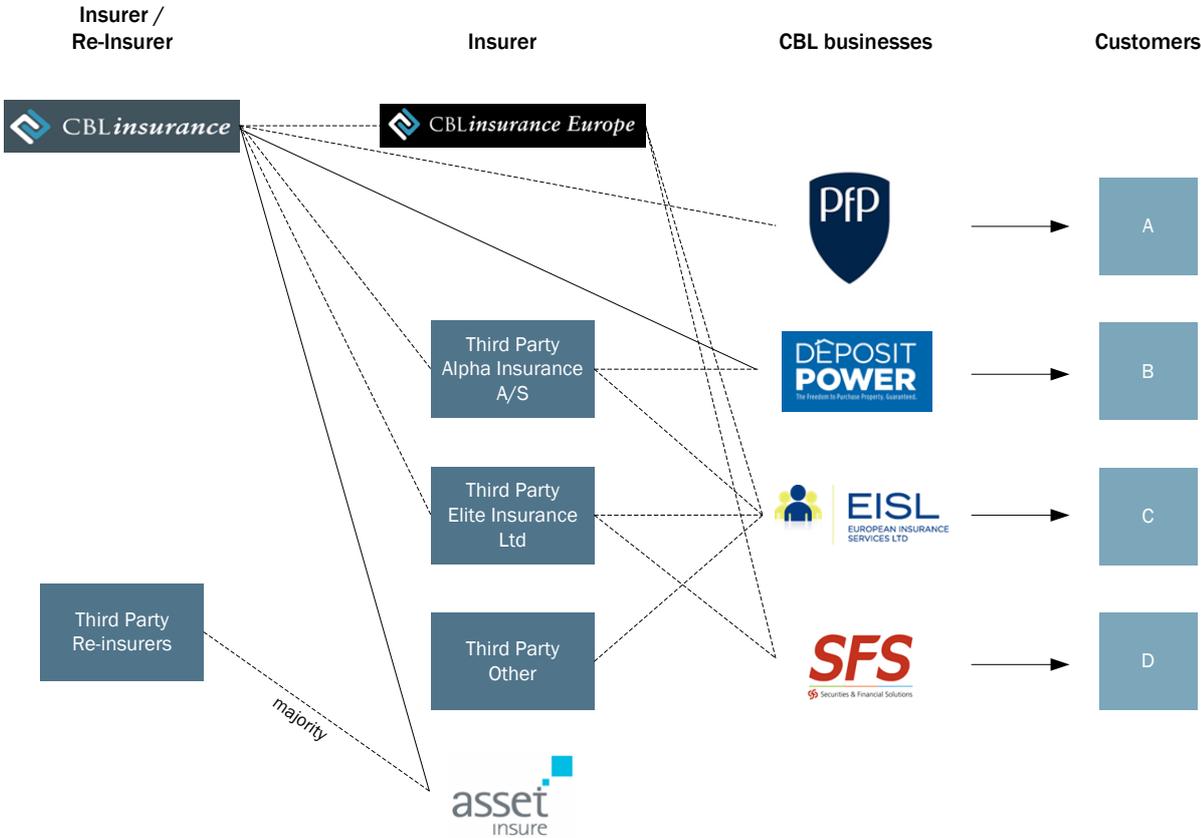
The CBL group operates globally in the business of insurance and re-insurance services. It is an integrated and international credit surety and financial risk insurer, with a focus on offshore construction and property industries. CBL group’s main product groups include:

- 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.

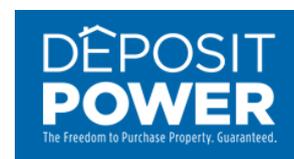
### European Insurance Services Limited

- 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

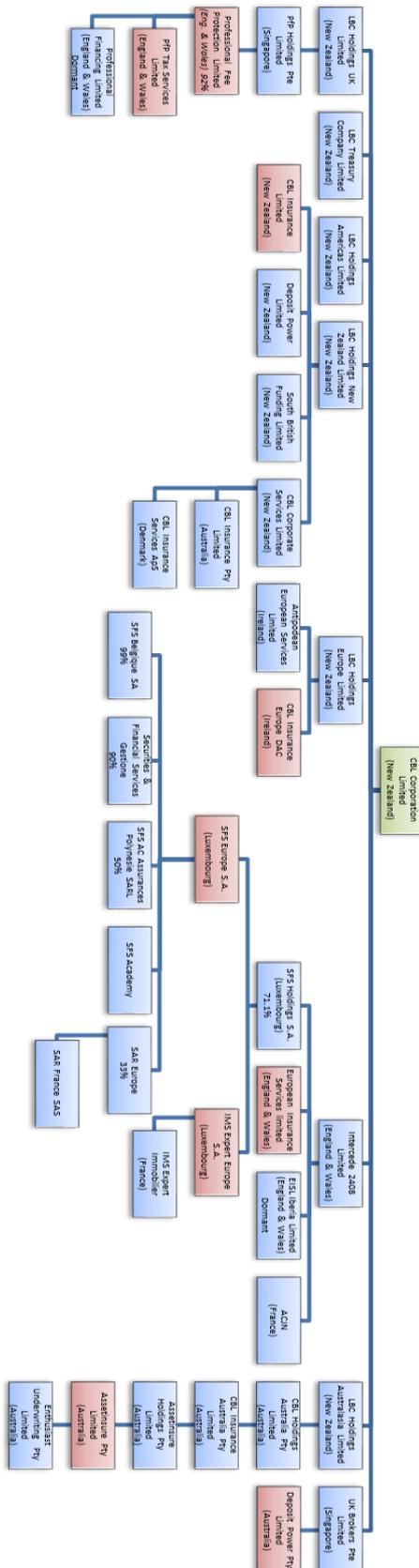
- Some action was taken in early 2017 but the regulators' actions from July 2017 onwards put increasing financial pressure on the CBL group.
- In July 2017 CBI imposed a condition on CBLIE requiring cash reinsurance recoveries to be placed in a trust for the exclusive benefit of CBLIE to alleviate concerns 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 2: Group structure diagram



## Appendix 3: Restrictions

This report has been produced for the purpose of the watershed meeting of CBLCS 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**

**CBL Corporate Services Limited (3755461)  
(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>
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# Attachment 4: Postal Voting Form

## CBL Corporate Services Limited (3755461) (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 10.30am at KordaMentha Auckland, Level 16, Tower Centre, 45 Queen Street, Auckland, New Zealand**, or at any adjournment of that meeting.

Resolutions ( <i>please vote on all resolutions, in the event the first does not pass</i> )	For	Against	Abstain
1. It is resolved that the Company be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: CBL Corporate Services Limited (3755461) (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**  
**CBL Corporate Services Limited (3755461)**  
**(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 10.30am** 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 be placed into liquidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>

As noted in the Administrators' Report, a deed of company arrangement has not been proposed to, or submitted by, creditors and therefore is not an option for creditors to consider (unless another creditor proposes a deed of company arrangement at the watershed meeting). If 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 be placed in Liquidation then the future of the Company will be determined and the remaining resolution 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: CBL Corporate Services Limited (3755461) (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.