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Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

30 April 2012

Company Number: 1222877

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Introduction

David Ian Ruscoe and Simon John Thorn, of Grant Thornton New Zealand, were appointed jointly and severally as Liquidators of Western Pacific Insurance Limited (in Liquidation) ("the Company") on 1 April 2011 at 4:00 pm by special resolution of the Shareholders.

We set out below our report on the state of the affairs of the above named Company as required by section 255 of the Companies Act 1993.

Restrictions

All information contained in this report is provided in accordance with Section 255 of the Companies Act 1993.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon by us is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

We have not independently verified the accuracy of the information provided to us, and have not conducted any form of audit in respect of the company. We express no opinion on the reliability, accuracy or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available and assumptions made as at the date of this report. It is possible that actual outcomes may be significantly different from those disclosed in this report.

We reserve the right, but will be under no obligation, to review or amend our report, as additional information becomes available.

In addition the following should be noted:

- Certain values included in tables in this report have been rounded and therefore may not add exactly.
- All amounts are stated in New Zealand dollars.

Conduct of the liquidation in the preceding six months

Reporting

In addition to our statutory reports dated 7 April 2011 and 27 October 2011, we have provided further reports to creditors and policyholders dated 7 June 2011, 26 August 2011 and 21 December 2011.

Copies of all reports in respect of this liquidation are available from our website:
www.grantthornton.co.nz/Western-pacific-insurance/index.html.

Conduct of liquidation

Since our last statutory report dated 27 October 2011, we have undertaken the following:

- Continued to operate the claims department from leased premises in Auckland
- Reviewed claims received in respect of the Canterbury earthquakes and maintained claims estimates and kept the Reinsurers appraised of such amounts
- Applied to the High Court for Directions on who is entitled to the proceeds from reinsurance recoverable in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011
- Obtained and reviewed the Judgement delivered by Simon France J dated 9 December 2011, which provides that the proceeds of any reinsurance recoverable in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011 is charged in favour of those policyholders with claims in those events and not property of the company available for all creditors
- Considered and sought legal advice on the merits of appealing the Judgement by Simon France J and outlined the prospects of same to creditors and the funding required to proceed with such an appeal
- Liaised with legal counsel representing the Canterbury Policyholders
- Continued recovery efforts to realise the significant unremitted premiums held by brokers
- Continued investigation of the affairs of the company to identify whether any recovery action is warranted in respect of voidable transactions or reckless trading

Statement of Realisation and Distribution

Attached as Appendix A is a statement of realisation and distribution showing the receipts and payments for the period ending 31 March 2012.

Asset Realisation

Recovery of reinsurance is a primary focus yet progress has to date been complicated by the fact there is limited funds and Loss Adjusters cannot be engaged. We are holding \$257k in reinsurance proceeds that are presently held in abeyance until the Orders resulting from our recent Directions application are obtained. With the benefit from reinsurance charged in favour of the Canterbury Policyholders, it is our intention to expedite the recovery of same once agreement on use of the reinsurance proceeds held is obtained.

During the last six months we have continued with our efforts to collect the company's debtors, which include unremitted premiums held by various brokers and amounts due from individual policy holders. The balance of debtors to be collected is \$1,015,544. Recovery action is ongoing in respect of the balance of outstanding debtors which includes using debt collection agencies and taking actions as per broker agreements.

Secured Creditors

The ruling from the High Court means that Canterbury Policyholders, being those policyholders with claims in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011, have a charge over the reinsurance recoverable in respect of such events.

There are no other secured claims, with the exception of the specific securities held in respect of office equipment which we are continuing to use in the Auckland claims office. The debt owing to the General Security Agreement holder was satisfied at the time of our appointment.

Preferential Creditors

Inland Revenue has a preferential claim of \$87,559 and amounts' owing to employees at our appointment was \$117,932. At the date of the preparation of this report, these claims have not been reviewed by the liquidators.

It is unknown at this stage what distribution, if any, will be available for preferential creditors. Any such distribution will be dependent on recovery of outstanding debtors.

Unsecured Creditors.

The following is a summary of the Company's estimated total unsecured claims at the date of this report:

	\$
Estimated insurance claims	63,112,209
Trade creditors	1,144,958
Unexpired premiums	740,794
Broker commission	10,967
Total estimated unsecured claims	<u>65,008,928</u>

Proposals for completing the liquidation

The liquidation is unlikely to be completed in the next six months as there is considerable work to be done in assessing and agreeing insurance claims in respect of the Canterbury earthquakes and recovering proceeds from reinsurance in respect of such claims.

Court Directions

Our application to the High Court for Directions on who is entitled to the proceeds from reinsurance recoverable in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011 resulted in a judgement which found that policyholders with claims in those events have a charge over any reinsurance proceeds recoverable. We are still negotiating with the various interested parties to agree terms of the Orders from this application.

Canterbury Policy Holders

Policyholders with claims in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011 are encouraged to provide any and all information they may hold to substantiate the insurance claims made in respect of these events.

The claims office is collecting information from the Canterbury Policy Holders relating to claims and we recommend all Canterbury Policy Holders contact the claims team on 09 365 1642 or claims@westernpacins.com to confirm the information we hold on file is the most recent information available to date.

Investigation

An investigation into the affairs of the company is ongoing to determine if there are possible recoveries in respect to voidable transactions and whether the company traded recklessly.

Likelihood of Dividend to Unsecured Creditors

It is not possible at this stage to determine whether any dividend will be available for ordinary unsecured creditors, however based on the information available, it appears unlikely. The recovery of unremitted premiums from brokers and/or any other source identified by the liquidators will determine what funds are available for distribution to creditors.

Meeting of creditors

As outlined in our previous reports, the company has limited funds and we do not believe convening a meeting of creditors at this stage is in the best interests of creditors. In this regard, we note that the cost of convening and holding a meeting is likely to be considerable as creditors are scattered throughout both New Zealand and the wider Asia Pacific region. Rather, we encourage all creditors with queries to contact the claims department or us directly.

Concluding the Liquidation

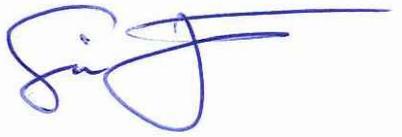
At this stage it is not practicable to estimate a completion date for the liquidation.

The liquidators will provide further updates to creditors when sufficient information becomes available. Should you have any queries in relation to any matter raised in this report please contact us on westernpac@nz.gt.com or refer to the Grant Thornton website.

Dated: 30 April 2012

For and on behalf of

Western Pacific Insurance Limited (In Liquidation)



Simon Thorn
Joint Liquidator

Appendix A– Statement of realisation & distribution

Western Pacific Insurance Limited (In Liquidation) Statement of realisation and distribution for the period 1 October 2011 to 31 March 2012

	Notes	\$	\$
Opening funds on hand			369,536
Receipts (excluding GST where applicable)			
Collection of debtors		9,982	
Interest received		14,943	
Proceeds from claims settled		483	
GST on receipts		94	
GST refund received		93,864	
Total receipts		119,367	119,367
Payments (excluding GST where applicable)			
Bank Fees		148	
Cleaning		225	
Computer costs and photocopier		9,699	
Debt collection costs		1,780	
Heating, light and power		496	
Liquidator's insurance		2,704	
Legal and advisory fees		8,890	
Professional Services Other		11,197	
Public Trust Fees		3,469	
Refund of premiums received post liquidation		3,453	
Office costs		210	
Relocation		1,025	
Rent		11,449	
Stationery		422	
Storage Costs		1,944	
Telephone and internet		4,045	
Wages		109,958	
GST on payments		6,913	
Total Payments		178,024	178,024
Net receipts/payments for the period			(58,657)
Closing funds on hand			310,879
Represented by:			
Funds charged to Canterbury Policy Holders	1	257,255	
Funds received post appointment	2	7,428	
Funds on hand		46,195	
Total funds on hand			310,879

Notes:

- 1) Payment received from the Company's reinsurers prior to our appointment
- 2) Payments received after our appointment. This amount is to be refunded



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