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First Title

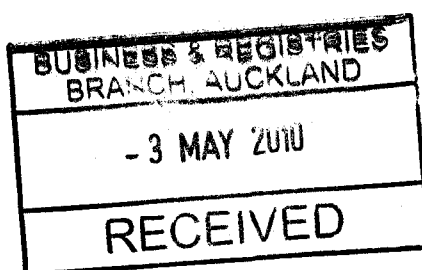
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**First American Title Insurance Company
of Australia Pty Limited**

ABN 64 075 279 908

Annual Report
31 December 2009

NPCB/17
14 APR 2010



First American Title Insurance Company of Australia Pty Limited

Directors' Report 31 December 2009

Your Directors present their report on the entity consisting of First American Title Insurance Company of Australia Pty Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2009.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Ms Ellen Frances Comerford
Mr Eric Richard Dodd
Mr Jonathan Flaws
Mr Anthony Peter Gill
Mr Richard Gerald Nott
Mr Thomas Grifferty

Principal Activities

The Company's principal continuing activity is the underwriting of title insurance risks. The Company is wholly owned by First American Title Insurance Company, Santa Ana, California 92707 USA.

Dividends

The Directors do not recommend a payment of dividend in the current year (2008: \$Nil).

Review of Operations

A summary of results is set out below:

	2009	2008
	\$	\$
Underwriting operations	1,858,194	2,463,094
Investment operations	439,165	760,680
Other operations	(2,482,474)	(3,910,911)
Loss	(185,115)	(687,137)
Income tax expense	(20,560)	(37,140)
Net Loss	(205,675)	(724,277)

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Matters Subsequent to Balance Date

The Directors are not aware of any matter or circumstance arising subsequent to balance date, not otherwise dealt with in the financial report, that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely Developments

There are no likely developments that have arisen since balance date which are not disclosed elsewhere in this report.

Environmental Regulations

The Company is not subject to any significant environmental regulations in respect of its activities.

First American Title Insurance Company of Australia Pty Limited

Directors' Report 31 December 2009 (continued)

Directors' Benefit

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than remuneration benefit) by reason of the contract made or proposed by the company or a related entity with a Director or with a firm of which the director is a member or with an entity in which the Director has a substantial financial interest.

Insurance of Officers

During the financial year, the parent entity paid a premium to insure the directors, secretary and officers of the Company. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract is prohibited by a confidentiality clause in the contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from the liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain an advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor

PKF commenced in office in 2010 in accordance with section 327 of the *Corporations Act 2001*. PricewaterhouseCoopers resigned as auditor effective as at 11 February 2010.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the Directors.

Director

A handwritten signature in black ink, appearing to read 'L. Dodd', is written over the word 'Director'.

Sydney

20th April 2010



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of First American Title Insurance Company of Australia Pty Limited for the year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of First American Title Insurance Company of Australia Pty Limited and the entities it controlled during the year.

PKF

Arthur Milner
Partner

20 April 2010
Sydney

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First American Title Insurance Company of Australia Pty Limited

Financial Report 31 December 2009

First American Title Insurance Company of Australia Pty Limited (the Company) is a company limited by shares, incorporated in and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 213 Miller Street,
North Sydney, NSW 2060

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This financial report covers the operations of First American Title Insurance Company of Australia Pty Limited and its subsidiary First Title New Zealand Limited. The report is presented in Australian dollars.

A description of the Company's operations and principal activities is included in the Directors' Report on pages 1 and 2. The Directors' Report does not form part of this financial report.

The financial report was authorised for issue by the Directors on April 2010.

The Directors have the power to amend and reissue the financial report.

First American Title Insurance Company of Australia Pty Limited

Statement of Comprehensive Income For the year ended 31 December 2009

	Note	2009 \$	2008 \$
Premium revenue		2,414,844	3,224,855
Outwards reinsurance premium expense		(156,378)	(212,565)
Net premium revenue		2,258,466	3,012,290
Claims expense		1,660,289	2,454,051
Reinsurance and other recoveries		(1,293,528)	(1,929,581)
Net claims incurred	6	366,761	524,470
Acquisition costs		26,552	17,622
Other underwriting expenses		6,959	7,104
Underwriting expenses	8	33,511	24,726
Underwriting result		1,858,194	2,463,094
Investment income	7	439,165	760,680
Other income	8	1,935,965	1,968,507
Administration expenses	8	(4,418,439)	(5,879,418)
		(2,043,309)	(3,150,231)
Loss before tax from continuing operations		(185,115)	(687,137)
Income tax expense	9	(20,560)	(37,140)
Net loss from continuing operations		(205,675)	(724,277)
Other comprehensive income		-	-
Exchange difference on translating foreign operations		(96,970)	(132,627)
Total comprehensive loss attributable to owners of the Company		(302,645)	(856,904)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

First American Title Insurance Company of Australia Pty Limited

Statement of Financial Position As at 31 December 2009

	Notes	2009 \$	2008 \$
Current Assets			
Cash and cash equivalents	10	10,587,524	9,710,839
Trade and other receivables	11	604,064	905,466
Reinsurance and other recoveries	12	3,334,043	2,750,425
Other assets	11	82,145	128,202
Total current asset		14,607,776	13,494,932
Non-Current Assets			
Reinsurance and other recoveries	12	2,478,014	3,148,942
Other financial assets at fair value through profit or loss	13	420,262	450,725
Property, plant and equipment	14	118,452	221,623
Intangible assets	15	674,866	530,669
Total non-current assets		3,691,594	4,351,959
Total Assets		18,299,370	17,846,891
Current Liabilities			
Trade and other payables	16	1,252,049	525,194
Outstanding claims	17	4,173,271	3,338,088
Provisions	19	313,447	288,664
Total current liabilities		5,738,767	4,151,946
Non-Current Liabilities			
Other payables	16	156,415	98,207
Leave provisions	19	73,097	71,589
Outstanding claims	17	3,399,174	4,290,587
Total non-current liabilities		3,628,686	4,460,383
Total Liabilities		9,367,453	8,612,329
Net Assets		8,931,917	9,234,562
Shareholders' Equity			
Contributed equity	22	15,573,346	15,573,346
Reserves	22	(213,280)	(116,310)
Accumulated losses		(6,428,149)	(6,222,474)
Total Equity		8,931,917	9,234,562

The above statement of financial position should be read in conjunction with the accompanying notes.

First American Title Insurance Company of Australia Pty Limited

Statement of Changes in Equity For the year ended 31 December 2009

	Notes	Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
At 1 January 2008		15,573,346	16,317	(5,498,197)	10,091,466
Total comprehensive loss for the period		-	(132,627)	(724,277)	(856,904)
Total expense for the year attributable to equity holders		-	(132,627)	(724,277)	(856,904)
Total equity at 31 December 2008		15,573,346	(116,310)	(6,222,474)	9,234,562
Total comprehensive loss for the period		-	(96,970)	(205,675)	(302,645)
Total expense for the year attributable to equity holders		-	(96,970)	(205,675)	(302,645)
Total equity at 31 December 2009		15,573,346	(213,280)	(6,428,149)	8,931,917

Note

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The above statement of changes in equity should be read in conjunction with the accompanying notes.

First American Title Insurance Company of Australia Pty Limited

Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 \$	2008 \$
Cash flows from operating activities			
Premiums received		3,073,742	3,623,761
Outwards reinsurance paid		(164,691)	(279,851)
Claims paid		(994,736)	(1,931,871)
Reinsurance and other recoveries received		1,394,796	1,753,954
Acquisition costs paid		(26,552)	(16,074)
Other underwriting expenses paid		(6,957)	(7,104)
Interest received		490,111	668,834
Management fees and other revenue received		1,766,457	1,262,692
Other expenses paid		(4,019,512)	(4,756,192)
Income taxes paid		(61,689)	(26,747)
Net cash inflow from operating activities	31	<u>1,450,969</u>	<u>291,402</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,389)	(3,400)
Purchase of software		(421,430)	(337,347)
Net cash outflow from investing activities		<u>(453,819)</u>	<u>(340,747)</u>
Cash flows from financing activities			
		-	-
Net cash inflow from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held		997,151	(49,345)
Cash at the beginning of the financial year		9,710,839	9,901,644
Effects of exchange rate changes on cash		(120,466)	(141,460)
Cash at the end of the financial year	10	<u>10,587,524</u>	<u>9,710,839</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009

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First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. Unless otherwise stated these policies have been consistently applied to all years presented.

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Standards Board Interpretations and the *Corporations Act 2001*.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Company, comprising the financial statements and notes comply with International Financial Reporting Standards (IFRS).

This financial report is prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at note 2.

As described in note 13 the Company has one subsidiary, First Title New Zealand Limited. This company has not traded and has net assets of \$81 represented by a receivable from the Company. The Subsidiary is not material and has not been consolidated. Accordingly, the results, the cash flows and financial position of the Company are also those of the entity.

The AASB has issued amendments to the following Australian Accounting Standards. These standards have been issued by the AASB although do not come into effect until the operative date.

Amendment	Title	Operative Date
2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, AASB 8, AASB 101, AASB 107, AASB 118 & AASB 139]	1 January 2010

These amendments are not effective for the annual reporting period ending 31 December 2009 and have not been applied in preparing the Company's financial statements. The nature of the impact of the application of these standards is disclosure only.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

The company will apply these standards for the annual reporting period on or after the operative date set out above Note 1 Summary of significant accounting policies (continued)

(a) Premium revenue

Premium revenue comprises amounts charged to the policyholders, excluding stamp duties and GST.

The insurance risk relates to losses arising from title and associated defects existing at the date the policy was accepted by the Company and premium revenue is recognised as fully earned at the date of attachment of the policy.

(b) Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, in line with premium revenue, no reinsurance premium has been treated as a prepayment at balance date.

(c) Provision for outstanding claims

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

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

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. A risk margin increases the probability that the net liability is adequately provided. In the policy years where the net liability is expected to exceed the aggregate reinsurance deductible a risk margin is not brought to account (refer Note 18).

(d) Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, claims reported but not yet paid, IBNR and IBNER are recognised as revenue.

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(e) Acquisition costs

Acquisition costs incurred in obtaining insurance contracts are recognised as an expense.

Costs are fully expensed at the date of attachment of the policy.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense and revenue for the period on the current period's taxable income is based on the national income tax rate for each jurisdiction adjusted by changes to deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to cumulative amounts deductible and assessable temporary differences to measure the deferred tax asset and liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Assets backing general insurance liabilities

As part of its investment strategy the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that all financial assets are held to back general insurance liabilities and on that basis that all financial assets are valued at fair value through profit and loss.

The following policies apply to financial assets held to back and match general insurance liabilities which are measured at the present value of expected future payments – refer Note 1 (c). These assets are:

- Cash and cash equivalents
- Trade and other receivables
- Fixed interest securities

Financial assets are designated at fair value through profit or loss. Initial recognition is at fair value, being the cost, in the Statement of Financial Position and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the Statement of Comprehensive Income.

Details of fair value for different types of financial assets are listed below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets and bank overdrafts approximate their fair value. For the purposes of the cash flow statement, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts;
- Unlisted fixed interest securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at balance date.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention ("regular way" transactions) are recognised at trade date, being the date on which the Company commits to buy or sell the asset.

In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the asset have expired, or have been transferred, and the Company has transferred substantially the risks and rewards of ownership.

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the net present value of the estimated future cash flows. The discount is calculated using a risk free rate. The impairment charge is recognised in the Statement of Comprehensive Income.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost over their estimated useful lives as follows;

Computer Equipment	3 – 5 years
Furniture and Fittings	5 – 20 years

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and are included in the Statement of Comprehensive Income

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid within agreed terms.

(j) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within twelve months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 1 Summary of significant accounting policies (continued)

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(l) Other Financial Liabilities

Other financial liabilities are carried at the principal amounts which represent the value of future cash flows associated with servicing debt. Interest is accrued over the period it becomes due and is recorded as part of payables.

(m) Contributed equity

Ordinary shares and irredeemable, non-cumulative preference shares are classified as equity.

(n) Foreign currency transactions

Foreign currency transactions are initially translated into Australian currency at rates of exchange at the dates of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated into Australian currency at rates of exchange at that date. Resulting exchange rate differences are brought to account in the foreign currency translation reserve.

(o) Impairment of assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Intangible assets

Intangible assets are measured at cost. Those with a finite useful life are amortised using the straight line method over the estimated useful life. Estimated useful lives are 2.5 to 3 years.

(q) Revenue Recognition from Software sales

Revenue from the sale of a right to use the intangible asset is recognised as part of other income.

(r) Management Fee Revenue

The Company receives revenue from a commonly controlled entity which reflects an allocation of agreed operating expenses.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 2 Critical accounting judgements and estimates

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) The ultimate liability arising from claims made under insurance contracts

The global financial crisis has significantly impacted the market for home lending, both bank and non-bank lenders. The company operates in a specialised line of business (title insurance) with few competitors, resulting in a lack of comparable data relating to assumptions.

The value of outstanding claims has been adjusted to reflect the uncertainty of the market conditions. Whilst this represents the best estimate of the value at balance date, the market uncertainty means the ultimate value of outstanding claims may be higher or lower than the value recorded in the financial statements.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of subrogation rights and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available. IBNR claims may often not be apparent to the insured until many years after the events which gives rise to the claim. The main difficulty in providing for title insurance IBNR claims is the lack of experience within the Australian market. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks
- technological developments
-

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claims

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 2 Critical accounting judgments and estimates (continued)

circumstances as reported, any information available from loss adjustors and information on the cost of settling claims with similar characteristics in previous periods.

Large claims are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for possible distortion of the development and incidence of these large claims.

The Company adopts multiple methods to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from the reinsurer based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 3.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance reflects the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 3 Actuarial assumptions and methods

The Company writes one class of business only. The cost of claims notified to the Company at the Statement of Financial Position date is estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate number of claims is projected based on past reporting patterns. Payment experience is analysed based on averages per claim incurred and averages paid per claim finalised. Historic case estimate development is also used to develop a model of future payments. The resulting average claim sizes from these models are analysed, along with loss ratios and other statistics, in order to determine a final estimate of outstanding claims.

Claims inflation is incorporated into the resulting projected payments, to allow for general economic inflation detected in the modelling of payments experience.

Projected payments are discounted to allow for the time value of money.

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities.

	2009	2008
Average weighted term to settlement from claim reported date	1.42 years	1.52 years
Expense rate	7%	8%
Discount rate	4.7%	3.1%
Inflation	0%	0%

Process to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated on historic settlement patterns.

IBNR factors

The adopted factors are based on historical cost development patterns.

Prior expected loss ratios

Adopted ratios are based on historical loss ratios.

Inflation

Implicit allowance for inflation is made by using the Bornhuetter-Ferguson valuation method. Inflation is not expected to have a material impact.

Reinsurance and non-reinsurance recoveries

Estimates of recoveries are based on historical recovery rates.

Claims handling expenses

The allowance for claims handling expenses is based on the historical relationship between the claims handling expenses and gross claim costs.

Discount rate

The adopted discount rate is estimated using the expected claim payment profile and the Government bond yield curve at balance date.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 3 Actuarial assumptions and methods (continued)

Sensitivity analysis – insurance contracts

i) Summary

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuation included in the reported results is calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) and equity changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement in variable
Average weighted term to settlement	A decrease in the average term to settlement would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term to settlement would have a corresponding increase or decrease in claims expense.
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency would have a corresponding impact on claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on claims expense.
Inflation rate	No explicit allowance for inflation has been made as changes in inflation rates do not materially impact the ultimate settlement of claims which relate to settlement of mortgages. No consideration has been given to the changes in inflation as it is considered not to be a variable.

ii) Impact of changes in key variables

Variable	Movement in variable	Profit/(Loss)		Equity
		Gross of Reinsurance	Net of Reinsurance	
		\$	\$	\$
Recognised amounts per the financial statements		(1,342,824)	(205,675)	(8,931,917)
IBNR Factors	+20%	(1,888,553)	(276,600)	(9,002,842)
	-20%	(689,410)	(26,087)	(8,752,329)
Prior Expected Loss Ratios	+10%	(2,727,145)	(50,577)	(8,776,819)
	-10%	293,151	303,047	(8,423,195)
Discount Rate	+1%	(1,253,938)	(179,453)	(8,905,695)
	-1%	(1,434,373)	(232,758)	(8,959,000)
Claims Handling Expense Rate	+50%	(1,626,381)	(489,232)	(9,215,474)
	-50%	(1,626,381)	77,882	(8,648,360)

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 4 Insurance contracts – risk management policies and procedures

The financial condition and operation of the Company are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the Company's policies and procedures in respect of managing these risks are set out below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

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, this can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is a feature of insurance business.

In accordance with Prudential Standard GPS 220 *Risk Management for General Insurers* and GPS 230 *Reinsurance Arrangements for General Insurers* issued by the Australian Prudential Regulation Authority (APRA), the Board and the senior management of the Company have developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (ReMS).

The RMS and the ReMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and ReMS.

The RMS and ReMS have been approved by the Board and lodged with APRA. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up-to-date, reliable data on the risks to which the business is exposed at any time.
- Actuarial models, using information from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.
- Reinsurance is used to limit the Company's exposure to large single claims and cap the aggregate exposure of the Company in any one underwriting year.
- The assets in which the Company invests are selected to ensure that the Company can meet its claim paying obligations.

(b) Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The majority of insurance contracts written are entered into on a standard basis. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements. Insurance contracts written in Australia and New Zealand are subject to substantially the same terms and conditions.

(c) Concentration of insurance risk

The Company has in place measures to manage its exposure to accumulations of risk. At the outset concentration risk in the Australian and New Zealand context is underpinned by a system of land title which is government guaranteed. As a general insurer operating within the real property market in Australia, the Board understands the nature of the Company's business is such that a catastrophic risk and/or risks resulting from placement concentration is highly unlikely.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 4 Insurance contracts – risk management policies and procedures (continued)

(d) Development of claims

There is a possibility that changes may occur in the estimate of the Company's obligations at the end of a contract period. The tables in note 18 show estimates of total claims outstanding for each underwriting year at successive year ends.

(e) Interest rate risk

With the exception of the discount rate discussed above none of the financial assets or liabilities arising from insurance contracts entered into by the Company are directly exposed to interest rate risk.

Insurance contracts are entered into once, i.e. are not renewed on a periodic basis. At the time of entering into the contract all terms and conditions are negotiable.

Note 5 Financial risk management

The Company's activities expose it to a variety of financial risks; fair value interest rate risk, credit risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects on the financial performance of the Company.

Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rate. The tables in Note 19 show the effect any changes in the interest rate would have on the cashflow.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 6 Net incurred claims

Current period claims relate to risk borne in the current financial year. Prior period claims relate to a reassessment of the risks borne in all previous financial years.

	Current Year \$	2009 Prior Years \$	Total \$
<i>Gross incurred claims and related expenses</i>			
- Undiscounted including prudential margin	979,005	2,479,393	3,458,398
- Discounted	886,419	2,475,886	3,362,305
<i>Reinsurance and other recoveries</i>			
- Undiscounted	(420,302)	(2,628,313)	(3,048,615)
- Discounted	(373,978)	(2,621,566)	(2,995,544)
Net incurred claims	512,441	(145,680)	366,761

	Current Year \$	2008 Prior Years \$	Total \$
<i>Gross incurred claims and related expenses</i>			
- Undiscounted including prudential margin	1,412,032	527,093	1,939,125
- Discounted	1,321,799	1,132,252	2,454,051
<i>Reinsurance and other recoveries</i>			
- Undiscounted	(799,439)	(694,745)	(1,494,184)
- Discounted	(739,267)	(1,190,314)	(1,929,581)
Net incurred claims	582,532	(58,062)	524,470

Note 7 Investment income

	2009 \$	2008 \$
Interest	453,199	725,611
Net fair value (loss)/gain on financial assets at fair value through profit or loss	(14,034)	35,069
Total investment income	439,165	760,680

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 8 Other income and expenses

	2009	2008
	\$	\$
Income		
(a) Income by function		
Management fee income	(7,419)	1,765,824
Additional services	699,261	-
Other income	1,244,121	202,683
Total income	1,935,965	1,968,507

(b) Income by nature

Management fee income	(7,419)	1,765,824
Additional services	699,261	-
Other income	1,244,121	202,683
Total income	1,935,965	1,968,507

	2009	2008
	\$	\$
Expenses		
(a) Expenses by function		
Underwriting expenses	33,511	24,726
Administration expenses	4,418,439	5,879,418
Total expenses	4,451,950	5,904,144

(b) Expenses by nature

Employee benefit expense	2,162,412	2,675,714
Employee termination payments	18,154	96,244
Employee on costs	350,887	796,120
Operating lease expense	183,128	425,334
Occupancy costs	124,016	31,115
Depreciation, amortisation and impairment charges	379,626	452,874
Movement in provision for claims handling	(88,645)	35,820
Other underwriting expenses	33,511	24,726
Professional fees	103,730	615,119
International management fee	7,419	(56,568)
Incurred claims	387,033	488,650
Other expenses	790,679	318,996
Total expenses	4,451,950	5,904,144

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 9 Income tax

	2009 \$	2008 \$
Reconciliation between net loss before tax and tax expense		
Loss before income tax	(185,115)	(687,137)
Income tax at standard rate of 30% (2008: 30%)	(55,534)	(206,141)
Tax effect of permanent differences	(538,132)	(573,114)
Prima facie tax benefit adjusted for differences	(593,666)	(779,255)
Benefit of tax losses not brought to account	694,614	824,598
Tax effect of timing differences not brought to account	(100,948)	(45,343)
New Zealand tax payable	20,560	37,140
Income tax expense	20,560	37,140
Tax losses not brought to account – opening balance	3,085,936	2,261,860
Benefit not brought to account current year	694,614	824,598
Prior year overstatement		(522)
Tax losses not brought to account – closing balance	3,780,550	3,085,936

Future income tax benefit not brought to account

Potential future income tax benefits of \$3,780,550 (2008: \$3,085,936) attributable to tax losses carried forward have not been brought to account because the Directors do not believe it is appropriate to regard realisation of future income tax benefits as probable.

These benefits will only be obtained if:

- (i) the Company derives future assessable income of a nature and amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the loss.

Note 10 Cash

	2009 \$	2008 \$
Cash at bank	1,681,359	915,400
Short term deposit	8,906,165	8,795,439
	<u>10,587,524</u>	<u>9,710,839</u>

Deposits at call

The deposits are bearing floating interest rates between 2.78% and 6.20% (2008: between 4.65% and 7.30%).

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 11 Trade and other receivables and other assets

	2009 \$	2008 \$
Trade and other receivables		
Current		
Premiums receivable	313,290	561,782
Less: Provision for doubtful debts	<u>(15,828)</u>	<u>(196,806)</u>
	297,462	364,976
Other receivables	114,129	3,834
Loans to related entities	<u>192,473</u>	<u>536,656</u>
	<u>604,064</u>	<u>905,466</u>
Other Assets		
Current		
Accrued interest	38,666	92,573
Prepayments	<u>43,479</u>	<u>35,629</u>
	<u>82,145</u>	<u>128,202</u>

Trade debtors are required to be settled within agreed terms.

The terms and conditions of loans advanced to related entities during the period are detailed in Note 28.

The Company does not have any significant exposure to any individual customer or counterparty.

Note 12 Reinsurance and other recoveries

	2009 \$	2008 \$
Undiscounted expected future recoveries		
- on claims paid	259,274	261,910
- on outstanding claims	<u>5,872,810</u>	<u>5,904,413</u>
	6,132,084	6,166,323
Discount to present value	<u>(320,027)</u>	<u>(266,956)</u>
Reinsurance and other recoveries	<u>5,812,057</u>	<u>5,899,367</u>
Reinsurance and other recoveries - current	3,334,043	2,750,425
Reinsurance and other recoveries - non-current	<u>2,478,014</u>	<u>3,148,942</u>
	<u>5,812,057</u>	<u>5,899,367</u>

Refer to note 17 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 13 Financial assets

	2009	2008
Financial assets at fair value through profit or loss	\$	\$
Non-current investments		
<i>Traded on a prescribed stock exchange</i>		
Government bond	420,181	450,644
<i>Non-traded</i>		
Shares in subsidiary	81	81
	<u>420,262</u>	<u>450,725</u>

The fixed interest rate on the government bond is 6.0% (2008: 6.0%).

The Company owns 100% (2008: 100%) of the shares in First Title New Zealand Limited a company incorporated in New Zealand. As described in Note 1 the subsidiary has not been consolidated on grounds of materiality.

Note 14 Property, plant and equipment

	2009	2009	2009
	Leasehold	Office	Total
Cost or valuation	Improvements	Furniture & Equipment	Total
At 1 January 2009	\$ 10,164	\$ 1,503,502	\$ 1,513,666
Additions	-	33,118	33,118
Disposals	(10,164)	(813,016)	(823,180)
At 31 December 2009	-	723,604	723,604
Accumulated depreciation			
At 1 January 2009	(3,255)	(1,288,788)	(1,292,043)
Disposals	3,508	769,148	772,656
Depreciation for the year	(253)	(85,512)	(85,765)
At 31 December 2009	-	(605,152)	(605,152)
Carrying amount			
At 1 January 2009	6,909	214,714	221,623
At 31 December 2009	-	118,452	118,452

	2008	2008	2008
	Leasehold	Office	Total
Cost or valuation	Improvements	Furniture & Equipment	Total
At 1 January 2008	\$ 10,164	\$ 1,513,152	\$ 1,523,316
Additions	-	3,401	3,401
Disposals	-	(13,050)	(13,050)
At 31 December 2008	10,164	1,503,503	1,513,667
Accumulated depreciation			
At 1 January 2008	(2,493)	(1,184,528)	(1,187,021)
Disposals	-	6,324	6,324
Depreciation for the year	(762)	(110,585)	(111,347)
At 31 December 2008	(3,255)	(1,288,789)	(1,292,044)
Carrying amount			
At 1 January 2008	7,671	328,624	336,295
At 31 December 2008	6,909	214,714	221,623

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 15 Intangible assets

	2009 Software \$	2008 Software \$
Cost or valuation		
At 1 January	1,830,456	1,414,400
Additions	421,430	466,006
Disposals	-	(49,950)
At 31 December	<u>2,251,886</u>	<u>1,830,456</u>
Accumulated amortisation		
At 1 January	(1,299,787)	(1,008,210)
Disposals	-	19,425
Amortisation for the year	(277,233)	(311,002)
At 31 December	<u>(1,577,020)</u>	<u>(1,299,787)</u>
Carrying amount		
At 1 January	<u>530,669</u>	<u>406,190</u>
At 31 December	<u>674,866</u>	<u>530,669</u>

This asset class represents internally developed software. The remaining amortisation period of the intangible assets ranges from 0 – 3 years.

Note 16 Trade and other payables

	2009 \$	2008 \$
Current		
Trade creditors	31,076	52,603
Employee benefits	150,005	2,638
GST payable	29,774	33,487
Sundry creditors and accruals	1,041,194	436,466
	<u>1,252,049</u>	<u>525,194</u>
Non-current		
Sundry creditors	156,415	98,207
	<u>156,415</u>	<u>98,207</u>

Trade creditors are settled within agreed terms.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 17 Outstanding claims

	2009 \$	2008 \$
(a) Outstanding claims liability		
Undiscounted expected future claim payments		
Central estimate	7,150,341	7,221,170
Risk margin	277,023	73,728
Handling costs	600,629	693,232
	<u>8,027,993</u>	<u>7,988,130</u>
Discount to present value	(455,548)	(359,455)
Liability for outstanding claims	<u>7,572,445</u>	<u>7,628,675</u>
Current	4,173,271	3,338,088
Non-Current	<u>3,399,174</u>	<u>4,290,587</u>
	<u>7,572,445</u>	<u>7,628,675</u>

(b) Risk margin

Process for determining the risk margin

Gross ultimate costs for each policy year 2003 to 2009 is projected to exceed the aggregate reinsurance deductible of \$500,000. For each of those years, net ultimate cost is estimated as \$500,000 and this cannot increase even if the gross ultimate costs exceed current estimates. For the policy year 2001, estimated net outstanding is negative ie the value of the estimated future recoveries exceeds the value of estimated future payments. Given the foregoing the probability of adequacy is considered to be 75%.

Risk margin applied

The discounted risk margin applied for 2009 is \$348,484 (2008: \$71,000).

(c) Reconciliation of discounted outstanding claims liability

	2009			2008		
	Gross \$	Recoveries \$	Net \$	Gross \$	Recoveries \$	Net \$
Outstanding claims liability brought forward	7,628,675	(5,637,457)	1,991,218	7,137,284	(5,350,175)	1,787,109
Incurred claims per the Statement of Comprehensive Income	3,362,305	(2,995,544)	366,761	2,454,051	(1,929,581)	524,470
Less claims (paid)/recovered	(3,418,535)	3,080,218	(338,317)	(1,962,660)	1,642,299	(320,361)
Total outstanding claims liability carried forward	<u>7,572,445</u>	<u>(5,552,783)</u>	<u>2,019,662</u>	<u>7,628,675</u>	<u>(5,637,457)</u>	<u>1,991,218</u>

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 17 Outstanding claims (continued)

(d) Claims development table

Gross		Prior years	2005	2006	2007	2008	2009	Total
Accident year			\$	\$	\$	\$	\$	\$
Estimate of ultimate claims cost:								
End of accident year								
One year later			2,765,597	2,912,651	2,669,624	1,291,535	776,090	
Two years later			2,536,514	2,167,472	1,750,812	965,264		
Three year later			3,956,851	2,879,157	1,720,840			
Four years later			4,212,640	3,259,146				
			4,343,895					
Current estimate of cumulative claim costs								
Cumulative payments		8,399,251	4,343,895	3,259,146	1,720,840	965,264	776,090	19,464,486
Outstanding claims undiscounted								
		7,392,320	2,770,726	1,461,501	366,970	320,203	2,426	12,314,146
Discount		1,006,931	1,573,169	1,797,645	1,353,870	645,061	773,664	7,150,340
		(31,572)	(60,143)	(91,754)	(87,577)	(53,109)	(74,820)	(398,975)
Outstanding claims								
Claims handling expense (disc)		975,359	1,513,026	1,705,891	1,266,293	591,952	698,844	6,751,365
Risk Margin (disc)		68,275	105,912	119,412	88,641	41,437	48,919	472,596
Total gross outstanding claims								348,484
Net								
Accident year		Prior Years	2005	2006	2007	2008	2009	Total
		\$	\$	\$	\$	\$	\$	\$
Estimate of ultimate claims cost:								
End of accident year								
One year later			500,000	500,000	500,000	500,000	362,073	
Two years later			500,000	500,000	500,000	377,803		
Three year later			447,060	500,000	500,000			
Four years later			401,502	500,000				
			460,717					
Current estimate of cumulative claim costs								
Cumulative payments		1,667,817	460,717	500,000	500,000	377,803	362,073	3,868,410
		1,667,817	460,717	319,073	254,697	128,269	2,426	2,832,999
Outstanding claims – undiscounted								
		242,121	242,121	180,927	245,303	249,534	359,647	1,519,653
Discount		(9,256)	(9,256)	(4,510)	(9,856)	(20,545)	(34,781)	(88,204)
Outstanding claims			232,865	176,417	235,447	228,989	324,866	1,198,584
Claims handling expense		68,275	105,912	119,412	88,641	41,437	48,919	472,596
Risk Margin (disc)								348,484
Total net outstanding claims								2,019,664

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 18 Financial instruments

The Company manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the financial risk management committee under the authority of the board. The board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit allowances, and future cash flow forecast projections.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. The Company's exposure to market risk is primarily through foreign exchange risk on the Company's cash and cash equivalents.

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposure with respect to the New Zealand dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity and cash flow forecasting.

At 31 December 2009, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, equity and post-tax profit for the year would have been \$272,410 higher/lower mainly as a result of foreign exchange gains/losses on translations of New Zealand dollar held accounts.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 18 Financial instruments (continued)

(ii) Interest rate risk

The Company's main interest rate risk arises from cash and cash equivalents. The Company's exposure to interest rate risk is managed primarily through adjustments to existing investment portfolios. There are no interest rate derivatives open at balance date. The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. The exposure to each class of financial asset and liability is located under the relevant note. Also refer to Note 4 (e) Insurance Contracts – interest rate risk.

At 31 December 2009, if interest rates had changed by -1%/+1% from the year end rates with all other variables held constant, equity and post-tax profit for the year would have been \$105,875 lower/higher mainly as a result of interest income from cash and cash equivalents.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and foreign exchange risk. A reasonably possible change in risk variable has been determined after taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 18 Financial instruments (continued)

31-Dec-09	Carrying amount \$	Interest rate risk				Foreign exchange risk (Exposure to NZ\$)			
		-1%		1%		-10%		10%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets									
Cash and cash equivalents	10,587,524	(105,875)	(105,875)	105,875	105,875	(272,410)	(272,410)	272,410	272,410
Government bond New Zealand	420,262	-	-	-	-	(42,026)	(42,026)	42,026	42,026
Reinsurance recoveries	3,404,936	-	-	-	-	(340,494)	(340,494)	340,494	340,494
Total increase/(decrease)	13,681,472	(105,875)	(105,875)	105,875	105,875	(654,930)	(654,930)	654,930	654,930

31-Dec-08	Carrying amount \$	Interest rate risk				Foreign exchange risk (Exposure to NZ\$)			
		-1%		1%		-10%		10%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets									
Cash and cash equivalents	9,710,839	(97,108)	(97,108)	97,108	97,108	(238,521)	(238,521)	238,521	238,521
Government bond New Zealand	450,724	-	-	-	-	(40,968)	(40,968)	40,968	40,968
Reinsurance recoveries	261,910	-	-	-	-	(24,378)	(24,378)	24,378	24,378
Total increase/(decrease)	10,423,473	(97,108)	(97,108)	97,108	97,108	(303,867)	(303,867)	303,867	303,867

(b) Credit risk

Credit risk arises when there is the possibility of the Company's debtors defaulting on their contractual obligations, resulting in a financial loss to the Company. Credit risk arises from the financial assets of the Company including cash, receivables and investments. The carrying amount of financial assets in the Company's Statement of Financial Position represents the Company's maximum exposure to risk. The credit risk on financial assets is the carrying amount, net of any provisions for doubtful debts. No collateral is held by the Company. The Company has not granted any financial guarantees.

The Company's investing activities are restricted to government bonds and deposits with banks, i.e. within highly regulated markets which considerably reduces the Company's exposure to credit risk. Also refer to Note 5 Financial Risk Management.

Credit Quality Table	2009 rating	2008 rating	2009 \$	2008 \$
Cash at bank and short term bank deposits	A to AA	A to AA	10,587,524	9,710,839
Trade & other receivables	Not rated	Not rated	604,064	905,466
Reinsurance recoveries	A-	A-	5,812,057	5,899,367
Government bond New Zealand	AAA	AAA	420,262	450,725
Accrued interest	A to AA	A to AA	38,666	92,573

Note 18 Financial instruments (continued)

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Aging Table	Not past Due	Past Due but not impaired	Impaired	2009 \$
Trade & other receivables	604,064	-	-	604,064
Reinsurance recoveries	5,812,057	-	-	5,812,057
Government bond NZ	420,262	-	-	420,262
Accrued interest	38,666	-	-	38,666

Aging Table	Not past Due	Past Due but not impaired	Impaired	2008 \$
Trade & other receivables	708,660	-	196,806	905,466
Reinsurance recoveries	5,899,367	-	-	5,899,367
Government bond NZ	450,725	-	-	450,725
Accrued interest	92,573	-	-	92,573

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations when they fall due. The Company continuously manages risk through rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

No assets have been pledged as collateral. The Company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The only financial liabilities that exist are trade and sundry payables, outstanding claims and provisions. These liabilities have the following maturity pattern

Maturity Profile Table	1 year or less	1 to 3 years	2009 \$
Other Payables	1,252,049	47,103	1,299,152
Outstanding claims	4,173,271	3,399,174	7,572,445
Provisions	313,447	73,097	386,544

Maturity Profile Table	1 year or less	1 to 3 years	2008 \$
Other Payables	525,194	98,207	623,401
Outstanding claims	3,338,088	4,290,587	7,628,675
Provisions	288,664	71,589	360,253

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 18 Financial instruments (continued)

(d) Derivative instruments

The Company is not party to any derivative financial instruments in the normal course of business.

(e) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities approximates their carrying amounts. As noted in accounting policy 1(g), investments are measured at fair value at balance date.

Fixed interest maturing in:

		1 year or less	Over 1 to 5 years	Variable Rate	Non interest bearing	Total
	Note	\$	\$	\$	\$	\$
2009						
Financial assets						
Cash	10	8,906,165	-	1,681,359	-	10,587,524
Receivables	11	-	-	-	863,412	863,412
Investments	13	-	420,181	-	81	420,262
Total		8,906,165	420,181	1,681,359	863,493	11,871,198
Weighted average interest rate		4.21%	6.00%	Variable		
Financial Liabilities						
Accounts payable	16	-	-	-	1,252,049	1,252,049
Total		-	-	-	1,252,049	1,252,049
Weighted average interest rate		n/a	n/a	n/a		
Net Financial Assets		8,906,165	420,181	1,681,359	(388,556)	10,619,149
Non-Financial Assets						6,428,245
Non-Financial Liabilities						8,115,404
Net Assets						8,931,990

		1 year or less	Over 1 to 5 years	Variable Rate	Non interest bearing	Total
	Note	\$	\$	\$	\$	\$
2008						
Financial assets						
Cash	10	8,795,439	-	915,400	-	9,710,839
Receivables	11	-	-	-	1,033,668	1,033,668
Investments	13	-	450,644	-	81	450,725
Total		8,795,439	450,644	915,400	1,033,749	11,195,232
Weighted average interest rate		6.18%	6.00%	Variable		
Financial Liabilities						
Accounts payable	16	-	-	-	623,401	623,401
Total		-	-	-	623,401	623,401
Weighted average interest rate		n/a	n/a	n/a		
Net Financial Assets		8,795,439	450,644	915,400	410,348	10,571,831
Non-Financial Assets						6,651,659
Non-Financial Liabilities						7,988,928
Net Assets						9,234,562

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 18 Financial instruments (continued)

Standby Arrangements and Credit Facilities

	2009	2008
	\$	\$
The Company has access to:		
<i>Indemnity/guarantee facility</i>		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date	-	-
<i>Global payments facility</i>		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date		
<i>Direct payments facility</i>		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date		
<i>Payroll facility</i>		
Bank payroll facility subject to annual review, totalling	-	-
Amount used at balance date		
Amount unused at balance date	<u>-</u>	<u>-</u>

Note 19 Provisions

	2009	2008
	\$	\$
Current		
Employee benefits	313,447	288,664
Non- Current		
Employee benefits	73,097	71,589
	<u>386,544</u>	<u>360,253</u>

Note 20 Dividends

The Directors do not recommend a payment of dividend in the current year (2008: \$Nil).

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 21 Capital adequacy

	2009 \$	2008 \$
Tier 1 Capital		
Contributed equity	15,573,346	15,573,346
Foreign exchange translation reserve	(213,280)	(116,310)
Accumulated losses at beginning of the year	(6,222,474)	(5,498,197)
Loss for the year	(205,675)	(724,277)
Less intangibles	(674,866)	(530,669)
Total capital base	<u>8,257,051</u>	<u>8,703,893</u>
 Minimum capital requirement	 <u>5,000,000</u>	 <u>5,000,000</u>
 Capital adequacy multiple	 <u>1.65</u>	 <u>1.74</u>

Note 22 Contributed Equity and Reserves

- (a) Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 31 December 2009 there were 15,573,346 \$1 ordinary shares issued and fully paid (2008: 15,573,346).

- (b) The foreign currency reserve arises from the revaluation of New Zealand balances included in the financial statements.

Note 23 Directors' remuneration

(a) Directors

The following persons were directors of First American Title Insurance Company of Australia Pty Limited during the financial year up to the date of this report:

- (i) Executive directors
Ms Ellie Comerford, Managing Director (ceased 10 February 2010)
- (ii) Non-executive directors
Mr Jonathan Flaws
Mr Thomas Grifferty
Ms Ellie Comerford, Managing Director (commenced 10 February 2010)
- (iii) Independant directors
Mr Eric Richard Dodd
Mr Anthony Peter Gill
Mr Richard Gerald Nott

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 23 Directors' remuneration (continued)

(b) Remuneration of directors

	Short-term benefits \$	Post- employment Benefits \$	Other long- term benefits \$	Termination benefits \$	Share- based Payments \$	Total \$
2009	76,220	40,000	-	-	-	116,220
2008	701,796	73,811	-	-	-	775,607

Note 24 Director-related transactions

Effective 1 November 2007, the companies related to Jonathan Flaws known as First Mortgage Services Limited (FMS) and its subsidiaries First Title Pacific Limited, FMS Administration Services Limited, First Mortgage Services Pty Limited in Australia and Sanderson Weir Pty Limited in Australia, were acquired by the First American Group. Transactions since this date have continued to be based on normal commercial terms and conditions.

Jonathan Flaws was a director and shareholder of First Mortgages Services Pty Limited. The Company had an agency agreement with First Mortgages Services Pty Limited for the transacting of title insurance in Australia. The contract was based on normal commercial terms and conditions.

Jonathan Flaws was a director and shareholder of First Title Pacific Limited until 1 November 2007. The Company had an agency agreement with First Title Pacific Limited for the transacting of title insurance in New Zealand. The contract was based on normal commercial terms and conditions.

Other than the above the Company did not enter into any transactions with directors or director related entities.

Note 25 Auditor's remuneration

	2009 \$	2008 \$
During the year the auditor of the Company and its related practices earned the following remuneration;		
PKF - Australian firm		
Audit of the financial report and regulatory returns	69,500	137,000
Prior year additional billings	-	-
Total remuneration	<u>69,500</u>	<u>137,000</u>

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 26 Commitments for expenditure

	2009 \$	2008 \$
Operating leases commitments		
Payable no later than one year	139,194	164,700
Payable later than one, no later than two years	209,769	-
Payable later than two, no later than five years	142,588	-
Total operating lease liability	<u>491,551</u>	<u>164,700</u>
Representing:		
Non-cancellable operating leases	<u>491,551</u>	<u>164,700</u>

The Company leases various equipment and office space under non-cancellable operating leases expiring within one to five years. The leases have varying terms.

Note 27 Employee benefits

	2009 \$	2008 \$
Provision for employee entitlements	386,544	360,253
Aggregate employee entitlement liability	<u>386,544</u>	<u>360,253</u>

Employee numbers

The number of full time employees at the end of the financial year was 24 (2008: 34)

Remuneration commitments

The Company contributes to accumulation superannuation funds to provide retirement and superannuation benefits for employees. Contributions are made by the Company and employees based on various percentages of employees' gross salaries. The Company is under no legal obligation to make up any shortfall in the funds' assets.

Employer contributions payable to the plans at balance date of \$Nil (2008: \$2,638) are included in sundry creditors and accruals.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 28 Related parties

Controlling entities

The immediate parent entity is First American Title Insurance Company. The ultimate parent entity is The First American Corporation. Both entities are incorporated in the United States of America.

Other related parties

The First American Corporation, Santa Ana, California is the ultimate parent entity within the group which includes First American Title Insurance Company, Santa Ana, California and its controlled entities, First American Title Insurance Company of Australia Pty Limited and First Australian Title Company Pty Limited. First American Corporation prepares consolidated accounts which are available for public viewing.

The Company paid commission fees for services utilised and advanced loans to other entities within the group during the period. Additionally, it received funds from the immediate parent entity. With the exception of an interest free loan provided to First Australian Title Company Pty Limited (a commonly controlled entity), these transactions were on normal commercial terms.

Amounts receivable from and payable to entities within the group

	2009	2008
	\$	\$
Aggregate amounts receivable at balance date from:		
Current		
Immediate parent entity	128,754	167,229
Commonly controlled entity	36,021	472,432
Non-current		
Immediate parent entity	-	-

Amounts charged to and received from entities within the group

	2009	2008
	\$	\$
Reimbursement of other expenses from ordinary activities by commonly controlled entity	(7,419)	1,765,824
Outward reinsurance premium expense paid and payable to immediate parent entity	(156,378)	(212,565)
Outward reinsurance recoveries receivable from immediate parent entity	259,274	275,318

Note 29 Events occurring after reporting date

There has not arisen in the interval between the end of the financial year and the date of these financial statements any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 30 Segment information

The Company operates in the general insurance industry, its revenue being derived from underwriting of a single product ie title insurance. The Company operates in Australia and New Zealand.

(a) Primary Reporting - Geographical Segments

2009	Australia	New Zealand	Total
Total segment revenue	5,311,214	333,122	5,644,336
Total segment interest revenue	317,328	121,837	439,165
Total segment staff costs	(2,531,452)	-	(2,531,452)
Segment profit/(loss)	(546,454)	361,339	(185,115)
Loss from ordinary activities before income tax expense			(185,115)
Income tax expense			(20,560)
Net loss			(205,675)
Total segment assets	14,063,221	3,504,899	17,568,120
Total segment liabilities	(8,188,029)	(448,174)	(8,636,203)
Investment in associates	-	-	-
Acquisition of property plant & equipment, intangibles and other non-current segment assets	453,931	-	453,931
Depreciation and amortisation expense	362,999	-	362,999
Other non-cash expenses	-	-	-
Net cash inflow from operating activities	1,415,701	35,268	1,450,969

First American Title Insurance Company of Australia Pty Limited
Notes to and Forming Part of the Financial Statements
31 December 2009 (continued)

Note 30 Segment information (continued)

2008	Australia	New Zealand	Total
Total segment revenue	6,957,854	165,089	7,122,943
Total segment interest revenue	519,300	241,379	760,680
Total segment staff costs	(3,568,077)	-	(3,568,077)
Segment profit/loss	(1,074,893)	387,756	(687,137)
Loss from ordinary activities before income tax expense			(687,137)
Income tax expense			(37,140)
Net loss			(724,277)
Total segment assets	14,552,939	3,293,952	17,846,891
Total segment liabilities	(8,133,993)	(478,336)	(8,612,329)
Investment in associates	-	-	-
Acquisition of property plant & equipment, intangibles and other non-current segment assets	469,407	-	469,407
Depreciation and amortisation expense	422,349	-	422,349
Impairment loss	30,525	-	30,525
Other non-cash expenses	-	-	-
Net cash inflow/(outflow) from operating activities	(243,750)	535,152	291,402

Secondary Reporting - Business Segments

The company carries on business in single business segment the provision of title insurance.

Note 31 Reconciliation of loss from ordinary activities to net cash inflow from operating activities

	2009	2008
	\$	\$
Operating loss after income tax	(205,675)	(724,277)
Depreciation and amortisation	362,999	338,325
Net loss on sale of non-current assets	49,794	6,324
Net foreign exchange fluctuation	54,760	32,330
(Increase)/decrease in receivables	(40,363)	388,748
(Increase)/decrease in other assets	647,948	139,261
Increase/(decrease) in payables	620,875	(611,231)
Increase/(decrease) in provisions	(39,369)	721,922
Net cash inflows from operating activities	1,450,969	291,402

First American Title Insurance Company of Australia Pty Limited

Directors' Declaration

31 December 2009

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 40 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Act 2001* and other corporate regulations; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2008 and of their performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Director

A handwritten signature in black ink, appearing to read 'Kevin Todd', written over a horizontal line.

Sydney

20th April 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the Members of First American Title Insurance Company of Australia Pty Limited

REPORT ON THE YEARLY STATUTORY ACCOUNTS

We have audited the accompanying yearly statutory accounts, being a general purpose financial report, of First American Title Insurance Company of Australia Pty Limited for the financial year ended 31 December 2009.

The Responsibility of the Directors for the Yearly Statutory Accounts

The Directors of First American Title Insurance Company of Australia Pty Limited are responsible for the preparation and fair presentation of the yearly statutory accounts and the information they contain, in accordance with the requirements of the *Insurance Act 1973* and Australian Prudential Regulation Authority ("APRA") Prudential Standards, the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards, and, to the extent that they do not contain any requirements to the contrary, Australian Accounting Standards (including Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the yearly statutory accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the yearly statutory accounts based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether, in all material respects, the yearly statutory accounts present a true and fair view of the results of First American Title Insurance Company of Australia Pty Limited's operations for the year and financial position at reporting end, in accordance with the provisions of the *Insurance Act 1973* and APRA Prudential Standards, the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards, and, to the extent that they do not contain any requirements to the contrary, Australian Accounting Standards (including Australian Accounting Interpretations).

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the yearly statutory accounts. The procedures selected depend on our judgement, including assessment of the risks of material misstatement of the yearly statutory accounts, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to First American Title Insurance Company of Australia Pty Limited's preparation and fair presentation of the yearly statutory accounts 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 First American Title Insurance Company of Australia Pty Limited's internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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Chartered Accountants
& Business Advisers

The yearly statutory accounts have been prepared for the purpose of fulfilling the reporting requirements of First American Title Insurance Company of Australia Pty Limited under the *Insurance Act 1973*, Section 13 of the *Financial Sector (Collection of Data) Act 2001* and the Prudential Standards. We disclaim any assumption of responsibility for any reliance on this report or on the yearly statutory accounts to which it relates to any party other than First American Title Insurance Company of Australia Pty Limited and APRA, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit we have, to the best of our knowledge and belief, complied with the independence requirements specified by APRA in Prudential Standard GPS 510 *Governance*.

Auditor's Opinion

In our opinion, the yearly statutory accounts of First American Title Insurance Company of Australia Pty Limited, in respect of the year ended 31 December 2009, present a true and fair view of the results of First American Title Insurance Company of Australia Pty Limited's operations for the year and financial position at year end, in accordance with:

- (a) the provisions of the *Insurance Act 1973* and APRA Prudential Standards, the *Financial Sector (Collection of Data) Act 2001* and APRA Reporting Standards; and
- (b) to the extent that they do not contain any requirements that conflict with the aforementioned, Australian Accounting Standards (including the Australian Accounting Interpretations).

PKF

Arthur Milner
Partner

20 April 2010
Sydney



First Title

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**First American Title Insurance Company of
Australia Pty Limited
(New Zealand Branch)**

**Financial Statements
31 December 2009**

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**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)**

**BUSINESS PROFILE
As at 31st December 2009**

DATE OF NZ REGISTRATION:	6 th April 2000
NATURE OF BUSINESS:	Insurance
DIRECTORS:	Ms Ellen Frances Comerford Mr Eric Richard Dodd Mr Jonathan Flaws Mr Anthony Peter Gill Mr Thomas Grifferty Mr Richard Gerald Nott
REGISTERED OFFICE:	c/- Jonathan Flaws Level 13, 99 Albert Street Auckland
BANKERS:	ANZ Banking Group (NZ) Ltd PO Box 62 Auckland
SOLICITORS:	Bell Gully Solicitors Level 21, Bureau Centre 40 Shortland Street Auckland
COMPANY NUMBER:	AKOS 1022212
IRD NUMBER:	76-345-783
SHAREHOLDERS:	First American Title Insurance Company 100%

FIRST AMERICAN TITLE INSURANCE COMPANY OF AUSTRALIA PTY LTD (NZ BRANCH)

ANNUAL REPORT For the Year Ended 31st December 2009

The Board of Directors presents its annual report including financial statements of First American Title Insurance Company of Australia Pty Ltd NZ Branch (the Company) for the year ended 31 December 2009.

As required by section 211 (1) of the Companies Act 1993 we disclose the following information:

- The business of the Company is insurance.
- The nature of the Company's business has not changed during the year under review.
- The business operates as a profit making concern.
- There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.
- There were no transactions entered into by the Directors during the year that require disclosure.
- Directors remuneration paid during the year is \$130,592 (2008: \$924,240) for services performed in Australia. Remuneration paid is as follows:

	Short-term benefits NZ\$	Post-employment benefits NZ\$	Other long-term benefits NZ\$	Share-based payments NZ\$	Total NZ\$
2009	85,645	44,947	-	-	130,592
2008	836,115	88,125	-	-	924,240

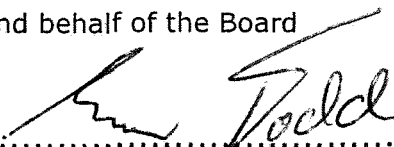
- Donations made by the Company during the year are as reported in the statement of comprehensive income.
- The following persons were directors of the Company at balance date.
Ms Ellen Frances Comerford
Mr Eric Richard Dodd
Mr Jonathan Flaws
Mr Anthony Peter Gill
Mr Thomas Grifferty
Mr Richard Gerald Nott
- Effective 1 November 2007, the companies related to Jonathan Flaws known as First Mortgage Services Limited (FMS) and its subsidiaries First Title Pacific Limited, FMS Administration Services Limited, First Mortgage Services Pty Limited in Australia and Sanderson Weir Pty Limited in Australia, were acquired by the First American Group. Transactions since this date have continued to be based on normal commercial terms and conditions.

Jonathan Flaws was a director and shareholder of First Mortgages Services Pty Limited. The Company had an agency agreement with First Mortgages Services Pty Limited for the transacting of title insurance in Australia. The contract was based on normal commercial terms and conditions.

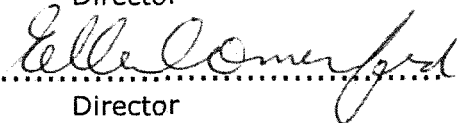
Jonathan Flaws was a director and shareholder of First Title Pacific Limited until 1 November 2007. The Company had an agency agreement with First Title Pacific Limited for the transacting of title insurance in New Zealand. The contract was based on normal commercial terms and conditions.

The Company has the power to amend and reissue the financial report.

For and behalf of the Board


.....

Director


.....

Director

20/4/2010
.....
Date

20/4/2010
.....
Date

**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31st December 2009**

	NOTES	2009 NZ\$	2008 NZ\$
Premium revenue		326,032	400,836
Outwards reinsurance premium expense		(1,098)	(1,058)
Net premium revenue		324,934	399,778
Claims expense		(62,246)	6,400
Reinsurance and other recoveries		(318)	(202,162)
Net claims incurred		(62,564)	(195,762)
Acquisition costs		-	-
Underwriting expenses		-	-
Underwriting result		262,370	204,016
(Loss) / gain on investments		(21,169)	63,526
Interest income		218,944	230,523
Accountancy fees		(2,332)	(2,204)
Bank charges		(353)	(636)
General expenses		(7,447)	4,128
Professional consulting expenses		-	(7,175)
		187,643	288,162
Profit before tax from continuing operations		450,013	492,178
Income tax expense	5	(25,623)	(44,342)
Net profit from continuing operations		424,390	447,836
Other comprehensive income		-	-
Total comprehensive income attributable to owners of the company		424,390	447,836

This statement is to be read in conjunction with the Notes and Statement of Accounting Policies that form part of the financial statements and the Auditors' Report.

**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)
STATEMENT OF FINANCIAL POSITION
As at 31st December 2009**

	NOTES	2009 NZ\$	2008 NZ\$
ASSETS			
Current Assets			
Cash and cash equivalents		564,611	425,445
Investments	6	2,803,983	2,701,539
Trade & other accounts receivable		26,169	55,499
Accrued interest		28,433	15,148
Reinsurance & other recoveries		380,906	125,935
		<u>3,804,102</u>	<u>3,323,566</u>
Non-Current Assets			
Investments	6	519,592	537,081
Reinsurance & other recoveries		152,298	193,656
		<u>671,890</u>	<u>730,737</u>
TOTAL ASSETS		<u>4,475,992</u>	<u>4,054,303</u>
LESS LIABILITIES:			
Current Liabilities			
Payables		333	1,200
Outstanding claims		302,321	223,387
GST payable		5,312	11,862
Amount due to related entities	7	141,653	128,477
Provision for tax	5	-	46,509
		<u>449,619</u>	<u>411,435</u>
Non-Current Liabilities			
Outstanding claims		246,243	287,128
		<u>246,243</u>	<u>287,128</u>
TOTAL LIABILITIES		<u>695,862</u>	<u>698,563</u>
NET ASSETS		<u>3,780,130</u>	<u>3,355,740</u>

REPRESENTED BY:	NOTES	2009 NZ\$	2008 NZ\$
Reserves			
Retained Earnings		3,780,130	3,355,740
		<u>3,780,130</u>	<u>3,355,740</u>

This statement is to be read in conjunction with the Notes and Statement of Accounting Policies that form part of the financial statements and the Auditors' Report.

**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31st December 2009**

	2009 NZ\$	2008 NZ\$
Share Capital	-	-
Reserves at start of period	3,355,740	2,907,904
Total comprehensive income	424,390	447,836
TOTAL EQUITY	3,780,130	3,355,740

This statement is to be read in conjunction with the Notes and Statement of Accounting Policies that form part of the financial statements and the Auditors' Report.

**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)
STATEMENT OF CASH FLOWS
For the Year Ended 31st December 2009**

	2009 NZ\$	2008 NZ\$
Cash flows from operating activities		
Cash was <i>provided</i> from:		
Interest income	201,981	250,537
Receipts from customers	141,430	416,027
	<u>343,411</u>	<u>666,564</u>
Cash was <i>disbursed</i> to:		
Payments to suppliers	(23,120)	(6,912)
Taxes Paid	(78,681)	(21,854)
	<u>(101,801)</u>	<u>(28,766)</u>
Net cash inflow from operating activities	<u>241,610</u>	<u>637,798</u>
Cash flows from investing activities		
Net cash inflow from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Net cash inflow from financing activities	<u>-</u>	<u>-</u>
Net increase in cash held	241,610	637,798
Add opening cash brought forward	3,126,984	2,489,186
Ending cash carried forward	<u>3,368,594</u>	<u>3,126,984</u>

Ending cash carried forward:

Cash and cash equivalents	564,611	425,445
Investments	2,803,983	2,701,539
Ending cash carried forward	<u>3,368,594</u>	<u>3,126,984</u>

This statement is to be read in conjunction with the Notes and Statement of Accounting Policies which form part of the financial statements and the Auditors' Report.

**FIRST AMERICAN TITLE INSURANCE COMPANY
OF AUSTRALIA PTY LTD (NZ BRANCH)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31st December 2009**

1) STATEMENT OF ACCOUNTING POLICIES

FIRST AMERICAN TITLE INSURANCE COMPANY OF AUSTRALIA PTY LTD is a Company registered under the Companies Act 1993.

FIRST AMERICAN TITLE INSURANCE COMPANY OF AUSTRALIA PTY LTD is a reporting entity for the purposes of the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice, the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

Accounting policies related to the adoption of the Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Company, comprising the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The company qualifies for differential reporting exemptions based on the following criteria:

- It is not publicly accountable; and
- The entity is 'not large' as defined by the Institute of Chartered Accountants of New Zealand Framework for Differential Reporting.

The Company has adopted all available differential reporting exemptions.

The IASB has issued amendments to the following International Accounting Standards. These standards have been issued by the IASB although do not come into effect until the operative date.

Amendment	Title	Operative Date
2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, AASB 8, AASB 101, AASB 107, AASB 118 & AASB 139]	1 January 2010

These amendments are not effective for the annual reporting period ending 31 December 2009 and have not been applied in preparing the Company's financial statements. The nature of the impact of the application of these standards is disclosure only. The company will apply these standards for the annual reporting period on or after the operative date set out above.

1.1 Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a fair value basis are followed.

1.2 Particular Accounting Policies

The following is a summary of the significant accounting policies adopted by the Company in the preparation of its financial statements.

Premium revenue

Premium revenue comprises amounts charged to the policyholders excluding GST.

The Company underwrites title insurance policies. The insurance risk relates to losses arising from title and associated defects existing at the date the policy was accepted by the Company and premium revenue is recognised as fully earned at the date of attachment of the policy.

Outwards reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, in line with premium revenue, no reinsurance premium has been treated as a prepayment at balance date.

Provision for outstanding claims

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

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

Gross ultimate costs for each policy year are projected to exceed the aggregate reinsurance deductible of \$500,000. The aggregate includes claims from the controlling company First American Title Insurance Company of Australia. For each of those years, net ultimate cost is estimated as A\$500,000 and this cannot increase even if the gross ultimate costs exceed current estimates. The maximum exposure for any policy year will be A\$500,000. It is therefore impractical to disclose actual claims with previous estimates for New Zealand claims.

Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, claims reported but not yet paid, IBNR and IBNER are recognised as revenue.

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

Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Taxation

Taxation charged against profits is based on the estimated tax payable for the current year.

Investments

Investments are stated at market value.

Payables

Payables are stated at the estimated amount payable and include obligations which can be reliably estimated. Current liabilities include the amounts payable in the next financial period.

Goods and Services Tax

These financial statements have been prepared exclusive of Goods & Services Tax. All items in the statement of financial position are stated net of GST except for accounts receivable and accounts payable which are stated at GST inclusive values.

Currency

All amounts in the Financial Statements are expressed in New Zealand Dollars.

1.3 Changes in Accounting Policies

There have been no changes in accounting policies.

2) CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

2.1 The ultimate liability arising from claims made under insurance contracts

The global financial crisis has significantly impacted the market for home lending, both bank and non-bank lenders. The company operates in a specialised line of business (title insurance) with few competitors, resulting in a lack of comparable data relating to assumptions.

Unemployment levels are expected to rise and this is expected to increase the rates of mortgage default over the next couple of years. This may lead to the emergence of title insurance claims at higher volumes than in recent years.

The value of outstanding claims has been adjusted to reflect the uncertainty of current market conditions. Whilst this represents the best estimate of the value at balance date, the current market uncertainty means the ultimate value of outstanding claims may be higher or lower than the value recorded in the financial statements.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of subrogation rights and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available. IBNR claims may often not be apparent to the insured until many years after the events which gives rise to the claim. The main difficulty in providing for title insurance IBNR claims is the lack of experience within the Australian market. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks
- technological developments

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claims circumstances as reported, any information available from loss adjustors and information on the cost of settling claims with similar characteristics in previous periods.

Large claims are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for possible distortion of the development and incidence of these large claims.

The Company adopts multiple methods to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from the reinsurer based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 3.

2.2 Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance reflects the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

3) ACTUARIAL ASSUMPTIONS AND METHODS

The Company writes one class of business only. The cost of claims notified to the Company at the balance sheet date is estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate number of claims is projected based on past reporting patterns. Payment experience is analysed based on averages per claim incurred and averages paid per claim finalised. Historic case estimate development is also used to develop a model of future payments. The resulting average claim sizes from these models are analysed, along with loss ratios and other statistics, in order to determine a final estimate of outstanding claims.

Claims inflation is incorporated into the resulting projected payments, to allow for general economic inflation detected in the modelling of payments experience.

Projected payments are discounted to allow for the time value of money.

3.1 Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities.

	2009	2008
Average weighted term to settlement from claim reported date	1.42 years	1.52 years
Expense rate	7%	8%
Discount rate	4.7%	3.1%
Inflation	0%	0%

3.2 Process to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated on historic settlement patterns.

IBNR factors

The adopted factors are based on historical cost development patterns.

Prior expected loss ratios

Adopted ratios are based on historical loss ratios.

Inflation

Implicit allowance for inflation is made by using the Bornhuetter-Ferguson valuation method. Inflation is not expected to have a material impact.

Reinsurance and non-reinsurance recoveries

Estimates of recoveries are based on historical recovery rates.

Claims handling expenses

The allowance for claims handling expenses is based on the historical relationship between the claims handling expenses and gross claim costs.

Discount rate

The adopted discount rate is estimated using the expected claim payment profile and the Government bond yield curve at balance date.

4) INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the Company are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the Company's policies and procedures in respect of managing these risks are set out below.

4.1 Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

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, this can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is a feature of insurance business.

The Board and the senior management of the Company have developed, implemented and maintained a Risk Management Strategy (RMS) and a Reinsurance Management Strategy (ReMS).

The RMS and the ReMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS and ReMS.

The RMS and ReMS have been approved by the Board. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up-to-date, reliable data on the risks to which the business is exposed at any time.
- Actuarial models, using information from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.
- Reinsurance is used to limit the Company's exposure to large single claims and cap the aggregate exposure of the Company in any one underwriting year.
- The assets in which the Company invests are selected to ensure that the Company can meet its claim paying obligations.

4.2 Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The majority of insurance contracts written are entered into on a standard basis. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

4.3 Concentration of insurance risk

The Company has in place measures to manage its exposure to accumulations of risk. At the outset concentration risk in the New Zealand context is underpinned by a system of land title which is government guaranteed. As a general insurer operating within the real property market in New Zealand, the Board understands the nature of the Company's business is such that a catastrophic risk and/or risks resulting from placement concentration is highly unlikely.

4.4 Development of claims

There is a possibility that changes may occur in the estimate of the Company's obligations at the end of a contract period. It is impractical for the Company to prepare the information about claims development under NZ IFRS 4.

4.5 Interest rate risk

With the exception of the discount rate discussed above none of the financial assets or liabilities arising from insurance contracts entered into by the Company are directly exposed to interest rate risk.

Insurance contracts are entered into once, i.e. are not renewed on a periodic basis. At the time of entering into the contract all terms and conditions are negotiable.

	2008 NZ\$	2008 NZ\$
5) TAXATION		
Income Tax		
Net profit per statement of comprehensive income	450,013	492,178
Taxation expense	25,623	44,342
Tax account opening balance	77,237	32,895
Refund received	-	-
	<u>102,860</u>	<u>77,237</u>
Less:		
Non resident insurance withholding tax	<u>(102,860)</u>	<u>(30,728)</u>
	(102,860)	(30,728)
Tax Payable as per Balance Sheet	<u>-</u>	<u>46,509</u>
6) INVESTMENTS		
Term deposits	2,803,983	2,701,539
NZ government security	<u>519,592</u>	<u>537,081</u>
	<u>3,323,575</u>	<u>3,238,620</u>
7) PAYABLES		
Amount due to related party	<u>141,653</u>	<u>128,477</u>

Amounts due to related party represent intercompany trading accounts.

8) FINANCIAL INSTRUMENTS

Market risk

Interest rate risk

The Company's main interest rate risk arises from borrowings from a commonly controlled entity.

There are no interest rate derivatives open at balance date.

At 31 December 2009, if interest rates had changed by -1%/+1% from the year end rates with all other variables held constant, equity and post-tax profit for the year would have been \$33,686 lower/ higher mainly as a result of investing.

Summarised Sensitivity Analysis

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and foreign exchange risk. A reasonably possible change in risk variable has been determined after taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk.

31-Dec-09	Carrying amount \$	Interest rate risk			
		-1%		1%	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash Equivalents	3,368,594	(33,686)	(33,686)	33,686	33,686
Total increase/ (decrease)		(33,686)	(33,686)	33,686	33,686

31-Dec-08	Carrying amount \$	Interest rate risk			
		-1%		1%	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	3,126,984	(31,270)	(31,270)	31,270	31,270
Total increase/ (decrease)		(31,270)	(31,270)	31,270	31,270

8) FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises when there is the possibility of the Company's debtors defaulting on their contractual obligations, resulting in a financial loss to the Company. Credit risk arises from the financial assets of the Company including cash, receivables and investments. The carrying amount of financial assets in the Company's balance sheet represents the Company's maximum exposure to risk. No collateral is held by the Company. The Company has not granted any financial guarantees.

The credit risk on financial assets which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

Credit Quality Table	2009 rating	2008 rating	2009 \$	2008 \$
Cash at bank and short term bank deposits	AA	AA	3,368,594	3,129,984
Trade & Other Receivables	Not rated	Not rated	26,169	55,499
Reinsurance Recoveries	A-	A-	308,017	319,591
Accrued interest	AA	AA	28,433	15,148
Government bond New Zealand	AAA	AAA	519,592	537,081

Aging Table	Not past Due	Past Due but not impaired	Impaired	2009 \$
Trade & Other Receivables	26,169	-	-	26,169
Reinsurance Recoveries	308,017	-	-	308,017
Accrued interest	28,433	-	-	28,433
Government bond NZ	519,592	-	-	519,592

Aging Table	Not past Due	Past Due but not impaired	Impaired	2008 \$
Trade & Other Receivables	55,499	-	-	55,499
Reinsurance Recoveries	319,591	-	-	319,591
Accrued interest	15,148	-	-	15,148
Government bond NZ	537,081	-	-	537,081

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations when they fall due. The Company continuously manages risk through rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

No assets have been pledged as collateral. The Company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The only financial liabilities that exist are trade and sundry payables to various entities, outstanding claims and taxes. These liabilities have the following maturity pattern:

Maturity Profile Table	1 year or less	1 to 3 years	2009 \$
Payables	332	-	332
Outstanding claims	302,321	246,243	548,564
GST payable	5,312	-	5,312
Provision for tax	-	-	-

Maturity Profile Table	1 year or less	1 to 3 years	2008 \$
Payables	1,200	-	1,200
Outstanding claims	223,387	287,128	510,515
GST payable	11,861	-	11,861
Provision for tax	46,509	-	46,509

9) Auditor's remuneration

During the year the auditor of the Company and its related practices earned the following remuneration

PKF - Australian firm

Audit of the financial report
Deposits Act Return

2009 NZ\$	2008 NZ\$
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-	19,103
-	4,776
-	23,879

Audit fees were paid by a related entity.

10) Tax Agent's remuneration

During the year the tax agent of the Company and its related practices earned the following remuneration

BVO - New Zealand firm

Preparation and review of tax returns and advice

2009 NZ\$	2008 NZ\$
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2,332	2,204
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11) Reconciliation of profit from ordinary activities to net cash inflow from operating activities

	2009 \$	2008 \$
Operating profit after income tax	424,390	447,836
(Increase)/decrease in receivables	(184,284)	217,354
(Increase)/decrease in other assets	4,205	(46,205)
Increase in payables	5,760	38,146
Decrease in provisions	(8,461)	(19,333)
Net cash inflows from operating activities	241,610	637,798



Chartered Accountants
& Business Advisers

Auditor's Report to the Directors of First American Title Insurance Company of Australia Pty Limited – New Zealand Branch

We have audited the financial statements on page 5 to 18. The financial statements provide information about the past financial performance and cash flows of the New Zealand operations of the First American Title Insurance Company of Australia Pty Limited – New Zealand Branch (New Zealand Branch) for the year ended 31 December 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 9 to 11.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and the presentation of financial statements which present fairly the financial position of the New Zealand Branch as at 31 December 2009 and its financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- b) whether the accounting policies used and described on pages 9 to 11 are appropriate to the circumstances of the New Zealand Branch, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the New Zealand Branch other than in our capacity as auditors.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion, the financial statements on pages 5 to 18 presents fairly the financial position of the New Zealand Branch as at 31 December 2009 and its financial performance for the year ended on that date.

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Chartered Accountants
& Business Advisers

PKF

PKF

A handwritten signature in black ink, appearing to read 'AM' with a flourish.

Arthur Milner
Partner

Sydney
20 April 2010

PKF was the audit firm appointed to undertake the audit of First American Title Insurance Company of Australia Pty Limited – New Zealand Branch for the year ended 31 December 2009. We are responsible for the execution of the audit and delivery of our firm's auditors' report. The audit work was completed on 20 April 2010 and an unqualified opinion was issued.