CCI
Catholic Church Insurance

Annual Report 2015

Contents

Planning for the future is key to sustaining CCI's strong and stable position. To accomplish our goals, our three-year strategic plan is now set and being implemented. The plan reinforces our long-term focus and aligns the entire company to our four key priorities; Growth, Client Connection, Operational Excellence and Engaged People.

Vision

Serving Church

Mission

To provide on-going security to the Catholic Church by identifying and ethically servicing its insurance and related needs.

Values

Honesty,

Fairness,

Commitment to Serve

Company Profile

We're part of Church

Catholic Church Insurance Limited (CCI) has been protecting the interests of the Catholic Church in Australia for over 100 years. As an organisation owned by the Catholic dioceses and religious institutes of Australia, CCI is committed to ethically and compassionately supporting the Australian Catholic community.

Our history

We're a different type of insurance company – a Catholic insurance company. Operating under mutual principles, we put Church interests before company profits. We have a long, proud history of serving the Catholic community and have done so since 1911. In fact, we're one of the oldest insurance companies in Australia.

CCI exists to support the mission of the Catholic Church. From the beginning, our founding principles have remained constant – to develop specialist products and services that meet the needs of the Church, to control insurance costs and to retain any surplus within the Church.

We manage a balance between the prudential demands of running an insurance company and being part of the Church community. Each decision is measured against our values of fairness, honesty and commitment to serve.

CCI operates under not-for-profit principles. When an operating surplus is achieved, a significant proportion is returned to our Catholic clients by way of dividends, distributions and grants. CCI's client distributions are unique in the insurance industry and underpin the principles under which the company operates.

Serving the Church and supporting its mission

CCI actively engages with the wider Catholic community to help support the Church's mission in pastoral, education, health and welfare work. We understand the unique needs and mission of the Church. It requires a specialised insurer who understands how best to serve its community.

Commitment to care

We're there for you when you need us. In the event of a claim, we act promptly, not only to restore or repair the loss, but also to support those who are affected. As a Church organisation, our staff understand the importance of fairness, clear communication and caring service, especially when our clients are experiencing times of distress. Our relationship philosophy is simple – to go the extra mile and to be there when it counts.

Chairman's Report

I am pleased that we have achieved a financial result which allows us to provide appropriately for future claims and meet our prudential requirements.

Paul Gallagher
Chairman

The end of financial year is a significant moment in the life of a company. It is a time to pause and reflect, to consider what has been and, most importantly, to reaffirm our focus on the future.

This year, the imminent retirement of long-standing CEO Peter Rush makes this period even more notable.

Clearly this is a time for celebration. Peter has been an influential leader and the contribution he has made to the company has been enormous. When it comes to technical skill, understanding of the industry and the Church, I would suggest Peter is without peer. Indeed, much of our ability to navigate difficult issues, particularly in recent years, could be directly attributed to Peter's leadership and insight.

He is also one of life's true gentlemen. Peter's focus on the culture of the organisation and his commitment to service and building relationships have shaped what CCI is today, and for that I thank him most sincerely.

In any organisation the relationship between Chair and CEO is an important one. Peter's relationship with me, and with my predecessor Bill d'Apice, has been a strong one characterised by mutual respect and understanding. I have enjoyed working with him immensely and on behalf of my fellow Directors, I wish him well for the future.

This is also a time for renewal, an opportunity to adjust our frame of reference, welcome a new CEO and embrace the next chapter in our company's history. Following the CCI Board meeting in August 2015, the Board announced the appointment of Mr Rob Scenna as the company's new CEO.

Rob's background in the financial services industry and his capability in strategic planning will complement the existing competencies of the senior management of CCI. Rob will take up his appointment on 21 September 2015 and I look forward to introducing him to you all in more detail as the year progresses.

Having served the maximum allowable period of 12 years, Father Brian Lucas will retire from the CCI Board in September this year.

Father Brian's understanding of governance and the law, and his commercial expertise have been invaluable to the Board. However, it is in the area of mission and understanding of the Church that he will be perhaps most greatly missed. Father Brian reminded us of our commitment to shareholders and policyholders and kept us focused on serving Church. On behalf of my other Directors, I thank him for this and his valuable contribution to CCI over the years.

Financially, the company has once again performed well. While it is disappointing not to be in a position to return additional surplus to policyholders this year, I am pleased that we have achieved a financial result which allows us to provide appropriately for future claims and meet our prudential requirements.

Balancing the needs of our policyholders with those of our shareholders is part of the role of the Board, and it is something my fellow Directors and I take very seriously. I am indeed fortunate to lead a group of such exceptionally talented professionals who represent your needs so well.

I would like to thank the Board for their hard work and for their focus on our strategic priorities. In particular, I appreciate their work on the various Board committees covering governance, risk investments, reinsurance and financial reporting.

Every member of the Board plays an important role in the governance process. This year we have been focussed on the management of corporate risk and financial performance. We have supported, and worked with, the Executive Team on the implementation of the company's three-year strategic plan and we have searched for and recruited a new CEO we feel confident will be a wonderful leader for our company.

In closing, I would like to extend my thanks to Peter, the Executive Team and all the staff for their hard work and ongoing dedication. To our loyal shareholders and policyholders, thank you for your continued support. We look forward to serving you and the Church in the coming year.

Paul Gallagher
Chairman

Highlights of the year

- Solvency coverage of almost double APRA's minimum requirement
- Investment return of 6.5%
- Total distributions in the past 37 years of more than $284 million
- First class reinsurance protection which supports policyholders' financial interests
- Positive staff engagement score
- Outstanding Client Satisfaction Index score of 84.4%
- Strengthening of financial reserves
- Payments of dividends to shareholders as well as grants to the ACBC and CRA.

Directors of the Board of Catholic Church Insurance Limited from left to right: Standing: Richard Haddock, Reverend Brian Lucas, Paul Gallagher – Chairman, Tony Killen, Jane Tongs. Seated: Julie-Anne Schafer, Sister Clare Condon, Jo Dawson.

Chief Executive Officer's review of operations

I am pleased to announce a solid result for the financial year.

Peter Rush
Chief Executive Officer

In this, my final report as CEO at CCI, I am pleased to announce a solid result for the financial year. This comes in spite of prolonged periods of increased volatility on investment markets, and a range of economic challenges.

While our overall result is positive, we have achieved a lower than anticipated underwriting result due to a number of factors. Firstly, we've had an increase in our long-tail liability claims. There have also been several substantial property claims from the Brisbane storms in November 2014 and a significant claim from the sad loss of St James Church in the Melbourne suburb of Brighton. This, along with a decision to increase our financial reserves to meet future liabilities has had an impact on the company's end-of-year return and client entity distributions.

Nonetheless, it is pleasing to report that despite the increases to our reserves and the lower than expected underwriting result we have been able to maintain a Prudential Capital Requirement (PCR) ratio of 1.98, almost double APRA's minimum PCR requirement.

Unfortunately, our surplus is not sufficient to trigger our program of client entity distributions this year. We recognise the value our clients place on these distributions and hope to be in a position to reinstate them in the next financial year.

Throughout the year work has continued on the second phase of the company's three-year strategic plan. This important document reinforces our strategic focus and aligns the entire company, from the Board down, behind four strategic priorities.

Selective Growth

To remain a reliable provider of insurance and related services to the sectors and entities of the Catholic Church, growth is critical to our future. Our numbers have increased this year despite the ongoing challenges of finding new opportunities within a sector where we already enjoy high market share. We have continued to concentrate on the aged care area where we have been successful in securing new clients.

Pleasingly, we have also seen a continued increase in the take up and usage of our risksupport services, giving us a greater chance to increase the value and protection we provide to the Church. We have seen particularly high growth in usage of our web-based learning management system, Learning Manager, which now has around 10,000 registered learners.

CCI Personal Insurance has also delivered another great profit result this year...

Our personal lines business, CCI Personal Insurance, has also delivered another great profit this year, influenced by a better than expected claims experience. Customer retention for this area remains on target, however strong pricing pressures and competition driven by a 'soft' insurance market continue to affect the growth and overall performance in this area.

We continue to realise the benefits of changes made to our investment business, CCI Asset Management, in recent years. The fund has had a great year for new business growth, well exceeding its annual target, however we also experienced a number of redemptions which has offset this achievement. This new investor growth is very pleasing considering only entities associated with the Catholic Church are able to invest in CCI Asset Management trusts. It shows an ongoing and strong level of interest in a fund that is able to provide long-term performance and excellent service while maintaining Catholic values.

Client Connection

Building, maintaining and developing new client relationships remains the most important aspect of what we do at CCI. Frequently we seek the input of our clients to find ways to improve and deliver better value.

This year we conducted our Client Satisfaction Index survey, which we do every few years, in order to gather important insights and feedback from our clients on all aspects of the company. We are currently analysing and processing the results and in the year ahead will address the learnings from the Survey. Pleasingly, we achieved a score of 84.4%, which is reassuring.

Several smaller research programs are also planned for the aged care and education sectors in the coming year. We hope this research will enhance our knowledge and understanding of what our clients value and how we can better meet their needs.

We are extremely pleased to be working with the Australian Catholic Bishops Conference's (ACBC) Office for Youth on the planning and execution of the Australian pilgrimage to World Youth Day (WYD) 2016 in Krakow, Poland. WYD is a major activity in the life of the Church in Australia and integral to the engagement of our youth and the overall health of the Church. Our support encompasses insurance, risk management services and funding to help young Catholics make the pilgrimage to Krakow.

We have also increased our investment in Learning Manager. This offers all Church entities a range of interactive training modules to help meet their obligations and stay up-to-date with legislative changes, in response to input from our clients. This is in the area of risk management and our understanding of new and emerging risks.

Sadly, we saw the loss of a Melbourne iconic church earlier this year, St James Church in Brighton. After working with our client to make immediate assessments and to arrange alternative premises for worship and ongoing services, we have now begun the long, but ultimately rewarding program to rebuild this magnificent church and restore it to its former glory.

Operational Excellence

Consistently improving the services we offer to the Catholic community is a priority. We aim to achieve these improvements with the greatest efficiency possible, making the most of our resources, thereby minimising the expenses reflected in premiums.

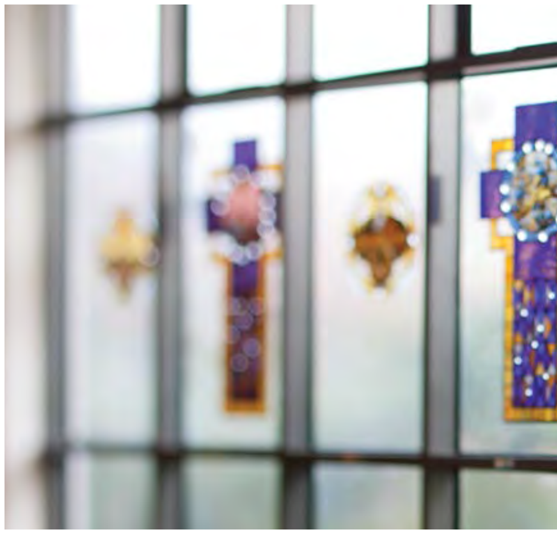
We have begun developing the principles and foundations of an improved operating model. Our aim is to better align the insurance and risk management areas of the business to ensure we deliver maximum value to our clients. While we pride ourselves on our ability to deliver competitive products and services developed to meet the needs of Church, we want to do more than that. The new operating model aims to further enhance client experience and promises to deliver some key improvements to the way we take care of our clients.

There have also been a number of specific operational improvements made within our workers' compensation business. Our trial of new technology to deliver claims information and enhanced services to clients over the web was successful, and has now been launched in full. In addition, the process and technology for managing client renewals for this portfolio in NSW was overhauled, improving documentation and reducing the time to deliver important renewal information.

Changes to the NSW Workers' Compensation insurance scheme proved challenging this year, so I am particularly proud of our work in this area. Not only do these improvements enhance our operational efficiency, they also provide important benefits to our clients in the form of fast, accurate and reliable information presented where and when they need it.

Over the past 12 months we have witnessed a rise in the occurrence and sophistication of cyber-crime with several high-profile public examples of customer data breaches. We continue to develop

Pleasingly, we have received positive feedback from the Royal Commission to our overall handling of these matters.



insurance and risk management services to aid our clients in this critical area. We have also bolstered our own security and defences through a combination of technical improvements and people initiatives.

Enhancements have also been made to our claims management processes and we have begun the task of redeveloping the CCI website for better insurance information and enhanced client processes online.

Engaged people

In the alternating years when we do not conduct our full staff engagement survey, we carry out a 'pulse survey' to check our progress on a number of important measures. Pleasingly, our engagement score remains very healthy and within our acceptable range. There were positive increases in a number of areas as a result of our people seeing and experiencing many initiatives throughout the company.

A key finding from this year's survey was the need to continue to improve communications and, to this end, we have commenced a program of improvements through our intranet.

Career progression was another theme emerging from our pulse survey and we have focussed on this area in response. A series of career workshops were conducted to better understand staff needs and to assist in the development of this area. Our research shows good opportunities to progress within CCI exist, in fact last year more than 30 per cent of all advertised roles were filled by internal applicants.

Our staff wellness program is important for staff engagement and employee retention. Again, this year, improvements to the program and the introduction of several new initiatives based on feedback were well received by our staff.

In the area of workplace gender equality, we passed an important milestone recently with females now holding more than 40 per cent of leadership positions across the company. An analysis of staff turnover and unplanned leave has also revealed very healthy trends in both areas, further evidence that CCI remains a great place to work.

Investments

CCI again met its investment objective for the year as the portfolio realised the benefits of a well-diversified and prudent

investment approach. This enabled the portfolio to generate strong investment income in what was a low yielding environment. The exposure to growth assets was the main driver of returns and we continued to maintain our hedging strategy to protect us in the event of a negative market.

The investment part of our business continues to be well managed and has a high level of governance from the Board down. Despite market volatility, especially in the later half of the year, investment performance was above budget – a pleasing result in difficult circumstances. Over the year, we made further improvements to our in-house research capability which complements that of our external advisors.

Commissions and Inquiries

CCI has continued to work with the Church's Truth Justice and Healing Council and to respond appropriately to the many requests for data and information from the Royal Commission into Institutional Responses to Child Sexual Abuse.

The structures CCI has developed to ensure an appropriate and timely response to the many demands and issues arising from the Royal Commission and other state-based inquiries, have been successful and we are committed to assisting in any way we can, now and in the future.

Pleasingly, we have received positive feedback from the Royal Commission to our overall handling of these matters.

Probably as a result of the work of the Commission, we have seen a growth in the number of historical claims for sexual abuse, to which the company has responded appropriately and positively. CCI remains fully reserved to meet the current and future liabilities in this part of our business.

Summary

Finally, as you are no doubt aware, I will be retiring at the end of 2015. By the time I reach this milestone, I will have worked in the insurance industry for 43 years. Almost 35 of these have been with two great companies, Munich Reinsurance and Catholic Church Insurance. I can't help thinking how fortunate I have been.

Over the years I have had outstanding mentors, worked with remarkable people and been able to play some small part in the development of this great company. I won't go into too much detail here but should you care to read more of my thoughts please turn to page 14.

I would like to take this opportunity to welcome the company's new CEO, Mr Rob Scenna. Rob and I will work closely together until my retirement and I am extremely pleased to be able to help him move into the role.

I would also like to extend my thanks to the Board of Directors and our Chairman, Paul Gallagher, for their contribution and support over the year. In particular, I would like to thank and congratulate CCI's managers and staff for their hard work and commitment, in what has been a busy and sometimes challenging year. I am fortunate to receive great support from the executive managers of the company.

In closing, to our clients and our shareholders, thank you for your loyalty and support. I wish you all the very best for the future.

Peter Rush
Chief Executive Officer

Corporate governance statement

For the year ended 30 June 2015

This statement sets out the main corporate governance practices in operation throughout the year unless otherwise indicated.

The Board of Directors

The Board of Directors is responsible for the corporate governance practices of the company including:

- the appointment and periodical review of the performance of the Chief Executive Officer
- setting the strategic direction, reviewing and monitoring progress, and refining the direction where considered appropriate
- establishing and monitoring the achievement of goals and targets
- ensuring regulatory compliance and adequate risk management processes, including internal controls and external audit reports
- nominating and appointing Directors when vacancies occur or when special skills and expertise are required, and
- reporting to shareholders.

At the date of this statement the Board is comprised of 8 non-executive Directors including the Chairman. The company has no executive Directors.

The Constitution provides:

- for not less than three nor more than eight Directors
- that one third of the Directors retire by rotation at each Annual General Meeting. Retiring Directors may be eligible for re-election, and
- that Directors who have been appointed since the last Annual General Meeting hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Board Committees

To assist in carrying out its responsibilities, the Board has established a number of committees of Directors and other persons co-opted for the purpose who meet regularly to consider various issues. All committees must have a quorum of 50% of members and report and make recommendations to the Board.

The Board committees are Audit, Risk Management & Compliance, Budget, Directors' Governance, Investment, Reinsurance and Remuneration. The Audit, Risk Management & Compliance Committee ceased on 1 January 2015 and was replaced by the separate Audit Committee and Risk Committee, effective from this date.

Audit Committee

The Chairman of the Board may be a member of this committee but cannot chair the committee.

The members of this committee must satisfy themselves as to the adequacy and independence of the internal and external audit functions.

The members of this committee must have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, the company's Appointed Auditor and Appointed Actuary at all times.

This committee must invite the company's Appointed Auditor and Appointed Actuary to meetings of the committee.

This committee must establish and maintain policies and procedures that allow employees of the company to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

The role of the Audit Committee is to:

- review the company's annual accounts and the external auditor's annual report
- review the appointment of the external auditor and actuary
- review the scope of the external and internal audits
- review the reports of the external and internal auditors to assess internal controls and monitor for suitability, reliability and compliance
- review the external auditor's management letter and management's response
- review the Statement of Integrity of Financial Reporting from the Chief Executive Officer and the Chief Financial Officer, and
- review APRA reports and management's response, and review APRA mandated policies.

Risk Committee

The Chairman of the Board may be a member of this committee but cannot chair the committee.

The members of this committee must have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, the company's Appointed Auditor and Appointed Actuary at all times.

This committee may invite the company's Appointed Auditor and Appointed Actuary to meetings of the committee.

The role of the Risk Committee is to:

- ensure effective oversight of material risks to which the company is or may be exposed, and oversee the risk management and control systems for adequacy and effective function
- oversee the governance, risk management and compliance framework
- ensure compliance with the Insurance Act, APRA guidelines and other relevant legislation
- monitor the company's compliance with the Risk Management Strategy, Capital Management Plan, Reinsurance, Risk Appetite Statement, Business Continuity Plan, Internal Capital Adequacy Assessment Process and other governance and risk related policies
- review the Compliance Plan and assess reports on compliance with relevant legislation, regulations, standards and the insurance industry General Insurance Code of Practice (as amended from time to time) and,
- ensure safeguards are in place for the independence of the Chief Risk Officer.

Budget Committee

This committee reviews the revenue, expense and capital budgets prepared by management and makes recommendations to the Board.

Directors' Governance Committee

The role of this committee is to make recommendations regarding the size and composition of the Board, the range of skills required, retirement age and maximum term of office.

The committee also monitors Board effectiveness, plans for Directors' retirement and identifies and recommends suitable candidates for appointment to the Board.

Key Church and professional personnel skilled in particular areas may be co-opted as appropriate to assist the committee in its deliberations.

Investment Committee

The Investment Committee is responsible for the direction and monitoring of the investment portfolio, subject to the objectives, controls and limits approved from time to time. The mandate includes the specific responsibilities to:

- examine the percentages of the present asset mix in the portfolio and direct management to make changes, subject always, to the controls and limits specified by the Board
- engage the services of professional advisers as appropriate to assist in determining the parameters for the different sectors of the portfolio and to set those parameters in consultation with the Board
- periodically review the appropriateness of selected parameters and recommend to the Board any adjustments considered necessary
- be available for consultation by management in relation to any matters affecting the portfolio or in selection of any particular investment, and
- ensure that reports from management are adequate to determine compliance with policy and the performance of the investment operation.

Reinsurance Committee

The role and responsibility of this committee is to make recommendations to the Board regarding:

- formulation of the Reinsurance Management Strategy including reinsurance policy and objectives, and the establishment of controls, retentions and limits
- empowering management to make reinsurance decisions, consistent with policy and to take advice from external experts as appropriate
- ensuring that reports from management are adequate to determine compliance with the policy which will include compliance with statutory and regulatory requirements, and
- education programs to ensure an understanding of the level of uncertainty in catastrophe models and the approach used to manage catastrophe risk exposures.

Remuneration Committee

The responsibility of this committee is to review and make recommendations on the job evaluation, remuneration reward systems and policies of the company using the advice of external consultants as appropriate.

Directors' arrangements with the Company

The Constitution provides that a Director or a firm or company with which a Director is associated may enter into an arrangement with the company. Directors or their firms or companies may act in a professional capacity for the company other than to act as an auditor of the company.

These arrangements are subject to the restrictions of the Corporations Act 2001. Professional services so provided must be conducted under normal commercial terms and conditions.

Disclosure of related party transactions is set out in the notes to the consolidated financial statements.

Directors make an annual declaration as to their suitability to act as a Director in accordance with the company's Fit and Proper policy and confirm their status at each meeting of the Board. Any potential conflict of interest is declared and recorded in the Conflicts of Interest Register.

It is the practice of Directors that when a potential conflict of interest may arise, the Director concerned does not receive a copy of the information contained in Board papers, and that Director withdraws from the Board meeting whilst such matter is being considered and subsequently takes no part in discussions nor exercises any influence over other members of the Board.

Workplace Gender Equality Agency

Under the Workplace Gender Equality Act 2012 (WGE Act), all non-public sector employers with 100 or more employees are required to report annually.

The WGE Act aims to promote and improve gender equality outcomes for both women and men in the workplace.

The company adheres to the WGE Act and has lodged its annual report to the Workplace Gender Equality Agency. A copy of the report can be accessed by following a link on our website located at: www.ccinsurance.org.au/about/annual-reports.htm

Introducing our new CEO

Roberto Scenna is a senior executive with over 20 years experience in financial services (trustee services, asset management, wealth management, banking), management consulting and aviation.

Prior roles have included Managing Director ANZ Private Wealth, Managing Director ANZ Trustees, Managing Director Super Concepts and various Chief Operating Officer positions. Rob's portfolio also includes executive director roles on the Boards of ANZ financial advice companies.

Rob has a passion for developing strong relationships with customers, building energised and engaged workplaces and developing solutions that enable businesses to directly benefit communities.

Rob's work in the community sector has included advising international development, aged care and philanthropic organisations. Rob is a graduate of the 2013 Leadership Victoria – Williamson Community Leadership Program.

He is married with 2 children aged 7 and 4.

Peter Rush retires

Our CEO Peter Rush retires in December 2015. After a career in the insurance industry spanning more than 40 years, 18 of those with CCI, it's time to share some of his story before we say goodbye.

Peter's insurance career began in Ballarat in 1973, when he was appointed to a 'middle management' position with a large insurer. His responsibilities included pasting endorsements onto policies, delivering mail and collecting waste paper, which he says quickly taught him two things. First, there was no great future in a regional office and second, his HSC level of education was just not going to 'cut it'.

He transferred to Melbourne in 1974, ready to increase his work experience and pursue further education. In 1982 he joined the world's largest reinsurance company, Munich Reinsurance (Munich Re). It was the beginning of a wonderful 16-year involvement in what he describes as the "most interesting part of the insurance landscape."

"Munich Re was a terrific training ground both professionally and personally," says Peter. "Under the informal mentorship of Norman Griffiths, I learned valuable lessons which have guided me to this point."

During his time at Munich Re, Peter had several attractive job offers, including the opportunity to open an insurer's operations in China, but none of them was sufficient to draw him away. That was until the end of 1997, when Peter and Norman identified an anonymous vacancy relating to CCI.

With Norman's encouragement, Peter applied and was appointed Manager – Underwriting, Reinsurance and Risk Management for Catholic Church Insurances in January 1998.

Within a year, CCI's General Manager had moved on and Peter decided to throw his hat into the ring, although he says he had no great confidence in his success. It was to be a pivotal moment in his career. In January 1999, then Chairman, Bishop Kevin Manning, appointed Peter the sixth General Manager of CCI.

"I told Bishop Manning I felt there had always been some calling for me to work for the Church, having previously spent a short period of my adolescent life training as a Christian Brother," he says.

Before joining CCI, Peter felt he had a reasonably good understanding of the philosophy of the company, CCI had after all been his client at Munich Re, but he was greatly mistaken.

"What I discovered was a company which had, in the short period since the retirement of Chris O'Malley, adopted a commercial focus and had big plans to continue down that path," he says.

"As the new GM, my priority was to change that emphasis and realign CCI with the Catholic community," he says. "I have been working under that principle, both formally and informally, ever since, and have found it rarely misguides me."

"Not only is this Catholic focus a unique feature in the highly competitive world of insurance, I think it grounds the company's decision making process. Ensuring we always have the interests of the Church firmly in our sight," he says.

"That does not mean we pay every claim nor satisfy every insurance issue, but it encourages us to serve the Church."

In 2001, the company formally adopted the vision statement 'Serving Church'. Only recently, Peter says he was thanked for "keeping CCI Catholic", a compliment which indicated a great understanding of what he has tried to do.

"I see this as the great imperative for the future success of the company," he says. "CCI must remain relevant to the Catholic Church and continue to support her in any way it can."

As Peter heads into retirement he says he feels positive and excited, with a tinge of apprehension. It is "unchartered territory".

"I find it difficult to envisage a more rewarding role than mine," he says. "I've had the opportunity to work with the people of the Church, both religious and lay, and their warmth and respect has lifted me and encouraged me."

"I have learnt much over the past 18 years. Quite apart from the technical aspects of my role, it has taught me to be humble, recognising the small part I play in the Church, and to be patient and tolerant, which my wife, Mary, says are not my strengths. I do try to lead by setting a good example."

"I have loved interacting with our clients at all levels, especially when I have something to tell them, and the many and varied challenges of my role. I enjoy being with people, whether they are my clients, business partners or colleagues."

"Since 1998, the company has become incredibly strong. It has strong relationships with its clients and business partners; it is very strong financially, with an excellent capital position and is well reserved for future liabilities; it has strength in its people and has a clear

Left to right: 1998, 2000, 2005, 2008, 2011, 2015

direction for the future; its governance regime at both Board and management levels is excellent, probably industry-leading."

For Peter however, it is the quality of relationships that is the true measure of the company's strength, whether they be with the leaders of the Church, business managers in dioceses and religious institutes or business partners.

"I often comment to my colleagues that CCI is in the 'relationships business' and I believe the company will stand or fall on this measure," he says.

"In addition to those I have mentioned previously, I wish to acknowledge the unwavering support of Chairmen Bill d'Apice and Paul Gallagher, who have guided and encouraged me and their fellow directors. They have allowed me to grow and develop, to make mistakes without fear, and to lead in my own way. I am grateful for their mentoring."

"I have been blessed with outstanding managers, who have always made me look better than I am. Their contribution to the success of the company is often unacknowledged, but they have supported and lifted me and I am enormously indebted to them. I thank them and all CCI's staff who work hard day-in-day-out to achieve the success the company enjoys."

"I would also like to take the opportunity to acknowledge my wife, Mary, who has been a wonderful support and selflessly allowed me to pursue my own life, and our children who have borne the consequences of my career, and to thank them most sincerely. It is now time to repay that support."

Peter Rush will continue to be involved in the business until the end of 2015 during which time he will assist new CEO Rob Scenna with his transition to the role.

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Working with our clients

From left to right – Amanda Smith (Diocese of Ballarat), Jessica Denehy (Archdiocese of Melbourne), Chris Hall (CCI), Russell Windebank (Cosmos), James Camden (Diocese of Parramatta), Gabrielle Sinclair (ACBC Office for Youth)

ACBC Office for Youth Director, Malcolm Hart and CCI's Chris Hall in front of Krakow Cathedral.

Stepping up for World Youth Day 2016

Over the past year, CCI has developed an exciting partnership with the Australian Catholic Bishops Conference (ACBC) Office for Youth and is now heavily involved with the planning and execution of the Australian World Youth Day 2016 pilgrimage to Krakow, Poland.

CCI's support includes provision of a comprehensive risk management program delivered by our risk management specialists, insurance protection and advice, and financial assistance to help young Catholics who would otherwise not be able to attend World Youth Day (WYD).

In early June, CCI Risk Consultant Chris Hall travelled to Poland with the Office for Youth on a familiarisation pilgrimage with representatives from archdioceses, dioceses, religious orders and Catholic education offices. The group visited cities, towns and religious sites across Poland including Warsaw, Czestochowa and Wadowice, the birthplace of Pope John Paul II, spending time in the places young pilgrims will visit next year. They also met with key stakeholders including the Australian Embassy and the local WYD office to talk through the plans and preparations being made for the event.

"I was there to help the Office for Youth Director, Malcolm Hart and Project Manager Gabrielle Sinclair assess both operational and strategic risks," says Chris. "This included evaluating the physical safety measures in place at each site, including disability access, right through to what might be required to prepare young people mentally for a visit to a site like Auschwitz, and many other potential risks."

Chris says he was struck by the deep sense of spirituality that pervades so much of life in Poland, and the way the people revere Pope John Paul II.

"We celebrated the Feast of Corpus Christi (a public holiday in Poland) in Krakow, joining local celebrations and a procession through the Old Town where thousands of people lined the streets," says Chris. "That level of spiritual devotion is not something we see in Australia, and I think this will be such an experience for young pilgrims."

"Chris's presence in Poland has been extremely valuable to the Office for Youth and all pilgrimage group coordinators," says Malcolm Hart, Director, Office for Youth. "His understanding and experience of both risk management and the pastoral needs of a Church pilgrimage have been exceptional."

Since the trip Chris has continued to work closely with the Office for Youth. He now has regular monthly meetings with Malcolm and will present on the learnings from the pilgrimage at the next gathering of the Australian WYD committee and pilgrim coordinators in Sydney in September, their next training session.

CCI is currently co-writing an online learning course with the Office for Youth to provide best practice risk advice specific to WYD 2016 in Krakow. The course will be delivered by CCI through our web-based learning platform, Learning Manager, and will be rolled out nationally to pilgrim coordinators by both the Office for Youth and CCI.

The RiskSupport team are also working with the Office for Youth on a risk assessment and profiling exercise around WYD as a whole.

"The planning and execution of a WYD spans a two to three year period, so we are working with the Office for Youth to assess the risks that impact the Office's organisation of the whole project, says Chris. "From the physical location of the next WYD, through to resourcing and logistical challenges and liaising with stakeholders such as Department of Foreign Affairs and Trade and local organising committees."

"These are new and exciting opportunities for CCI," says Chris. "And it's a chance for us to not only talk about risk but also to listen directly to clients, better understand their individual circumstances and see how we might be able to assist them regarding WYD. This really is the beginning of the journey for all of us."

Rebuilding a Church treasure

In March 2015, fire destroyed one of Melbourne's oldest churches, the 123-year-old St James Church in Brighton. The community was devastated. The intensity of the fire caused the church's pine roof to collapse and the interior, including windows, altar, fine artworks and parish organ, were completely destroyed.

The fire happened in the lead-up to one of the busiest times of year for the Parish, with its Easter services usually attracting thousands. CCI was on site immediately to provide support, assess the damage and put plans in place to get services back as soon as possible.

"One of our primary goals in those early days was to find an alternate home for the parish," says Effie Valavanis, Manager Property Claims at CCI. "We were fortunate to be offered the Star of the Sea Chapel at Star of the Sea College next door, and this meant services were up and running almost immediately."

The parish will continue to operate from the chapel until the church can be reinstated, a process which is expected to take at least two to three years.

"The parish and the archdiocese want to rebuild St James as it was before the fire," says Effie. "Part of our role has been to work with everyone involved to establish reasonable time frames and expectations around this."

"This is the largest single property claim in CCI's history," she says. "After the fire only the four walls of the Church were left standing (thankfully given the all clear by the structural engineers). Rebuilding is a lengthy process and it's part of our role to ensure the client understands how it's likely to unfold."

A large-scale rebuilding such as this needs to be undertaken in stages. There's an enormous amount of specialty work required and in this case, heritage considerations. St James is classified by Heritage Victoria so a conservation architect has been engaged by the parish. CCI meets with the architect on site every few weeks, along with representatives from various committees of the Archdiocese of Melbourne, the parish priest, assessor and structural engineer.

Initially, recovering as much damaged property as possible from the site was priority. This labour intensive work involves manually sifting through the rubble to search for anything that might be salvageable. Fortunately much of the sandstone façade is intact, but some additional stone will need to be sourced as the build progresses.

"The fact that St James was such a popular Church for weddings and events means there are plenty of images around to show us what everything looked like, and this is proving to be very helpful," she adds.

"We are extremely pleased to be able to work with the parish and the archdiocese, providing our support and guidance during such a challenging time," says Effie. "We hope to be able to deliver a result that meets everyone's expectations and we look forward to the day when the parish is home once again in their beloved church."

Learning from experience

Two years ago CCI RiskSupport launched Learning Manager, a web-based learning management system offering parishes and other Church entities a range of interactive training courses to help them meet their obligations, and stay up-to-date with legislative changes.

Today, we are nearing the 10,000 mark for enrolments with clients taking courses in more than a dozen subject areas including Work Health and Safety, privacy, due diligence and driver safety.

"We identified early on that our clients needed a flexible, cost-effective way of training their workers, especially workers who were spread over a wide geographic area," says CCI Risk Consultant, Graham Porter.

"Many of the clients now using Learning Manager would struggle to deliver a similar level of training face-to-face due to resourcing and pricing issues," he says.

"For example, one of our large education clients came to us in late 2014 wanting to find a way to deliver consistent training to their 12 colleges spread over three states," says Graham.

"We worked with them to map out a program delivering three online courses each school year covering our camps and excursions, work health and safety and bullying and harassment courses. Their 2,000 workers are reporting a 95 per cent completion rate for the first two courses and they are ready to plan the program for next year. It's a very pleasing result for everyone."

One of the other benefits to the Learning Manager courses is that, unlike most other providers, they are tailored specifically to a Church environment, using examples and scenarios that are easily relatable.

The list of courses is constantly growing, with the most recent addition being a new driver safety awareness course, generating plenty of interest.

The team is currently working on a World Youth Day course for pilgrim coordinators and a protection of children and vulnerable adults course for the education, health and welfare sectors.

They are also working with the Office for Employment Relations on a course that will provide a general introduction to Church and Church teachings for workers who come into the sector without a Catholic background.

"Learning Manager is part of our commitment to helping clients better understand and manage their risks," says Graham. "We are pleased to be able to offer this service and look forward to building on and developing the program over the coming year."

A focus on the future

Ensuring we are well placed to meet the changing needs of Church is a priority for CCI. During 2015, we continued to work on year two of the company's three-year strategic plan, an integral document which aligns the entire company, from the Board down, behind four key priorities as outlined in the model below.

We made significant progress in our first year. We reviewed and restructured key client processes, including data collection and claims notification. We built new websites and we invested in new technology in areas such as claims and workers' compensation to enable our clients to access services online.

This year, our second year of implementation has also been a busy one. The way we engage with our clients continues to be a high priority, in particular how this might be improved through greater connectivity. Over the year we made a number of improvements to our online services and invested in our technical infrastructure as a way of deepening our connection to the various Catholic entities we serve.

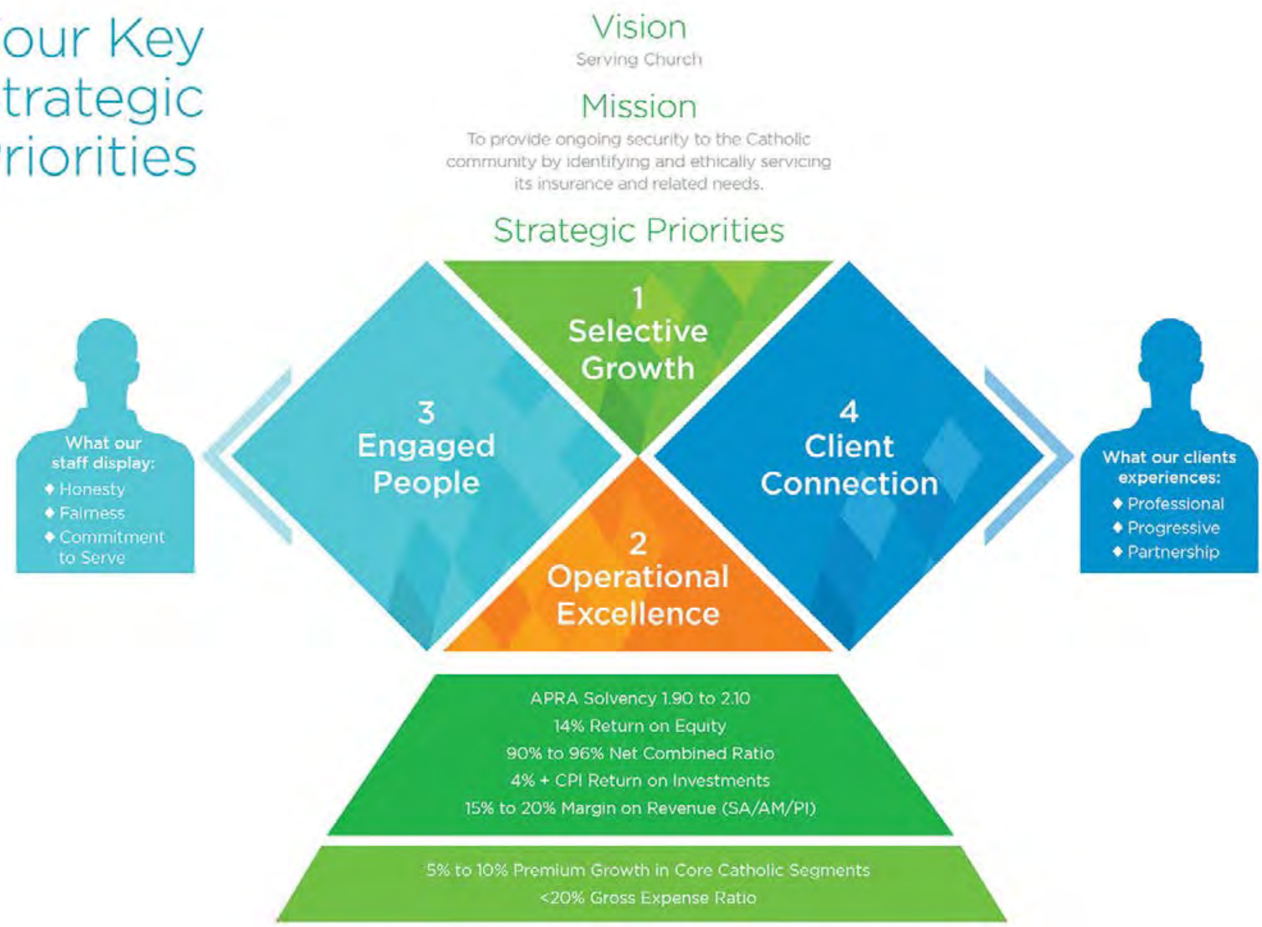
In an effort to seek out new growth opportunities we worked to enhance our services to the aged care sector.

Enhancements were made to our already substantial program of risk management resources over the year including publications, forums, workshops and our online learning management system. We continued work on one of our major operational projects which aims to streamline several key internal processes in order to provide faster service. We also embarked on a company-wide review aimed at improving our documentation and making it easier to understand.

Looking forward...

Making sure our operations are geared towards providing value to clients is our major focus currently. Exciting developments were made during the final stages of the financial year and clients can expect to see these come through in the very near future. We are also committed to continuing our leadership development program, building on and improving staff engagement, and ultimately the client experience.

Four Key Strategic Priorities



Highlights from the Catholic Community

Ninth Archbishop of Sydney installed

The Most Reverend Anthony Fisher OP was installed as the ninth Archbishop of Sydney during a solemn Mass of Installation at St Mary's Cathedral, Sydney on 12 November 2014.

President of the Australian Catholic Bishops Conference, Archbishop Denis Hart concelebrated the Mass and described Archbishop Fisher as a "gifted teacher whose gifts and vision will bring people to a vibrant appreciation of Catholic life, and will help our young people and families to move forward together in our modern society".

In his homily, Archbishop Fisher asked: "What will this Archdiocese look like when, God willing, I retire in 2035?"

"My hope," he said. "Is for a Church in which the gospel is preached with joy, the wisdom of our tradition mined with fidelity, the sacraments celebrated with dignity and welcome, and the seminaries, convents and youth groups are teeming with new life."

In May 2015, the Vatican announced Archbishop Anthony's appointment to the Congregation for the Doctrine of the Faith, the body responsible for promulgating and defending Catholic doctrine.

Also in May, the Australian Catholic Bishops Conference (ACBC) elected Archbishop Fisher to chair the new Bishops Commission for Family, Youth and Life; member of the Permanent Committee of the ACBC (the Executive); member of the Supervisory Group of the Truth, Justice and Healing Council; and member of the Bishops Commission for Catholic Education. He remains the Bishops Delegate for Youth.

Welcoming a new Apostolic Nuncio to Australia

In February 2015, His Holiness Pope Francis appointed as Apostolic Nuncio to Australia, His Excellency Archbishop Adolfo Tito Yllana, Titular Archbishop of Montecorvino and until now Apostolic Nuncio to the Democratic Republic of Congo.

President of the Australian Catholic Bishops Conference Archbishop Denis Hart welcomed the appointment of Archbishop Yllana to Australia.

"For the bishops, priests, religious and people of our country, I am deeply grateful to Pope Francis for his nomination of Archbishop Adolfo Yllana, as Apostolic Nuncio to Australia, to succeed Archbishop Paul Gallagher. It is an indication of the Holy Father's love and concern for us all," he said.

Archbishop Yllana brings wide and diverse experience, great faith and priestly gifts. We assure him of a warm and enthusiastic welcome upon his arrival and service here in Australia.

Australia's newest Catholic parish

This year, the Catholic Diocese of Wollongong celebrated the opening of Australia's newest Catholic parish, and the first new territorial parish in the Diocese for more than 21 years.

The Bishop of Wollongong, Bishop Peter Ingham, announced the new parish in Oran Park on 22 June.

"It is indeed a joyful time for those living in this beautiful part of South West Sydney, one of the fastest growing regions in Australia," said Bishop Peter.

"Many families are blessed to have lived in this area for years, and now we welcome another pioneering generation as new suburbs open all around us. The establishment of St Mary MacKillop Catholic Parish reflects the vibrancy of the Diocese and its more than 190,000 Catholics."

St Mary MacKillop Catholic Parish, so named after Australia's first canonised Saint, takes in the suburbs of Oran Park, Catherine Field, Harrington Park, Harrington Grove, Gregory Hills, Leppington, Marylands, Lowes Creek and parts of Bringelly, Rossmore and Leppington North. Well recognised as one of the highest growth areas in NSW, the new parish will service a rapidly expanding and vibrant community.

Founding priest, Fr David Catterall, was joined by over 600 people on 19 July for the inaugural Sunday Mass. When the large crowd outgrew the original venue, the community threw open the doors of the school library at St Justin's Catholic Primary School Oran Park to accommodate all the well-wishers.

Fr David summed up the overwhelming scene in his homily saying: "Today, we make the words of St Peter to Jesus at the transfiguration our own as we recognise how 'wonderful it is for us to be here' – how wonderful it is for you and for me to be invited by the Lord to be a part of this new beginning not only for our faith community, but also our Diocese and our Universal Church."

The establishment of the new parish has been welcomed with great excitement by the two newest Catholic schools in the Diocese – St Justin's Catholic Primary School and St Benedict's Catholic College, both in Oran Park. At the inaugural Mass held at St Justin's, Fr David announced that St Benedict's Catholic College will carve the wooden altar for the new Church.

Work will soon commence on the new purpose-built Parish Centre and Worship Space (next to the site of St Justin's Catholic Primary School), which will operate as the Church and parish centre. It will be replaced by a more permanent structure as the community grows. The building is scheduled to open in late 2015.

Remembering Barbara Moore

In 2015 we lost one of our valued colleagues, Barbara Moore. Barbara worked as a Client Liaison Officer in our Brisbane office from early 2008 and was a very valuable and popular member of the team.

Born in Manchester, England, Barbara and her family arrived in Australia in 1968, settling in Wollongong (apparently against her wishes at the time!), where many of her friends and family still live. It was in Dapto, just outside Wollongong, where she chose her final resting place.

Barbara was married to Adrian and they have one son, Phil, who describes his mother as "special, kind, generous and fun-loving." She loved spending time with her nieces and nephews and bringing all her family and friends together.

Although not materialistic, Barbara was famous within her family for her love of shoes. She loved shopping, but really only so she could spend time with family and friends, rather than buy herself things.

Barbara worked in insurance for many years before joining CCI and was highly regarded within the industry for her professionalism, knowledge and, most importantly, her enduring friendships. She built very close relationships with all the CCI team in Brisbane, particularly with her dear friend Kaylene Cooper. She was also very much loved by her clients. This was evident in the many heart-felt messages of condolence we received at the time of her passing.

Barbara is greatly missed, particularly by the Brisbane team, who say it is still difficult to believe she won't ever be joining them again for chats over morning tea. Our thoughts and prayers are with Adrian, Phil and her family and friends.

Directors' Report

The Directors of Catholic Church Insurance Limited (the "company") have pleasure in presenting their annual financial report on the company and its controlled entity for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of Directors in office at any time during the year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

- Paul A Gallagher (Chairman)
- Sister Clare T Condon
- Jo Dawson
- Richard M Haddock
- J A (Tony) Killen
- Jane A Tongs
- Reverend Brian J Lucas
- Julie-Anne Schafer
- Peter A Rush *(Alternate Director for Reverend Brian J Lucas)*
- Dominic P Chila

Names, qualifications, experience and special responsibilities

Paul A Gallagher
B.COMM, FCA, GAICD

Paul joined the Board in October 2007. He is a partner at BDO (QLD) in the Audit and Assurance Services division. He is responsible for the audit of a significant number of the firm's clients in a broad range of industries. His expertise is in the area of statutory and special purpose audits, special investigations, due diligence and corporate governance. Paul's other Directorships include the Queensland Investment Corporation and the Brisbane City Council – Field Services Division. He is currently the chair of the Archdiocesan Services Council and the Archdiocesan Finance Council in Brisbane as well as Chair of the Board of St Joseph's College Gregory Terrace.

Special responsibilities held in the company:

Chairman of the Board of Directors and the Directors' Governance Committee and a member of the Board Audit Committee, Risk Committee, Budget Committee and Remuneration Committee.

Sister Clare T Condon
MPS, GRAD DIP ED ADM, BA, MAICD

Sister Clare joined the Board in October 2004. She is Congregational leader of the religious congregation of the Sisters of the Good Samaritan and Co-Chair of the National Professional Standards Committee. Sister Clare was awarded the 2013 Human Rights Medal. She was President of Catholic Religious Australia from 2008 to 2010. Sister Clare has held various leadership positions within the Congregation. Prior to being elected Congregational leader of the Sisters of the Good Samaritan in 2005, she was Chancellor for Stewardship of the Archdiocese of Adelaide, a member of the Adelaide Diocesan Pastoral Team and the Management Board of Church Resources. From this extensive experience she has a broad knowledge of the needs and concerns of religious institutes.

Special responsibilities held in the company:

Chair of the Board Remuneration Committee and member of the Board Audit Committee, Risk Committee, Directors' Governance Committee and Reinsurance Committee.

Jo Dawson
B.COMM, MBA, CA, CFP, GAICD

Jo joined the Board in October 2006. Jo is a chartered accountant and certified financial planner. She is currently Managing Director of financial planning firm Executive Wealth Strategies Pty Ltd and is an authorised representative of financial services organisation Hillross Financial Services Ltd. She is also a Director of a number of private companies. Jo spent 14 years with chartered accounting firm Deloitte specialising in the financial services industry, and has held a number of senior positions with National Australia Bank within the areas of insurance and funds management. Jo is also a non-executive Director of Templeton Global Growth Fund Limited, Vision Super, Victoria Teachers Mutual Bank and a Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Chair of the Board Audit Committee and the Board Risk Committee and member of the Budget Committee, Investment Committee and Reinsurance Committee.

Richard M Haddock
A.M., B.A. LL.B

Richard joined the Board in October 2010. Richard commenced his professional life as a lawyer with Blake Dawson Waldron then spent a great part of his career with BNP Paribas and was Deputy General Manager at the time of his leaving. He is the Chairman of CatholicCare, Australian Catholic Superannuation and Retirement Fund, the Sisters of Charity Foundation and St Vincent's Curran Foundation. He is also a Director of Federation Centres Ltd and Retirement Villages Group Ltd. He is a council member of Caritas and its treasurer. Previously Richard was Chairman of Cashcard Australia Ltd, Macarthur Cook Ltd and CFX Ltd, and a Director of Tishman Speyer Australia Ltd and Colonial First State Private Capital Ltd. He is a Fellow of the Australian Institute of Company Directors, Fellow of the Australian Institute of Management, Fellow of the Financial Services Institute of Australasia and a member of the Law Society of NSW. Richard is also a Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Chairman of the Board Budget Committee and member of the Investment Committee and Remuneration Committee.

J A (Tony) Killen
OAM, B.A., FAIM, FAICD

Tony joined the Board in April 2003. Tony has extensive experience over a wide range of businesses and financial services including life and general insurance, funds management, investment banking, financial planning, actuarial consulting, non-bank financial institutions and property development and exposure to Asia and New Zealand, the Government and not-for-profit sectors. He was previously Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Limited (formerly National Mutual Holdings Limited) and formerly Chairman of the Sisters of Charity Health Service Limited and the Sisters of Charity Healthcare Australia Limited. He is currently Chairman of both Equity Trustees Limited and Templeton Global Growth Fund Limited and a Director of Victoria Golf Club Ltd. He is also a member of the Diocesan Finance Council of the Archdiocese of Melbourne and Chairman of CCI Asset Management Limited.

Special responsibilities held in the company:

Chairman of the Board Investment Committee and member of the Remuneration Committee. In addition, he was seconded to the Directors' Governance Committee for the CEO recruitment process from 27 October 2014 to 24 May 2015.

Jane A Tongs
B.BUS (ACTG), EMBA, FCPA, FACA, MAICD

Jane joined the Board in February 2010. She is presently Chair of the Netwealth Group of Companies and the Australian Prime Property Investor Committees. She is a non-executive Director of Cromwell Property Group, Warakirri Asset Management Ltd and subsidiaries, Warakirri Dairies Pty Ltd, the Australian Energy Market Operator and Brighton Grammar School. Her areas of expertise include risk, financial services, general insurance, funds management and infrastructure. Jane is also a Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Chair of the Board Reinsurance Committee and member of the Budget Committee, Investment Committee and Remuneration Committee.

Reverend Brian J Lucas
LL.M. M.GEN.STUD. S.T.L. DIP.JUR. GRAD.DIP.R.E, GAICD

Father Brian joined the Board in August 2003. He is the General Secretary of the Australian Catholic Bishops Conference, a position he has held since August 2002. Prior to that he was Archdiocesan Secretary and Financial Administrator of the Archdiocese of Sydney and Assistant Priest in a number of Parishes in the Sydney Archdiocese. He is a co-author of the Church Administration Handbook, Adjunct Professor of the Australian Catholic University and a member of the Not for Profit Advisory Group of the Australian Taxation Office.

Father Brian is also a Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Member of the Board Directors' Governance Committee, Audit Committee and Investment Committee.

Julie-Anne Schafer
LLB (Hons) FAICD ANZIIF

Julie-Anne joined the board in February 2012. She has extensive legal and corporate experience in financial services and other sectors. Julie-Anne was a Director and Chair of the Royal Automobile Club of Queensland and of RACQ Insurance and a number of hospitals. She is a former Telstra Queensland Business Women's award winner and Adjunct Professor at the University of Queensland and served on Law Faculty Advisory Committees at several other Queensland Universities. She was Deputy Chancellor of the Queensland University of Technology.

Julie-Anne is Chair of Church Resources and CNA Limited and is a Director of Collection House Limited and Aviation Australia Pty Ltd. She is a former Director of the Territory Insurance Office and Calvary Ministries Limited.

Special responsibilities held in the company:

Member of the Board Budget Committee, Directors' Governance Committee, Reinsurance Committee and Risk Committee.

Chief Executive Officer
Peter A Rush
DIP.BUS, ANZIIF, CIP

Peter was appointed Chief Executive Officer of Catholic Church Insurance in 2009 having commenced his career with CCI in the role of Manager – Underwriting, Reinsurance and Risk Management in 1998 before being appointed General Manager in 1999. Prior to joining this company Peter spent 15 years with Munich Reinsurance Company specialising in fire and casualty reinsurance. He is a Fellow of the Australian and New Zealand Institute of Insurance and Finance, President of the Australian Insurance Association and has been involved in the insurance industry for over 40 years. Peter is also the General Manager of CCI Asset Management Limited.

Peter Rush acts as alternate Director for Father Brian Lucas.

Company Secretary
Dominic P Chila
B.BUS, FCPA, AGIA

Dominic was appointed as Company Secretary in February 2008 and is the company's Chief Risk Officer. The role is also responsible for the assurance function of the company including governance, corporate risk management and compliance. He has over 20 years' experience in the financial services industry in the areas of general insurance, superannuation and funds management. Dominic commenced his career at Catholic Church Insurance in 1994 and has held various roles in accounting and management including that of Chief Financial Officer. He is also the Company Secretary of CCI Asset Management Limited.

Dividends

In respect of the financial year ended 30 June 2015, the Directors recommend the payment of a final unfranked dividend of $1.176M (2014:$1.176M) to the holders of fully paid ordinary shares on 26 October 2015. The dividend has not been provided for in the 30 June 2015 financial statements.

The company operates on the principle of mutuality where Catholic Church policyholders receive distributions depending on the performance of the company. This is in furtherance of the company's policy of providing insurance to the Catholic Church on the most cost effective terms. The payment of a nominal dividend to shareholders is a return on their capital and not directly related to the distribution of profits.

Principal activities

The principal activities of the company during the year were to underwrite the property, workers' compensation and liability risks of entities of the Catholic Church in Australia including the investment of funds relating thereto. The company also provided some residential and personal accident insurance business to the Catholic community via an underwriting agreement with Allianz Australia Insurance Limited.

The entity's wholly owned subsidiary, CCI Asset Management Limited acts as Responsible Entity of the CCI Asset Management trusts.

Catholic Church Insurance did also act as administrator of the Catholic Superannuation Fund (CSF) which is a superannuation fund open to employees of participating Catholic organisations, self-employed people and the general public. CSF operates under the direction of a trustee company, CSF Pty Ltd. This operation ceased on 31 March 2015.

There have been no other significant changes during the year.

Ecclesiatical

Directors note with sadness the death of:

Most Reverend Jeremiah Joseph Coffey

– *Bishop Emeritus of Sale*

Review of operations

Results of Operations

	2015	2014
	$'000	$'000
Consolidated Profit	4,683	51,856

The consolidated entity is exempt from the requirements of the Income Tax Assessment Act.

Employees

The consolidated entity employed 230 employees as at 30 June 2015 (2014: 246 employees).

Risk management

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

Significant changes in the state of affairs

In the opinion of Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in the financial statements or notes thereto.

Subsequent events after the reporting date

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

Likely developments and expected results

In the opinion of Directors, the inclusion of information referring to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent years is likely to prejudice its interests. That information has therefore not been disclosed in this report.

State and federal inquiries

Over the reporting period, the Royal Commission into Institutional Responses to Child Sexual Abuse has continued to investigate the many and varied aspects of this complex issue. In addition, the formal responses by the Victorian Government to the Victorian Parliamentary Inquiry (2012) into these matters remain unclear in many respects. CCI is the insurer of a number of entities which have been subject to investigation by these inquiries. CCI supports the work of each inquiry and has cooperated fully through the provision of data and documentation. Even though there has been some development of these inquiries the final position has not been determined and therefore, the ultimate financial impact on CCI is not known at this stage.

Environmental regulation and performance

The operations of the company are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory. There have been no significant breaches of any other environmental requirements applicable to the company.

Directors' shareholdings

Each Director, except Ms Schafer, holds 1,250 shares in Catholic Church Insurance Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church. Ms Schafer holds 1,000 shares in trust (refer to note 33).

Indemnification of officers

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company, the Company Secretary, and all executive officers of the company and of any related body corporate against a liability incurred as a Director, Company Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as an officer or auditor.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). However this indemnity does not apply to any losses which are finally determined to have resulted from Ernst & Young negligence.

No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Meetings

The following table sets out the number of meetings of the company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2015 and the number of meetings attended by each Director.

Number of meetings attended by:	Directors' Meetings		Audit, Risk Management & Compliance		Risk Management		Audit		Budget	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
P A Gallagher	9	9	2	2	2	2	2	2	1	1
C T Condon	9	8	2	1	2	2	2	2	–	–
J Dawson	9	9	2	2	2	2	2	2	1	1
R Haddock	9	8	–	–	–	–	–	–	1	1
J A Killen	9	9	–	–	–	–	–	–	–	–
B J Lucas	9	8	2	2	–	–	2	2	–	–
J A Schafer	9	8	–	–	2	2	–	–	1	1
J A Tongs	9	9	–	–	–	–	–	–	1	1

Number of meetings attended by:	Directors' Governance		Investment		Reinsurance		Remuneration	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
P A Gallagher	4	4	–	–	–	–	3	2
C T Condon	4	4	–	–	2	1	3	3
J Dawson	–	–	6	6	2	2	–	–
R Haddock	–	–	6	6	–	–	3	2
J A Killen	3	3	6	6	–	–	3	3
B J Lucas	4	4	6	6	–	–	–	–
J A Schafer	4	4	–	–	2	1	–	–
J A Tongs	–	–	6	6	2	2	3	3

Directors' benefits

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in note 33).

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 where rounding is applicable and where noted ($'000) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the class order applies.

Auditor's Independence Declaration

The Directors have received a declaration from the auditor of Catholic Church Insurance Limited as attached after the Directors' Report.

Signed in accordance with a resolution of the Directors.

P A Gallagher
Director
Melbourne, 9 September 2015

Auditor’s Independence Declaration

EY
Building a better working world

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Auditor’s Independence Declaration to the Directors of Catholic Church Insurance Limited

In relation to our audit of the financial report of Catholic Church Insurance Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
9 September 2015

Financial Statements

Statement of Comprehensive Income

For the financial year ended 30 June

		Consolidated		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Premium revenue		201,558	202,360	201,558	202,360
Outwards reinsurance expense		(69,040)	(68,256)	(69,040)	(68,256)
Net premium revenue	8	132,518	134,104	132,518	134,104
Gross claims incurred	9	(222,717)	(172,757)	(222,717)	(172,757)
Reinsurance and other recoveries revenue	10	78,509	47,745	78,509	47,745
Net claims incurred	11	(144,208)	(125,012)	(144,208)	(125,012)
Acquisition costs		(166)	(169)	(166)	(169)
Other underwriting expenses	12	(30,263)	(28,689)	(30,263)	(28,689)
Underwriting expenses		(30,429)	(28,858)	(30,429)	(28,858)
Underwriting result		(42,119)	(19,766)	(42,119)	(19,766)
Investment income	14	59,160	95,334	59,160	93,714
General administration expenses	12	(18,739)	(22,254)	(18,093)	(21,664)
Catholic entity distributions		–	(9,904)	–	(9,904)
Other income		6,381	8,446	5,587	7,719
Profit for the period	15	4,683	51,856	4,535	50,099
Other comprehensive income for the period		–	–	–	–
Total comprehensive income for the period		4,683	51,856	4,535	50,099

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Assets					
Cash and cash equivalents	17	124,825	61,146	124,531	60,966
Financial assets at fair value through profit and loss	20	842,553	847,338	842,553	847,338
Trade and other receivables	18	216,806	155,774	216,544	155,538
Deferred reinsurance expense	19	25,655	24,497	25,655	24,497
Plant and equipment	23	7,243	6,784	7,243	6,784
Other assets	22	5,243	4,784	5,243	4,784
Tax assets	21	7,270	5,971	7,270	5,971
Intangible assets	24	2,728	2,845	2,728	2,845
TOTAL ASSETS		1,232,323	1,109,139	1,231,767	1,108,723
Liabilities					
Trade and other payables	25	31,844	22,990	31,844	22,982
Tax liabilities	27	593	96	593	96
Other liabilities	28	647	5	647	5
Unearned premium reserve	32	132,511	128,467	132,511	128,467
Provisions	26	7,784	17,820	7,784	17,820
Outstanding claims	31	638,257	522,581	638,257	522,581
TOTAL LIABILITIES		811,636	691,959	811,636	691,951
NET ASSETS		420,687	417,180	420,131	416,772
Shareholders' Equity					
Contributed equity	29	8,139	8,139	8,139	8,139
Reserves	30	410,381	406,874	410,381	406,874
Retained profit		2,167	2,167	1,611	1,759
TOTAL SHAREHOLDERS' EQUITY		420,687	417,180	420,131	416,772

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the financial year ended 30 June

	Contributed Equity	General Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
Consolidated				
At 1 July 2013	8,139	356,194	2,167	366,500
Net profit for the period	–	–	51,856	51,856
Transfer to reserves	–	50,680	(50,680)	–
Dividend for 2013 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2014	8,139	406,874	2,167	417,180
At 1 July 2014	8,139	406,874	2,167	417,180
Net profit for the period	–	–	4,683	4,683
Transfer to reserves	–	3,507	(3,507)	–
Dividend for 2014 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2015	8,139	410,381	2,167	420,687

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Contributed Equity	General Reserves	Retained Earnings	Total
Company				
At 1 July 2013	8,139	356,194	3,516	367,849
Net profit for the period	–	–	50,099	50,099
Transfer to reserves	–	50,680	(50,680)	–
Dividend for 2013 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2014	8,139	406,874	1,759	416,772
At 1 July 2014	8,139	406,874	1,759	416,772
Net profit for the period	–	–	4,535	4,535
Transfer to reserves	–	3,507	(3,507)	–
Dividend for 2014 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2015	8,139	410,381	1,611	420,131

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the financial year ended 30 June

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Cash flows from operating activities					
Premiums received		194,020	195,116	194,020	195,116
Outwards reinsurance paid		(64,231)	(67,602)	(64,231)	(67,602)
Claims paid		(108,158)	(93,680)	(108,158)	(93,680)
Reinsurance and other recoveries received		25,707	17,473	25,707	17,473
Acquisition costs paid		(165)	(168)	(165)	(168)
Other underwriting expenses paid		(11,236)	(14,825)	(11,210)	(14,825)
Other operating expenses paid		(24,793)	(26,320)	(24,142)	(25,664)
Other operating income received		4,740	8,528	3,949	7,803
Interest received		19,792	18,244	19,792	18,333
Dividends received		28,382	24,765	28,382	24,765
Total cash flows from operating activities	37	64,058	61,531	63,944	61,551
Cash flows from investing activities					
Investment trading		14,106	(3,732)	14,106	(3,732)
Payments for plant and equipment		(2,480)	(1,552)	(2,480)	(1,552)
Proceeds from sale of plant and equipment		850	392	850	392
Payments for intangibles		(1,060)	(568)	(1,060)	(568)
Total cash flows from/(used in) investing activities		11,416	(5,460)	11,416	(5,460)
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Catholic entity distributions		(10,619)	(20,473)	(10,619)	(20,473)
Total cash flows (used in) financing activities		(11,795)	(21,649)	(11,795)	(21,649)
Net increase in cash held		63,679	34,422	63,565	34,442
Cash and cash equivalents at 1 July		61,146	26,724	60,966	26,524
Cash and cash equivalents at 30 June	17	124,825	61,146	124,531	60,966

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

1. Corporate Information

The consolidated financial report of Catholic Church Insurance Limited (the company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 9 September 2015.

Catholic Church Insurance Limited is an unlisted public company, incorporated and domiciled in Australia.

2. Statement of significant accounting policies

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001, including the application of ASIC CO 10/654 allowing the disclosure of company financial statements due to Australian Financial Services Licensing obligations.

The financial statements have been prepared on a historical cost basis, except for financial assets and derivative financial liabilities which have been measured at fair value and the outstanding claims liability and related reinsurance and other recoveries which have been measured based on the central estimate of the present value of the expected future payments for claims incurred plus a risk margin to allow for the inherent uncertainty in the central estimate.

The preparation of financial statements in conformity with the Australian equivalent of International Financial Reporting Standards ('AIFRS') requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in notes 3 and 4. The statement of financial position is presented on a liquidity basis. Assets and Liabilities are presented in decreasing order of liquidity. For assets and liabilities that comprise both current and non-current amounts, information regarding the non-current amount is included in the relevant note. Certain comparative amounts within the Statement of Net Assets and the notes to the financial statements have been reclassified to conform with the current year's presentation. The reclassifications made are for presentational purposes and have no impact on the net asset position of the company.

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest $1,000 where rounding is applicable and where noted ($'000) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards and the Australian equivalent of International Financial Reporting Standards (IFRS).

c) Australian Accounting Standards issued but not yet effective

Australian Accounting Standards which have recently been issued or amended but are not yet effective for the annual reporting period ending 30 June 2015 have not been applied in preparing the company's financial statements. The nature of the impact of the application of these standards is disclosed only. The company will apply these standards for the annual reporting periods beginning on or after the operative dates as set out on the following page.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11	1 January 2016	These amendments will have no direct impact on the amounts included in the company's financial statements.	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	These amendments will have no direct impact on the amounts included in the company's financial statements.	1 July 2016

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	These amendments will have no direct impact on the amounts included in the company's financial statements.	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: **AASB 5 Non-current Assets Held for Sale and Discontinued Operations:** Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. **AASB 7 Financial Instruments: Disclosures:** Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.	1 January 2016	These amendments will have no direct impact on the amounts included in the company's financial statements	1 July 2016

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	These amendments will have no direct impact on the amounts included in the company's financial statements	1 July 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2015	These amendments will have no direct impact on the amounts included in the company's financial statements	1 July 2015
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. *(continued on next page)*	1 January 2018	These amendments will have no direct impact on the amounts included in the company's financial statements.	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 9 *continued*		**Financial assets** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ♦ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ♦ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. *(continued on next page)*			

Notes to the Financial Statements *continued*

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 9 *continued*		**Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.			

d) Australian Accounting Standards issued and effective

A number of new standards and amendments to standards have recently been applied or proposed. Those for which are relevant are as follow:

AASB 119 Employee Benefits:
Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

e) Basis of consolidation

The financial report covers the consolidated entity of Catholic Church Insurance Limited and its controlled entity CCI Asset Management Limited.

The financial statements of its controlled entity are prepared for the same reporting period as the company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtained control and until such time as the company ceases to control such entity.

The following is a summary of the material accounting policies that have been adopted by the consolidated entity in respect of the general insurance activities. The accounting policies have been consistently applied, unless otherwise stated.

f) Premium revenue

Direct premium revenue comprises amounts charged to the policyholders, including fire service levies, but excluding taxes collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is estimated based on the pattern of processing renewals and new business.

Premium is earned from the date of attachment of risk, over the indemnity period based on the patterns of risk underwritten. Unearned premium is determined using a daily pro-rata basis.

g) Revenue recognition

Revenue is recognised to the extent it is probable that the consolidated benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Control of goods sold has passed to a buyer.

Rendering of services
Services have been rendered to a buyer.

Interest
Control of the right to receive the interest payment.

Dividends
Control of the right to receive the dividend payment.

Other revenue
Other revenue is recognised when the entitlement is confirmed.

h) Unexpired risk liability

At each reporting date the company assesses whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient. The company applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

The entire deficiency, gross and net of reinsurance, is recognised immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

i) Outwards reinsurance

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

j) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR), and the anticipated direct and indirect costs of settling claims. Outstanding claims are valued by the Appointed Actuary by reviewing individual claim files and actuarially estimating IBNRs and settlement costs based on past experiences and trends. The outstanding claims liability is recorded as the central estimate of the present value of expected future payments relating to claims incurred as at the report date. Outstanding claims are the ultimate cost of settling claims including normal and superimposed inflation, discounted to present value using risk free discount rates. A prudential margin is added to the outstanding claims provision net of reinsurance and other recoveries to allow for inherent uncertainty in the central estimate. Risk Margins applied are included in note 31.

k) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

l) Investment income

Interest income is recognised on an accruals basis. Dividends are recognised on an ex-dividend date. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets. Realised investment gains or losses do not include interest and dividend income.

m) Taxation

Income tax
The entities are not liable for income tax due to the entities being classified as a charitable institution under Subdivision 50-5 of the Income *Tax Assessment Act 1997*.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except where the amount of the GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

n) Fire service levy and other charges

A liability for fire service levy and other charges payable is recognised on business written to the balance date. Levies and charges payable are expensed by the company on the same basis as the recognition of premium revenue. The proportion relating to unearned premium is recorded as a prepayment on the balance sheet.

o) Unearned premium liabilities

Unearned premiums are determined using the daily pro rata method which apportions the premium written over the policy period from date of attachment of risk to the expiry of the policy term.

p) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

If the effect of the time value of money is material, provisions are discounted using interest rates on commonwealth government bond rates which have terms to maturity that match, as closely as possible, the estimated future cash outflows.

q) Cash and cash equivalents

For the purposes of the cash flow statement, cash includes:

(i) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and

(ii) Investments in money market instruments with less than 14 days to maturity.

r) Reinsurance commission

Outward reinsurance commission is recognised as revenue in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance commission is treated at the balance date as accrued revenue.

s) Superannuation

The company's contributions to superannuation in respect of employees of the company are charged to the income statement as they fall due.

t) Financial assets and liabilities

(i) **Financial assets**

As part of its investment strategy the consolidated entity 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. With the exception of plant and equipment, the consolidated entity has determined that all assets are held to back general insurance liabilities. All financial assets are managed and performance evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented risk management strategy.

The consolidated entity invests across a broad range of asset classes that in combination provide for capital growth and income. The diversification benefits derived from investing in both growth and defensive assets allows the consolidated entity to mitigate risk and earn long term returns when combined with a long term investment strategy. The consolidated entity has a prudent investment philosophy which is documented in a policy.

(ii) Fair value

All investments are designated as fair value through profit or loss upon initial recognition and are subsequently remeasured to fair value at each reporting date. Any gains or losses arising from changes in fair value are taken directly through profit or loss as realised or unrealised investment gains or losses. Fair value is determined by reference to the closing bid price of the instrument at the balance date. Fair value for each type of investment is determined as follows:

Listed securities – by reference to the closing bid price of the instrument at the balance date.

Unlisted securities – the fair value of investments not traded on an active market is determined using valuation techniques including reference to:

- The fair value of recent arm's length transactions involving the same instrument or similar instruments that are substantially the same
- Reference to published financial information including independent property valuation reports and audited financial statements
- For trust securities using redemption prices provided by the trustee
- Cost of acquisition where fair value cannot be measured reliably and
- Marked to model.

Unlisted securities include investments in private equity and venture capital funds, collateral debt obligations, housing loans and property trusts.

Marked to Model

As at 30 June 2015, Catholic Church Insurance investment portfolio consisted of unlisted investments where actively quoted prices were not available. As an appropriate technique to estimate the fair value of such investments the following valuation models were adopted.

Collateral debt obligation (CDO) investments

CDOs are normally floating rate debt securities that pay a margin over the 90 day bank bill rate. They pay a higher return compared with similarly rated securities in exchange for a higher risk profile. They are complex structured products typically arranged by investment banks with a range of tranches that are independently rated by a credit ratings organisation.

The performance of an investment in a CDO security is linked to the credit risk of an underlying portfolio of corporate debt. The tenor of CDO securities typically ranges from 3 to 7 years. CDOs can have different credit risk profiles such that it is possible that if only a few of the underlying portfolio of securities (often in excess of 100) default over the life of the CDO, investors will receive their capital back in full. If more than a handful default, investor's capital may be at risk. The more companies that default, the higher the probability of investors losing capital.

As at 30 June 2015, CCI held no CDO's in its investment portfolio.

The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the fair value by up to $0 (2014: $103,000) or increase the fair value by $0 (2014: $103,000).

Unlisted property assets

The valuation process involved the use of a financial model to determine the price of the security. Prices were based on the net tangible asset value of the security calculated using the most recent financial reports published by the company.

Issues and activities surrounding the investment were taken into consideration prior to formulating the price. The objective was to ensure fair values were achieved based on company's financial reports. Loan assets are measured initially at fair value plus transaction costs. Subsequently, loans are carried at amortised cost using the effective interest method less impairment losses if any. Short-term receivables/payables are carried at their initial fair values.

(iii) Hierarchy

The consolidated entity is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identifiable assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2) and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Note 41 sets out the consolidated entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Impairment of financial assets

Financial assets will be tested for impairment when there is observable data indicating that there is a measurable decrease in the assets value. Such factors may include the financial position of the company, prevailing economic conditions or a breach of contract such as a default in payment of interest or principal. As financial assets are subject to ordinary fluctuations in fair value, management will need to exercise judgement in determining whether there is objective evidence of impairment.

When a decline in the fair value of a financial asset has been recognised and there is objective evidence that the asset is impaired, the decline in asset value will be recognised in profit or loss.

Derivative instruments

The company's primary reason for holding derivative financial instruments is to mitigate the risk of changes in equity prices. All hedges are classified as economic hedges and do not qualify for hedge accounting under the specific rules in AASB 139.

Financial Instruments: Recognition and Measurement.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair values are recorded in the income statement.

Trade and other receivables

All receivables are initially recognised at fair value, being the amounts receivable. Collectability of trade receivables is reviewed on an ongoing basis and a provision for impairment of receivables is raised where some doubt as to collection exists. The impairment charge is recognised in the income statement.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Intangibles

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite and are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 2(v) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at each financial year end. The amortisation expense is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

(iv) Financial liabilities

Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(v) Recognition and derecognition of financial assets and financial liabilities

All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation or market convention ('regular way' transactions) are recognised at trade date, being the date on which the company commits to buy or sell the asset. In cases where the period between trade and settlement exceeds this timeframe, the transaction is recognised at settlement date.

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the company has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

u) Depreciation

Depreciation on fixed assets, comprising motor vehicles, office equipment and fixtures, is calculated on a straight-line basis over the useful life of the asset to the consolidated entity commencing from the time the asset is held ready for use.

The following estimated useful lives are used in the calculation of depreciation for plant and equipment:

	2015	2014
Computer equipment	3-10 years	3-10 years
Office equipment	6-15 years	6-15 years
Motor vehicles	5 years	5 years
Leasehold improvements	10 years	10 years

v) Amortisation of intangible assets

Amortisation on intangible assets, comprising computer software, is calculated on a straight-line basis over the useful life of the asset to the consolidated entity commencing from the time the asset is held ready for use.

Computer software's estimated useful life used in the calculation of amortisation is 5 years.

w) Foreign currency

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

x) Dividends and Catholic entity distributions

Dividends
Dividends are recognised when declared or determined. No provision is made for a proposed dividend.

Catholic entity distributions
A provision is made at balance date for the payment of Catholic entity and grant distributions to Catholic Church Insurance policyholders where certain criteria have been met. The amount allocated each year is approved by the Board of Directors.

y) Impairment of assets

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

z) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern in the periods in which they are incurred.

aa) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Catholic Church Insurance purchases and sells options through regulated exchanges and in the over–the–counter markets. Options purchased by Catholic Church Insurance provide Catholic Church Insurance with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed–upon value either on or before the expiration of the option. Catholic Church Insurance is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by Catholic Church Insurance provide the purchaser the opportunity to purchase from or sell to Catholic Church Insurance the underlying asset at an agreed–upon value either on or before the expiration of the option.

3. Critical accounting estimates and judgements

Significant estimates and judgements are made by the consolidated entity in respect of certain key assets and liabilities which are disclosed in the financial statements. Such estimates are based on actuarial assessments, historical experience and expectations of future events.

The key areas in which critical estimates and judgements are applied are set out below.

a) Ultimate liability arising from claims made under general insurance contracts

A provision is made at balance date for the estimated cost of claims incurred but not settled. This includes the cost of claims Incurred But Not Reported ('IBNR') and direct expenses that are expected to be incurred in settling those claims. Such estimates are determined by our appointed actuary who has the relevant qualifications and experience. Although the appointed actuary has prepared estimates in conformity with what he considers to be the likely future experience, the experience could vary considerably from the estimates. Deviations from the estimates are normal and to be expected.

The provision for outstanding claims is a highly subjective number, in particular the estimation of IBNR where information may not be apparent to the insured until many years after the events giving rise to the claims have happened. It is therefore likely that the final outcome will prove to be different from the original liability. In particular, there is considerable uncertainty regarding the latent claims under the public liability class. The modelling of these claims is difficult due to the relatively small number of claims and the long delay from date of incident to date of report. The professional indemnity and workers' compensation portfolios also will have variations between initial estimates and the final outcomes due to the nature of the claims where not all details are known at the date of report and it may be many years between reporting and settling of these claims. The short-tail classes do not exhibit such long delays in settlements or level of development of estimates over time. Hence the level of volatility of the estimates is generally much less than that seen for the long-tail classes.

The approach taken to estimate the outstanding liabilities for the different classes reflects the nature of the data and estimates. In general a number of different methods are applied to the data and the selected basis allows for the particular characteristics of the class and the recent experience shown in the data against the previous year's model projections. Provisions are generally calculated at a gross of reinsurance level and an explicit allowance made for expected reinsurance recoveries based on the arrangements in place over past years.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 4.

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the same methodologies with due consideration to the uncertainty in proving for the estimated cost of claims incurred but not settled. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of 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 consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

4. Actuarial assumptions and methods

The company is a general insurer underwriting major classes of general insurance business. For the purpose of disclosures we have grouped the insurance classes into the following:

- Short-tail (includes fire & composite risks property insurance, motor domestic, motor commercial, householders, travel, marine and accident)
- Public liability (includes public and product liability)
- Professional indemnity (includes directors & officers, medical malpractice and professional indemnity)
- Workers' compensation

Short-tail

The methodology applied for the short-tail classes was the Incurred Claim Development (ICD) method, since the duration of the liabilities is very short and case estimates tend to be more reliable given the nature of claims and speed of finalisation.

The ICD method estimates the liability by considering the change in the incurred cost from one development period to another. The incurred cost is the total of all past payments plus current case estimates. The ultimate expected cost of claims is projected from the current incurred cost after allowing for the assumed future change in incurred costs based on past experience.

The undiscounted value of outstanding claims is the difference between the ultimate cost and the payments made to valuation date. Due to the short-tail nature of the liabilities we have ignored the impact of investment income on the liability.

Public Liability

Claims estimates for the company's public liability business are derived from analysis of the results of using different actuarial models. Ultimate numbers of claims are projected based on the past reporting patterns using the Chain Ladder (CL) method. Claims experience is analysed based on averages Paid Per Claim Incurred (PPCI) method, the Projected Case Estimate (PCE) method and the Incurred Claim Development (ICD) method. The results from these models are analysed, along with minimum loss ratios, in order to determine a final estimate of outstanding claims.

Claims inflation is incorporated into the resulting projected payments under the PPCI method, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent. The claims inflation including superimposed is implicitly included in the ICD and PCE methods. However under all methods the projected payments are discounted to allow for the time value of money.

The public liability class of business is also subject to the emergence of latent claims, due to the long delay from date of incident to date of reporting. A specific allowance is included for this as at the balance sheet date based on an expected number of future claims at an average claim size.

Professional Indemnity

The same methodologies applied to public liability were also used for the professional indemnity class. However, unlike the other classes that are analysed on an accident year basis, this portfolio is analysed on a report year basis as the policies are written on a claims made basis. The results from the model are analysed, along with minimum loss ratios, in order to determine a final estimate of outstanding claims.

Discounting is also applied for this long tail class.

Workers' Compensation

The same methodologies applied to public liability were also used for the workers' compensation class. Analysis was undertaken at a state level and there was an explicit allowance for latent claims arising from asbestos related diseases and impact of discounting.

a) Actuarial assumptions

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

2015	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	5.1 years	3.7 years	3.8 years
Wage inflation	0.00%	0.00%	2.75%	2.75%
Superimposed inflation	0.00%	5.00%	5.00%	3.00%
Discount rate	0.00%	2.50%	2.50%	2.50%
Expense rate	2.90%	6.00%	6.00%	6.00%
Risk margin	10.00%	16.90%	16.00%	9.00%
2014				
Average weighted term to settlement (discounted)	Less than 1 year	5 years	5 years	4 years
Wage inflation	0.00%	0.00%	2.75%	2.75%
Superimposed inflation	0.00%	5.00%	5.00%	2.00%
Discount rate	0.00%	3.00%	3.00%	3.00%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	9.90%	16.60%	16.00%	9.00%

b) Processes used to determine assumptions

The valuations included in the reported results are calculated using the following assumptions:

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns and allowing for the time value of money.

Inflation

Economic inflation assumptions are set by reference to current economic indicators.

Superimposed inflation

An allowance for superimposed inflation is made for each long-tail class to account for increased costs such as claim values increasing at a faster rate than wages or CPI inflation or for those costs that cannot be directly attributed to any specific source under the PPCI method. The levels of superimposed inflation assumed for the PPCI method varies by class.

Discount rate

Discount rates derived from market yields on Commonwealth Government securities as at the balance date have been adopted.

Expense rate

Claims handling expenses were calculated by reference to past experience of the company's claims administration costs as a percentage of past gross payments.

Risk margins

Risk margins have been based on features of the company's portfolios using general industry models to measure the variability of liabilities.

Average claim size

The assumed average claim size and payment patterns are generally based upon the claims experience over the last three financial years.

Number of IBNR claims

The number of IBNR claims has been based on the reporting history of the particular classes over past financial years.

Incurred cost development

The assumed incurred cost development has generally been based on past claims experience of the particular portfolios over the last three financial years.

Minimum loss ratio

To allow for the underdevelopment of the more recent accident years we have applied minimum loss ratios based on past history of claims and premiums for the public liability and professional indemnity classes.

Number and average claim size of latent claims

The number and average claim size of latent claims has been based on the reporting history of these claims over the last 10 to 15 years.

c) Sensitivity analysis – insurance contracts

The consolidated entity conducts sensitivity analysis to quantify the exposure to the risk of changes in the underlying assumptions used in the financial statements. The movement in any key variable will impact the performance and equity of the company.

The sensitivity of the consolidated entity's profit and equity to key valuation assumptions both gross and net of reinsurance is tabulated below:

		Net profit/(loss) $'000		Equity $'000	
		Gross	Net	Gross	Net
Variable	Movement in variable	Movement in amount			
Average weighted term to settlement (years)	+0.5	(5,539)	(4,884)	(5,539)	(4,884)
	-0.5	5,609	4,946	5,609	4,946
Inflation and superimposed assumption	+1%	19,518	17,996	19,518	17,996
	-1%	(18,336)	(16,895)	(18,336)	(16,895)
Discount rate	+1%	(22,869)	(21,225)	(22,869)	(21,225)
	-1%	24,734	22,966	24,734	22,966
Expense rate	+1%	6,062	6,062	6,062	6,062
	-1%	(6,062)	(6,062)	(6,062)	(6,062)
Risk margins	+1%	5,578	1,681	5,578	1,681
	-1%	(5,578)	(1,681)	(5,578)	(1,681)
Average claim size	+10%	29,237	26,117	29,237	26,117
	-10%	(29,237)	(26,117)	(29,237)	(26,117)

5. Risk Management

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

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

The company is committed to controlling insurance risk thus reducing the volatility of operating profits through identifying, monitoring and managing risks associated with its business activities. In addition to the inherent uncertainty of insurance risk which 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.

Risk management framework

The Risk Management Framework (RMF) enables the development and implementation of strategies, policies, procedures and controls to manage different types of material risks. The RMF is the totality of systems, structures, policies, processes and people within an APRA-regulated institution that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

In accordance with APRA's Prudential Standards CPS 220 Risk Management and GPS 230 Reinsurance Management, the Board and senior management of the consolidated entity have developed, implemented and maintained the following key documents:

- Risk Management Strategy (RMS): The RMS describes the strategy for managing risk and the key elements of the RMF that give effect to this strategy. The objective of the RMS is to address each material risk.
- Reinsurance Management Strategy (REMS): The REMS is part of CCI's risk management strategy and details the Reinsurance Management Framework, including the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements.
- Risk Appetite Statement (RAS): The Board and executive management develop the company's RAS and the associated tolerances, targets and limits required to achieve company objectives and to embed risk into the organisation. The RAS is approved by the Board.
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement: The ICAAP describes and summarises the capital adequacy assessment process and is approved by the Board.

The RMS, REMS, RAS and ICAAP, identify the consolidated entity's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material financial and non-financial risks, including mitigating controls. The existence and effectiveness of mitigating controls are measured to ensure that residual risks are managed within risk tolerance.

Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the consolidated entity has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the company's compliance with the RMS, REMS, RAS and ICAAP.

CCI has identified the following risks as being its material risks. This forms CCI's risk universe and is subject to formal risk assessment and management.

Material Risks	Represented by a potential failure to:
Insurance Risk	◆ Comply with underwriting authorities and limits ◆ Prevent unauthorised claims payments or leakage ◆ The terms and conditions of insurance contracts comply with the level of acceptable risk ◆ Adequately manage the insurance concentration risk
Operational risk	◆ Manage CCI's IT systems, staff and operational processes
Capital and regulatory risk	◆ Adhere to legislative and regulatory requirements or other licence conditions. ◆ Assess prudential capital requirements on a regular basis
Financial risks (note 6)	◆ Market risk ◆ Credit risk ◆ Liquidity risk

The key areas of risk exposure discussed below are:

- Insurance risk
- Reinsurance counterparty risk
- Operational risk and
- Capital and regulatory risk.

Financial risks (credit, interest and market risks) are considered in note 6.

a) Insurance risk

Insurance contracts transfer risk to the insurer by indemnifying the policyholder against adverse events. The risk inherent in the insurance contract is the uncertainty of claims and amounts paid which may exceed amounts estimated at the time the product was designed and priced.

The consolidated entity has developed its underwriting strategy to diversify the type of insurance risks accepted and within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The following protocols have been established to manage insurance risk:

Underwriting risks

The pricing and selection of risks for each class of business is controlled by underwriting authorities and limits which reflect underwriting results, expected claims and economic conditions.

Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into both short-tail and long-tail classes of business across all states in Australia.

The portfolio is controlled and monitored by the Company's Risk Management Strategy and various Board Committees. To manage the risks associated with natural catastrophes (i.e. those properties concentrated in regions susceptible to earthquakes, bushfires, cyclones or hail storms), the company's underwriting strategy requires risks to be differentiated in order to reflect the higher loss frequency in these areas. The company also purchases catastrophe reinsurance protection to limit the financial impact of its exposure to any single event.

Terms and conditions of insurance contracts

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

Claims management and provisioning

The consolidated entity has established systems to capture, review and update claims estimates on a timely basis to ensure the adequacy of its outstanding claims provision.

The consolidated entity's approach to valuing the outstanding claims provision and the related sensitivities are set out in note 4.

b) Reinsurance counterparty risk

The consolidated entity reinsures a portion of the risks it underwrites in order to control exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of underwriting risk. The framework for the selection of reinsurers is determined by the Board Reinsurance Committee. This decision is based on the nominated reinsurers meeting a desired credit rating, credit limits and performance criteria.

c) Operational risk

Operational risk is the risk of loss arising from inadequate systems and controls, human error or management failure. The consolidated entity controls include recruitment policies, internal audit and system reviews, compliance monitoring, delegated authorities, segregation of duties, access controls, business recovery plans and authorisation and reconciliation procedures.

d) Capital and regulatory risk

The company is subject to extensive prudential regulation and actively monitors its compliance obligations. Prudential regulation is designed to protect policyholders' interests and includes solvency, change in control and capital movement limitations. In addition, the consolidated entity aims to maintain a strong solvency ratio in order to support its business objectives and maximise shareholder wealth.

The consolidated entity manages its capital requirements by assessing capital levels on a regular basis. Its objectives are to maintain an optimal capital structure to reduce the cost of capital whilst providing security for policyholders and continuing to provide returns to shareholders and Church policyholders. Where appropriate, adjustments are made to capital levels in light of changes in economic conditions and risk characteristics of the consolidated entity's activities. In order to maintain or adjust the capital structure, the consolidated entity has the option to adjust the amount of dividends paid to shareholders or adjust the amount of distributions returned to Church policyholders.

6. Financial risk

The operating activities of the consolidated entity expose it to market, credit and liquidity financial risks.

The risk management framework aims to minimise the impact of financial risks and adverse financial market movements on the company's financial performance and position. A key objective of the risk management strategy is to ensure sufficient liquidity is maintained at all times to meet the company's insurance claims and other debt obligations while ensuring investment returns are optimised to improve the consolidated entity's capital adequacy position.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

(i) Currency risk

The consolidated entity and company have limited exposure to net foreign currency risks. The entities operate solely in Australia and have no direct foreign currency holdings.

The company invests in international equities via unit trusts using Australian fund managers. The international equities comprise 16.8% of our total investment portfolio with currency risk managed by the fund manager. Catholic Church Insurance manages foreign currency by asset allocation, diversification and fund manager selection. The selection of fund managers considers the managers' portfolio allocation and currency hedging strategy to minimise foreign currency losses and consequent impact on the unit price valuations.

The impact of foreign currency risks is not disclosed in the sensitivity analysis as the exposure is indirect and unable to be separated from other market risks which impact international trust unit price valuations.

(ii) Interest rate risk

Catholic Church Insurance invests in floating rate and fixed rate financial instruments. Interest rate movements expose Catholic Church Insurance to cash flow risks (income) from floating rate investments and fair value risks (capital) for fixed rate investments.

Interest rate risk is managed by maintaining an appropriate mix between floating and fixed interest bearing deposits.

Catholic Church Insurance has no interest bearing financial liabilities.

The maturity profile of the consolidated entity's financial assets and liabilities and effective weighted average interest rate are set out in note 40.

The potential impact of movements in interest rates on the consolidated entity's income statement and equity is shown in the sensitivity analysis.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (excluding interest rate or currency risks). Price risk may arise from factors affecting specific financial instruments, issuers, or all similar financial instruments traded on the market.

The consolidated entity is exposed to price risk on its equity investments and uses derivative instruments and industry sector diversification to manage this exposure. The potential impact of movements in the market value of listed equities on the consolidated entity's income statement and equity is shown in the sensitivity analysis.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to reduce Catholic Church Insurance credit risk exposure:

- The investment policy defines net exposure limits for financial instruments and counterparties, minimum credit ratings and terms of net open derivative positions. Compliance with the policy is monitored with exposures and breaches reported to the Board Investment Committee
- The consolidated entity does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings and therefore does not require collateral or other security to support derivatives. The consolidated entity only uses derivatives in highly liquid markets
- Reinsurance receivables credit risk is actively monitored with strict controls maintained over counterparty exposures. Business is transacted with counterparties that have a strong credit rating and concentration of risk is avoided by adherence to counterparty limits
- Premium receivables are principally with Catholic Church organisations. Credit risk is deemed low due to low default rates and relationships with Church leaders and organisations. Catholic Church Insurance actively pursues the collection of premiums by client negotiation and use of Church resources and
- The allowance for impairment is assessed by management monthly.

(i) Credit exposure

The following tables provide information regarding the aggregate credit risk exposure of the consolidated entity and company at the balance date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Consolidated							
Cash and cash equivalents	3	123,739	–	–	–	1,083	124,825
Interest bearing investments[1]	98,710	186,646	23,180	19,872	–	10,921	339,329
Reinsurance & other recoveries[2]	–	100,471	18,306	864	510	–	120,151
Loans receivable[3]	–	–	–	–	–	–	–
2014							
Consolidated							
Cash and cash equivalents	3	60,341	–	–	–	802	61,146
Interest bearing investments[1]	104,093	186,815	23,288	20,353	–	12,365	346,914
Reinsurance & other recoveries[2]	–	55,294	8,839	436	2,080	–	66,649
Loans receivable[3]	–	–	–	–	–	14	14

1 Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer note 20).

2 Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 18). The BBB and speculative credit rating's associated with reinsurance and other recoveries is based on the historic recoverability associated with reinsurers in run-off and does not reflect the actual grading of reinsurers in our reinsurance program where the majority have a security rating of A or above.

3 The loans receivable are interest bearing and secured by first ranking mortgages over real estate. The loan portfolio is in run-off and no new loans are being advanced. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. No change in the fair value of loans receivable has been recorded.

The difference between the consolidated entity and the company relates to cash and cash equivalents. The AA rating for the company reduces by $294,000 for the current year and by $180,000 for the prior year.

(ii) Asset carrying value

The carrying amount of the relevant asset classes in the balance sheet represents the maximum amount of credit exposure. The fair value of derivatives shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changing values.

The following tables provide information regarding the carrying value of the consolidated entity's and company's financial assets and the ageing of those that are past due but not impaired at balance date.

		Past Due				
	On Demand	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Consolidated						
Premiums receivable	66,586	10,793	1,012	222	5	78,618
Reinsurance & other recoveries[1]	112,968	4,383	843	105	1,852	120,151
Loans receivable	–	–	–	–	–	–
Tax assets	7,270	–	–	–	–	7,270
Other receivables[2]	18,037	–	–	–	–	18,037
2014						
Consolidated						
Premiums receivable	63,489	9,639	1,863	61	1	75,053
Reinsurance & other recoveries[1]	60,731	3,350	31	1,135	1,402	66,649
Loans receivable	14	–	–	–	–	14
Tax assets	5,971	–	–	–	–	5,971
Other receivables[2]	14,072	–	–	–	–	14,072

1 Includes reinsurance and other recoveries on outstanding claims, reinsurance commission's receivable and provision for doubtful debts reinsurance recoveries (refer note 18).

2 Includes investment income accrued and sundry debtors (refer note 18).

The difference between the consolidated entity and the company relates to other receivables. The "On Demand" category for the company decreases by $264,000 for the current year and $235,000 for the prior year.

Catholic Church Insurance has no possessed collateral, impaired or renegotiated agreements in respect of impaired financial assets.

c) Liquidity risk

Liquidity risk is the risk that Catholic Church Insurance will encounter difficulties in meeting its obligations with financial liabilities.

The investment policy requires a minimum percentage of investments be held in cash and short-term deposits to ensure sufficient liquid funds are available to meet insurance and other liabilities as they fall due for payment. Catholic Church Insurance has a strong liquidity position with no interest bearing debt.

At 30 June 2015, the mean term to maturity of fixed interest securities was 1.6 years (2014: 2.5 years).

Catholic Church Insurance limits the risk of liquidity shortfalls resulting from mismatch in the timing of claim payments and receipt of claim recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

The following tables summarise the maturity profile of financial liabilities of the consolidated entity and the company based on the remaining undiscounted contractual obligations.

	Less than 3 months	3 Months to 1 year	1 to 5 years	Greater than 5 years	Total
	$'000	$'000	$'000	$'000	$'000
2015					
Consolidated & Company					
Trade and other payables	–	31,844	–	–	31,844
Financial Liabilities – Options/Futures	647	–	–	–	647
2014					
Consolidated & Company					
Trade and other payables	–	22,990	–	–	22,990
Financial Liabilities – Options/Futures	5	–	–	–	5

The consolidated entity and company have no significant concentration of liquidity risk.

d) Sensitivity

The following table outlines the net profit and equity sensitivities to changes in interest rates and investment markets. These sensitivities are indicative only as they assume that the movement in a particular variable is independent of the other variables. The percentage movement in variables has been derived by taking into consideration the likelihood of these events occurring both in the context of the company's business and the environment in which it operates. This same level of testing is used by the company in determining a targeted solvency ratio.

		Financial Impact +/-			
		2015 Net profit (loss)	2015 Equity	2014 Net profit (loss)	2014 Equity
Market risk	Movement in variable	$'000	$'000	$'000	$'000
Interest rate	2%+/-	15,348/(15,348)	15,348/(15,348)	16,756/(16,756)	16,756/(16,756)
Equities	10%+/-	26,822/(26,822)	26,822/(26,822)	28,394/(28,394)	28,394/(28,394)

7. Discontinued Operations

On 31 March 2015 the contract for CCI to provide superannuation administration services to Catholic Superannuation Fund (CSF) expired and this division was discontinued soon thereafter. A summary of the results in relation the administration services is provided below:

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	4,611	6,474	4,611	6,474
Expense	(5,756)	(9,108)	(5,756)	(9,108)
(Loss)	(1,145)	(2,634)	(1,145)	(2,634)

The net cash flows incurred by administration are as follow:

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating	(546)	(88)	(546)	(88)
Investing	–	–	–	–
Financing	–	–	–	–
Net cash (outflow)	(546)	(88)	(546)	(88)

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000

8. Net premium revenue

	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Direct	195,097	191,492	195,097	191,492
Fire service levies	6,461	10,868	6,461	10,868
Premium revenue	201,558	202,360	201,558	202,360
Outwards reinsurance premiums	(69,040)	(68,256)	(69,040)	(68,256)
Net premium revenue	132,518	134,104	132,518	134,104

9. Gross claims incurred

	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Direct	222,717	172,757	222,717	172,757

10. Reinsurance and other recoveries revenue

	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Reinsurance and other recoveries	78,509	47,745	78,509	47,745

11. Net claims incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	2015			2014		
	Current Year	Prior Years	Total	Current Year	Prior Years	Total
Direct business	$'000	$'000	$'000	$'000	$'000	$'000
Gross claims incurred and related expenses – undiscounted	155,985	64,944	220,929	94,439	71,089	165,528
Reinsurance and other recoveries – undiscounted	(68,997)	(10,079)	(79,076)	(10,901)	(39,781)	(50,682)
Net claims incurred – undiscounted	86,988	54,865	141,853	83,538	31,308	114,846
Discount and discount movement – gross claims incurred	(9,874)	13,397	3,523	(11,321)	18,550	7,229
Discount and discount movement – reinsurance and other recoveries	6,084	(7,252)	(1,168)	6,066	(3,129)	2,937
Net discount movement	(3,790)	6,145	2,355	(5,255)	15,421	10,166
Net claims incurred	83,198	61,010	144,208	78,283	46,729	125,012

The balance of net claims incurred for the consolidated entity is the same as the company.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000

12. Other underwriting and general administration expenses

Expenses by function:				
Levies and charges	8,321	12,809	8,321	12,809
Administration expenses	33,231	29,559	33,231	29,559
Reinsurance commission	(11,289)	(13,679)	(11,289)	(13,679)
Other underwriting expenses	30,263	28,689	30,263	28,689
Investment expenses	1,058	847	1,058	847
Marketing expenses	855	1,013	855	1,013
Lease expenses	2,291	2,187	2,280	2,177
Depreciation charges (note 23)	1,795	1,577	1,795	1,577
Impairment of Assets (note 24)	–	2,309	–	2,309
Information technology expenses	3,163	3,053	3,163	3,053
Employee expenses	7,153	7,440	6,858	7,138
Other expenses	2,424	3,828	2,084	3,550
General administration expenses	18,739	22,254	18,093	21,664

13. Unexpired risk liability

Year ended 30 June 2015
The liability adequacy test has identified a surplus for all portfolios of contracts that are subject to broadly similar risks that are managed together as a single portfolio. This test is now performed at a short/long tail basis.

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for, is discussed in Note 31. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000

14. Investment income

Dividend income	35,771	25,119	35,771	25,119
Interest income	21,038	19,434	21,038	19,524
Changes in fair value				
– Unrealised gains on investments	6,083	42,483	6,083	42,483
– Realised gains /(losses) on investments	(3,732)	8,298	(3,732)	6,588
	59,160	95,334	59,160	93,714

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
15. Operating profit				
Gross earned premium	201,558	202,360	201,558	202,360
Outward reinsurance expense	(69,040)	(68,256)	(69,040)	(68,256)
Net earned premium	132,518	134,104	132,518	134,104
Gross claims incurred	(222,717)	(172,757)	(222,717)	(172,757)
Reinsurance and other recoveries	78,509	47,745	78,509	47,745
Net claims incurred	(144,208)	(125,012)	(144,208)	(125,012)
Acquisition costs	(166)	(169)	(166)	(169)
Net movement in unexpired risk liability	–	–	–	–
Underwriting expenses	(30,263)	(28,689)	(30,263)	(28,689)
	(174,637)	(153,870)	(174,637)	(153,870)
Underwriting (loss)	**(42,119)**	**(19,766)**	**(42,119)**	**(19,766)**
Dividend income	35,771	25,119	35,771	25,119
Interest income	21,038	19,434	21,038	19,524
Changes in fair value:				
– Unrealised gains on investments	6,083	42,483	6,083	42,483
– Realised gains/(losses) on investments	(3,732)	8,298	(3,732)	6,588
Other income	6,381	8,446	5,587	7,719
Investment and other income	65,541	103,780	64,747	101,433
General administration expenses	(18,739)	(22,254)	(18,093)	(21,664)
Catholic entity distributions	–	(9,904)	–	(9,904)
Profit from ordinary activities	**4,683**	**51,856**	**4,535**	**50,099**

16. Dividends paid and proposed

Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2014: $0.40 cents (2013: $0.40 cents)	1,176	1,176	1,176	1,176
Proposed for approval at AGM (not recognised as a liability as at 30 June):				
Dividends on ordinary shares: Final unfranked dividend for 2015: $0.40 cents (2014: $0.40 cents)	1,176	1,176	1,176	1,176

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
17. Cash and cash equivalents				
Cash and cash equivalents comprises:				
– Cash on hand	3	3	2	2
– Cash at call	124,822	61,143	124,529	60,964
	124,825	61,146	124,531	60,966
Reconciliation of cash				
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:				
– Cash	124,825	61,146	124,531	60,966
	124,825	61,146	124,531	60,966

The consolidated entity has a combined bank overdraft facility of $150,000 (2014: $150,000). This facility was unused at 30 June 2015.

18. Trade and other receivables

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Premiums receivable (i)	78,618	75,053	78,618	75,053
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	81,342	24,079	81,342	24,079
Provision for doubtful debts on reinsurance recoveries	(13,077)	(7,704)	(13,077)	(7,704)
	68,265	16,375	68,265	16,375
Investment income accrued (iv)	17,157	9,662	17,157	9,662
Sundry debtors (v)	880	4,410	618	4,174
Total current receivables	164,920	105,500	164,658	105,264
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	51,886	50,274	51,886	50,274
Total non-current receivables	51,886	50,274	51,886	50,274
Total Trade and Other Receivables	216,806	155,774	216,544	155,538

The current period balance of premiums receivable includes $48.522 million (2014: $46.962 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2015.

(i) Premiums receivable are contracted on normal terms and conditions. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

(ii) Reinsurance commissions receivable are settled in accordance with the terms and conditions of the contract.

(iii) Reinsurance and other recoveries on outstanding claims are settled in accordance with the terms of the contract.

These amounts are normally settled within twelve months.

(iv) Investment income is recognised when the entities right to receive the payment is established.

(v) Sundry debtors are recognised when the entities right to receive the payment is established.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
19. Deferred reinsurance expense				
Deferred reinsurance expense as at 1 July	24,497	24,595	24,497	24,595
Reinsurance premiums written during the year	72,612	71,680	72,612	71,680
Reinsurance premiums earned during the period	(71,454)	(71,778)	(71,454)	(71,778)
Deferred reinsurance expense as at 30 June	25,655	24,497	25,655	24,497

The current period balance of deferred reinsurance expense includes $2.502 million (2014: $2.414 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2015.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
20. Fair value of financial assets				
– Government and semi-government bonds	207,885	234,720	207,885	234,720
– Other fixed interest securities	131,444	112,194	131,444	112,194
– Shares in other corporations	243,705	268,431	243,705	268,431
– Units in other unit trusts	196,958	175,947	196,958	175,947
– Units in property unit trusts	62,561	56,032	62,561	56,032
– Loans – secured	–	14	–	14
Total investments	842,553	847,338	842,553	847,338
21. Tax assets				
Imputation credits	5,721	4,581	5,721	4,581
GST recoverable	1,549	1,390	1,549	1,390
	7,270	5,971	7,270	5,971
22. Other assets				
Deferred fire service levy expenses	2,859	2,799	2,859	2,799
Other assets	2,384	1,985	2,384	1,985
	5,243	4,784	5,243	4,784

	Consolidated				
	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Year ended 30 June 2015	$'000	$'000	$'000	$'000	$'000

23. Plant and equipment

	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Gross carrying amount					
Balance at 1 July 2014	2,438	2,701	6,974	4,977	17,090
Additions	811	66	1,571	32	2,480
Disposals	(885)	–	(160)	–	(1,045)
Balance at 30 June 2015	2,364	2,767	8,385	5,009	18,525
Accumulated depreciation					
Depreciation charge for the year	(499)	(152)	(631)	(513)	(1,795)
Accumulated depreciation	(354)	(1,751)	(5,508)	(1,874)	(9,487)
Balance at 30 June 2015	(853)	(1,903)	(6,139)	(2,387)	(11,282)
Net carrying amount at 30 June 2015	1,511	864	2,246	2,622	7,243

There has been no change to depreciation rates or useful lives at 30 June 2015.

The balance of plant and equipment for the consolidated entity is the same as the company.

Year ended 30 June 2014	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
Gross carrying amount					
Balance at 1 July 2013	2,350	5,162	9,192	4,901	21,605
Additions	590	23	863	76	1,552
Disposals	(502)	(2,484)	(3,081)	–	(6,067)
Balance at 30 June 2014	2,438	2,701	6,974	4,977	17,090
Accumulated depreciation					
Depreciation charge for the year	(485)	(228)	(358)	(506)	(1,577)
Accumulated depreciation	(522)	(1,523)	(5,309)	(1,375)	(8,729)
Balance at 30 June 2014	(1,007)	(1,751)	(5,667)	(1,881)	(10,306)
Net carrying amount at 30 June 2014	1,431	950	1,307	3,096	6,784

24. Intangible assets

Consolidated
Year ended 30 June 2015

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Computer Software
Gross carrying amount	$'000
Balance at 1 July 2014 net of accumulated amortisation	7,407
Additions	1,060
Disposals	(1,542)
Impairment of intangible assets	–
Balance at 30 June 2015	6,925
Accumulated amortisation	
Amortisation charge for the year	(1,173)
Disposals	1,538
Accumulated amortisation	(4,562)
Balance at 30 June 2015	(4,197)
Net carrying amount at 30 June 2015	2,728

The balance of intangible assets for the consolidated entity is the same as the company.

A description of the intangible asset is provided in section (b) of this note.

(b) Description of the consolidated entity's intangible assets

Computer Software
Software that is not integral to the operation of hardware and includes externally purchased software, internally generated software and licenses.

The balance of Computer Software for the consolidated entity is the same as the company.

Consolidated
Year ended 30 June 2014

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Computer Software
Gross carrying amount	$'000
Balance at 1 July 2013 net of accumulated amortisation	9,148
Additions	590
Disposals	(22)
Impairment of intangible assets	(2,309)
Balance at 30 June 2014	7,407
Accumulated amortisation	
Amortisation charge for the year	(1,406)
Disposals	–
Accumulated amortisation	(3,156)
Balance at 30 June 2014	(4,562)
Net carrying amount at 30 June 2014	2,845

The impairment was due to the announcement that CSF has appointed Mercer as their new administrator.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000

25. Trade and other payables

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Trade creditors	21,770	19,069	21,770	19,069
Accrued expenses	907	1,606	907	1,598
Sundry creditors	9,167	2,315	9,167	2,315
	31,844	22,990	31,844	22,982

The current period balance of the trade creditors includes $2.502 million (2014: $2.414 million) relating to the renewal of workers' compensation

26. Provisions

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Current				
Catholic entity distributions	–	10,017	–	10,017
Grants	613	602	613	602
Employee benefits	4,635	4,780	4,635	4,780
	5,248	15,399	5,248	15,399
Non-current				
Employee benefits	1,083	967	1,083	967
Make good of premises	1,453	1,454	1,453	1,454
	2,536	2,421	2,536	2,421
Total Provisions	7,784	17,820	7,784	17,820

	Consolidated				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2015	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2014	10,017	602	5,748	1,453	17,820
Additional provisions	–	613	1,528	–	2,141
Amounts utilised during the year	(10,017)	(602)	(1,558)	–	(12,177)
Reversal of unused provision	–	–	–	–	–
Carrying amount at 30 June 2015	–	613	5,718	1,453	7,784
Year ended 30 June 2014					
Carrying amount at 1 July 2013	20,000	586	5,479	1,415	27,480
Additional provisions	10,017	602	1,523	38	12,180
Amounts utilised during the year	(20,000)	(586)	(1,254)	–	(21,840)
Reversal of unused provision	–	–	–	–	–
Carrying amount at 30 June 2014	10,017	602	5,748	1,453	17,820

Catholic entity distributions

Catholic Church Insurance Limited operates under mutual principles and at the end of each year returns surpluses after expenses and prudential reserves, back to the Catholic Church in the form of distributions and grants. The amount allocated each year is approved by the Board of Directors.

All of these costs will be paid in the next financial year.

Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, performance based incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Make good of premises

This provision is required as part of the company's occupancy contract which requires all leased premises to be returned to a vacant shell upon expiry or termination of the lease.

This amount represents the best estimate of the future sacrifice of economic benefits that will be required to return the premises to a vacant shell.

27. Tax liabilities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
GST provision	593	96	593	96
	593	96	593	96

28. Other liabilities

	Consolidated			
	Actual 2015	Actual 2014	Notional 2015	Notional 2014
Financial liability – futures	647	5	647	5
	647	5	647	5

29. Contributed equity

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Authorised				
10,000,000 ordinary shares	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2014: 2,939,676)	8,139	8,139	8,139	8,139

There has been no change to the ordinary shares issued from the prior year to the current year.

Terms and conditions of contributed equity

Fully paid ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up, the company shareholders have the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
30 Reserves				
(a) Composition				
General reserve	410,381	406,874	410,381	406,874
	410,381	406,874	410,381	406,874
(b) Movements				
General reserve				
Opening balance	406,874	356,194	406,874	356,194
Transfers to and from retained profits	3,507	50,680	3,507	50,680
Closing balance	410,381	406,874	410,381	406,874

Nature and purpose of reserves

General reserve

The general reserve contains amounts transferred from retained profits by Directors. It is used for general purposes only and there is no policy of regular transfer.

		Consolidated		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
31 Outstanding claims liability					
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	611,206	512,692	611,206	512,692
Discount to present value		(71,328)	(74,865)	(71,328)	(74,865)
		539,878	437,827	539,878	437,827
Claims handling costs	(B)	29,536	25,873	29,536	25,873
		569,414	463,700	569,414	463,700
Risk margin	(C)	68,843	58,881	68,843	58,881
Gross outstanding claims liability – discounted		638,257	522,581	638,257	522,581
Gross claims liability – undiscounted	(A)+(B)+(C)	709,585	597,446	709,585	597,446
Current		153,040	96,651	153,040	96,651
Non-current		485,217	425,930	485,217	425,930
Total		638,257	522,581	638,257	522,581

(b) Risk margin

Process for determining risk margin

Risk margins have been based on features of each of the portfolios using general industry models to measure the variability of liabilities.

Theoretical undiversified and diversified risk margins are determined based on industry models. A diversification discount is then derived based on actual experience in regard to the individual classes loss ratios compared to the company as a whole for the last six accident years.

The implied diversification discount is then compared with the discount derived from the industry models and "rounded" percentage risk margins are selected for each line of business having regard to modelling results.

The final selected dollar margin must be no less than to the 75% level of sufficiency.

Risk margins applied	2015 %	2014 %
Short-tail	10.0	9.9
Professional indemnity	16.0	16.0
Public liability	16.9	16.6
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

	Gross	Reinsurance	Net
2015	$'000	$'000	$'000
Brought forward	522,581	61,467	461,114
Effect of changes in assumptions	66,847	10,565	56,282
Increase in claims incurred/recoveries anticipated over the year	152,573	69,256	83,317
Claim payments/recoveries during the year	(103,744)	(28,803)	(74,941)
Carried forward	638,257	112,485	525,772
2014			
Brought forward	444,579	32,209	412,370
Effect of changes in assumptions	80,520	37,535	42,985
Increase in claims incurred/recoveries anticipated over the year	91,412	11,951	79,461
Claim payments/recoveries during the year	(93,930)	(20,228)	(73,702)
Carried forward	522,581	61,467	461,114

(d) Claims development tables – long-tail classes

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the six most recent accident years.

The insurance classes included in long-tail business are professional indemnity, public liability & workers' compensation.

(i) Gross

Accident year	2009 & prior $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	712,129	63,115	53,814	52,466	60,573	47,073	44,047	1,033,217
One year later	693,123	50,770	47,613	57,710	60,524	45,257	–	954,997
Two years later	673,907	45,885	47,238	53,119	57,986	–	–	878,135
Three years later	610,296	47,566	43,162	46,804	–	–	–	747,828
Four years later	618,328	42,910	40,843	–	–	–	–	702,081
Five years later	638,246	41,240	–	–	–	–	–	679,486
Current estimate of cumulative claims cost	807,628	41,240	40,843	46,804	57,986	45,257	44,047	1,083,805
Cumulative payments	(424,069)	(32,308)	(28,225)	(29,733)	(30,053)	(16,104)	(6,587)	(567,079)
Outstanding claims – undiscounted	383,559	8,932	12,618	17,071	27,933	29,153	37,460	516,726
Discount								(58,077)
Outstanding claims								458,649
Short-tail outstanding claims								67,822
Claims handling expenses								29,536
Risk margins								82,250
Total gross outstanding claims as per the Balance Sheet								638,257

(ii) Net of reinsurance

Accident year	2009 & prior $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	615,915	62,918	53,484	51,800	58,134	46,821	43,583	932,655
One year later	594,495	49,610	46,988	55,328	56,124	45,097	–	847,642
Two years later	596,244	44,674	46,621	52,787	51,585	–	–	791,911
Three years later	531,854	41,880	43,020	46,589	–	–	–	663,343
Four years later	545,258	38,269	40,649	–	–	–	–	624,176
Five years later	558,425	38,949	–	–	–	–	–	597,374
Current estimate of cumulative claims cost	672,348	38,949	40,649	46,589	51,585	45,097	43,583	938,800
Cumulative payments	(338,245)	(30,373)	(28,050)	(29,568)	(25,698)	(16,023)	(6,540)	(474,497)
Outstanding claims – undiscounted	334,103	8,576	12,599	17,021	25,887	29,074	37,043	464,303
Discount								(53,870)
Outstanding claims								410,433
Short-tail outstanding claims								16,962
Claims handling expenses								29,536
Risk margins								68,841
Total net outstanding claims as per the Balance Sheet								525,772

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
32 Unearned premium reserve				
Unearned premium liability as at 1 July	128,467	140,469	128,467	140,469
Deferral of premiums on contracts written in the period	203,969	198,452	203,969	198,452
Earning of premiums written in current and previous periods	(199,925)	(210,454)	(199,925)	(210,454)
Unearned premium liability as at 30 June	132,511	128,467	132,511	128,467

The current period balance of the unearned premium reserve includes $48.522 million (2014: $46.962 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2015.

33. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

The names of persons who were Directors of Catholic Church Insurance Limited at any time during the year or until the date of this report are as follows:

P A Gallagher	Chairman (non-executive)
C T Condon	Director (non-executive)
J Dawson	Director (non-executive)
R M Haddock	Director (non-executive)
J A Killen	Director (non-executive)
B J Lucas	Director (non-executive)
J A Schafer	Director (non-executive)
J A Tongs	Director (non-executive)
P A Rush	Alternate Director for B J Lucas

(ii) Executives

P Rush	Chief Executive Officer
D Chila	Company Secretary
D Muscari	Chief Financial Officer
C Nettleton	Chief Operating Officer
R Redlich	Head of Superannuation (Executive Group Member until 20 March 2015)
I Smith	Chief Investment Officer
N Smith	Information, Communication and Technology Manager
D Trevorah	Head of Strategy & Brand

(b) Compensation of key management personnel

(i) The compensation policy is disclosed in the Directors' Report.

(ii) Compensation of key management personnel by category is as follows:

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Directors				
Short-term	430,084	379,247	374,136	324,485
Post employment	35,618	30,548	30,303	25,483
	465,702	409,795	404,439	349,968

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits.

Executives				
Short-term	3,486,273	3,246,808	3,486,273	3,246,808
Post employment	202,776	194,303	202,776	194,303
Other long-term	97,772	149,556	97,772	149,556
	3,786,821	3,590,667	3,786,821	3,590,667

The short-term category includes salary, fees and cash bonuses. The post employment category includes superannuation and retirement benefits.

(c) Shareholdings of key management personnel

Each Director of the parent entity holds ordinary shares in Catholic Church Insurance Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church.

Executives are not eligible to hold shares in the company.

	Balance at Beginning	Net Change Other	Balance at End
Year ended 30 June 2015			
Directors			
P A Gallagher	1,250	–	1,250
C T Condon	1,250	–	1,250
J Dawson	1,250	–	1,250
R M Haddock	1,250	–	1,250
J A Killen	1,250	–	1,250
B J Lucas	1,250	–	1,250
J A Schafer	1,000	–	1,000
J A Tongs	1,250	–	1,250
Total	9,750	–	9,750

	Balance at Beginning	Net Change Other	Balance at End
Year ended 30 June 2014			
Directors			
P A Gallagher	1,250	–	1,250
C T Condon	1,250	–	1,250
J Dawson	1,250	–	1,250
R M Haddock	1,250	–	1,250
J A Killen	1,250	–	1,250
B J Lucas	1,250	–	1,250
J A Schafer	1,000	–	1,000
J A Tongs	1,250	–	1,250
Total	9,750	–	9,750

(d) Loans to key management personnel

There are no loans to key management personnel.

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $

34. Related parties

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Wholly owned group transactions				
The entities within the wholly owned group are Catholic Church Insurance Limited (consolidated entity), and CCI Asset Management Limited (subsidiary). Catholic Church Insurance Limited is the ultimate parent entity.				
Expenses charged to CCI Asset Management Limited	–	–	645,187	680,110
Balance of intercompany receivable from CCI Asset Management Limited	–	–	46,437	55,785
Other related party transactions				
Catholic Church Insurance sold insurance policies to the shareholders of the company during the year within a normal policy holder relationship on terms and conditions no more favourable than those available on similar transactions to other policy holders.	138,529,978	133,631,558	138,529,978	133,631,558
Catholic Church Insurance Limited has invested funds into the investment trusts managed by its subsidiary under normal terms and conditions.				
Market value of investment in Catholic Values Unit Trust	31,369,105	29,216,819	31,369,105	29,216,819
Management fees for the reporting period paid by the Schemes to CCI				
Asset Management Limited				
– Catholic Values Unit Trust	432,171	385,297	432,171	385,297
– Income Unit Trust	379,967	375,890	379,967	375,890

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
35. Auditors' remuneration				
Amounts received or due and receivable by Ernst & Young Australia for:				
(a) an audit or review of the financial report of the entity and any other entity in the consolidated entity	217,845	214,319	183,855	188,054
(b) other services in relation to the entity and any other entity in the consolidated entity				
– Taxation services	80,060	–	80,060	–
– Other services	95,172	89,335	79,310	89,335
Total other services	175,232	89,335	159,370	89,335

Other services relates to the review performed by the Ernst & Young Actuary team, GS007 Audit and ICAAP Review.

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
36. Expenditure commitments				
Operating lease expenditure commitments:				
– Within one year	4,366	4,218	4,366	4,218
– After one year but not more than five years	11,545	14,589	11,545	14,589
– More than five years	–	838	–	838
	15,911	19,645	15,911	19,645
Lease payments recognised as an expense in the period				
Minimum lease payment	2,605	2,501	2,595	2,491
Contingent rents	(314)	(314)	(315)	(315)
	2,291	2,187	2,280	2,176

Leasing arrangements

Leased offices

The consolidated entity leases offices under operating leases expiring from 1 to 10 years. Leases generally provide the consolidated entity with a right to renew at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Equipment

The consolidated entity leases photocopiers and faxes under operating leases expiring from 1 to 5 years. Each time a machine is upgraded the contract starts again for a further 5 years. Lease payments comprise a base amount plus an additional rental based on usage.

37. Statement of cash flows

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit from ordinary activities	4,684	51,856	4,535	50,099
Changes in net market value of investments	(10,981)	(52,324)	(10,981)	(52,324)
Depreciation of assets	1,795	1,577	1,782	1,564
Amortisation of intangible assets	1,173	3,715	1,173	3,715
Changes in grants and Catholic Entity Distributions	613	10,506	613	10,506
Profit on sale of assets	35	110	35	109
Changes in assets and liabilities				
Increase/(decrease) in unearned premium	4,045	(12,001)	4,045	(12,001)
(Increase)/decrease in premiums receivable	(3,565)	12,065	(3,565)	12,065
(Increase) in reinsurance and other recoveries receivable on outstanding claims	(53,502)	(29,198)	(53,502)	(29,198)
(Increase)/decrease in reinsurance payables	2,927	(1,379)	2,927	(1,379)
Increase in outstanding claims	115,260	78,002	115,260	78,002
(Increase)/decrease in statutory charge asset	(474)	4,356	(474)	4,356
Increase in GST tax provision	337	205	337	205
Increase/(decrease) in other provisions and sundry debtors	1,711	(5,959)	1,759	(4,168)
Cash flow from operating activities	64,058	61,531	63,944	61,551

38. Controlled entities

Name of entity	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %	Investment 2015 $'000	Investment 2014 $'000
Parent entity					
Catholic Church Insurance Limited	Australia	–	–	–	–
Controlled entity					
CCI Asset Management Limited	Australia	100	100	–	–

The shares held in CCI Asset Management Limited of $1,004,099 were written down to zero in the financial year ended June 2006.

39. Capital adequacy

The Australian Prudential Regulation Authority's (APRA's) prudential standards set out the basis for calculating the prudential capital requirement (PCR) of licensed insurers. The PCR assumes a risk-based approach in calculating a company's solvency and is determined as the sum of the insurance, asset, investment concentration and catastrophe risk capital charges.

The consolidated entity has at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

The PCR of Catholic Church Insurance Limited applying consolidation principles to the prudential standards is as follows:

	Company	
	2015 $'000	2014 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	410,381	406,874
Retained earnings at end of reporting period	1,611	1,761
Premium liability surplus	25,206	22,389
Net tier 1 capital	445,337	439,163
Less net intangible assets	2,728	2,845
Less assets under a fixed or floating charge	7,909	7,727
Total capital base	434,700	428,591
Prescribed capital amount	219,434	225,472
Prescribed capital amount coverage	1.98	1.90

The consolidated entity does not hold any tier 2 capital.

40. Additional financial instruments disclosure

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

(b) Interest rate risk

The following table details the economic entity's exposure to interest rate risk at the reporting date.

		Fixed Interest Rate Maturity – Consolidated					
2015	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.26	124,822				3	124,825
Receivables and other recoveries						216,806	216,806
Government and semi-government loans	5.44		81,526	90,626	35,733		207,885
Other fixed interest securities	5.08		15,611	69,985	45,848		131,444
Loans	–			–			
Shares, options & trusts						498,377	498,377
Preference shares			4,847				4,847
Convertible notes							
Exchange traded warrants							
Total		124,822	101,983	160,612	81,582	715,186	1,184,185
Financial liabilities							
Trade and sundry creditors						31,844	31,844
Exchange traded options			647				647
Total			647			31,844	32,491

		Fixed Interest Rate Maturity – Company					
2015	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.26	124,529				2	124,531
Receivables and other recoveries						216,544	216,544
Government and semi-government loans	5.44		81,526	90,626	35,733		207,885
Other fixed interest securities	5.08		15,611	69,985	45,848		131,444
Loans	–			–			
Shares, options & trusts						498,377	498,377
Preference shares			4,847				4,847
Exchange traded options							
Total		124,529	101,983	160,612	81,582	714,923	1,183,629
Financial liabilities							
Trade and sundry creditors						31,844	31,844
Exchange traded options			647				647
Total			647			31,844	32,491

2014	Average Interest Rate %	Variable Interest $'000	Fixed Interest Rate Maturity – Consolidated Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.50	61,143				3	61,146
Receivables and other recoveries						155,774	155,774
Government and semi-government loans	5.45		21,053	199,775	13,892		234,720
Other fixed interest securities	5.16		6,017	65,038	41,139		112,194
Loans	5.00			14			14
Shares, options & trusts						499,433	499,433
Preference shares	–		977				977
Exchange traded warrants							
Total		61,143	28,047	264,827	55,031	655,210	1,064,258
Financial liabilities							
Trade and sundry creditors						22,990	22,990
Exchange traded options			5				5
Total			5			22,990	22,995

2014	Average Interest Rate %	Variable Interest $'000	Fixed Interest Rate Maturity – Company Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.50	60,964				2	60,966
Receivables and other recoveries						155,538	155,538
Government and semi-government loans	5.45		21,053	199,775	13,892		234,720
Other fixed interest securities	5.16		6,017	65,038	41,139		112,194
Loans	5.00			14			14
Shares, options & trusts						499,433	499,433
Preference shares	–		977				977
Convertible notes	–						
Exchange traded warrants							
Total		60,964	28,047	264,827	55,031	654,973	1,063,842
Financial liabilities							
Trade and sundry creditors						22,982	22,982
Exchange traded options			5				5
Total			5			22,982	22,987

41. Fair value hierarchy

The table below sets out the consolidated entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Consolidated as at 30 June 2015	Quoted market price (Level 1) $'000	Valuation technique – market observable inputs (Level 2) $'000	Valuation technique – non market observable inputs (Level 3) $'000	Total $'000
Financial assets				
– Government and semi-government bonds	207,885	–	–	207,885
– Other fixed interest securities	131,444	–	–	131,444
– Shares in other corporations	243,511	4	190	243,705
– Units in other unit trusts	–	196,958	–	196,958
– Units in property unit trusts	–	58,426	4,135	62,561
– Loans – secured	–	–	–	–
Total	582,840	255,388	4,325	842,553
Financial liabilities				
Derivative instruments				
Options	(647)	–	–	(647)
Total	(647)	–	–	(647)

Transfer between categories

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements during the year.

Consolidated as at 30 June 2014				
Financial assets				
– Government and semi-government bonds	234,720	–	–	234,720
– Other fixed interest securities	111,165	–	1,029	112,194
– Shares in other corporations	267,961	267	203	268,431
– Units in other unit trusts	–	175,947	–	175,947
– Units in property unit trusts	4,644	45,705	5,683	56,032
– Loans – secured	–	–	14	14
Total	618,490	221,919	6,929	847,338
Financial liabilities				
Derivative instruments				
Options	(5)	–	–	(5)
Total	(5)	–	–	(5)

Transfer between categories

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements during the year.

Reconciliation of Level 3 fair value movements	Consolidated Entity 2015 $'000	Consolidated Entity 2014 $'000
Opening balance	6,929	11,206
Total gains and losses		
– Realised	(974)	(10)
– Unrealised	0	(1,430)
Purchases	–	–
Sales	(1,630)	(2,837)
Closing balance	4,325	6,929

Total gains and losses from level 3 fair value movements have been recognised in the statement of comprehensive income in the line item 'investment income'.

Descriptions of significant unobservable inputs to valuation

Investment Type	Valuation Technique	Unobservable Input
Shares in other corporations	Net Tangible Asset	Net Tangible Asset
Units in other unit trusts	Independent Valuation	Independent Valuation
Units in property unit trusts	Net Tangible Asset	Net Tangible Asset

Fair value is determined by computing the loss distribution of a credit portfolio taking into account asset correlation, recovery rates and risk neutral probability of default of individual reference entities. The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the Level 3 fair value by up to $693,000 (2013: $1,120,600) or increase the Level 3 fair value by $693,000 (2013: $1,120,600). .

42. Events occurring after the reporting period

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

Directors' Declaration

In accordance with a resolution of the Directors of Catholic Church Insurance Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the company and consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with the Australian equivalent of International Financial Reporting Standards as disclosed in note 2(b) and

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

On behalf of the Board

P A Gallagher
Director
Melbourne, 9 September 2015

Independent auditor's report

For the financial year ended 30 June 2015

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Independent auditor's report to the members of Catholic Church Insurance Limited

Report on the financial report

We have audited the accompanying financial report of Catholic Church Insurance Limited, which comprises the statements of financial position as at 30 June 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Catholic Church Insurance Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2015 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with the Australian equivalent of the *International Financial Reporting Standards* as disclosed in Note 2(b).

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
9 September 2015

Corporate Information

For the financial year ended 30 June 2015

Catholic Church Insurance Limited

ABN 76 000 005 210
AFSL No. 235415

Registered Office and Principal Place of Business

Level 8
485 La Trobe Street
Melbourne Vic 3000

Directors

Paul A Gallagher (Chairman)

Sister Clare T Condon

Jo Dawson

Richard M Haddock

J A (Tony) Killen

Reverend Brian J Lucas

Julie-Anne Schafer

Jane A Tongs

Peter A Rush
(Alternate Director for Reverend Brian J Lucas)

Chief Executive Officer

Peter A Rush

Company Secretary

Dominic P Chila

Executive Group

Peter Rush	– Chief Executive Officer
Dominic Chila	– Company Secretary & Chief Risk Officer
Domenic Muscari	– Chief Financial Officer
Charlie Nettleton	– Chief Operating Officer
Ian Smith	– Chief Investment Officer
Norman Smith	– Head of Information, Communication & Technology
David Trevorah	– Head of Strategy & Brand
Rommie Redlich	– Head of Superannuation (Executive Group Member until 20 March 2015)

Solicitors

Gadens Lawyers
Level 25 Bourke Place
600 Bourke Street
Melbourne Vic 3000

Bankers

National Australia Bank Limited
424 St Kilda Road
Melbourne Vic 3004

Auditor

Ernst & Young
8 Exhibition Street
Melbourne Vic 3000
Australia

Catholic Church Insurance Limited
ABN 76 000 005 210
AFSL No. 235415

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