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First American Title Insurance Company of Australia Pty Limited

Directors' Report
31 December 2010

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 2010.

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 (ceased 10th December 2010)
Mr Eric Richard Dodd
Mr Jonathan Flaws
Mr Anthony Peter Gill
Mr Richard Gerald Nott
Mr Thomas Grifferty
Mr Christopher Tyler (appointed 10th December 2010)

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 (2009: $Nil).

Review of Operations

	2010	2009
	$	$
Underwriting operations	2,641,343	1,858,194
Investment operations	509,681	439,165
Other operations	(2,823,346)	(2,482,474)
Gain/(Loss)	327,678	(185,115)
Income tax expense	(24,653)	(20,560)
Net Gain/(Loss)	**303,025**	**(205,675)**

A summary of results is set out below:

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 2010 (continued)

Directors' Benefit
Since the end of the previous financial year, no Director of the Company has received or became 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*.

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

Sydney 27th. April 2011

PKF

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 2010, 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

PKF

Arthur Milner
Partner

27 April 2011
Sydney

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First American Title Insurance Company of Australia Pty Limited

Financial Report
31 December 2010

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 11, 175 Castlereagh Street
Sydney, NSW 2000

Contents

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 2011.

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 2010

	Note	2010 $	2009 $
Premium revenue		2,998,859	2,414,844
Outwards reinsurance premium expense		(162,776)	(156,378)
Net premium revenue		**2,836,083**	**2,258,466**
Claims expense		2,503,547	1,660,289
Reinsurance and other recoveries		(2,333,738)	(1,293,528)
Net claims incurred	6	**169,809**	**366,761**
Acquisition costs		18,340	26,552
Other underwriting expenses		6,591	6,959
Underwriting expenses	8	**24,931**	**33,511**
Underwriting result		**2,641,343**	**1,858,194**
Investment income	7	509,681	439,165
Other income	8	1,823,885	1,935,965
Administration expenses	8	(4,647,231)	(4,418,439)
		(2,313,665)	(2,043,309)
Gain/(Loss) before tax from continuing operations		**327,678**	**(185,115)**
Income tax expense	9	(24,653)	(20,560)
Net gain/(loss) from continuing operations		**303,025**	**(205,675)**
Other comprehensive income		-	-
Exchange difference on translating foreign operations net of tax effects		**(176,257)**	**(96,970)**
Total comprehensive gain/(loss) attributable to owners of the Company		**126,768**	**(302,645)**

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 2010

	Notes	2010 $	2009 $
Current Assets			
Cash and cash equivalents	10	9,001,607	10,587,524
Trade and other receivables	11	819,786	604,064
Reinsurance and other recoveries	12	3,283,101	3,334,043
Other financial assets at amortised cost	13	388,112	-
Other assets	11	75,002	82,145
Total current asset		13,567,608	14,607,776
Non-Current Assets			
Reinsurance and other recoveries	12	3,516,879	2,478,014
Other financial assets at amortised cost	13	81	420,262
Property, plant and equipment	14	76,012	118,452
Intangible assets	15	710,065	674,866
Total non-current assets		4,303,037	3,691,594
Total Assets		17,870,645	18,299,370
Current Liabilities			
Trade and other payables	16	786,648	1,252,049
Outstanding claims	17	3,069,326	4,173,271
Provisions	19	156,875	313,447
Total current liabilities		4,012,849	5,738,767
Non-Current Liabilities			
Other payables	16	139,791	156,415
Leave provisions	19	66,189	73,097
Outstanding claims	17	4,593,131	3,399,174
Total non-current liabilities		4,799,111	3,628,686
Total Liabilities		8,811,960	9,367,453
Net Assets		9,058,685	8,931,917
Shareholders' Equity			
Contributed equity	22	15,573,346	15,573,346
Reserves	22	(389,537)	(213,280)
Accumulated losses		(6,125,124)	(6,428,149)
Total Equity		9,058,685	8,931,917

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 2010

	Share Capital $	Foreign Exchange Reserve $	Accumulated Losses $	Total $
At 1 January 2009	**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**
Total comprehensive profit for the period	-	(176,257)	303,025	126,768
Total expense for the year attributable to equity holders	**-**	**(176,257)**	**303,025**	**126,768**
Total equity at 31 December 2010	**15,573,346**	**(389,537)**	**(6,125,124)**	**9,058,685**
Note	**22**	**22**	**22**	

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 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Premiums received		**3,914,409**	**3,073,742**
Outwards reinsurance paid		**(139,774)**	**(164,691)**
Claims paid		**(3,124,508)**	**(994,736)**
Reinsurance and other recoveries received		**1,336,216**	**1,394,796**
Acquisition costs paid		**(29,017)**	**(26,552)**
Other underwriting expenses paid		**(6,591)**	**(6,957)**
Interest received		**497,950**	**490,111**
Management fees and other revenue received		**617,058**	**1,766,457**
Other expenses paid		**(4,087,680)**	**(4,019,512)**
Income taxes paid		**(13,753)**	**(61,689)**
Net cash (outflow)/inflow from operating activities	31	**(1,035,690)**	**1,450,969**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(32,601)**	**(33,118)**
Disposal of property, plant and equipment		**64,548**	**729**
Purchase of software		**(405,916)**	**(421,430)**
Net cash outflow from investing activities		**(373,969)**	**(453,819)**
Cash flows from financing activities			
		-	**-**
Net cash flow from financing activities		**-**	**-**
Net (decrease)/increase in cash held		**(1,409,659)**	**997,151**
Cash at the beginning of the financial year		**10,587,524**	**9,710,839**
Effects of exchange rate changes on cash		**(176,257)**	**(120,466)**
Cash at the end of the financial year	10	**9,001,608**	**10,587,524**

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

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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
2010-5	Amendments to Australian Accounting Standards [AASB 1, AASB 3, AASB 4, AASB 5, AASB 101, AASB 107, AASB 112, AASB 118, AASB 119, AASB 121, AASB 132, AASB 133, AASB 134, AASB 137, AASB 139, AASB 140, AASB 1023 and AASB 1038]	1 January 2011

These amendments are not effective for the annual reporting period ending 31 December 2010 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.

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.

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 or at amortised cost. Initial recognition is at fair value, being the cost, in the Statement of Financial Position and subsequent measurement is at fair value or at amortised cost with any resultant unrealised profits and losses or unwinding of discount 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.

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.

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 26). 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.

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 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

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.

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.

	2010	**2009**
Average weighted term to settlement from claim reported date	**2.24 years**	**1.42 years**
Expense rate	**6%**	**7%**
Discount rate	**5.3%**	**4.7%**
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.

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

		Profit/(Loss) Gross of Reinsurance $	Profit/(Loss) Net of Reinsurance $	Equity $
Recognised amounts per the financial statements		(1,867,937)	303,025	(9,058,685)
Variable	**Movement in variable**			
IBNR Factors	+20%	(2,554,449)	163,005	(9,198,705)
	-20%	(1,159,972)	464,811	(8,896,899)
Prior Expected Loss	+10%	(3,889,384)	(40,013)	(9,401,723)
Ratios	-10%	402,439	935,605	(8,426,105)
Discount Rate	+1%	(1,741,436)	337,698	(9,024,012)
	-1%	(1,999,295)	266,831	(9,094,879)
Claims Handling	+50%	(1,619,371)	54,459	(9,307,251)
Expense Rate	-50%	(1,619,371)	551,591	(8,810,119)

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.

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 17 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 18 how the effect any changes in the interest rate would have on the cash flow.

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.

	2010		
	Current Year $	**Prior Years $**	**Total $**
Gross incurred claims and related expenses			
- Undiscounted including prudential margin	1,126,412	3,439,410	4,565,822
- Discounted	955,347	3,307,493	4,262,840
Reinsurance and other recoveries			
- Undiscounted	(606,162)	(3,713,792)	(4,319,954)
- Discounted	(503,946)	(3,589,085)	(4,093,031)
Net incurred claims	**451,401**	**(281,592)**	**169,809**

	2009		
	Current Year $	**Prior Years $**	**Total $**
Gross incurred claims and related expenses			
- Undiscounted including prudential margin	979,005	2,479,393	3,458,398
- Discounted	886,419	2,475,886	3,362,305
Reinsurance and other recoveries			
- 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**

Note 7 Investment income

	2010 $	**2009 $**
Interest	**528,878**	**453,199**
Unwinding discount	**(19,197)**	**(14,034)**
Total investment income	**509,681**	**439,165**

Note 8 Other income and expenses

	2010	2009
Income	**$**	**$**
(a) Income by function		
Management fee income	(78,120)	(7,419)
Additional services	989,736	699,261
Other income	912,269	1,244,121
Total income	1,823,885	1,935,963
(b) Income by nature		
Management fee income	(78,120)	(7,419)
Additional services	989,736	699,261
Other income	912,269	1,244,121
Total income	1,823,885	1,935,963

	2010	2009
Expenses	**$**	**$**
(a) Expenses by function		
Underwriting expenses	24,931	33,511
Administration expenses	4,647,231	4,418,439
Total expenses	4,672,162	4,451,950
(b) Expenses by nature		
Employee benefit expense	1,994,343	2,162,412
Employee termination payments	-	18,154
Employee on costs	386,612	350,887
Operating lease expense	44,051	183,128
Occupancy costs	195,706	124,016
Depreciation, amortisation and impairment charges	430,918	379,626
Movement in provision for claims handling	(56,216)	(88,645)
Other underwriting expenses	24,931	33,511
Professional fees	96,473	103,730
International management fee	78,120	7,419
Incurred claims	169,809	387,033
Other expenses	1,307,415	790,679
Total expenses	4,672,162	4,451,950

Note 9 Income tax

	2010 $	2009 $
Reconciliation between net loss before tax and tax expense		
Loss before income tax	327,678	(185,115)
Income tax at standard rate of 30% (2009: 30%)	98,303	(55,534)
Tax effect of permanent differences	(509,466)	(538,132)
Prima facie tax benefit adjusted for differences	(411,163)	(593,666)
Benefit of tax losses not brought to account	440,410	694,614
Tax effect of timing differences not brought to account	(29,247)	(100,948)
New Zealand tax payable	24,653	20,560
Income tax expense	24,653	20,560
Tax losses not brought to account - opening balance	3,780,550	3,085,936
Benefit not brought to account current year	440,410	694,614
Prior year overstatement	(175,534)	
Tax losses not brought to account - closing balance	4,045,426	3,780,550

Future income tax benefit not brought to account
Potential future income tax benefits of $4,045,426 (2009: $3,780,550) 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

	2010 $	2009 $
Cash at bank	591,402	1,681,359
Short term deposit	8,410,205	8,906,165
	9,001,607	10,587,524

Deposits at call
The deposits are bearing floating interest rates between 1.25% and 6.55% (2009: between 2.78% and 6.20%).

Note 11 Trade and other receivables and other assets

	2010 $	2009 $
Trade and other receivables		
Current		
Premiums receivable	309,252	313,290
Less: Provision for doubtful debts	(3,625)	(15,828)
	305,627	297,462
Other receivables	180,151	114,129
Loans to related entities	334,009	192,473
	819,787	604,064
Other Assets		
Current		
Accrued interest	55,557	38,666
Prepayments	19,445	43,479
	75,002	82,145

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

	2010 $	2009 $
Undiscounted expected future recoveries		
- on claims paid	928,029	259,274
- on outstanding claims	6,418,901	5,872,810
	7,346,930	6,132,084
Discount to present value	(546,950)	(320,027)
Reinsurance and other recoveries	6,799,980	5,812,057
Reinsurance and other recoveries - current	3,283,101	3,334,043
Reinsurance and other recoveries - non-current	3,516,879	2,478,014
	6,799,980	5,812,057

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

Note 13 Financial assets

Financial assets at fair value through profit or loss	**2010 $**	**2009 $**
Current investments		
Traded on a prescribed stock exchange		
Government bond	**388,112**	**-**
Non-current investments		
Traded on a prescribed stock exchange		
Government bond	**-**	**420,181**
Non-traded		
Shares in subsidiary	**81**	**81**
	388,193	**420,262**

The fixed interest rate on the government bond is 6.0% (2009: 6.0%).

The Company owns 100% (2009: 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

	2010		
	Leasehold Improvements	**Office Furniture & Equipment**	**Total**
Cost or valuation	**$**	**$**	**$**
At 1 January 2010	-	723,604	723,604
Additions	7,280	25,321	32,601
Disposals	-	(64,548)	(64,548)
At 31 December 2010	7,280	684,377	691,657
Accumulated deprecation			
At 1 January 2010	-	(605,152)	(605,152)
Disposals	-	49,706	49,706
Depreciation for the year	(1,897)	(58,302)	(60,199)
At 31 December 2010	(1,897)	(613,748)	(615,645)
Carrying amount			
At 1 January 2010	-	118,452	118,452
At 31 December 2010	5,383	70,629	76,012

	2009		
	Leasehold Improvements	**Office Furniture & Equipment**	**Total**
Cost or valuation	**$**	**$**	**$**
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 deprecation			
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

Note 15 Intangible assets

	2010 Software	2009 Software
Cost or valuation	**$**	**$**
At 1 January	2,193,612	1,830,456
Additions	405,916	421,430
Disposals	-	-
At 31 December	2,599,528	2,251,886
Accumulated amortisation		
At 1 January	(1,518,746)	(1,299,787)
Disposals	-	-
Amortisation for the year	(370,717)	(277,233)
At 31 December	(1,889,463)	(1,577,020)
Carrying amount		
At 1 January	674,866	530,669
At 31 December	710,065	674,866

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

	2010 $	2009 $
Current		
Trade creditors	**139,798**	**31,076**
Employee benefits	**190,391**	**150,005**
GST payable	**-**	**29,774**
Sundry creditors and accruals	**456,459**	**1,041,194**
	786,648	**1,252,049**
Non-current		
Sundry creditors	**139,791**	**156,415**
	139,791	**156,415**

Trade creditors are settled within agreed terms.

Note 17 Outstanding claims

	2010 $	2009 $
(a) Outstanding claims liability		
Undiscounted expected future claim payments		
Central estimate	**7,573,070**	**7,150,341**
Risk margin	**302,656**	**277,023**
Handling costs	**545,262**	**600,629**
	8,420,988	**8,027,993**
Discount to present value	**(758,531)**	**(455,548)**
Liability for outstanding claims	**7,662,457**	**7,572,445**
Current	**3,069,326**	**4,173,271**
Non-Current	**4,593,131**	**3,399,174**
	7,662,457	**7,572,445**

(b) Risk margin

Process for determining the risk margin

Gross ultimate costs for each policy year 2003 to 2010 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 2010 is $343,580 (2009: $348,484).

(c) Reconciliation of discounted outstanding claims liability

	2010			2009		
	Gross	**Recoveries**	**Net**	**Gross**	**Recoveries**	**Net**
	$	$	$	$	$	$
Outstanding claims liability brought forward	7,572,446	(5,552,782)	2,019,664	7,628,675	(5,637,457)	1,991,218
Incurred claims per the Statement of Comprehensive Income	4,262,840	(4,093,031)	169,809	3,362,305	(2,995,544)	366,761
Less claims (paid)/recovered	(4,172,829)	3,773,863	(398,966)	(3,418,535)	3,080,218	(338,317)
Total outstanding claims liability carried forward	7,662,457	(5,871,950)	1,790,507	7,572,445	(5,552,783)	2,019,662

Note 17 Outstanding claims (continued)

(d) Claims development table

Gross

Accident year	Prior years	2006	2007	2008	2009	2010	Total
		$	$	$	$	$	$
Estimate of ultimate claims cost:							
End of accident year		2,912,651	2,669,624	1,291,535	776,090	928,340	
One year later		2,167,472	1,750,812	965,264	680,438		
Two years later		2,879,157	1,720,840	1,188,529			
Three year later		3,259,146	1,713,760				
Four years later		4,169,749					
Current estimate of cumulative claim costs							
Cumulative payments	15,379,228	4,169,749	1,713,760	1,188,529	680,438	928,340	24,060,044
Outstanding claims undiscounted	13,171,057	1,832,325	785,136	581,558	113,198	3,699	16,486,973
Discount	2,208,171	2,337,424	928,624	606,971	567,240	924,641	7,573,071
	(111,867)	(176,272)	(89,613)	(70,957)	(77,179)	(142,581)	(668,469)
Outstanding claims							
Claims handling expense (disc)	2,096,304	2,161,152	839,011	536,014	490,061	782,060	6,904,602
Risk Margin (disc)	125,778	129,669	50,341	32,161	29,404	46,924	414,277
Total gross outstanding claims							343,580

Net

Accident year	Prior Years	2006	2007	2008	2009	2010	Total
	$	$	$	$	$	$	$
Estimate of ultimate claims cost:							
End of accident year		500,000	500,000	500,000	362,073	332,444	
One year later		500,000	500,000	377,803	308,511		
Two years later		500,000	500,000	335,241			
Three year later		500,000	500,000				
Four years later		500,000					
Current estimate of cumulative claim costs	2,167,817	500,000	500,000	335,241	308,511	332,444	3,868,410
Cumulative payments	2,055,195	408,476	306,617	129,907	85,950	3,699	2,989,844
Outstanding claims – undiscounted	112,622	91,524	193,383	205,335	222,561	328,745	1,154,170
Discount	(3,393)	(2,333)	(10,965)	(23,983)	(30,215)	(50,631)	(121,520)
Outstanding claims	109,229	89,191	182,418	181,352	192,346	278,114	1,032,650
Claims handling expense	125,778	129,669	50,341	32,161	29,404	46,924	414,277
Risk Margin (disc)							343,580
Total net outstanding claims							1,790,507

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 2010, 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 $277,899 higher/lower mainly as a result of foreign exchange gains/losses on translations of New Zealand dollar held accounts.

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 2010, 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 $90,016 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 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 and foreign exchange risk.

Note 18 Financial instruments (continued)

31-Dec-10	Carrying amount $	Interest rate risk -1% Profit $	Interest rate risk -1% Equity $	Interest rate risk 1% Profit $	Interest rate risk 1% Equity $	Foreign exchange risk (Exposure to NZ$) -10% Profit $	Foreign exchange risk (Exposure to NZ$) -10% Equity $	Foreign exchange risk (Exposure to NZ$) 10% Profit $	Foreign exchange risk (Exposure to NZ$) 10% Equity $'
Financial assets									
Cash and cash equivalents	9,001,607	(90,016)	(90,016)	90,016	90,016	(277,899)	(277,899)	277,899	277,899
Government bond New Zealand	388,193	-	-	-	-	(38,819)	(38,819)	38,819	38,819
Reinsurance recoveries	2,685,056	-	-	-	-	(268,506)	(268,506)	268,506	268,506
Total increase/ (decrease)	13,681,472	(90,016)	(90,016)	90,016	90,016	(585,224)	(585,224)	585,224	585,224

31-Dec-09	Carrying *amount* $	Interest rate risk -1% *Profit* $	Interest rate risk -1% Equity $	Interest rate risk 1% *Profit* $	Interest rate risk 1% Equity $	Foreign exchange risk (Exposure to NZ$) -10% *Profit* $	Foreign exchange risk (Exposure to NZ$) -10% Equity $	Foreign exchange risk (Exposure to NZ$) 10% *Profit* $	Foreign exchange risk (Exposure to NZ$) 10% 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

(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	**2010 rating**	**2009 rating**	**2010 $**	**2009 $**
Cash at bank and short term bank deposits	AA- to AA	A to AA	**9,001,607**	**10,587,524**
Trade & other receivables	Not rated	Not rated	**819,786**	**604,064**
Reinsurance recoveries	A-	A-	**6,799,980**	**5,812,057**
Government bond New Zealand	AAA	AAA	**388,193**	**420,262**
Accrued interest	AA- to AA	A to AA	**55,557**	**38,666**

Note 18 Financial instruments (continued)

Aging Table	Not past Due	Past Due but not impaired	Impaired	2010 $
Trade & other receivables	630,997	188,789	-	819,786
Reinsurance recoveries	6,799,980	-	-	6,799,980
Government bond NZ	388,193	-	-	388,193
Accrued interest	55,557	-	-	55,557

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

(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	2010 $
Other Payables	116,666	23,125	**139,791**
Outstanding claims	3,069,326	4,593,131	**7,662,457**
Provisions	156,875	66,189	**223,063**

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**

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
2010	**Note**	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash	10	8,164,208	-	837,399	-	**9,001,607**
Receivables	11	-	-	-	819,786	**819,786**
Investments	13	-	388,112	-	81	**388,193**
Total		**8,164,208**	**388,112**	**837,399**	**819,867**	**10,209,586**
Weighted average interest rate		5.37%	6.00%	Variable		
Financial Liabilities						
Accounts payable	16	-	-	-	778,192	**778,192**
Total		**-**	**-**	**-**	**778,192**	**778,192**
Weighted average interest rate		n/a	n/a	n/a		
Net Financial Assets		**8,164,208**	**388,112**	**837,399**	**41,675**	**9,431,394**
Non-Financial Assets						**7,635,553**
Non-Financial Liabilities						**8,029,221**
Net Assets						**9,037,726**

		1 year or less	Over 1 to 5 years	Variable Rate	Non interest bearing	Total
2009	**Note**	**$**	**$**	**$**	**$**	**$**
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**

Note 18 Financial instruments (continued)

Standby Arrangements and Credit Facilities

	2010 $	2009 $
The Company has access to:		
Indemnity/guarantee facility		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date	-	-
Global payments facility		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date		
Direct payments facility		
Bank indemnity facility subject to annual review, totalling	-	-
Amount used at balance date		
Payroll facility		
Bank payroll facility subject to annual review, totalling	-	-
Amount used at balance date		
Amount unused at balance date	-	-

Note 19 Provisions

	2010 $	2009 $
Current		
Employee benefits	**156,875**	**313,447**
Non- Current		
Employee benefits	**66,189**	**73,097**
	223,064	**386,544**

Note 20 Dividends

The Directors do not recommend a payment of dividend in the current year (2009: $Nil).

Note 21 Capital adequacy

	2010 $	2009 $
Tier 1 Capital		
Contributed equity	**15,573,346**	**15,573,346**
Foreign exchange translation reserve	**(389,436)**	**(213,280)**
Accumulated losses at beginning of the year	**(6,428,149)**	**(6,222,474)**
Gain/(Loss) for the year	**303,025**	**(205,675)**
Less intangibles	**(710,064)**	**(674,866)**
Total capital base	**8,348,722**	**8,257,051**
Minimum capital requirement	**5,000,000**	**5,000,000**
Capital adequacy multiple	**1.67**	**1.65**

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 2010 there were 15,573,346 $1 ordinary shares issued and fully paid (2009: 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 director
Mr Christopher Tyler (appointed 10 December 2010)

(ii) Non-executive directors
Mr Jonathan Flaws
Mr Thomas Grifferty
Ms Ellie Comerford, Managing Director (ceased 10 December 2010)

(iii) Independant directors
Mr Eric Richard Dodd
Mr Anthony Peter Gill
Mr Richard Gerald Nott

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 $
2010	108,859	56,171	-	-	-	165,030
2009	76,220	40,000	-	-	-	116,220

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

	2010 $	2009 $
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	**80,000**	**69,500**
Prior year additional billings	-	-
Total remuneration	**80,000**	**69,500**

Note 26 Commitments for expenditure

	2010	2009
	$	$
Operating leases commitments		
Payable no later than one year	230,479	139,194
Payable later than one, no later than two years	158,498	209,769
Payable later than two, no later than five years	-	142,588
Total operating lease liability	388,977	491,551
Representing:		
Non-cancellable operating leases	388,977	491,551

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

	2010	2009
	$	$
Provision for employee entitlements	223,063	386,544
Aggregate employee entitlement liability	223,063	386,544

Employee numbers
The number of full time employees at the end of the financial year was 24 (2009: 24)

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 (2009: $Nil) are included in sundry creditors and accruals.

Note 28 Related parties

Controlling entities
The immediate parent entity is FAF International Insurance Holdings BV incorporated in the Netherlands. The ultimate parent entity is the First American Financial Corporation incorporated in the United States of America.

Other related parties
First American Financial Corporation, Delaware, 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. First American Financial Corporation prepares consolidated accounts which are available for public viewing.

The Company paid commission fees for services utilised to other entities within the group during the period. Additionally, it received funds from the other entities within the group. These transactions were on normal commercial terms.

Amounts receivable from and payable to entities within the group

	2010 $	2009 $
Aggregate amounts receivable at balance date from:		
Current		
First American Title Insurance Company	**881,565**	**128,754**
Other commonly controlled entity	**358,906**	**36,021**
Non-current		
First American Title Insurance Company	-	-

Amounts charged to and received from entities within the group

	2010 $	2009 $
Reimbursement of other expenses from ordinary activities by commonly controlled entity	**(78,120)**	**(7,419)**
Outward reinsurance premium expense paid and payable to First American Title Insurance Company	**(162,776)**	**(156,378)**
Outward reinsurance recoveries receivable from First American Title Insurance Company	**(2,731,609)**	**(1,830,708)**

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.

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

2010	**Australia**	**New Zealand**	**Total**
Total segment revenue	**6,927,328**	**229,154**	**7,156,482**
Total segment interest revenue	**337,183**	**151,695**	**528,878**
Total segment staff costs	**(2,380,955)**	**-**	**(2,380,955)**
Segment profit/(loss)	**66,305**	**261,373**	**327,678**
Loss from ordinary activities before income tax expense			**327,678**
Income tax expense			**(24,653)**
Net loss			**303,025**
Total segment assets	**14,250,558**	**3,620,087**	**17,870,645**
Total segment liabilities	**(8,311,580)**	**(500,380)**	**(8,811,960)**
Investment in associates	**-**	**-**	**-**
Acquisition of property plant & equipment, intangibles and other non-current segment assets	**438,517**	**-**	**438,517**
Depreciation and amortisation expense	**430,916**	**-**	**430,916**
Other non-cash expenses	**-**	**-**	**-**
Net cash inflow from operating activities	**(1,100,104)**	**64,414**	**(1,035,690)**

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**

Note 30 Segment information (continued)

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

	2010 $	2009 $
Operating profit/(loss) after income tax	303,025	(205,675)
Depreciation and amortisation	430,916	362,999
Unwinding of discount	14,113	49,794
Net foreign exchange fluctuation	32,069	54,760
(Increase)/decrease in receivables	(74,186)	(40,363)
(Increase)/decrease in other assets	(1,295,970)	647,948
Increase/(decrease) in payables	359,056	620,875
Increase/(decrease) in provisions	(804,713)	(39,369)
Net cash (outflows)/inflows from operating activities	(1,035,690)	1,450,969

First American Title Insurance Company of Australia Pty Limited

Directors' Declaration
31 December 2010

The Directors' of the Company declare that:

(a) the financial statements and notes set out on pages 5 to 42 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 2010 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

Sydney 27 th. April 2011

PKF

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 2010. The yearly statutory accounts comprise of the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement in changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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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DX 10173 | Sydney Stock Exchange | New South Wales

PKF

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 2010, 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

PKF

Arthur Milner
Partner

27 April 2011
Sydney

First Title

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

Financial Statements
31 December 2010

CONTENTS

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

BUSINESS PROFILE
As at 31st December 2010

DATE OF NZ REGISTRATION:	6th April 2000
NATURE OF BUSINESS:	Insurance
DIRECTORS:	Ms Ellen Frances Comerford (resigned 10th December 2010) Mr Eric Richard Dodd Mr Jonathan Flaws Mr Anthony Peter Gill Mr Thomas Grifferty Mr Richard Gerald Nott Mr Christopher Tyler (appointed 10th December 2010)
REGISTERED OFFICE:	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 2010

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 2010.

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 $205,957 (2009: $130,952) for services performed in Australia. Remuneration paid is as follows:

	Short-term benefits	Post-employment benefits	Other long-term benefits	Share-based payments	Total
	NZ$	NZ$	NZ$	NZ$	NZ$
2010	142,840	63,117	-	-	205,597
2009	85,645	44,947	-	-	130,592

- 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 (resigned 10th December 2010)
  Mr Eric Richard Dodd
  Mr Jonathan Flaws
  Mr Anthony Peter Gill
  Mr Thomas Grifferty
  Mr Richard Gerald Nott
  Mr Christopher Tyler (appointed 10th December 2010)

- 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

....	27 . 4 . 2011
Director	Date
....	27 . 4 . 2011
Director	Date

FIRST AMERICAN TITLE INSURANCE COMPANY OF AUSTRALIA PTY LTD (NZ BRANCH)
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31st December 2010

	NOTES	2010 NZ$	2009 NZ$
Premium revenue		204,564	326,032
Outwards reinsurance premium expense		(708)	(1,098)
Net premium revenue		**203,856**	**324,934**
Claims expense		(371,218)	(62,246)
Reinsurance and other recoveries		336,396	(318)
Net claims incurred		**(34,822)**	**(62,564)**
Acquisition costs		-	-
Underwriting expenses		**-**	**-**
Underwriting result		**169,034**	**262,370**
(Loss) / gain on investments		(3,757)	(21,169)
Interest income		193,372	218,944
Accountancy fees		(3,153)	(2,332)
Bank charges		(399)	(353)
General expenses		(9,107)	(7,447)
Professional consulting expenses		-	-
		176,956	**187,643**
Profit before tax from continuing operations		**345,990**	**450,013**
Income tax expense	5	(31,426)	(25,623)
Net profit from continuing operations		**314,564**	**424,390**
Other comprehensive income		-	-
Total comprehensive income attributable to owners of the company		**314,564**	**424,390**

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 2010

	NOTES	2010 NZ$	2009 NZ$
ASSETS			
Current Assets			
Cash and cash equivalents		186,834	564,611
Investments	6	3,459,614	2,803,983
Trade & other accounts receivable		42,120	26,169
Accrued interest		35,046	28,433
Amount due from related entities	7	54,071	-
Reinsurance & other recoveries		219,192	380,906
		3,996,877	3,804,102
Non-Current Assets			
Investments	6	509,260	519,592
Reinsurance & other recoveries		232,530	152,298
		741,790	671,890
TOTAL ASSETS		**4,738,667**	**4,475,992**
LESS LIABILITIES:			
Current Liabilities			
Payables		1,455	333
Outstanding claims		250,026	302,321
GST payable		4,035	5,312
Amount due to related entities	8	-	141,653
Provision for tax	5	14,303	-
		269,819	449,619
Non-Current Liabilities			
Outstanding claims		374,154	246,243
		374,154	246,243
TOTAL LIABILITIES		**643,973**	**695,862**
NET ASSETS		**4,094,694**	**3,780,130**

REPRESENTED BY:	NOTES	2010 NZ$	2009 NZ$
Reserves			
Retained Earnings		4,094,694	3,780,130
		4,094,694	3,780,130

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 2010

	2010 NZ$	2009 NZ$
Share Capital	-	-
Reserves at start of period	3,780,130	3,355,740
Total comprehensive income	314,564	424,390
TOTAL EQUITY	**4,094,694**	**3,780,130**

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 2010

	2010 NZ$	2009 NZ$
Cash flows from operating activities		
Cash was *provided* from:		
Interest income	193,334	201,981
Receipts from customers	606,490	141,430
	799,824	343,411
Cash was *disbursed* to:		
Payments to suppliers	(503,570)	(23,120)
Taxes Paid	(18,400)	(78,681)
	(521,970)	(101,801)
Net cash inflow from operating activities	277,854	241,610
Cash flows from investing activities		
Net cash inflow from investing activities	-	-
Cash flows from financing activities		
Net cash inflow from financing activities	-	-
Net increase in cash held	277,854	241,610
Add opening cash brought forward	3,368,594	3,126,984
Ending cash carried forward	3,646,448	3,368,594

Ending cash carried forward:

Cash and cash equivalents	186,834	564,611
Investments	3,459,614	2,803,983
Ending cash carried forward	3,646,448	3,368,594

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 2010

- **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 polices 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
2010-5	Amendments to Australian Accounting Standards [AASB 1, AASB 3, AASB 4, AASB 5, AASB 101, AASB 107, AASB 112, AASB 118, AASB 119, AASB 121, AASB 132, AASB 133, AASB 134, AASB 137, AASB 139, AASB 140, AASB 1023 and AASB 1038] and [Interpretations 112, 115, 127, 132 and 1042]	1 January 2011

These amendments are not effective for the annual reporting period ending 31 December 2010 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 A$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 (GST). 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 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.

	2010	2009
Average weighted term to settlement from claim reported date	**2.24 years**	**1.42 years**
Expense rate	**6%**	**7%**
Discount rate	**5.3%**	**4.7%**
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 arsing 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.

	2010 NZ$	**2009 NZ$**
5) TAXATION		
Income Tax		
Net profit per statement of comprehensive income	353,556	450,013
Taxation expense	31,426	25,623
Tax account opening balance	-	77,237
Refund received	-	-
	31,426	102,860
Less:		
Non resident insurance withholding tax	(17,123)	(102,860)
	(17,123)	(102,860)
Tax Payable as per Balance Sheet	14,303	-

6) INVESTMENTS

Term deposits	3,459,614	2,803,983
NZ government security	509,260	519,592
	3,968,874	3,323,575

7) RECEIVABLES

Amount due from related party	54,071	-

Amounts due from related party represent intercompany trading accounts.

8) PAYABLES

Amount due to related party	-	141,653

Amounts due to related party represent intercompany trading accounts.

9) 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 2010, 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 $36,464 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-10	Carrying amount $	Interest rate risk -1% Profit $	Interest rate risk -1% Equity $	Interest rate risk 1% Profit $	Interest rate risk 1% Equity $
Financial assets					
Cash and cash Equivalents	3,646,448	(36,464)	(36,464)	36,464	36,464
Total increase/ (decrease)		(36,464)	(36,464)	36,464	36,464

31-Dec-09	Carrying amount $	Interest rate risk -1% Profit $	Interest rate risk -1% Equity $	Interest rate risk 1% Profit $	Interest rate risk 1% 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

9) 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	2010 rating	2009 rating	2010 $	2009 $
Cash at bank and short term bank deposits	AA	AA	**3,646,448**	**3,368,594**
Trade & Other Receivables	Not rated	Not rated	**42,120**	**26,169**
Reinsurance Recoveries	A-	A-	**219,192**	**308,017**
Accrued interest	AA	AA	**35,046**	**28,433**
Government bond New Zealand	AAA	AAA	**509,260**	**519,592**

Aging Table	Not past Due	Past Due but not impaired	Impaired	2010 $
Trade & Other Receivables	4,474	37,646	-	**42,120**
Reinsurance Recoveries	219,192	-	-	**219,192**
Accrued interest	35,046	-	-	**35,046**
Government bond NZ	509,260	-	-	**509,260**

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**

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:

9) FINANCIAL INSTRUMENTS (continued)

Maturity Profile Table	1 year or less	1 to 3 years	2010 $
Payables	1,455	-	**1,455**
Outstanding claims	250,026	374,154	**548,564**
GST payable	4,035	-	**5,312**
Provision for tax	14,303	-	**-**

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	-	-	**-**

10) Auditor's remuneration

	2010 NZ$	2009 NZ$
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	-	-
	-	-

Audit fees were paid by a related entity.

11) Tax Agent's remuneration

	2010 NZ$	2009 NZ$
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	**3,153**	**2,332**

12) Reconciliation of profit from ordinary activities to net cash inflow from operating activities

	2010	2009
	$	$
Operating profit after income tax	314,564	424,390
(Increase)/Decrease in receivables	65,530	(184,284)
(Increase)/Decrease in other assets	3,719	4,205
Increase/(Decrease) in payables	(195,878)	5,760
Increase/(Decrease) in provisions	89,919	(8,461)
Net cash inflows from operating activities	277,854	241,610

PKF

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 2010 and its financial position as at that date. This information is stated in accordance with the accounting polices 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 2010 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 polices 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 2010 and its financial performance for the year ended on that date.

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PKF

Chartered Accountants
& Business Advisers

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Arthur Milner
Partner

Sydney
27 April 2011

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 2010. We are responsible for the execution of the audit and delivery of our firm's auditors' report. The audit work was completed on 27 April 2011 and an unqualified opinion was issued.