First Title

Innovation · Information · Insurance

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

Financial Statements
31 December 2011

CONTENTS

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

BUSINESS PROFILE
As at 31st December 2011

DATE OF NZ REGISTRATION:	6th April 2000
NATURE OF BUSINESS:	Insurance
DIRECTORS:	Mr Eric Richard Dodd Mr Jonathan Flaws Mr Anthony Peter Gill Mr Thomas Grifferty Mr Richard Gerald Nott Mr Christopher Tyler
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 2011

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 2011.

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 $595,128 (2010: $205,957) 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$
2011	498,184	96,944	-	-	595,128
2010	142,840	63,117	-	-	205,597

- 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.
  Mr Eric Richard Dodd
  Mr Jonathan Flaws
  Mr Anthony Peter Gill
  Mr Thomas Grifferty
  Mr Richard Gerald Nott
  Mr Christopher Tyler

- 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

....	17/4/2012
Director	Date
....	17/4/2012
Director	Date

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

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st December 2011

	NOTES	2011 NZ$	2010 NZ$
Premium revenue		244,994	204,564
Outwards reinsurance premium expense		(873)	(708)
Net premium revenue		**244,121**	**203,856**
Claims expense		137,916	(371,218)
Reinsurance and other recoveries		(101,520)	336,396
Net claims incurred		**36,396**	**(34,822)**
Acquisition costs		(2,048)	-
Underwriting expenses		**(2,048)**	**-**
Underwriting result		**278,469**	**169,034**
(Loss) / gain on investments		(14,743)	(3,757)
Interest income		212,871	193,372
Accountancy fees		(818)	(3,153)
Bank charges		-	(399)
General expenses		(23)	(9,107)
Professional consulting expenses		(3,888)	-
		193,399	**176,956**
Profit before tax from continuing operations		**471,868**	**345,990**
Income tax expense	5	(36,006)	(31,426)
Net profit from continuing operations		**435,862**	**314,564**
Other comprehensive income		-	-
Total comprehensive income attributable to owners of the		**435,862**	**314,564**

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 2011

	NOTES	2011 NZ$	2010 NZ$
ASSETS			
Current Assets			
Cash and cash equivalents		67,296	186,834
Investments	6	3,853,358	3,459,614
Trade & other accounts receivable		150,785	42,120
Accrued interest		44,121	35,046
Amount due from related entities	7	17,262	19,729
Reinsurance & other recoveries		118,850	219,192
		4,251,672	3,962,535
Non-Current Assets			
Investments	6	547,914	509,260
Reinsurance & other recoveries		227,681	232,530
		775,595	741,790
TOTAL ASSETS		**5,027,267**	**4,704,325**
LESS LIABILITIES:			
Current Liabilities			
Payables		24,971	1,455
Outstanding claims		148,935	250,026
GST payable		8,197	4,035
Provision for tax	5	14,303	14,303
		196,406	269,819
Non-Current Liabilities			
Outstanding claims		334,647	374,154
		334,647	374,154
TOTAL LIABILITIES		**531,053**	**643,973**
NET ASSETS		**4,496,214**	**4,060,352**

REPRESENTED BY:	NOTES	2011 NZ$	2010 NZ$
Reserves			
Retained Earnings		4,496,214	4,060,352
		4,496,214	4,060,352

This statement is to be read in conjunction with the Notes to the Financial Statements 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 2011

	2011 NZ$	2010 NZ$
Share Capital	-	-
Reserves at start of period	4,060,352	3,745,788
Total comprehensive income	435,862	314,564
TOTAL EQUITY	**4,496,214**	**4,060,352**

This statement is to be read in conjunction with the Notes to the Financial Statements 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 2011

	2011 NZ$	2010 NZ$
Cash flows from operating activities		
Cash was *provided* from:		
Interest income	203,797	193,334
Receipts from customers	342,273	606,490
	546,070	799,824
Cash was *disbursed* to:		
Gains on mark to market	(87,740)	-
Payments to suppliers	(152,279)	(503,570)
Taxes Paid	(31,845)	(18,400)
	(271,864)	(521,970)
Net cash inflow from operating activities	274,206	277,854
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	274,206	277,854
Add opening cash brought forward	3,646,448	3,368,594
Ending cash carried forward	3,920,654	3,646,448

Ending cash carried forward:

Cash and cash equivalents	67,296	186,854
Investments	3,853,358	3,459,614
Ending cash carried forward	3,920,654	3,646,448

This statement is to be read in conjunction with the Notes to the Financial Statements 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 2011

- **STATEMENT OF ACCOUNTING POLICIES**

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

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

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

Accounting policies adopted are consistent with the requirements of Australian equivalents to International Financial Reporting Standards (AIFRS).

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

These amendments are not effective for the annual reporting period ending 31 December 2011 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.

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; and
- 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.

	2011	**2010**
Average weighted term to settlement from claim reported date	**2.91 years**	**2.24 years**
Expense rate	**6%**	**6%**
Discount rate	**3.3%**	**5.3%**
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.

	2011 NZ$	2010 NZ$
5) TAXATION		
Income Tax		
Net profit per statement of comprehensive income	471,868	345,990
Taxation expense	36,006	31,426
Tax account opening balance	14,303	-
Refund received	-	-
	50,309	31,426
Less:		
Non resident insurance withholding tax	(36,006)	(17,123)
	(36,006)	(17,123)
Tax Payable as per Balance Sheet	14,303	14,303

6) INVESTMENTS

	2011 NZ$	2010 NZ$
Term deposits	3,853,358	3,459,614
NZ government security	547,914	509,260
	4,401,272	3,968,874

7) RECEIVABLES

Amount due from related party	17,374	19,729

Amounts due from related party represent intercompany trading accounts.

8) FINANCIAL INSTRUMENTS

Market risk

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

There are no interest rate derivatives open at balance date.

At 31 December 2011, 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 $39,207 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 2010. 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.

		Interest rate risk			
		-1%		1%	
31-Dec-11	Carrying amount NZ$	Profit NZ$	Equity NZ$	Profit NZ$	Equity NZ$
Financial assets					
Cash, cash equivalents and investments	3,920,654	(39,207)	(39,207)	39,207	39,207
Total increase/ (decrease)		(39,207)	(39,207)	39,207	39,207

31-Dec-10	Carrying amount NZ$	Interest rate risk			
		-1%		1%	
		Profit NZ$	Equity NZ$	Profit NZ$	Equity NZ$
Financial assets					
Cash, cash equivalents and investments	3,646,448	(36,464)	(36,464)	36,464	36,464
Total increase/ (decrease)		(36,464)	(36,464)	36,464	36,464

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	2011 rating	2010 rating	2011 NZ$	2010 NZ$
Cash at bank, short term bank deposits and investments	AA	AA	**3,920,654**	**3,646,448**
Trade & Other Receivables	Not rated	Not rated	**150,785**	**42,120**
Reinsurance Recoveries	A-	A-	**346,531**	**219,192**
Accrued interest	AA	AA	**44,121**	**35,046**
Government bond New Zealand	AA+	AAA	**547,914**	**509,260**

Aging Table	Not past Due	Past Due but not impaired	Impaired	2011 NZ$
Trade & Other Receivables	30,396	120,389	-	**150,785**
Reinsurance Recoveries	346,531	-	-	**346,531**
Accrued interest	44,121	-	-	**44,121**
Government bond NZ	547,914	-	-	**547,914**

Aging Table	Not past Due	Past Due but not impaired	Impaired	2010 NZ$
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**

Liquidity risk

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

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

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

Maturity Profile Table	1 year or less	1 to 3 years	2011 NZ$
Payables	24,971	-	**24,971**
Outstanding claims	148,935	334,647	**483,582**
GST payable	8,197	-	**8,197**
Provision for tax	14,303	-	**14,303**

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

9) Auditor's remuneration

	2011 NZ$	2010 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.

10) Tax Agent's remuneration

	2011 NZ$	2010 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	**818**	**3,153**

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

	2011 NZ$	2010 NZ$
Operating profit after income tax	435,862	314,564
(Increase)/Decrease in receivables	(3,472)	65,530
(Increase)/Decrease in other assets	(34,006)	3,719
Increase/(Decrease) in payables	64,486	(195,878)
Increase/(Decrease) in provisions	(188,664)	89,919
Net cash inflows from operating activities	274,206	277,854

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 19. 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 2011 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 2011 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.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

Chartered Accountants
& Business Advisers

Unqualified Opinion

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

In our opinion, the financial statements on pages 5 to 19 presents fairly the financial position of the New Zealand Branch as at 31 December 2011 and its financial performance for the year ended on that date.

PKF

PKF

Arthur Milner
Partner

Sydney
17 April 2012

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 2011. We are responsible for the execution of the audit and delivery of our firm's auditors' report. The audit work was completed on 17 April 2012 and an unqualified opinion was issued.