2010 annual review

contractors BONDING

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Artwork in this annual review is by Shane Dudley and displayed in Contractors Bonding head office in Auckland.

directory

Date of incorporation
19 April 1973

Business address
Level 8, Tower 1
Shortland Centre
51-53 Shortland Street
Auckland 1010

Registered office
Level 8, Tower 1
Shortland Centre
51-53 Shortland Street
Auckland 1010

Directors
Alistair Hutchison
Peter Harris
Adam Massingham

Banker
National Bank of New Zealand

Solicitors
Fortune Manning
Auckland

CMS Cameron McKenna
London

Auditor
WHK
Auckland

Shareholders

Federal Pacific Group Limited	8,000,000
Oceanic Securities Inc	7,900,000
Eurasia Investments Limited	5,000,000
Stichting Lygon Pension Fund	2,500,000
Sunshine Nominees Limited	1,500,000
Alliance Investments Limited	100,000
	25,000,000

introduction

Contractors Bonding Limited (CBL) is the largest and oldest provider of credit surety and financial risk insurance in New Zealand.

Established in 1973, the company's founders have built a sound and impeccable business underwriting reputation.

This has been further enhanced by the strong relationships CBL has developed with international "A" rated reinsurers, coupled with our underlying security indemnities and focus on core business, sound underwriting and operational management.

CBL offers a wide range of credit insurance and financial surety related products through an international distribution network that CBL has developed over the last 10 years. With clients in New Zealand and around the world, CBL takes pride in its ability to tailor products to individual clients and writing risk as insurance or reinsurance with local insurance partners, taking into account the regulatory environments in which they operate.

Our years of experience have given us the ability to apply tried and tested financial risk assessments and analysis in an innovative manner and a belief in approaching problems with a "can do" philosophy. As a result, CBL has a wide portfolio of clients with only one thing in common – they all benefit from the financial assurance CBL can offer.

The pioneering work of our founders has meant that our company has developed an excellent reputation, which has supported and underpinned the visions of people and local companies for nearly 40 years.

In 1996 the company was purchased by its present owners and was given added focus and impetus, allowing us to introduce new products to the market and launch an international platform for writing business.

During the last 15 years CBL has been building an international distribution network of committed, long-term clients, producers and business partners who share common goals of focused, niche, good-quality and profitable risk.

CBL's Head Office is still based in Auckland, supported by staffed representative offices in Kuala Lumpur, Copenhagen, London, and Atlanta. All underwriting and claims processing is done from its Head Office in New Zealand.

directors' report

The Directors are pleased to present their report for the year ended 31 December 2010, to the members of Contractors Bonding Limited (CBL), being the principal operating company in the Group.

All figures quoted in this report are in New Zealand dollars (NZD) unless stated otherwise. This annual review is prepared in line with section 211 (3) of the Companies Act 1993.

GROSS WRITTEN PREMIUM (NZD)	2010	2009	2008
	41.4 MILLION	28.3 MILLION	31.0 MILLION

PRINCIPAL ACTIVITY

The principal activity of CBL is that of a general niche credit and financial surety risk insurer.

REVENUE

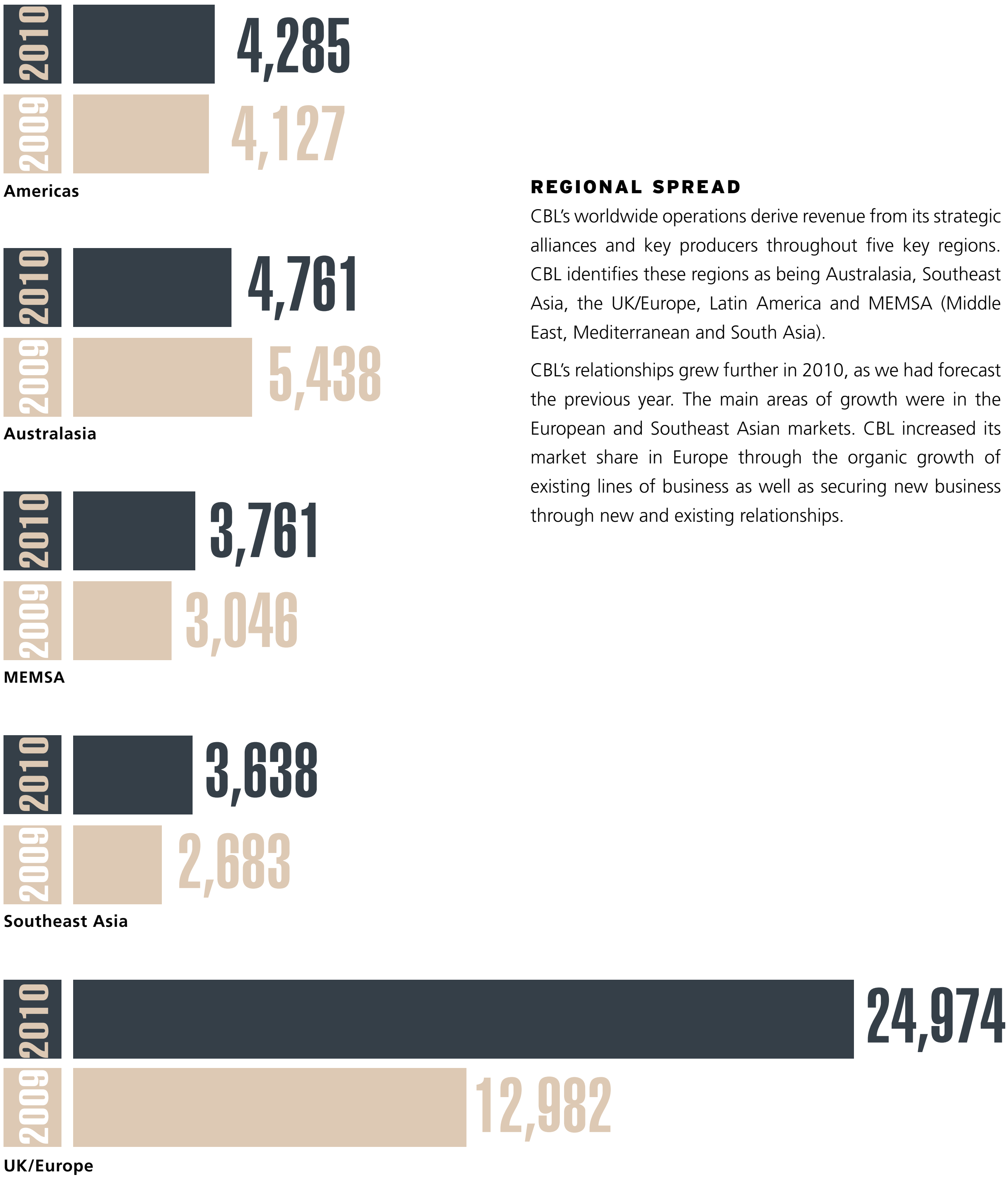
After emerging from the global economic turmoil of 2008 and 2009, CBL's hard work, key international relationships and strong underwriting criteria positioned the company well to take advantage of confidence returning to the marketplace in the 2010 financial year.

Gross Written Premium was $41.4m (46.5% up on $28.3m in 2009). That result is a record for CBL and further demonstrates the strength and demand for our products on a global scale. It is particularly pleasing given the continuing controls put on premium growth and underwriting quality.

CBL made further key appointments at the back end of 2010, with a new position of Director of Latin America being established to further grow the strong relationships and business opportunities that CBL has identified. CBL has already seen the contribution of this market in the beginning of 2011 and we see ourselves well positioned to take advantage of the further business opportunities that will present themselves. CBL also opened a representative office in Copenhagen, Denmark, to administer and look at other opportunities in Scandinavia underpinned by its existing business in Denmark.

CBL's international distribution network has continued to grow and existing relationships have strengthened in the past 12 months. CBL continues to find opportunities in the international market that are profitable and fit within our criteria for doing business.

REGIONAL SPLIT
(NZD 000)



REGIONAL SPREAD

CBL's worldwide operations derive revenue from its strategic alliances and key producers throughout five key regions. CBL identifies these regions as being Australasia, Southeast Asia, the UK/Europe, Latin America and MEMSA (Middle East, Mediterranean and South Asia).

CBL's relationships grew further in 2010, as we had forecast the previous year. The main areas of growth were in the European and Southeast Asian markets. CBL increased its market share in Europe through the organic growth of existing lines of business as well as securing new business through new and existing relationships.

LOSS RATIO
(as a % of gross earned premium)

32.3%	34.4%	34.7%
2010	2009	2008

OPERATING PROFIT
(NZD)

5.3 MILLION 2010

3.1 MILLION 2009

3.9 MILLION 2008

CLAIMS

Loss ratios (net claims to earned premium) decreased from 34.4% in 2009 to 32.3% in 2010. This is a continued excellent achievement by CBL and is testament to its conservative underwriting processes and standards, and an understanding of the risks taken on despite a significant increase in premium flow. It is a result that most traditional insurers have been unable to achieve. One of the key drivers for this is that as CBL continues to grow, the company maintains its model of being based on underwriting profits instead of being focused on top-line revenue. This model continues to serve the company well and the company's ability to say no to writing business will continue to keep this ratio well under its internal benchmark of 35%.

PROFIT

The increase in Gross Written Premium and continued tight management of overheads resulted in an Operating Profit of $5.3m (2009: $3.1m), an increase of $2.2m. Net Profit Before Tax was $3.4m, up from $1.1m in 2009, although this is after taking into account a negative technical adjustment of $1.2m arising from the translation of the foreign-held assets and liabilities into NZD at balance date.

FOREIGN CURRENCY ADJUSTMENT

CBL has cash reserves that continue to be kept in foreign currencies to avoid any realised exchange losses between earning the premium and paying claims. For reporting purposes, CBL's foreign cash reserves must be translated into NZD so that CBL can express its annual financial statements in accordance with NZIFRS and its accounting policies (see Note 4 in the financial statements for full details). The positive translation adjustment was primarily as a result of the movement in the value of the US dollar and Euro, and compares with a negative adjustment in 2009 of $1.8m.

ORGANISATION STRUCTURE

CBL added two key executives to its international team in 2010 who will provide the company with an added reach and highly skilled international workforce, which will result in CBL continuing to achieve its growth plans.

The current worldwide headcount is 16.

STATUTORY INFORMATION

Proper accounting records have been kept so as to ascertain with reasonable accuracy the determination of the financial position of the company and facilitate the compliance of the financial statements in accordance with the Financial Reporting Act 1993.

DIVIDENDS

Dividends totalling $700,000 were paid during the year (2009: $700,000).

FINANCIAL INSTRUMENTS

The company does not utilise any financial instruments and does not generally hedge foreign currencies. Premium reserves considered sufficient to pay losses are left in the currencies in which they are earned as a natural hedge, at no cost. At all times during the year the company had liquid resources to meet its commitments on a timely basis as they fell due.

AUDIT

The company intends to invite WHK Auckland to continue in its auditing role for the company for the 2011 financial year.

BUSINESS OUTLOOK

Having come through the worldwide recession strongly, CBL was well placed to take advantage when the recovery started. This was reflected in the 2010 result and we are already seeing this continue into the first quarter of 2011.

CBL will continue its focus on profitable underwriting as opposed to premium volume. CBL sees an increasing demand for the products it offers. CBL will continue to ensure that risks are fully understood and mitigated where possible, and will retain its "niche and nimble" competitive advantage over other insurers in its market, which remain focused on generic credit risk.

CBL's strong relationships and focus on remaining niche continue to place the company in a strong position to take advantage of the opportunities that continue to present themselves. Our ability to provide flexible solutions and timely responses allows CBL to remain competitive, and the key executive appointments in the past 12 months will continue to allow the company to capitalise on opportunities and lower any key man risk that the company may have had in the past.

CBL's business model continues to be robust and delivers the expected results for stakeholders. 2011 will see CBL moving to a new level through market opportunities and the growth of existing business lines.

The Directors would like to thank the company's key business producers and professional advisers, and in particular its loyal and highly capable staff for the outstanding support given to the company, business partners and professional advisers throughout the year.

Signed

Director

Director

2010 financial review

independent auditor's report

To the Shareholders of Contractors Bonding Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Contractors Bonding Limited and Group on pages 10 to 27, which comprise the consolidated and separate statements of financial position as at 31 December 2010, the consolidated and separate statements of comprehensive income, and statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate; this includes the design, implementation and maintenance of internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

An entity associated with our firm provides taxation services to the company and Group; we have no other relationship with, or interests in, the company or its subsidiary.

Opinion

In our opinion, the financial statements on pages 10 to 27:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Contractors Bonding Limited and Group as at 31 December 2010 and the results of their operations for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from Contractors Bonding Limited, and whether we consider that appropriate accounting records have been kept.

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the company as far as appears from our examination of those records.

WHK Auckland

Auckland, New Zealand
CHARTERED ACCOUNTANTS

19 May 2011

Contractors Bonding Limited and its subsidiary company

STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**441**	506	**441**	506
Other investments	8	**12**	12	**12**	12
Long-term receivable	11	**9,598**	9,650	**9,598**	9,650
Total non-current assets		**10,051**	10,168	**10,051**	10,168
Current assets					
Cash and cash equivalents	9	**16,203**	9,980	**16,203**	9,980
Trade and other receivables	10	**11,932**	12,707	**11,932**	12,707
Deferred acquisition costs	7	**3,757**	2,796	**3,757**	2,796
Taxation refundable	5	**-**	31	**-**	31
Total current assets		**31,892**	25,514	**31,892**	25,514
Total assets		**41,943**	35,682	**41,943**	35,682
EQUITY					
Issued capital		**15,500**	15,500	**15,500**	15,500
Retained earnings		**1,253**	1,450	**1,253**	1,450
Total equity	12	**16,753**	16,950	**16,753**	16,950
LIABILITIES					
Non-current liabilities					
Trade and other payables	15	**1,046**	792	**1,046**	792
Current liabilities					
Trade and other payables	15	**7,329**	3,758	**7,329**	3,758
Taxation payable	5	**85**	-	**85**	-
Employee benefits	14	**98**	60	**98**	60
Total current liabilities		**7,512**	3,818	**7,512**	3,818
Insurance liabilities					
Premium provisions	13	**13,372**	9,734	**13,372**	9,734
Claims provisions	13	**3,260**	4,388	**3,260**	4,388
Total insurance liabilities	13	**16,632**	14,122	**16,632**	14,122
Total liabilities		**25,190**	18,732	**25,190**	18,732
Total equity liabilities and reserves		**41,943**	35,682	**41,943**	35,682

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

On behalf of the Board

Director

Director

Date: 19 May 2011

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Insurance underwriting result					
Premium revenue		**41,419**	28,286	**41,419**	28,276
Outwards reinsurance premium expense		**(6,189)**	(5,814)	**(6,189)**	(5,814)
Unearned premium		**(5,281)**	(1,306)	**(5,281)**	(1,306)
Net earned premium revenue		**29,949**	21,166	**29,949**	21,156
Claims expense current period		**16,397**	11,356	**16,397**	11,350
Claims expense prior period		**2,842**	2,781	**2,842**	2,781
Reinsurance and other recoveries		**(9,568)**	(6,858)	**(9,568)**	(6,858)
Net claims incurred		**9,671**	7,279	**9,671**	7,273
Acquisition costs		**10,326**	7,304	**10,326**	7,304
Net underwriting expenses		**10,326**	7,304	**10,326**	7,304
Underwriting result		**9,952**	6,583	**9,952**	6,579
Other income	1	**7**	83	**7**	83
Total income		**9,959**	6,666	**9,959**	6,662
Operating expenses	2	**4,807**	4,106	**4,807**	4,092
Profit before finance expenses		**5,152**	2,560	**5,152**	2,570
Finance income	4	**(466)**	(605)	**(466)**	(605)
Finance expenses	4	**309**	93	**309**	93
Net finance (income) costs		**(157)**	(512)	**(157)**	(512)
Operating profit before income tax		**5,309**	3,072	**5,309**	3,082
Non-recurring expenses	2	**752**	191	**752**	262
Unrealised currency revaluation of foreign-held assets and liabilities	4	**1,202**	1,752	**1,202**	1,752
Profit before tax	5	**3,355**	1,129	**3,355**	1,068
Income tax expense	5	**247**	334	**247**	326
Subvention tax payments		**2,605**	-	**2,605**	5
Sale of Group entity	2	**-**	-	**-**	33
Profit for the period		**503**	795	**503**	704
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		**503**	795	**503**	704

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Contractors Bonding Limited and its subsidiary company

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital $000	Retained earnings $000	**2009** Total equity $000
GROUP			
Balance at 1 January 2009	15,500	1,261	16,761
Total comprehensive income for the period			
Profit for the period		795	795
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	795	795
Transactions with owners, recorded directly in equity			
Prior period adjustment relating to subvention payment Tisco Warranty Limited		94	94
Dividends to shareholders	-	(700)	(700)
Balance at 31 December 2009	**15,500**	**1,450**	**16,950**

	Share capital $000	Retained earnings $000	**2010** Total equity $000
GROUP			
Balance at 1 January 2010	15,500	1,450	16,950
Total comprehensive income for the period			
Profit for the period		503	503
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	503	503
Transactions with owners, recorded directly in equity			
Dividends to shareholders	-	(700)	(700)
Balance at 31 December 2010	**15,500**	**1,253**	**16,753**

	Share capital $000	Retained earnings $000	**2009** Total equity $000
PARENT			
Balance at 1 January 2009	15,500	1,352	16,852
Total comprehensive income for the period			
Profit for the period		704	704
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	704	704
Transactions with owners, recorded directly in equity			
Prior period adjustment relating to subvention payment Tisco Warranty Limited		94	94
Dividends to shareholders	-	(700)	(700)
Balance at 31 December 2010	**15,500**	**1,450**	**16,950**

	Share capital $000	Retained earnings $000	**2010** Total equity $000
PARENT			
Balance at 1 January 2010	15,500	1,450	16,950
Total comprehensive income for the period			
Profit for the period		503	503
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	503	503
Transactions with owners, recorded directly in equity			
Dividends to shareholders	-	(700)	(700)
Balance at 31 December 2010	**15,500**	**1,253**	**16,753**

GENERAL INFORMATION

The financial statements presented here are for the reporting entity Contractors Bonding Limited and include the consolidated financial statements of the Group comprising Contractors Bonding Limited and its subsidiary company Tisco Warranty Limited, for the prior year only. Both companies are incorporated in New Zealand. Contractors Bonding Limited owned 100% of Tisco Warranty Limited.

The company is a general niche credit and financial risk insurer.

The financial statements of the company are for the year ended 31 December 2010. The financial statements were authorised by the company's Board of Directors on the date as specified on page 10.

The company is a Limited Liability Company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The registered office is 51-53 Shortland Street, Auckland 1010, New Zealand.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting.

The company is a profit-oriented entity. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the Companies Act 1993, and its financial statements comply with these Acts.

The company qualifies for Differential Reporting exemptions as it has no public accountability and there is no separation between the owners and the governing body. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted.

The financial statements are presented in New Zealand dollars (NZD). The financial statements are prepared on the historical cost basis.

All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price plus any subsequent costs where it is probable that future economic benefits will accrue. All repairs and maintenance costs are charged to the Statement of Comprehensive Income.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged at the same rates as are allowed by the Income Tax Act 1994. Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used:

Furniture and Fittings	12.0% to 30.0% DV
Computer Equipment	39.6% to 80.4% DV

Depreciation methods and the residual values of assets and their useful lives are reassessed annually.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers a financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at cost reduced by appropriate allowances for estimated recoverable amounts, and subsequently measured at amortised costs using the effective interest rate method, less provision for impairment.

INTEREST-BEARING RECEIVABLES/BORROWINGS

Interest-bearing receivables and borrowings are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, interest-bearing receivables and borrowings are stated at amortised cost using the effective interest rate method, which allocates the costs through the expected lives of the receivables and borrowings.

TRADE AND OTHER PAYABLES

Trade and other payables are measured at cost.

INSURANCE ACTIVITIES

Insurance premium revenue

Premium revenue comprises the earned portion of premiums received and receivable from policyholders, including unclosed business. Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business, with due allowance made for any changes in the pattern of new business and renewals.

Interest revenue from premium-funding activities is recognised using the effective interest rate method.

Outstanding insurance claims

The estimate of outstanding claim liabilities is based largely on the assumption that past developments are an appropriate predictor of the future, and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process commences with the actuarial projection of the future claim payments and claim handling costs incurred to the reporting date. The following are considered in projecting future claim payments:

- Historical trends in the development and incidence of the number of claims reported, number of claims finalised, claim payments and reported incurred costs;
- Exposure details, including policy counts, sums insured, earned premiums and policy limits;
- Claim frequencies and average claim sizes;
- The legislative framework, legal and court environments and social and economic factors that may impact upon the business;
- Reinsurance recoveries available under contracts entered into by the insurer;
- Historical and likely future trends of recoveries from sources such as subrogation and third party actions;
- Insurer-specific, relevant industry data and more general economic data for the estimation process.

The liability for outstanding claims is measured as the central estimate of the present value of expected future claim payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported and estimated claim handling costs.

The expected future payments are discounted to present value using a risk-free rate.

A risk margin is applied to the central estimate, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequate to a minimum of 85%.

Unearned premium

Unearned premium is calculated based on the term of the risk that closely approximates the pattern of risks underwritten.

At each reporting date, the adequacy of the unearned premium liability is assessed on a net-of-reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out on a portfolio of contracts that are broadly similar and managed together as a single portfolio. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, the resulting deficiency is recognised in the Statement of Comprehensive Income of the company.

Deferred acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

Commission expense

Commissions paid in respect of general insurance activities are capitalised as deferred acquisition costs and are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate.

Outwards reinsurances

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a receivable at reporting date.

Insurance investments

With the exception of plant and equipment and long-term receivables, the company has determined that all assets are held to back general insurance liabilities. Initial recognition is at cost in the Statement of Financial Position and subsequent measurement is at fair value, with any resultant fair value gains or losses recognised in the Statement of Comprehensive Income.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries on paid claims and reported claims not yet paid are recognised as revenue.

Amounts recoverable are assessed in a similar manner to the assessment of outstanding claims. Recoveries are measured at the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims.

IMPAIRMENT

The carrying amounts of the company assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

The estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rates. Receivables with short durations are not discounted.

The estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of an asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Previously recognised impairment losses on assets (other than goodwill) may be reversed if there is a positive change in the estimate of the recoverable amount, but only to the extent of the prior cumulative impairment losses.

SHARE CAPITAL

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

EMPLOYEE BENEFITS

Annual and long-service leave

A liability for annual leave and long-service leave is recognised at each reporting date. The liability falling due more than 12 months after the reporting date is discounted to present value.

PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future cash flows. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the terms of the leases. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease terms as an integral part of the total lease expenses.

Accounting Policies For the year ended 31 December 2010

Finance expenses

Finance expenses comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in profit or loss using the effective interest method.

FOREIGN CURRENCY TRANSACTIONS

Transactions and balances

Transactions in foreign currencies are translated to NZD at the settlement rate. Monetary assets and liabilities, including premium cash reserves denominated in foreign currencies in the Statement of Financial Position, are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

INCOME TAX

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

GOODS AND SERVICES TAX

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

FINANCIAL ASSETS

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place under which each new risk is analysed for creditworthiness. Where available, the Group reviews external ratings.

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated on the default risk of its industry, however geographically there is no credit risk concentration.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the Group's functional currency, NZD ($), which is the presentation currency of the Group.

Interest rate risk

If the Group has external borrowings, apart from finance leases, they are disclosed at fair value. The Group has a policy of ensuring that between 40% and 60% of its exposure to changes in interest rates on borrowings is fixed for at least six months.

The Group is further exposed to interest rate risk owing to the fact that it earns interest on bank balances and the fixed interest security it carries in its Statement of Financial Position.

INVESTMENTS

The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classifications depend on the purposes for which the investments were acquired. Management determines the classifications of its investments at the initial recognition and re-evaluates these designations at every reporting date.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through the Statement of Comprehensive Income.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in the held-for-trading category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or expected to be realised within 12 months of the reporting date.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date that are classified as non-current assets.

The company's loans and receivables comprise receivables and cash and cash equivalents. Interest income is recognised by applying the effective interest rate.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative, principally equity securities that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on trade data – the dates on which the company commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

OTHER

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

FINANCIAL ASSET MEASUREMENT

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit or loss in the period in which they arise.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the securities are impaired. When securities classified as available for sale are sold or impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is classified from equity to profit or loss (as a reclassification adjustment).

The fair value of an available-for-sale monetary asset denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in the amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Contractors Bonding Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

1. OTHER INCOME

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Sundry	7	83	7	83
	7	**83**	**7**	**83**

2. OPERATING EXPENSES

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Audit fees	70	76	70	76
Other fees paid to auditor – tax	15	20	15	18
Depreciation (Note 6)	118	145	118	145
Doubtful debts	5	69	5	69
Legal fees	177	65	177	65
Management fees	720	635	720	635
Operating leases – rental expenses	238	251	238	251
Other	3,464	2,845	3,464	2,833
	4,807	**4,106**	**4,807**	**4,092**
Non-recurring expenses				
Exporters'/Warranty Direct Limited amortisation	752	191	752	262
Sale of Group entity	-	-	-	33
	752	**191**	**752**	**295**

3. EMPLOYEE BENEFITS EXPENSE

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Wages and salaries	1,450	1,042	1,450	1,042
	1,450	**1,042**	**1,450**	**1,042**

This expenditure is included in operating expenses – disclosed in the Statement of Comprehensive Income.

4. NET FINANCE COSTS

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Interest income	466	363	466	363
Foreign exchange gains	-	242	-	242
	466	**605**	**466**	**605**
Interest expense	76	38	76	38
Finance expense	110	55	110	55
Foreign exchange losses	122	-	122	-
	309	93	309	93
	157	**512**	**157**	**512**
Unrealised currency revaluation of foreign-held assets and liabilities				
Foreign exchange unrealised (gains)/losses on foreign assets	**1,202**	**1,752**	**1,202**	**1,752**

This is a requirement under NZIFRS. There is no physical loss or any cash movement to or from CBL's bank accounts.

This revaluation is the conversion of foreign-held assets and liabilities, such as cash, at the spot rate at year end compared with the spot rate at the prior year end.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

5. TAXATION

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Reconciliation of effective tax rate				
Profit before tax	**3,355**	**1,129**	**3,355**	**1,068**
Income tax using the company tax rate	1,007	339	1,007	320
Tax effect of subvention payments	(782)	-	(782)	(1)
Over/(under) provision last year	-	(12)	-	-
Non-deductible expenses	22	7	22	7
Income tax expense	**247**	**334**	**247**	**326**
Current tax				
Opening balance	(31)	(284)	(31)	(308)
Over/(under) provision last year	(4)	(32)	(4)	-
Current period expense	247	334	247	326
Net use-of-money interest	(3)	(27)	(3)	(27)
Provisional tax paid	(122)	-	(122)	-
Overseas tax credits	(2)	(22)	(2)	(22)
Closing balance	**85**	**(31)**	**85**	**(31)**
Imputation credit account				
Opening balance			751	1,069
Credits for tax paid and tax deducted from income received			133	27
Less debits for imputation credits on dividends paid			(322)	(345)
Less debits for tax refunded			(8)	-
Closing balance			**554**	**751**

6. PROPERTY, PLANT AND EQUIPMENT

Group

2010	Cost $000	Current depn $000	Accum depn $000	Carrying value $000
Furniture and fittings	533	52	177	356
Computer equipment	278	66	192	86
	811	**118**	**369**	**441**

2009	Cost $000	Current depn $000	Accum depn $000	Carrying value $000
Furniture and fittings	528	100	126	402
Computer equipment	236	45	132	104
	764	**145**	**258**	**506**

Parent

2010	Cost $000	Current depn $000	Accum depn $000	Carrying value $000
Furniture and fittings	533	52	177	356
Computer equipment	278	66	192	86
	811	**118**	**369**	**441**

2009	Cost $000	Current depn $000	Accum depn $000	Carrying value $000
Furniture and fittings	527	100	125	402
Computer equipment	233	45	129	104
	760	**145**	**254**	**506**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

7. DEFERRED ACQUISITION COSTS

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Opening balance	2,796	2,867	2,796	2,867
Costs charged to profit and loss	714	(664)	714	(664)
Other movements	247	593	247	593
Closing balance	**3,757**	**2,796**	**3,757**	**2,796**

8. OTHER INVESTMENTS

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Non-current investments				
Kiwi Bonds	12	12	12	12
	12	**12**	**12**	**12**

9. CASH AND CASH EQUIVALENTS

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Bank balances	16,203	9,980	16,203	9,980
	16,203	**9,980**	**16,203**	**9,980**

The company has arranged a legal right of set-off between its bank trading accounts, call deposit accounts and bank overdraft. Accordingly these balances have been netted in the Statement of Financial Position.

10. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Trade receivables	4,368	4,976	4,368	4,976
Reinsurance claims receivables	977	846	977	846
Current portion long-term receivable (Note 11)	500	500	500	500
Prepayments and other receivables	671	1,200	671	1,200
Related party receivables (Note 19)	5,417	5,185	5,417	5,185
	11,932	**12,707**	**11,932**	**12,707**

Trade receivables are shown net of impairment losses amounting to $0 (2009: $0) recognised in the current year and arising from doubtful debts.

Movement in reinsurance receivables	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Opening balance	846	1,284	846	1,284
Incurred claims recognised in profit and loss	9,073	4,589	9,073	4,589
Net claims received	(8,942)	(5,027)	(8,942)	(5,027)
Closing balance	**977**	**846**	**977**	**846**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

11. LONG-TERM RECEIVABLES

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Non-current debtors	448	-	448	-
Fixed interest securities – term	9,150	9,650	9,150	9,650
Total long-term receivables	**9,598**	**9,650**	**9,598**	**9,650**

Repayable $500,000 per annum; current portion is shown in Note 10. The balance attracts interest at 3%.

This asset is subject to an annual independent impairment test, with any deviation in value taken to the Statement of Comprehensive Income.

The loan relates to Risk Management SEA Pte Limited, whose only relationship is that of a common Director.

12. EQUITY

Share capital
All issued shares are fully paid and have no par value. CBL has 25,000,000 shares on issue. Each of the ordinary shares confers on the holder the right to vote at any meeting of the company.

Retained earnings
The Directors have reviewed the level of retained equity of $16.8m and consider it more than adequate for the purpose of financial soundness.

The Directors review this in line with the company's internal policies around financial soundness and liquidity levels. These policies are reviewed on a half-yearly basis to ensure that adequate equity levels are maintained at all times and especially as the company continues to grow.

13. INSURANCE LIABILITIES

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Unearned insurance premiums				
Opening balance	9,734	8,128	9,734	8,095
Gross unearned premium liability	4,521	1,938	4,521	1,971
Reinsurance recoveries receivable arising from unearned premium liability	(883)	(332)	(883)	(332)
Closing balance	**13,372**	**9,734**	**13,372**	**9,734**
Analysed as:				
Current	9,296	6,181	9,296	6,181
Non-current	4,076	3,553	4,076	3,553
	13,372	**9,734**	**13,372**	**9,734**
Outstanding insurance claims				
Opening balance	4,388	4,990	4,388	4,990
Gross outstanding claims liability	1,637	1,230	1,637	1,230
Reinsurance recoveries receivable	(2,765)	(1,832)	(2,765)	(1,832)
Closing balance	3,260	4,388	3,260	4,388
Total insurance liabilities	**16,632**	**14,122**	**16,632**	**14,122**

The company has no risks where claims would ordinarily take longer than six months to be reported. The risks written by the company are mostly triggered by an act of insolvency or financial default by the insured party, which results in a claim being reported soon after the loss.

Contractors Bonding Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14. EMPLOYEE BENEFITS

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Liability for sick leave	20	7	20	7
Liability for annual leave	77	53	77	53
	98	60	98	60
Current portion	**98**	**60**	**98**	**60**

15. TRADE AND OTHER PAYABLES

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Trade payables	1,392	1,521	1,392	1,521
Non-trade payables and accrued expenses	2,143	1,060	2,143	1,060
Related party payables (Note 19)	3,794	1,177	3,794	1,177
	7,329	**3,758**	**7,329**	**3,758**
Long-term payables				
Long-term trade payables	1,046	792	1,046	792
	1,046	**792**	**1,046**	**792**

16. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Less than one year	200	213	200	213
Payable later than one year, not later than five years	587	655	587	655
Payable later than five years	103	226	103	226
	890	**1,094**	**890**	**1,094**

During the year ended 31 December 2010, $238,439 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2009: $250,533).

17. FINANCIAL RISK MANAGEMENT – INSURANCE CONTRACTS

The company has an objective to control insurance risk, thus reducing the volatility of operating profits.

In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance businesses are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of the insurance business. The company is not required under New Zealand legislation to have a credit rating for the business in which it engages.

The company has implemented a risk management strategy that identifies the policies, procedures, processes and controls required to mitigate all material risks, both financial and non-financial, likely to be faced by the company. These include:

Internal

- Credit Committee for approval of cover;
- Staff policies including delegated authorities;
- Business plans and budgets;
- Staff reviews;
- Monthly financial reporting to the Board;
- Reinsurance policies.

External

- Audit by an independent third-party Chartered Accounting firm.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

Terms and conditions of insurance business
The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the company. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

Concentration of insurance risk
The company carries on business as a provider of niche insurance products and credit default assurance surety guarantees.

The company conducts business in New Zealand only, but through overseas brokers its products are sold overseas, and the company is exposed to risk in foreign countries.

Because the business is derived from risks in different markets and in different countries, there is no concentration of risk.

Sensitivity analysis
A significant amount of the business the company writes is annually renewed, with payment being made in advance of acceptance of risk. The business is specialised, lacks competition and is generally not rate sensitive. The company currently sees no material risk to future cash flows and believes historical profitability and growth will continue.

18. CONTINGENCIES
At 31 December 2010 CBL had a contingent liability that related to the underwrite of Warranty Direct Limited's (WDL's) future claims. An estimate of the financial effect has not been disclosed as it is not practicable to do so, but the Directors believe this would be around $150,000. CBL has agreed to cover this as WDL completes its runoff (2009: $0).

19. RELATED PARTIES

Identity of related parties
The immediate parent of the Group is Contractors Bonding Limited.

Contractors Bonding Limited had a related party relationship with its subsidiary, Tisco Warranty Limited; this interest was sold in February 2009.

The following transactions were carried out with related parties. Transactions with related parties are priced on an arm's length basis.

The company has related party account balances with the following:

Related party	Relationship	Terms	2010 $	2009 $
Receivables				
Adam Massingham [1]	Director/Indirect Shareholder	Fixed interest 5.0%	184,644	207,914
Carden Mulholland [1]	Indirect Shareholder	Fixed interest 5.0%	142,950	205,056
Carden Mulholland [1]	Indirect Shareholder	Debtor balance	322	-
Dean Finlay [1]	Indirect Shareholder	Fixed interest 5.0%	144,040	-
Dominion 114 Limited	Common Director	Debtor balance	-	1,948,685
Federal Pacific Group Limited	Common Director/Shareholder	Debtor balance	12,540	10,483
G&T Brokers Limited	Common Director	Repayable on demand	351,202	757,237
Jennifer Macfarlane [1]	Indirect Shareholder	Fixed interest 5.0%	27,008	-
Peter Harris [1]	Director/Indirect Shareholder	Debtor balance	617	966
Risk Management SEA Pte Limited	Common Director	Claim recovery balance	4,553,332	2,037,994
Tisco Warranty Limited	Subsidiary Company	Repayable on demand	-	17,002
			5,416,655	5,185,337

These receivables are included in trade and other receivables (Note 10).

[1] These related party balances are unsecured and current except where indicated otherwise.

Contractors Bonding Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

Related party	Relationship	Terms	2010 $	2009 $
Payables				
Altares Limited	Common Director	Accounts payable	310,500	-
G&T Brokers Limited	Common Director	Accounts payable	847	360,611
Risk Management SEA Pte Limited	Common Director	Accounts payable	2,152,276	640,082
			2,463,623	1,000,693
Accruals				
Alistair Hutchison	Director/Indirect Shareholder	Accruals	532,000	-
Alliance Investments Limited	Common Director/Shareholder	Accruals	-	700
Dominion 114 Limited	Common Director	Accruals	256,523	-
Eurasia Investments Limited	Common Director/Shareholder	Accruals	-	35,000
Federal Pacific Group Limited	Common Director/Shareholder	Accruals	-	56,000
Oceanic Securities Inc	Shareholder	Accruals	-	55,300
Peter Harris	Director/Indirect Shareholder	Accruals	541,800	966
Stichting Lygon Pension Fund	Shareholder	Accruals	-	17,500
Sunshine Nominees Limited	Shareholder	Accruals	-	10,500
			1,330,323	175,966
Total payables and accruals as shown in Note 15			**3,793,946**	**1,176,659**

Related party transactions

Related party	Relationship	Terms	Income to CBL 2010 $	Expenses to CBL 2010 $	Income to CBL 2009 $	Expenses to CBL 2009 $
Adam Massingham	Director/Indirect Shareholder	Interest	9,372	-	5,393	-
		Dividends	-	25,200	-	18,900
Alistair Hutchison	Director/Indirect Shareholder	Dividends	-	313,250	-	317,450
Altares Limited	Common Director	Fees	-	900,000	-	600,000
Brutus Management Limited	Common Director	Fees	-	322,388	-	376,453
Carden Mulholland	Indirect Shareholder	Interest	8,824	-	5,456	-
		Dividends	-	25,200	-	18,900
		Expenses	-	13,250	-	3,250
Dean Finlay	Indirect Shareholder	Dividends	-	3,500	-	-
Dominion 114 Limited	Common Director	Guarantee and fees	548,638	-	-	549,362
		Claim recoveries	-	-	1,250,000	-
		Subvention payment	-	2,604,523	-	-
Federal Pacific Group Limited	Common Director/Shareholder	Claim recoveries	-	1,177	-	-
		Premiums	-	11,363	32,421	-
G&T Brokers Limited	Common Director	Advance brokerage	100,478	-	200,509	-
Jennifer Macfarlane	Indirect Shareholder	Dividends	-	350	-	-
Peter Harris	Director/Indirect Shareholder	Dividends	-	332,850	-	339,150
Risk Management SEA Pte Limited	Common Director	Claims	4,028,681	-	3,576,030	-
		Reinsurance premium	-	3,398,897	-	3,402,603
		Commissions and fees	548,252	-	214,081	-
			5,143,767	**8,052,246**	**5,083,381**	**5,826,577**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

Remuneration Total remuneration to senior management	**2010** **$000**	**2009** **$000**
Senior management	1,663	1,388
	1,663	**1,388**

20. SUBSEQUENT EVENTS

The company has entered into an agreement to purchase a UK entity. This transaction has yet to be approved by the UK Financial Services Authority and is restricted by a confidentiality clause (2009: $0).

21. CAPITAL COMMITMENTS
There were no capital commitments (2009: $0).

22. FINANCIAL INSTRUMENT CLASSIFICATION

Group **2010**	**At fair value through Statement of Comprehensive Income** **$000**	**Loans and receivables** **$000**	**Available for sale** **$000**	**Held to maturity** **$000**	**2010 total carrying amount** **$000**
Assets					
Cash and cash equivalents	-	16,203	-	-	16,203
Trade and other receivables	-	5,845	-	-	5,845
Due from related parties	-	5,417	-	-	5,417
Total current assets	-	27,465	-	-	27,465
Other investments (Kiwi Bonds)	-	-	-	12	12
Trade and other receivables	-	448	-	-	448
Due from related parties	-	9,150	-	-	9,150
Total non-current assets	-	9,598	-	12	9,610
Total assets	**-**	**37,063**	**-**	**12**	**37,075**

	At fair value through Statement of Comprehensive Income **$000**	**At amortised cost** **$000**	**2010 total carrying amount** **$000**
Liabilities			
Claim provisions	-	3,260	3,260
Trade and other payables	-	1,392	1,392
Due to related parties	-	3,794	3,794
Total current liabilities	-	8,446	8,446
Trade and other payables	-	1,046	1,046
Total non-current liabilities	-	1,046	1,046
Total liabilities	**-**	**9,492**	**9,492**

Contractors Bonding Limited and its subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

Group
2009

	At fair value through Statement of Comprehensive Income $000	Loans and receivables $000	Available for sale $000	Held to maturity $000	2009 total carrying amount $000
Assets					
Cash and cash equivalents	-	9,980	-	-	9,980
Trade and other receivables	-	6,322	-	-	6,322
Due from related parties	-	5,185	-	-	5,185
Total current assets	-	21,487	-	-	21,487
Other investments (Kiwi Bonds)	-	-	-	12	12
Due from related parties	-	9,650	-	12	9,662
Total non-current assets	-	9,598	-	12	9,610
Total assets	**-**	**31,137**	**-**	**12**	**31,149**

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2009 total carrying amount $000
Liabilities			
Claim provisions	-	4,388	4,388
Trade and other payables	-	1,521	1,521
Due to related parties	-	1,177	1,177
Total current liabilities	-	7,086	7,086
Trade and other payables	-	792	792
Total non-current liabilities	-	792	792
Total liabilities	**-**	**7,878**	**7,878**

Parent
2010

	At fair value through Statement of Comprehensive Income $000	Loans and receivables $000	Available for sale $000	Held to maturity $000	2010 total carrying amount $000
Assets					
Cash and cash equivalents	-	16,203	-	-	16,203
Trade and other receivables	-	5,845	-	-	5,845
Due from related parties	-	5,417	-	-	5,417
Total current assets	-	27,465	-	-	27,465
Other investments (Kiwi Bonds)	-	-	-	12	12
Trade and other receivables	-	448	-	-	448
Due from related parties	-	9,150	-	-	9,150
Total non-current assets	-	9,598	-	12	9,610
Total assets	**-**	**37,063**	**-**	**12**	**37,075**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2010 total carrying amount $000
Liabilities			
Claim provisions	-	3,260	3,260
Trade and other payables	-	1,392	1,392
Due to related parties	-	3,794	3,794
Total current liabilities	-	8,446	8,446
Trade and other payables	-	1,046	1,046
Total non-current liabilities	-	1,046	1,046
Total liabilities	**-**	**9,492**	**9,492**

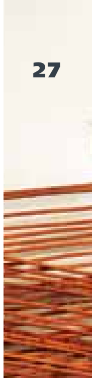
Parent
2009

	At fair value through statement of comprehensive income $000	Loans and receivables $000	Available for sale $000	Held to maturity $000	2009 total carrying amount $000
Assets					
Cash and cash equivalents	-	9,980	-	-	9,980
Trade and other receivables	-	6,322	-	-	6,322
Due from related parties	-	5,185	-	-	5,185
Total current assets	-	21,487	-	-	21,487
Other investments (Kiwi Bonds)	-	-	-	12	12
Due from related parties	-	9,650	-	-	9,650
Total non-current assets	-	9,650	-	12	9,662
Total assets	**-**	**31,137**	**-**	**12**	**31,149**

	At fair value through Statement of Comprehensive Income $000	At amortised cost $000	2009 total carrying amount $000
Liabilities			
Claim provisions	-	4,388	4,388
Trade and other payables	-	1,521	1,521
Due to related parties	-	1,177	1,177
Total current liabilities	-	7,086	7,086
Trade and other payables	-	792	792
Total non-current liabilities	-	792	792
Total liabilities	**-**	**7,878**	**7,878**

23. RATING

CBL has a Standard & Poor's financial rating of BB+ (stable).



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