First American Title Insurance Company of Australia Pty Limited
(A.B.N. 64 075 279 908)

Annual Financial Report

31 December 2020

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Directors' Report
31-December-2020

The directors present their report together with the financial statements of First American Title Insurance Company of Australia Pty Limited (the Company) for the year ended 31 December 2020 and the auditor's report thereon.

First American Title Insurance Company of Australia Pty Limited is a for profit Company limited by shares, incorporated in and domiciled in Australia. Its registered office and principal place of business is:
Level 1, Tower B, 799 Pacific Highway
Chatswood, NSW 2067

Directors
The following persons were directors of the Company during the whole of the financial year and up to the date of this report unless otherwise stated:

- Eric Richard Dodd
- Anthony Peter Gill
- Patti Hui-Ting Eyers
- David John Ryan
- George Stone Livermore

Principal activities
The Company's principal continuing activity is the underwriting of title insurance risks. The immediate parent entity is FAF International Holdings GmbH incorporated in Switzerland. The ultimate parent entity is the First American Financial Corporation incorporated in the United States of America.

Dividends
The directors do not recommend a payment of dividend in the current year (2019: $Nil).

Review of operations
A summary of results is set out below:

	2020	**2019**
	$	$
Underwriting operations	6,813,247	6,505,202
Investment operations	249,982	459,401
Other operations	(4,062,833)	(4,154,378)
Income tax expense	(6,886)	(4,335)
Net Profit	2,993,510	2,805,890

COVID-19 continues to have an impact on global economies and financial markets, resulting in significant economic uncertainty and market volatility. It has also led to material structural shifts in the behaviour of the economy and unprecedented actions by financial markets, governments and regulators. The Company continues to monitor the impact of COVID-19 on its operations, control environment and financial reporting as developments arise. Whilst the Company’s business remains fully operational, there have been impacts on the working environment, with the majority of staff working remotely at times throughout the reporting period. All of the Company’s businesses continue to operate in line with government regulations and guidance.

Management has evaluated whether there were any additional areas of significant judgment or estimation uncertainty, assessed the impact of market inputs and variables potentially impacted by COVID-19 on the carrying values of its assets and liabilities, and considered the impact of COVID-19 on the Company’s financial statement disclosures. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note the situation is continuing to evolve.

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 the end of the financial year
The directors are not aware of any matter or circumstance arising subsequent to reporting 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 and expected results of operations
There are no likely developments that have arisen since reporting 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
(A.B.N. 64 075 279 908)
Directors' Report
31-December-2020

Directors' benefits
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.

Proceedings on behalf of the 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
KPMG are the appointed Auditors· in accordance with section 327 of the Corporations Act 2001.

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Rounding off
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest dollar, unless otherwise stated.

This report is made in accordance with a resolution of Directors, pursuant to Section 298(2)(a) of the Corporations Act 2001.

On Behalf of the Directors

DocuSigned by:
Eric Dodd
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Eric Richard Dodd
Director
Sydney
Date: 16 March 2021

DocuSigned by:
Patti Eyers
74402D9828E3448...

Patti Hui-Ting Eyers
Director
Sydney
Date: 16 March 2021

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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

I declare that, to the best of my knowledge and belief, in relation to the audit of First American Title Insurance Company of Australia Pty Limited for the financial year ended 31 December 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graeme Scott
Partner

Sydney
16 March 2021

First American Title Insurance Company of Australia Pty Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31/12/2020

	Notes	2020 $	2019 $
Premium revenue		8,369,438	8,164,102
Outwards reinsurance premium expense		(526,862)	(500,611)
Net premium revenue		**7,842,576**	**7,663,491**
Claims expense and other recoveries		1,165,525	1,778,095
Reinsurance recoveries		(694,514)	(1,155,101)
Net claims incurred	5	**471,011**	**622,994**
Acquisition costs		558,318	535,295
Acquisition costs	7(b)	**558,318**	**535,295**
Underwriting result		**6,813,247**	**6,505,202**
Interest income	6	249,982	459,401
Other income	7(a)	1,578,216	1,204,520
Administration expenses	7(b)	(5,641,049)	(5,358,898)
		(3,812,851)	**(3,694,977)**
Profit before tax expense		**3,000,396**	**2,810,225**
Income tax expense	8	(6,886)	(4,335)
Profit after income tax expense for the year		**2,993,510**	**2,805,890**
Exchange difference on translating foreign operations net of tax effects		(87,871)	61,209
Total comprehensive income for the year attributable to owners of the Company		**2,905,639**	**2,867,099**

The above Statement of Profit or Loss and Other 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 31/12/2020

	Notes	2020 $	2019 $
Current Assets			
Cash and cash equivalents	9(a)	4,002,115	4,787,514
Term deposits	9(b)	21,132,144	16,671,428
Trade and other receivables	10	2,621,368	2,361,915
Reinsurance and other recoveries - Current	11	1,544,405	1,927,315
Intercompany loans - Current	12	440,002	440,000
Other assets	10	177,678	243,988
Total current assets		**29,917,713**	**26,432,160**
Non-Current Assets			
Reinsurance and other recoveries - Non-current	11	5,291,742	5,026,609
Intercompany loans - Non-current	12	0	440,000
Property, plant and equipment	13	768	353
Deferred tax asset	8	1,200,000	1,200,000
Intangible assets	14	43,485	71,744
Total non-current assets		**6,535,995**	**6,738,706**
Total Assets		**36,453,708**	**33,170,866**
Current Liabilities			
Trade and other payables	15	1,400,617	919,479
Outstanding claims - Current	16	2,398,384	2,644,017
Provision for taxation		44,148	40,577
Employee benefit provisions - Current	18	60,423	50,160
Total current liabilities		**3,903,572**	**3,654,233**
Non-Current Liabilities			
Employee benefit provisions - Non-current	18	6,548	6,077
Outstanding claims - Non-current	16	6,096,608	5,969,215
Total non-current liabilities		**6,103,156**	**5,975,292**
Total Liabilities		**10,006,728**	**9,629,525**
Net Assets		**26,446,980**	**23,541,341**
Shareholders' Equity			
Contributed equity	20	15,574,495	15,574,495
Reserves	20	446,911	534,782
Retained earnings		10,425,574	7,432,064
Total Equity		**26,446,980**	**23,541,341**

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 31/12/2020

	Share Capital	Foreign Exchange Reserve	Retained Earnings	Total
	$	$	$	$
Balance at 1 January 2019	**15,573,346**	**473,573**	**4,626,174**	**20,673,093**
Profit after income tax expense for the year			2,805,890	2,805,890
Issue of ordinary shares	1,149			1,149
Other comprehensive income for the year, net of tax		61,209		61,209
Total comprehensive income for the year attributable to equity holders	**1,149**	**61,209**	**2,805,890**	**2,868,248**
Balance at 31 December 2019	**15,574,495**	**534,782**	**7,432,064**	**23,541,341**
Profit after income tax expense for the year			2,993,510	2,993,510
Other comprehensive income for the year, net of tax		(87,871)		(87,871)
Total comprehensive income for the year attributable to equity holders	**0**	**(87,871)**	**2,993,510**	**2,905,639**
Balance at 31 December 2020	15,574,495	446,911	10,425,574	26,446,980

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 31/12/2020

	Notes	2020 $	2019 (Restated) $
Cash flows from operating activities			
Premiums received		8,367,949	7,975,002
Outwards reinsurance paid		0	(500,611)
Claims paid net of third party recoveries		(1,291,780)	(1,928,700)
Reinsurance recoveries		0	1,658,110
Acquisition costs paid		(558,318)	(55,500)
Interest received		337,030	381,647
Management fees and other revenue received		1,588,238	1,164,520
Other expenses paid		(5,234,436)	(5,803,756)
Income taxes received/(paid)		3,570	(6,888)
Net cash provided by operating activities	25	**3,212,253**	**2,883,824**
Cash flows from investing activities			
Net proceeds from (payments for) investments		(4,460,716)	(3,219,549)
Purchase of property, plant and equipment		(959)	0
Payment for software development		(0)	0
Net cash used in investing activities		**(4,461,675)**	**(3,219,549)**
Cash flows from financing activities			
Repayment of loans by related parties		439,999	440,000
Proceeds from share issue		0	1,149
Net cash from used in financing activities		**439,999**	**441,149**
Net (decrease)/increase in cash and cash equivalents		(809,423)	105,424
Cash at the beginning of the financial year		4,787,514	4,665,982
Effects of exchange rate changes on cash		24,024	16,108
Cash and cash equivalents at 31 December		**4,002,115**	**4,787,514**

The comparative information has been restated due to a representation of cash and cash equivalents. Refer to Note 26.
The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
31/12/2020

Note 1 Summary of significant accounting policies

(a) Basis of preparation
This financial report covers First American Title Insurance Company of Australia Pty Limited (the Company). The financial report is presented in Australian dollars, which is also the functional currency.

First American Title Insurance Company of Australia Pty Limited is a Company limited by shares, Incorporated and domiciled in Australia.

Its registered office and principal place of business is:
Level 1, Tower B, 799 Pacific Highway Chatswood, NSW 2067

The financial statements were authorised for issue by the Board of Directors on 16 March 2021.

The Company is a for-profit entity. The ultimate parent is First American Financial Corporation, a company incorporated in the United States of America.

(i) Statement of *compliance*
The financial report has been drawn up as a general-purpose financial report for the purpose of fulfilling the requirements of the Corporation Act 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements of the Company also comply with the International Financial reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

(ii) Use of *estimates and judgements*
The preparation of the financial report requires the use of management judgement, estimates and assumptions that affect reported amounts in the application of policies. The estimates and associated assumptions are based on expertise, experience and various other factors that are believed to be reasonable. Such estimates may require review in future periods. For further details refer to Note 2.

COVID-19 materially disrupted local and global markets during 2020. The ongoing nature of the pandemic has increased the estimation uncertainty in the preparation of these financial statements. The Company has developed a key accounting estimate, outstanding claims liability, in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances, however, there is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact the accounting estimate included in these financial statements.

Notwithstanding, Finity, the Company's Appointed Actuary, have in their report relating to the outstanding claim liability estimate, determined that COVID-19 has not appeared to significantly impact the Company as at 31 December 2020, despite the lowering of the discount rate when compared to prior year. There have been:
No significant changes in business volumes; and
No significant changes in the frequency or average cost of title insurance claims.

(iii) New accounting standards and interpretations
There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial reporting period ended 31 December 2020 or for annual periods beginning after 1 January 2021 that have material impact on the Company other than the below.

AASB 17 Insurance Contracts

AASB 17, a new accounting standard tor insurance contracts, was adopted by the Australian Accounting Standards Board on 19 July 2017 after being Issued by the IASB on 18 May 2017. The standard is expected to be effective for periods beginning 1 January 2023. The first applicable annual reporting period for the Company will be for the year ending 31 December 2023, with the comparative period for the year ending 31 December 2022 and the Statement of Financial Position at the start of the comparative period (i.e. 1 January 2022) also presented under AASB 17.

The standard introduces a new general measurement model for accounting for Insurance contracts, with the application of a simplified approach permitted in certain circumstances. The Company continues to work through the detailed impact assessment of the new standard, and it is expected that most Insurance contracts underwritten by the Company will not meet the requirements of the simplified approach due to their long-term coverage period. Significant changes in the presentation of the financial statements and disclosures are anticipated.

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
31/12/2020

Note 1 Summary of significant accounting policies (continued)

(b) Income tax
Income tax expense comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised,

(c) i Cash and cash equivalents
Cash and cash equivalents as presented in the financial statements comprise of cash on hand and cash at bank.

(c) ii Short term investments
Short term investments are investments in term deposits that earn interest at a fixed rate with a maturity of more than three months.

(d) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(e) Trade and other receivables, including intercompany receivables
Trade and other receivables including intercompany receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss ("ECL").

The Company applies the 'simplified approach' for determining the allowance for ECL, where lifetime ECL are recognised from initial recognition of the receivables. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the receivable. When determining the allowance for ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information based on the Company's historical experience and forward-looking information as applicable. Loss events include financial difficulty or bankruptcy of the debtor, significant delay in payments and breaches of contracts. The ECL is recognised in the income statement.

Trade and other receivables including intercompany receivables are written off against the allowance for ECL when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognised in the income statement.

(f) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; It is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(g) Employee benefits
(I) Wages, salaries and annual leave
Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions (current liabilities) 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.

(II) 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 in accordance with (I) above. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(h) Foreign currency translation
Foreign currency transactions are initially translated into Australian dollars in effect at the date of the transaction or at rates approximating them. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
31/12/2020

Note 1 Summary of significant accounting policies (continued)

(i) Property, plant and equipment
Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably. Property Plant and Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

(j) Maintenance and repairs
Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(k) Depreciation of property, plant and equipment
Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets with annual reassessments for major items.

The expected useful lives for current and comparative periods are as follows:

Furniture & fittings	5 years
Computer and Office Equipment	3 - 5 years

(l) Impairment of non-financial assets
The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there Is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of assets in the CGU (group of CGUs) on a pro rata basis.

(m) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings.

(n) Revenue recognition
The Company generates revenue primarily from premium revenue.

(o) 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.

(p) 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.

Note 1 Summary of significant accounting policies (continued)

(q) Intangible assets and goodwill

(i) Other intangible assets
Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure Is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation
Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Software	3-5 years
Other Intangibles	3-7 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted If appropriate.

(r) Provision for outstanding claims and claim expense

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. Changes in claim estimates are recognised in profit or loss in the reporting year in which the estimates are changed.

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 lability is not expected to exceed the aggregate reinsurance deductible a risk margin is brought to account (refer to Note 16).

Claims expense represents the sum of claim payments and the movement in the closing outstanding claims liability from one financial period to the next. Current year claims relate to loss events that occurred during the current financial year. Prior year claims represent the movement on the estimates held for claims that occurred in all previous financial periods.

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
31/12/2020

Note 1 Summary of significant accounting policies (continued)

(s) Reinsurance and other recoveries
Reinsurance and other recoveries receivable on paid claims, claims reported but not yet paid, IBNR and IBNER are recognised as reinsurance recoveries.

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

(t) Acquisition of insurance contracts
Acquisition costs incurred in obtaining insurance contracts are recognised as an expense. Costs are fully expensed at the date of attachment of the policy.

(u) 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.

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 Profit or Loss and Other 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 statement of cash flow, cash includes cash on hand, and bank, net of bank overdrafts.

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.

Trade and other receivables including intercompany loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss ("ECL").

Refer to Note (e) for more details on how the Company measures the expected credit losses.

(v) Interest income
Interest income is recognised on an accrual basis using effective interest method.

Note 2 Critical accounting judgements and estimates

The Company makes estimates and assumptions in respect of certain key assets and labilities. 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 claim's exposures. However, given the uncertainty in establishing claims provisions, it is likely that the 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. In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis 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; 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 adjusters 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 4.

Note 2 Critical accounting judgements and estimates (continued)

(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.

(c) Deferred Tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Note 3 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 and liquidity risk (Note 17). 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 CPS 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:

- 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. Most insurance contracts written are entered into on a standard basis. There are no special terms and conditions in any nonstandard 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.

(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 16 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 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.

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Note 4 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.

	2020	**2019**
Average weighted term to settlement from claim reported date	0.84 years	1.07 years
Claims handling expense rate	7.5%	7.5%
Discount rate	0.05% pa	0.9% pa
Inflation	n/a	n/a
Prudential risk margin	40%	40%

Process to determine assumptions

A description of the processes used to determine these assumptions is provided below. The overall reserves are valued at a 75% (2019: 75%) level of confidence.

Average weighted term to settlement
The estimated 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 4 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 material variable.

ii) Impact of changes in key variables

		Profit/(Loss) impact	
	Movement In Variable	**Gross of Reinsurance**	**Net of Reinsurance**
		$	$
IBNR factors	+20%	(1,262,610)	(106,087)
	-20%	1,262,610	106,227
Prior expected loss ratios	+10%	(2,069,538)	(177,282)
	-10%	2,069,539	179,253
Discount rate	+1%pa	214,805	25,682
	-1% pa	(226,711)	(26,847)
Claims handling expense rate	+50%	(349,658)	(349,658)
	-50%	349,658	349,658
XOL recoveries rates	+10%	1,023*	3,749
	-10%	-1,023	(3,639)

* reduces due to higher risk margin

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Note 5 Net claims incurred

2020	Current Year	Prior Years	Total
	$	$	$
Gross incurred claims and related expenses			
- Undiscounted including risk margin	2,172,382	(988,554)	1,183,828
- Discounted	2,146,585	(805,495)	1,341,090
Gross of RI, net of third party incurred claims and related expenses			
- Undiscounted including risk margin	2,167,731	(1,159,468)	1,008,263
- Discounted	2,141,934	(976,409)	1,165,525
Reinsurance recoveries			
- Undiscounted	(1,497,142)	937,955	(559,187)
- Discounted	(1,477,430)	782,916	(694,514)
Net Incurred claims	**664,504**	**(193,493)**	**471,011**

2019	Current Year	Prior Years	Total
	$	$	$
Gross incurred claims and related expenses			
- Undiscounted including risk margin	2,081,141	(242,800)	1,838,341
- Discounted	2,011,727	35,936	2,047,662
Gross of RI, net of third party incurred claims and related expenses			
- Undiscounted including risk margin	2,080,810	(512,035)	1,568,774
- Discounted	2,011,395	(233,299)	1,778,095
Reinsurance recoveries			
- Undiscounted	(1,425,966)	462,125	(963,842)
- Discounted	(1,374,021)	218,919	(1,155,101)
Net Incurred claims	**637,374**	**(14,380)**	**622,994**

Note 6 Investment income

	2020	2019
	$	$
Interest	249,982	459,401
Total investment income	**249,982**	**459,401**

Note 7 Other income and expenses

Note 7(a) Other Income

	2020	2019
	$	$
Service Fees	1,578,216	1,204,520
Total other Income	**1,578,216**	**1,204,520**

Note 7(b) Expenses

	2020	2019
(i) Expenses by function		
Acquisition Costs	558,318	535,295
Administration expenses	5,641,049	5,358,898
Total expenses	**6,199,367**	**5,894,193**
(ii) Expenses by nature		
Employee benefit expense	2,542,215	2,413,247
Employee on costs	364,419	451,253
Occupancy costs	115,781	145,651
Depreciation, amortisation and impairment charges	28,803	58,388
Acquisition Costs	558,318	535,295
Professional fees	416,566	491,693
Outside search fees	236,450	254,378
IT related fees	616,875	533,157
Other expenses	1,319,939	1,011,131
Total expenses	**6,199,367**	**5,894,193**

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Note 8 Income tax

	2020	2019
	$	$
Reconciliation between net profit before tax and tax expense		
Profit before Income tax	3,000,396	2,810,225
Income tax at Standard rate of 30% (2019: 30%)	**900,119**	**843,068**
Tax effect of permanent differences	(36,221)	(195,400)
Prima facie tax profit adjusted for differences	863,898	647,667
Benefit of tax losses not brought to account	(1,269,630)	(937,936)
Tax effect of timing differences not brought to account	405,732	290,269
New Zealand tax expense/(refund)	6,886	4,335
Income tax expense	**6,886**	**4,335**
Deferred Tax Asset		
Opening Balance	1,200,000	1,200,000
Benefit brought to account current year	-	-
Income tax expense	-	-
Future benefit brought to account	-	-
Closing Balance	**1,200,000**	**1,200,000**

Income tax benefit
Future income tax benefits attributable to tax losses carried forward of $1,200,000 (2019: $1,200,000) have been brought to account because the directors 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 Company in realising the benefit from the deductions for the loss.

Deferred tax has not been recognised on the remainder of tax losses brought forward of $11,410,092 (2019: $9,989,779)

Note 9(a) Cash and Cash Equivalents

	2020	2019
Cash at bank	4,002,115	4,787,514
	4,002,115	**4,787,514**

Note 9(b) Term Deposits

	2020	2019
Term Deposits	**21,132,144**	**16,671,428**

The term deposits are bearing interest rates between 0.20% and 3.25% (2019: between 1.01% and 3.50%).

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Note 10 Trade and other receivables and other assets

	2020	2019
	$	$
Trade and other receivables		
Current		
Premiums receivable	777,835	780,655
Less: Allowance for expected credit loss	(10,060)	(863)
	767,775	**779,792**
Intercompany receivables (note 23)	1,853,593	1,582,123
	2,621,368	2,361,915
Other Assets		
Current		
Accrued Interest	105,982	193,030
Prepayments	71,696	50,958
	177,678	**243,988**

Note 11 Reinsurance and other recoveries

	2020	2019
Undiscounted expected future recoveries		
- on claims paid	0	0
- on outstanding claims	6,899,314	7,152,419
	6,899,314	**7,152,419**
Discount to present value	(63,167)	(198,495)
Reinsurance and other recoveries	**6,836,147**	**6,953,924**
Reinsurance and other recoveries - current	1,544,405	1,927,315
Reinsurance and other recoveries - non-current	5,291,742	5,026,609
	6,836,147	**6,953,924**

Refer to note 16 for a reconciliation of the movement in reinsurance and other recoveries on incurred claims.

Note 12 Intercompany loans

Financial assets	Year of maturity	2020	2019
		$	$
Current intercompany loan	2021	440,002	440,000
Non-current intercompany loan	2021	0	440,000
		440,002	**880,000**

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Note 13 Property, plant and equipment

		2020	
At cost	**Furniture and Fittings**	**Computer and Office Equipment**	**Total**
At 1 January 2020	23,074	62,664	85,737
Additions		959	959
Disposals	(17,014)	(61,751)	(78,765)
At 31 December 2020	**6,060**	**1,872**	**7,932**
Accumulated depreciation			
At 1 January 2020	(23,074)	(62,310)	(85,384)
Disposals	17,014	61,751	78,765
Depreciation for the year		(545)	(545)
At 31 December2020	**(6,060)**	**(1,104)**	**(7,164)**
Carrying amount			
At 1 January 2020	**-**	**353**	**353**
At 31 December 2020	**0**	**768**	**768**

Note 13 Property, plant and equipment

		2019	
At cost	**Furniture and Fittings**	**Computer and Office Equipment**	**Total**
At 1 January 2019	72,365	582,932	655,297
Disposals	(49,291)	(520,269)	(569,560)
At 31 December 2019	**23,074**	**62,663**	**85,737**
Accumulated depreciation			
At 1 January 2019	(72,243)	(582,275)	(654,518)
Disposals	49,291	520,269	569,560
Depreciation for the year	(122)	(304)	(426)
At31 December2019	**(23,074)**	**(62,310)**	**(85,384)**
Carrying amount			
At 1 January 2019	**122**	**657**	**779**
At 31 December 2019	**0**	**353**	**353**

Note 14 Intangible assets

	2020	**2019**
At Cost	$	$
At 1 January 2020	3,922,466	4,341,827
Disposals	(3,479,138)	(419,361)
At 31 December 2020	**443,328**	**3,922,466**
Accumulated amortisation		
At 1 January 2020	(3,850,722)	(4,296,897)
Disposals	3,479,139	504,137
Amortisation for the year	(28,260)	(57,962)
At 31 December 2020	**(399,843)**	**(3,850,722)**
Carrying amount		
At 1 January 2020	**71,744**	**44,930**
At 31 December 2020	**43,485**	**71,744**

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

Note 15 Trade and other payables

	2020	2019
	$	$
Current		
Other creditors	225,608	161,460
Loans from related entities (note 23)	153,353	0
Salary related accrual	389,155	288,004
Sundry creditors and accruals	421,349	278,986
GST payable	211,152	191,029
	1,400,617	**919,479**

Note 16 Outstanding claims

	2020	2019
	$	$
(a) Outstanding claims liability		
Central estimate	7,833,707	8,078,898
Risk margin	143,011	154,933
Handling costs	587,528	605,917
	8,564,246	**8,839,748**
Discount to present value	(69,254)	(226,516)
Liability for outstanding claims	**8,494,992**	**8,613,232**
Current	2,398,384	2,644,017
Non-Current	6,096,608	5,969,215
	8,494,992	**8,613,232**

(b) Risk margin

Process for determining the risk margin
Risk margin of 40% added to Net Outstanding claims.

Risk margin applied
The discounted risk margin applied for 2020 is $142,044 (2019: $151,512).

(c) Reconciliation of discounted outstanding claims liability

	Gross	Recoveries	Net
2020	$	$	$
Outstanding claims liability brought forward	8,613,232	(6,953,924)	1,659,308
Incurred claims per the Statement of Profit or Loss and Other Comprehensive Income	1,341,090	(870,079)	471,011
Less claims (paid)/recovered	(1,459,331)	987,856	(471,475)
Total outstanding claims liability carried forward	**8,494,991**	**(6,836,147)**	**1,658,844**
2019			
Outstanding claims liability brought forward	8,494,251	(6,919,936)	1,574,314
Incurred claims per the Statement of Profit or Loss and other Comprehensive Income	2,047,662	(1,424,668)	622,994
Less claims (paid)/recovered	(1,928,681)	1,390,681	(538,000)
Total outstanding claims liability carried forward	**8,613,232**	**(6,953,924)**	**1,659,308**

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Note 16 Outstanding claims (continued)

(d) Claims development table

(i) Gross

Policy Year	**Prior years**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
		$	$	$	$	$	$
Estimate of ultimate claims cost:							
At end of policy year		2,015,615	2,436,733	2,076,344	1,920,567	1,999,663	
One year later		1,757,560	1,841,491	1,679,563	1,744,601		
Two years later		1,646,375	1,985,538	1,606,966			
Three years later		1,788,726	1,770,880				
Four years later		1,797,427					
Current estimate of cumulative claims costs	37,960,044	1,797,427	1,770,880	1,606,966	1,744,601	1,999,663	46,879,580
Cumulative payments	36,026,794	1,077,540	1,003,524	498,600	358,854	80,561	39,045,873
Undiscounted	1,933,250	719,887	767,356	1,108,365	1,385,747	1,919,102	7,833,707
Discount	(10,292)	(3,862)	(4,320)	(8,214)	(13,169)	(23,667)	(63,524)
Outstanding claims discounted	1,922,959	716,024	763,036	1,100,152	1,372,578	1,895,435	7,770,183
Claims handling expense (disc)	144,222	53,702	57,228	82,511	102,943	142,158	582,764
Risk margin (disc)							142,044
Total gross outstanding claims							8,494,991

(ii) Net

Accident Year	**Prior years**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
		$	$	$	$	$	$
Estimate of ultimate claims cost							
At end of accident year		500,000	500,000	500,000	500,000	500,000	
One year later		500,000	500,000	500,000	500,000		
Two years later		500,000	500,000	500,000			
Three years later		500,000	500,000				
Four years later		500,000					
Current estimate of cumulative claims costs	6,314,774	500,000	500,000	500,000	500,000	500,000	8,814,774
Cumulative payments	6,193,136	500,000	500,000	348,821	262,514	75,910	7,880,381
Outstanding claims							
Undiscounted	121,638	-	-	151,179	237,486	424,090	934,393
Discount	(139)	-	-	(23)	(60)	(134)	(356)
Outstanding claims discounted	121,498	-	-	151,156	237,426	423,956	934,036
Claims handling expense (disc)	144,222	53,702	57,228	82,511	102,943	142,158	582,764
Risk margin (disc)							142,044
Total net outstanding claims							1,658,844

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Note 17 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. 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 the identification and control of financial risks rests with 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 2020, 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 $250,204 higher/ lower mainly as a result of foreign exchange gains/losses on translations of New Zealand dollar held accounts.

(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 to financial asset and liability is located under the relevant note. Also refer to Note 3 (e) Insurance Contracts - interest rate risk.

At 31 December 2020, 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 $251,343 (2019: $214,589) 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 following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

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Note 17 Financial instruments (continued)

Interest rate risk

31-Dec-20	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	4,002,115	(40,021)	(40,021)	40,021	40,021
Term deposits	21,132,144	(211,321)	(211,321)	211,321	211,321
Total increase/(decrease)	25,134,259	(251,343)	(251,343)	251,343	251,343

31-Dec-19	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	4,787,514	(47,875)	(47,875)	47,875	47,875
Term deposits	16,671,428	(166,714)	(166,714)	166,714	166,714
Total increase/(decrease)	21,458,942	(214,589)	(214,589)	214,589	214,589

Foreign exchange risk

31-Dec-20	Carrying amount $	Foreign exchange risk -10% Profit $	Foreign exchange risk -10% Equity $	Foreign exchange risk 10% Profit $	Foreign exchange risk 10% Equity $
Financial assets					
Cash and cash equivalents	1,196,518	(119,652)	(119,652)	119,652	119,652
Term deposits	1,280,338	(128,034)	(128,034)	128,034	128,034
Reinsurance recoveries	25,186	(2,519)	(2,519)	2,519	2,519
Total Increase/(decrease)	2,502,042	(250,204)	(250,204)	250,204	250,204

31-Dec-19	Carrying amount $	Foreign exchange risk -10% Profit $	Foreign exchange risk -10% Equity $	Foreign exchange risk 10% Profit $	Foreign exchange risk 10% Equity $
Financial assets					
Cash and cash equivalents	1,126,784	(112,678)	(112,678)	112,678	112,678
Term deposits	1,297,249	(129,725)	(129,725)	129,725	129,725
Reinsurance recoveries	86,340	(8,634)	(8,634)	8,634	8,634
Total Increase/(decrease)	2,510,372	(251,037)	(251,037)	251,037	251,037

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Note 17 Financial Instruments (continued)

(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

Credit Quality Table	**2020 rating**	**2019 rating**	**2020 $**	**2019 $**
Trade & other receivables	Not rated	Not rated	2,621,368	2,361,915
Other financial asset -intercompany loan	Not rated	Not rated	440,002	880,000
Reinsurance recoveries	A-	A-	6,836,147	6,953,924
Accrued interest	AA-	AA-	105,982	193,030

Aging Table 2020	**Not past Due**	**Past Due but not Impaired (1 to 180 days)**	**Past Due (180 days or more)**	**2020**
	$	$	$	$
Trade & other receivables	2,061,710	559,539	120	2,621,368
Other financial assets - intercompany loans	440,002			440,002
Reinsurance recoveries	6,836,147			6,836,147
Accrued interest	105,982			105,982

Aging Table 2019	**Not past Due**	**Past Due but not Impaired (1 to 180 days)**	**Past Due (180 days or more)**	**2019**
	$	$	$	$
Trade & other receivables	2,361,915			2,361,915
Other financial assets - intercompany loans	880,000			880,000
Reinsurance recoveries	6,953,924			6,953,924
Accrued interest	193,030			193,030

(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**	**2020**
	$	$	$
Other Payables	1,400,617	0	1,400,617
Outstanding claims	2,398,384	6,096,608	8,494,991
Provisions	60,423	6,548	66,971

Maturity Profile Table	**1 year or less**	**1 to 3 years**	**2019**
	$	$	$
Other Payables	919,479	0	919,479
Outstanding claims	2,644,017	5,969,215	8,613,232
Provisions	0	6,077	6,077

Note 17 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 the accounting policy. Investments are measured at fair value at balance sheet date.

		Fixed Interest maturing in:					
2020	**Note**	**3 months or less**	**3 months to 1 year**	**1 to 5 years**	**Variabale rate**	**Non Intersting Bearing**	**Total**
		$	$	$	$	$	$
Financial assets							
Cash	9(a)				4,002,115		4,002,115
Receivables	10&12	110,000	330,002			2,799,047	3,239,049
Term deposits	9(b)	6,649,623	14,482,521				21,132,144
Total		**6,759,623**	**14,812,523**	**0**	**4,002,115**	**2,799,047**	**28,373,308**
Weighted average interest rate		2.60%	2.60%		Variable		
Financial Liabilities							
Accounts payable	15					1,400,617	1,400,617
Total						**1,400,617**	**1,400,617**
Weighted average interest rate							
Net Financial Assets			**14,812,523**	**0**	**4,002,115**	**1,398,430**	**26,972,691**
Non-Financial Assets							**8,080,401**
Non-Financial Liabilities							**8,606,111**
Net Assets							**26,446,980**

		Fixed Interest maturing in:					
2019	**Note**	**3 months or less**	**3 months to 1 year**	**1 to 5 years**	**Variabale rate**	**Non Intersting Bearing**	**Total**
		$	$	$	$	$	$
Financial assets							
Cash	9(a)				4,787,514		4,787,514
Receivables	10&12	110,000	330,000	440,000		2,605,903	3,485,903
Term deposits	9(b)		16,671,428				16,671,428
Total		**110,000**	**17,001,428**	**440,000**	**4,787,514**	**2,605,903**	**24,944,845**
Weighted average interest rate		6.00%	2.77%	6.00%	Variable		
Financial Liabilities							
Accounts payable	15					919,479	919,479
Total						**919,479**	**919,479**
Weighted average interest rate							
Net Financial Assets		**110,000**	**17,001,428**	**440,000**	**4,787,514**	**1,686,424**	**24,025,366**
Non-Financial Assets							**8,226,021**
Non-Financial Liabilities							**8,710,046**
Net Assets							**23,541,341**

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
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Note 17 Financial instruments (continued)

(f) Fair value of financial Instruments
The following tables detail the company's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable Inputs)

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Term deposits	21,132,144			21,132,144
Total assets	**21,132,144**			**21,132,144**

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Term deposits	16,671,428			16,671,428
Total assets	**16,671,428**			**16,671,428**

There were no transfers between levels during the financial year.

First American Title Insurance Company of Australia Pty Limited
Notes to the financial statements
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Note 18 Employee benefit provisions

	2020	2019
	$	$
Current		
Employee benefits	60,423	50,160
Non- Current		
Employee benefits	6,548	6,076
	66,971	**56,236**
Opening balance	56,236	46,511
Movement	10,735	9,725
Closing balance	**66,971**	**56,236**

Note 19 Capital adequacy

	2020	2019
	$	$
Tier 1 Capital		
Contributed equity	15,574,495	15,574,495
Foreign exchange translation reserve	446,911	534,782
Retained earnings at beginning of the year	7,432,064	4,626,174
Gain for the year	2,993,510	2,805,890
Less intangibles	(1,243,485)	(1,271,744)
Total capital base	**25,203,495**	**22,269,597**
Minimum capital requirement	5,000,000	5,000,000
Capital adequacy multiple	**5.04**	**4.45**

Note 20 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 2020 there were 15,574,495 $1 par value ordinary shares issued and fully paid (2019: 15,574,495).

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

Note 21 Auditor's remuneration

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

	2020	2019
	$	$
KPMG		
Audit services - KPMG	65,100	67,996
Non-Audit services	30,180	42,651
Total remuneration	**95,280**	**110,647**

Note 22 Commitments for expenditure

The company has not engaged with any leases under non-cancellable operating leases.

Note 23 Related parties

Controlling entities
The immediate parent entity is FAF International Holdings GmbH incorporated in Switzerland. 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.

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.

	2020	2019
	$	$
Aggregate amounts receivable/(payable) at balance date from:		
Current		
Other commonly controlled entity	1,853,593	1,582,123
Other commonly controlled entity	(153,353)	0
Intercompany loan - FAF International Property Services (Australia) Pty Ltd	440,002	440,000
The other commonly controlled entity includes a reinsurance receivable balance of $1,447,876.92.		
Non-current		
Intercompany loan - FAF International Property Services (Australia) Pty Ltd	0	440,000
Amounts charged to and received from entities within the group		
Reimbursement of other expenses from ordinary activities (to)/from commonly controlled	(276,286)	(170,002)
Outward reinsurance premium expense paid to First American Title Insurance Company	(526,862)	(500,611)
Outward reinsurance recoveries from First American Title Insurance Company	649,177	1,155,101
IT fee income from related parties within the group	39,667	40,000
Interest received on intercompany loan	40,701	67,100

Key management personnel compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

The directors and other members of key management personnel of First American Title Insurance Company of Australia Pty Limited during the year were:
• Eric Richard Dodd (Non-executive Director, Chairman)
• Anthony Peter Gill (Non-executive Director)
• Patti Hui-Ting Eyers (Director, Chief Executive Officer)
• David John Ryan (Non-executive Director)
• George Stone Livermore (Non-executive Director)
• Daniel Cane (Chief Operating Officer)
• Christopher Evans (General Manager - Sales & Relationships)
• Shellie Hess (Chief Financial Officer)
• Tej Bedi (General Manager- Projects & IT)
• Dan Hogan (General Manager, Risk & Compliance)

The Company has received key management personnel services from a related entity. The amount incurred for the service fee is disclosed below.

	2020	2020
The compensation of key management personnel paid by the Company is set out below:	$	$
Service fees charged by a related entity	844,833	618,990
Directors fees	185,001	178,609
Total compensation	**1,029,834**	**797,599**

Note 24 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 25 Reconciliation of profit from ordinary activities to net cash inflow from operating activities

	2020 $	2019 $
Profit after income tax expense for the year	2,993,510	2,805,890
Adjustments		
Depreciation, amortisation and impairment	28,803	58,388
Net exchange differences	(110,130)	45,101
Net loss on sale of non-current assets	(0)	(84,776)
Change in operating assets and liabilities		
Decrease/(increase) in receivables	(1,489)	(189,099)
Decrease/(increase) in other assets	183,990	(99,388)
(Decrease)/increase in related party loans	(118,119)	267,409
Increase/(decrease) in tax payable	3,570	(2,553)
Increase/(decrease) in payables	344,891	(45,856)
(Decrease)/increase in provisions	(123,509)	118,981
Increase in employee benefits provision	10,736	9,726
Net cash provided by operating activities	**3,212,253**	**2,883,823**

Note 26 Reclassification of Cash and Cash Equivalents

For the purposes of the presentation of the Statement of Cash Flows, cash and cash equivalents in the comparative period has been represented to align with the current year presentation of term deposits in the Statement of Financial Position. The term deposits are shown separately as “Term Deposits” as presented on the Statement of Financial Position. This resulted in a $13,451,879 decrease in the opening cash and cash equivalents balance in 2019, a $3,219,549 decrease in net cash flows used in investing activities in 2019 and a $16,671,428 decrease in the total cash and cash equivalents balance at the end of 2019. There is no material impact on the Company’s financial performance, changes in equity, capital or any other quantitative metric of the Company.

First American Title Insurance Company of Australia Pty Limited
Directors' Declaration
31/12/2020

In the directors' opinion:

a) the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and

c) the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and

d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(A) of the Corporations Act 2001.

On behalf of the Directors

DocuSigned by:
Eric Dodd
C68497B7517E433...

Eric Richard Dodd
Director
Sydney
Date: 16 March 2021

DocuSigned by:
Patti Eyers
74402D9828E3448...

Patti Hui-Ting Eyers
Director
Sydney
Date: 16 March 2021

KPMG

Independent Auditor's Report

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

Opinion

We have audited the ***Financial Report*** of First American Title Insurance Company of Australia Pty Limited ("the Company").

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of Financial Position as at 31 December 2020;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in First American Title Insurance Company of Australia Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Director's Report. The Directors are responsible for the Other Information.

Our Opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express a form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf . This description forms part of our Auditor's Report.

KPMG

KPMG

Graeme Scott
Partner

Sydney
16 March 2021