CCI
Catholic Church Insurance

ANNUAL REPORT 2017

ST. MARY'S CHURCH
ST. KILDA EAST, VIC

Contents

Chairman's Report

"As we look back on another year, a year in which CCI has balanced significant change with strong performance and improved client experiences, it is obvious that this would not have been possible without a renewed strategic drive."

Paul Gallagher
Chairman

While change of the magnitude of our transformation program requires time, we're now well on our way to becoming a more focused organisation. We're one year into a three year strategy, and the signs are extremely positive.

Most importantly in a year of significant and perhaps transformational change, we have also delivered one of the company's best financial results on record and remained strong and relevant in the eyes of our clients and our people.

This is testament to the strategy we have chosen, to the leadership of the Board and our CEO Roberto Scenna and his management team, and to the capability and commitment of all our people. It is also the result of an unwavering focus on risk management, a drive to embed robust change management capabilities across the organisation, and an ever-strong commitment to the Church and our clients.

We are extremely proud of our results this year and simultaneously filled with confidence for the year ahead. Here's why.

We're prioritising and enhancing client solutions and experiences.

Fundamental to our strategy is a solid foundation of understanding our client needs, to allow us to enhance the solutions and services we provide. Building from fresh insights, this year has seen us introduce new online services, improved risk management systems, enhanced insurance covers, and new models of client engagement.

As the Church and our clients continue to change, so too do their needs, risks and exposures. Our commitment is to continue to change with them by enhancing our services and the risk and insurance solutions we provide, to ensure they keep pace.

We're growing, evolving and moving forward.

While we're not about growth for growth's sake, we have a responsibility to grow and develop as an organisation to ensure we remain financially strong and capable of meeting our clients' needs today, as well as investing in the development of solutions for tomorrow.

As our clients increasingly look to us to anticipate their needs, we must ensure we develop an organisation that is doing so. Our investment in technology, the re-shaping of the organisation's structure, and the development of new capabilities within CCI have not only been rewarding in terms of their immediate benefits to CCI and our clients, but have also set down a strong foundation for the next two years of our transformation program.

Wherever we introduce change, we incorporate change management.

Our transformation program includes many initiatives to improve our organisation, but underpinning this is a robust process for understanding the risks associated with change.

Through the establishment of a formal change management function and the embedding of change management practices throughout all areas of the organisation, we are ensuring that our focus on rapid transformation is matched by our attention to effective implementation, both within the organisation and with our clients.

We've put our clients in good hands.

As the organisation continues to evolve and re-organise itself to provide greater efficiencies and improved solutions to our clients, we continue to attract people at all levels of the company who bring to CCI a balance of strong business acumen and a clear understanding of what it means to be part of Church. This balance is essential to ensuring we continue to provide value and remain relevant to our clients, whilst remaining on mission as the Church's insurer.

We're giving back and making a lasting contribution.

As an insurer that has long operated on the principle of putting people before profits, we have strengthened this ethos further under our new strategy. The combination of an outstanding financial result and innovative thinking from Roberto and our senior management team has allowed us to deliver two significant achievements in particular for our clients and the Catholic community this year.

First, we are very pleased that we will again be making distribution payments to clients, but perhaps even more pleasingly, we have committed to implementing a distributions smoothing model to ensure we will also be able to make distribution payments for the next few years to come.

Second, and this is perhaps the standout achievement of the organisation this year, we have established a new charitable foundation, CCI Giving, which was funded with 10 million dollars from CCI. Building on our strong history of giving back for more than 100 years, CCI Giving is our latest way of making a difference in the community. Through a combination of small and large grants, CCI Giving is aiming to help Catholic organisations and others carrying out Catholic mission in Australia to make a positive impact.

Many organisations set out to change and transform, with mixed results. However for CCI, strong indicators from our clients in the form of our Net Promoter Score, and from our people in the form of our staff engagement score indicate that our transformation is understood and supported. Together with an outstanding financial result and the many tangible improvements we have delivered inside the organisation and to our clients, we are proud to say that we are an organisation that appears to be doing it right.

Directors of the Board from left to right:
Standing: Jo Dawson , Paul Gallagher *(Chairman)*, Sister Louise Reeves, Joan Fitzpatrick, Rev. Dr. Phillip Marshall. **Seated:** Julie-Anne Schafer, Jane Tongs, Richard Haddock

Personally I would like to thank my fellow Directors, our CEO Roberto, the Senior Leadership Team and all the CCI staff for their efforts in what must be recognised as an outstanding result this year, and an excellent first year of our new company strategy.

For the Directors, we've continued to test our strengths, leadership and contribution to delivering strong performance, and have enjoyed a thoroughly productive relationship with senior management. During this time of change, the leadership team have led the charge and strengthened the company around them. While these changes have taken place, the Board is very proud of our staff for the spirit, engagement and belief they have shown through a complex but hopefully ultimately rewarding year.

To our valued clients and shareholders, of course we wouldn't be here without you. You are the true test of the success of this organisation and while you may have thought our new strategy an ambitious one, we hope you are enjoying the benefits of a transforming CCI so far.

Our commitment to you is that you can look forward to more to come.

On behalf of all at CCI I'd like to thank you again for your support this year and we look forward to continuing to work together in the year ahead.

Paul Gallagher
Chairman

Chief Executive Officer's Review of Operations

"Now two years into the job, I can unequivocally say CCI has worked through a period of immense internal reflection and change, to crystalise a clear vision for the future that is underscored by a commitment to meaningful client solutions, strong staff engagement and making a positive impact in the community."

Roberto Scenna
Chief Executive officer

Last year, I reflected on CCI as a company that is clear on its purpose, is financially and operationally stable and displayed great maturity and resilience in the face of ambiguity. One year on, and one year into our three year strategy, I'm pleased to say this view has only strengthened.

The company's mission and purpose remains steadfast, but our vision and commitment to clients, staff and the community has been renewed and reinvigorated. Our financial performance speaks for itself, driven by excellent investment returns, an above budget underwriting result and strategic cost management. This ensures we remain strong, whilst delivering our strategy, returning surplus profits back to clients and set up a community commitment to last a lifetime.

Internally our organisation is transforming at a rapid pace, and when companies talk about new strategies and internal growth, it is hard for clients to see the immediate benefits. But in a matter of 12 months at CCI, initiatives across the core tenants of our strategy, Enhance, Expand and Give Back, have shown that CCI is an organisation capable of innovative thinking, progress and delivery.

It's been a year of immense change, within our organisation, for the Church and our clients, and also across the community. We continue to see some areas of the Church undergoing rapid expansion whilst others are consolidating. We have witnessed disruption on a global scale through cyber security threats, whilst locally the Australian census shows that we're becoming an increasingly secular society.

In thinking about this and much more, we've had time to consider how, in an ever-changing world, we will continue to fulfil our purpose; and how we will further strengthen our relationships with our clients and our commitment to the community.

Navigating change isn't always easy, but we choose to harness change as an instrument to achieve our mission, deliver increased value, remain relevant and partner with Church and community into perpetuity.

Enhance

The driving principle behind our Enhance strategy is developing superior client solutions, improved processes and new ways of working to deliver better service. What underpins this is a sharp focus on improving our insights and understanding of our clients' needs.

The launch of our Solution Series client events is one example where we strive to bring CCI and our clients together to learn through shared conversation about the challenges we face together now, but must be prepared for in future years.

A strong topic of conversation with clients has been the cyber disruptions that unfolded over the past year, which touched many and showed that the Catholic community is not immune from threats and disruptions in this area. They also signaled a changing perception of cyber security and how far the 'Internet of Things' is permeating our lives and workplaces.

Accordingly, our landscape has changed too when it comes to assisting our clients with this risk. Our enhanced Cyber Insurance has brought new value and benefits to clients, and when combined with our new risk management and claims services for cyber risk, is delivering a solution at the forefront of what the industry is offering.

While we have always been proud of the support we provide clients' in their moments of need, initiatives such as our fast track claims program is driving further efficiencies that we anticipate will boost our clients' level of satisfaction with claims. Building on the launch of our online claims forms last year, we will also focus on improving our digital claims capabilities and the online service we provide.

We're also finding new ways of servicing our clients, both online and through traditional relationships, in recognition that while many clients prefer personal contact, others want to do more online. Through the first release of online self-service functionality this year, we're responding to this need and have also built the foundation of an interactive and efficient online self-service portal for the future. Our developing client engagement model will also ensure that each personal interaction with CCI is a rich and rewarding one.

Of course the true test of our Enhance strategy is the impact it ultimately has on our clients' experience of CCI. So when we asked our clients this year "would you refer CCI to a colleague?" (a universally recognised measure of customer satisfaction) I was delighted to see such a strong response. This has validated our focus on enhancing our client experience.

Expand

While we've been selective about areas of new growth, and continue to operate within the boundaries of the company's risk appetite and the capabilities of our organisation, I have been pleased by the number of new clients who have chosen CCI as their risk management, insurance and investments partner this year. This has been a great endorsement from both Catholic and broader-Christian clients alike that the investments we are making into our solutions and services have translated into an offer that really stands the test in the market.

This year has again seen our risk management offering continue to go from strength-to-strength, with record numbers of users of Learning Manager, extensive engagement with our risk consultants and great initial take-up of our new Risk Manager Plus platform.

We have also focused on building and strengthening our partnership with brokers and intermediaries, again recognising that while some clients will always want to work with CCI directly, others prefer to utilise different models. Pleasingly, we have also included our brokered clients within our distributions scheme for the first time this year.

Beyond risk and insurance solutions, it has also been wonderful to see the take up of our improved asset management services with several more Catholic clients choosing to invest with CCI this year.

Give back

CCI has been insuring Catholic entities and organisations in Australia for over 100 years and we have a long history of ethically and compassionately giving back to the Catholic community. This year, through the establishment of our charitable foundation CCI Giving, we are extending our support to make a difference in the Australian community even further.

By committing $10 million dollars to establish CCI Giving, our organisation is giving back in a new and different way, by providing assistance to those who are working with disadvantaged communities. Our aim is that these funds will be used to develop CCI Giving into a perpetual charitable foundation that does not rely on public fundraising.

Through a series of small and large grants, we'll be helping Catholic organisations and others carrying out Catholic mission in Australia, to make a bigger positive impact on our community. I hope you will be equally as proud and excited by this new chapter in CCI's rich history as we are, and I look forward to sharing more information with you as it grows.

We have also continued to support our clients directly through sponsorship of important initiatives, such as the Australian Catholic Youth Festival and the Ministry Leadership Program to name only two. Combined with Catholic Entity Distributions, we have found ways to make a lasting difference for both our clients and the community this year.

Finally, CCI has continued to provide assistance to the Royal Commission in any way we can and will continue to do so as long as required. We also remain committed to supporting clients as they respond to the Royal Commission, and we continue to undertake this work on a foundation of fairness and justice.

This year has certainly been a year of progress, ideas and delivery. To my Senior Leadership Team, the company Directors and to CCI staff, I'd like to thank you for your contributions. Your combined efforts mean we can all look back on the year that was, a year of tremendous change and high rewards, with a genuine sense of satisfaction and pride.

To our clients and our shareholders, your ongoing support and commitment has validated that we are going in the right direction. When you're at the helm of an organisation such as CCI, one that values its clients, its people and the community so highly, it's immensely rewarding to see us laying foundations that will continue to improve the wonderful work this organisation has done for more than a century.

I certainly look forward to what the next year will bring.

Roberto Scenna
Chief Executive Officer

JEAN
AGED CARE NURSE AT ST JOAN OF ARC VILLA
HABERFIELD, NSW

Corporate Governance Statement

For the year ended 30 June 2017

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 CCI, 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 arise 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. CCI 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, Budget, Directors' Governance, Investment, Reinsurance and Remuneration.

Audit Committee

The Chairman of the Board may be a member (but not chair) of this committee.

The members of this committee must satisfy themselves as to the adequacy and independence of the internal and external audit functions. They must have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, CCI's Appointed Auditor and Appointed Actuary at all times.

This committee must invite CCI's Appointed Auditor and Appointed Actuary to committee meetings.

This committee must establish and maintain policies and procedures that allow CCI's employees to confidentially submit 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 consolidated annual accounts and the external auditor's annual report,
- the appointment of the external auditor and the actuary,
- the scope of the external and internal audits,
- the reports of the external and internal auditors to assess internal controls and monitor for suitability, reliability and compliance,
- the external auditor's management letter and management's response,
- the Statement of Integrity of Financial Reporting from the Chief Executive Officer and the Chief Financial Officer, and
- APRA reports and management's response, and APRA mandated policies.

Risk Committee

The Chairman of the Board may be a member (but not chair) of this 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 committee meetings.

The role of the Risk Committee is to:

- ensure effective oversight of material risks to which the Company is or may be exposed,
- 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' retirements 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

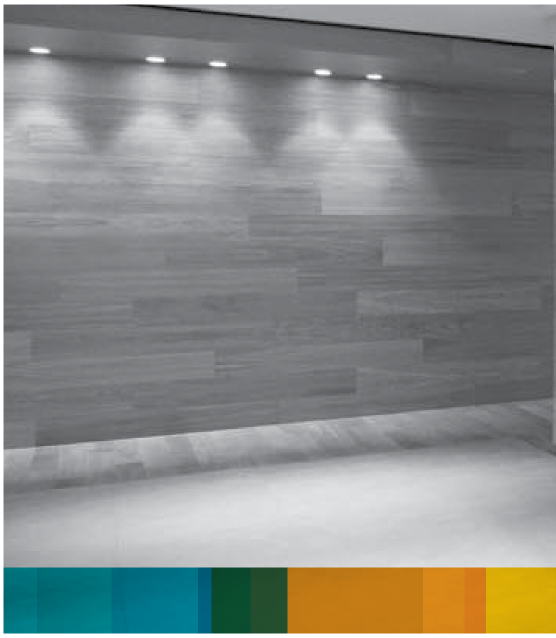
The Investment Committee is responsible for the direction and monitoring of the investment portfolio, subject to the objectives, controls and limits approved from time to time. The mandate includes specific responsibilities to:

- examine the percentages of the present asset mix in the portfolio and direct management to make any changes considered necessary, 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 responsibilities of this committee are to make recommendations to the Board regarding:

- the 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 and 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 CCI. Directors or their associated firms or companies may act in a professional capacity for CCI, but may not act as the Company's auditor.

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.

CCI 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

Directors' Report

The Directors of Catholic Church Insurance Limited have pleasure in presenting their annual financial report on the company and its controlled entity for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act, 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 *(Retired 31 December 2016)*
- Jo Dawson
- Joan Fitzpatrick
- Richard M Haddock
- Reverend Dr Philip Marshall
- Sister Louise Reeves *(Commenced 7 February 2017)*
- Julie-Anne Schafer
- Jane A Tongs
- Roberto Scenna *(Alternate Director for Richard M Haddock)*

Names, qualifications, experience and special responsibilities

Paul A Gallagher
B.COMM, FCA, CPA, GAICD

Paul joined the Board in 2007. A partner at BDO (QLD) in the Audit and Assurance Services division, Paul has expertise in the area of statutory and special purpose audits, special investigations, due diligence and corporate governance. He is currently the Chair of the Archdiocesan Services Council, 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 a member of the Board Audit Committee, Risk Committee, Budget Committee, Directors Governance Committee and Remuneration Committee.

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

Jo was appointed to the Board in 2006 and has more than 25 years' experience in the financial services industry. She spent 14 years with chartered accounting firm Deloitte, and has held a number of senior positions with National Australia Bank within the areas of insurance and funds management. She has a Bachelor of Commerce, Masters of Business Administration, Diploma of Financial Planning, and is a qualified Chartered Accountant and Certified Financial Planner. She is 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 Risk Committee and member of the Investment Committee.

Joan Fitzpatrick

BA, LLB, ANZIIF, Fellow, CIP, GAICD

Joan joined the board in 2016 and has more than 35 years of commercial business experience. An experienced change management leader, Joan has delivered successful business results including strong engagement of people. Qualified as a barrister, she began her career in London where she became Regional General Manager for a global insurer of manufacturing and special risks. Joan spent 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance and Finance where she revitalised the business. She is a Fellow of ANZIIF, a Graduate of the Australian Institute of Company Directors and is currently a non-executive director for several organisations.

Special responsibilities held in the company:

Chair of the Board Budget Committee and a member of the Board Reinsurance Committee and Investment Committee.

Richard M Haddock

BA, LLB, FAICD

Richard joined the Board in October 2010. He commenced his professional life as a lawyer and in 2012, was awarded a Member of the Order of Australia for service to business. He is the Chairman of CatholicCare and Commonwealth Managed Investments Ltd. He is also Director of Tishman Speyer Australia Ltd, the Catholic Superannuation and Retirement Fund, and Retirement Villages Group Ltd. He is a Member of the Finance Council of the Archdiocese of Sydney as well as a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Financial Services Institute of Australasia.

Special responsibilities held in the company:

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

Reverend Dr Philip Marshal

Ph.D

Rev Philip joined the Board in 2015 and is Vicar General and Moderator of the Curia of the Adelaide Archdiocese. He studied at Adelaide University and then worked in the area of community welfare before joining the St Francis Xavier Seminary at Rostrevor. Following his ordination, Rev Philip served in several parishes, including Hectorville where he played a significant role in establishing the Hectorville Catholic Community, which places a strong focus on the involvement of the whole community in the life of the Church and neighbourhood.

He is a Doctor of Philosophy in the area of ecclesiology, and his locus of study in Canada was well-known Dominican theologian Father Jean-Marie Tillard. He has served as Principal of the Adelaide Theological College, and currently has oversight of the Adelaide Archdiocese “Renewing Parishes” program.

Special responsibilities held in the company:

Chairman of the Board Remuneration Committee and a member of the Board Budget Committee and Directors’ Governance Committee.

Julie-Anne Schafer
LLB (Hons), FAICD, ANZIIF

Julie-Anne joined the board in February 2012 and is an accomplished company director with extensive experience in a diverse range of sectors. Her current non-executive directorships include Aviation Australia Pty Ltd., and Collection House Limited. She was previously Chair of RACQ and RACQ Insurance, a non-executive director of Queensland Rail, and National Transport Commissioner. Julie-Anne holds an honours degree in law and was a partner in two Queensland legal professional services firms. She is a Fellow of the Australian Institute of Company Directors and facilitates in risk, strategy and governance. Julie-Anne is also a former Queensland Telstra Business Women's award winner.

Special responsibilities held in the company:

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

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 Board Budget Committee, Remuneration Committee and Investment Committee.

Sister Louise Reeves
MEd, MA, LLB

Louise joined the Board in February 2017. She is a Sister of St Joseph and currently a member of the Congregational Leadership Team. Her current non-executive directorship is on the Board of the Mary MacKillop Foundation and she chairs the Finance, Risk & Audit Committee. She has previously been a non-executive Director on Boards in the Education, NGO and Aged Care sectors. Louise has a background in Education and Law. She has worked at the Legal Aid Commission NSW and in Community Legal Centres.

Special responsibilities held in the company:

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

Chief Executive Officer
Roberto Scenna
BEC (HONS)

Roberto Scenna joined CCI as Chief Executive Officer in September 2015. He brings more than 20 years' experience in financial services, management consulting and aviation to CCI having previously held the positions of Managing Director ANZ Private Wealth, Managing Director ANZ Trustees and Managing Director Super Concepts. His portfolio also includes a range of 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 to enable businesses to directly benefit communities. He is a graduate of the 2013 Leadership Victoria – Williamson Community Leadership Program.

Roberto Scenna acts as alternate Director for Richard M Haddock.

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

Dominic was appointed as Company Secretary in February 2008. As the company's Chief Risk Officer, he is responsible for the assurance function of the company including governance, corporate risk management and compliance. Dominic has more than 20 years' experience in the financial services industry in the areas of general insurance, superannuation and funds management. Dominic commenced his career at CCI 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 2017, the Directors recommend the payment of a final unfranked dividend of $1.176M (2016:$1.176M) to the holders of fully paid ordinary shares on 23 October 2017. The dividend has not been provided for in the 30 June 2017 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 and Individually Mandated Accounts.

There have been no other significant changes during the year.

Review of operations

Results of Operations

	2017	2016
	$'000	$'000
Consolidated Profit	76,723	13,440

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

Employees

The consolidated entity employed 221 employees as at 30 June 2017 (2016: 231 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 financial statements or notes thereto.

Subsequent events ater 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

During 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. However, the Royal Commission is reaching completion with private sessions and public hearings having being completed in March 2017 and its Final Report is to be delivered to the Governor General by December 2017.

The formal response by the Victorian Government to the Victorian Parliamentary Inquiry (2012) has resulted in some change to the legislation in Victoria regarding limitation of actions. 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.

The Queensland Parliament has recently passed legislation (8th November 2016) that removed the limitation period for civil actions for damages for personal injury, arising from sexual abuse and provides for the potential of the revisitation of certain past claims.

The extent to which recommendations regarding changes to legislation and alternative means of redress for victims will be accepted, is as yet unclear, 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 31).

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 auditor, 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' 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 31).

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 legislative instrument 2016/191. The company is an entity to which the class order applies.

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 2017 and the number of meetings attended by each Director.

	Directors' Meetings		Risk Management		Audit		Budget	
Number of meetings attended by:	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	8	7	4	3	4	3	1	-
C T Condon	4	3	2	2	2	2	-	-
J Dawson	8	8	4	4	4	4	-	-
J Fitzpatrick	8	8	-	-	-	-	1	1
R Haddock	8	8	-	-	-	-	-	-
P Marshall	8	8	-	-	-	-	1	1
L Reeves	4	3	1	1	1	1	-	-
J A Schafer	8	7	4	4	4	4	1	1
J A Tongs	8	8	-	-	-	-	1	1

	Directors' Governance		Investment		Reinsurance		Remuneration	
Number of meetings attended by:	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	2	2	-	-	-	-	2	1
C T Condon	1	1	-	-	2	1	-	-
J Dawson	-	-	4	4	-	-	-	-
J Fitzpatrick	-	-	4	4	3	3	-	-
R Haddock	-	-	4	4	3	3	2	2
P Marshall	2	2	-	-	-	-	2	2
L Reeves	1	-	-	-	-	-	-	-
J A Schafer	2	2	-	-	3	2	-	-
J A Tongs	-	-	4	4	3	3	2	2

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.

J Fitzpatrick

Director

Melbourne, 5 September 2017

Auditor's Independence Declaration

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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 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
5 September 2017

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DAN RYAN
PRINCIPAL AT ST MARGARET MARY'S PRIMARY SCHOOL
BRUNSWICK NORTH, VIC

Financial Statements

Statement of Comprehensive Income

For the financial year ended 30 June

		Consolidated		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Premium revenue		214,284	206,482	214,284	206,482
Outwards reinsurance expense		(68,096)	(68,976)	(68,096)	(68,976)
Net premium revenue	7	146,188	137,506	146,188	137,506
Gross claims incurred	8	(133,806)	(119,054)	(133,806)	(119,054)
Reinsurance and other recoveries revenue	9	43,433	29,631	43,433	29,631
Net claims incurred	10	(90,373)	(89,423)	(90,373)	(89,423)
Acquisition costs		(192)	(189)	(192)	(189)
Other underwriting expenses	11	(38,789)	(33,769)	(38,789)	(33,769)
Underwriting expenses		(38,981)	(33,958)	(38,981)	(33,958)
Commission revenue		122	-	122	-
Underwriting result		16,956	14,125	16,956	14,125
Investment income	13	87,673	18,289	87,673	18,289
General administration expenses	11	(19,963)	(13,959)	(18,678)	(13,309)
Catholic entity distributions		(10,445)	(7,000)	(10,445)	(7,000)
Other income		2,502	1,985	1,517	1,219
Profit for the period	14	76,723	13,440	77,023	13,324
Total comprehensive income for the period		76,723	13,440	77,023	13,324

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 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Assets					
Cash and cash equivalents	16	181,403	165,227	181,175	164,784
Trade and other receivables	17	213,867	217,280	213,723	217,051
Financial assets at fair value through profit and loss	19	885,851	827,037	885,851	827,037
Deferred reinsurance expense	18	27,267	26,730	27,267	26,730
Plant and equipment	22	9,125	6,252	9,125	6,252
Other assets	21	7,478	6,157	7,478	6,157
Tax assets	20	5,748	5,598	5,748	5,598
Intangible assets	23	3,879	2,736	3,879	2,736
TOTAL ASSETS		1,334,618	1,257,017	1,334,246	1,256,345
Liabilities					
Trade and other payables	24	33,162	48,297	33,162	48,297
Other liabilities	26	573	266	573	266
Unearned premium reserve	30	143,049	138,328	143,049	138,328
Provisions	25	18,340	13,796	18,340	13,796
Outstanding claims	29	630,996	623,379	630,996	623,379
TOTAL LIABILITIES		826,120	824,066	826,120	824,066
NET ASSETS		508,498	432,951	508,126	432,279
Shareholders' Equity					
Contributed equity	27	8,139	8,139	8,139	8,139
Reserves	28	498,192	422,645	498,192	422,645
Retained profit		2,167	2,167	1,795	1,495
TOTAL SHAREHOLDERS' EQUITY		508,498	432,951	508,126	432,279

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

	Note	Contributed Equity $'000	General Reserves $'000	Retained Earnings $'000	Total $'000
Consolidated					
At 1 July 2015		8,139	410,381	2,167	420,687
Net profit for the period		-	-	13,440	13,440
Transfer to reserves	28	-	12,264	(12,264)	-
Dividend for 2015 ($0.40 cents per share)	15	-	-	(1,176)	(1,176)
At 30 June 2016		8,139	422,645	2,167	432,951
At 1 July 2016		8,139	422,645	2,167	432,951
Net profit for the period		-	-	76,723	76,723
Transfer to reserves	28	-	75,547	(75,547)	-
Dividend for 2016 ($0.40 cents per share)	15	-	-	(1,176)	(1,176)
At 30 June 2017		8,139	498,192	2,167	508,498
Company					
At 1 July 2015		8,139	410,381	1,611	420,131
Net profit for the period		-	-	13,324	13,324
Transfer to reserves	28	-	12,264	(12,264)	-
Dividend for 2015 ($0.40 cents per share)	15	-	-	(1,176)	(1,176)
At 30 June 2016		8,139	422,645	1,495	432,279
At 1 July 2016		8,139	422,645	1,495	432,279
Net profit for the period		-	-	77,023	77,023
Transfer to reserves	28	-	75,547	(75,547)	-
Dividend for 2016 ($0.40 cents per share)	15	-	-	(1,176)	(1,176)
At 30 June 2017		8,139	498,192	1,795	508,126

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

		Consolidated		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash flows from operating activities					
Premiums received		203,550	207,315	203,550	207,315
Outwards reinsurance paid		(68,172)	(66,748)	(68,172)	(66,748)
Claims paid		(126,422)	(133,385)	(126,422)	(133,385)
Reinsurance and other recoveries received		40,639	46,023	40,639	46,023
Acquisition costs paid		(192)	(188)	(192)	(188)
Other underwriting expenses paid		(19,917)	(21,900)	(19,801)	(21,912)
Other operating expenses paid		(24,247)	(21,939)	(23,174)	(21,311)
Other operating income received		2,349	2,193	1,375	1,428
Interest received		20,816	23,969	17,999	21,626
Dividends received		47,351	38,671	50,168	41,014
Total cash flows from operating activities	35	75,755	74,011	75,970	73,862
Cash flows from investing activities					
Investment trading		(42,905)	(30,050)	(42,905)	(30,050)
Payments for plant and equipment		(5,876)	(1,295)	(5,876)	(1,295)
Proceeds from sale of plant and equipment		426	887	426	887
Payments for intangibles		(2,483)	(1,363)	(2,483)	(1,363)
Total cash flows (used in)/from investing activities		(50,838)	(31,821)	(50,838)	(31,821)
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Catholic entity distributions		(7,565)	(612)	(7,565)	(612)
Total cash flows (used in) financing activities		(8,741)	(1,788)	(8,741)	(1,788)
Net increase in cash held		16,176	40,402	16,391	40,253
Cash and cash equivalents at 1 July		165,227	124,825	164,784	124,531
Cash and cash equivalents at 30 June	16	181,403	165,227	181,175	164,784

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 2017

1. Corporate Information

The consolidated financial report of Catholic Church Insurance Limited (the company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 5 September 2017.

Catholic Church Insurance Limited is an unlisted public company, incorporated and domiciled in Australia. The entity is also registered as a charity in accordance with the Australian Charities and Not-for-profits Commission Act 2012.

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, the Corporations Act 2001, including the application of ASIC legislative instrument 2016/191 allowing the disclosure of company financial statements due to Australian Financial Services Licensing obligations and section 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

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.

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 legislative instrument 2016/191. 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 2017 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 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts [AASB 4]	This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to: (a) choose to apply the 'overlay approach' that involves applying AASB 9 Financial Instruments and also applying AASB 139 Financial Instruments: Recognition and Measurement to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or (b) choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.	1-Jan- 2018		01-Jul-18
AASB 1058	Income of Not-for-Profit Entities	AASB 1058 and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which NFP entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases. AASB 1004 Contributions is also amended, with many of its requirements being revised and relocated AASB 1058. The scope of AASB 1004 is effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context. AASB 1058 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided AASB 15 Revenue from Contracts with Customers is applied on or before the date of initial application.	1-Jan- 2019	These amendments will have no direct impact on the amounts included in the company's financial statements	01-Jul-19
IAS 40	Amendments to IAS 40 – Transfers of investment property	This Standard amends IAS 40 in order to clarify the requirements on transfers to, or from, investment property.	1-Jan- 2018	These amendments will have no direct impact on the amounts included in the company's financial statements	01-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
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. **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. *(continued on next page)*	1-Jan- 2018	Currently CCI measures its investments at fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date. Due to this AASB 9 is expected to not have a material impact on CCI Further reviews will take place over the next financial year to ensure this is still the case.	01-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 9 *(continued)*		**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. **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.	1-Jan- 2018	Currently CCI measures its investments at fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date. Due to this AASB 9 is expected to not have a material impact on CCI Further reviews will take place over the next financial year to ensure this is still the case.	01-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 15	Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1-Jan-18	These amendments will apply to CCIAM but not applicable to the insurance business	1-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. **AASB 16 supersedes:** (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1-Jan-19	These amendments will have no material impact on the amounts included in Catholic Church Insurance's financial statements.	1-Jun-19

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
IFRS 17	Insurance Contracts	IFRS 17 replaces IFRS 4 Insurance Contracts and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the General (building block) Model, supplemented by: ◆ A specific adaptation for contracts with direct participation features (the Variable Fee Approach) ◆ A simplified approach (Premium Allocation Approach) mainly for short-duration contracts The main features of the new accounting model for insurance contracts are: ◆ A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows) ◆ A contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., coverage period) ◆ Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period ◆ The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income (OCI), determined by an accounting policy choice.	1-Jan-21	As this standard has only been released we are still considering the impact on CCI. We currently have plans in place to engage our auditor to help work out the impact on CCI.	30-Jun-21

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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 29.

j) 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.

k) Investment income

Interest income is recognised on an accruals basis. Dividends are recognised on an exdividend 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) Superannuation

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

s) 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

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

(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 identical 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 39 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 asset, except for those measured at fair value, 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.

The company uses derivative financial instruments, such as Options, to hedge its foreign currency risks and interest rate risks. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

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.

Such costs include the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

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(x) 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 cost and represent liabilities for goods and services provided to the consolidated entity and company prior to the end of the financial year that are unpaid and arise when the consolidated entity or company 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.

t) 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:

	2017	2016
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

u) Amortisation of intangible assets

Amortisation on intangible assets, comprising computer software, is calculated on a straightline 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.

v) 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.

w) 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 Limited policyholders where certain criteria have been met. The amount allocated each year is approved by the Board of Directors.

x) 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.

y) 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.

z) 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 Limited purchases and sells options through regulated exchanges and in the over–the–counter markets. Options purchased by Catholic Church Insurance Limited provide Catholic Church Insurance Limited 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 Limited is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

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 on the next page.

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 shorttail 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 noneconomic 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.

2017	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	4.3 years	2.5 years	3.8 years
Wage inflation	0.00%	2.50%	2.50%	2.50%
Superimposed inflation	0.00%	2.39%	5.00%	3.00%
Discount rate	0.00%	2.00%	2.00%	2.00%
Expense rate	3.27%	6.00%	6.00%	6.00%
Risk margin	10.0%	18.70%	16.00%	9.00%

2016				
Average weighted term to settlement (discounted)	Less than 1 year	4.4 years	2.9 years	3.7 years
Wage inflation	0.00%	2.00%	2.00%	2.00%
Superimposed inflation	0.00%	2.42%	5.00%	3.00%
Discount rate	0.00%	1.50%	1.50%	1.50%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	9.90%	18.60%	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	(4,251)	(3,842)	(4,251)	(3,842)
	-0.5	4,296	3,883	4,296	3,883
Inflation and superimposed assumption	+1%	13,008	12,207	13,008	12,207
	-1%	(13,008)	(12,207)	(13,008)	(12,207)
Discount rate	+1%	(13,008)	(12,207)	(13,008)	(12,207)
	-1%	13,008	12,207	13,008	12,207
Expense rate	+1%	5,967	5,967	5,967	5,967
	-1%	(5,967)	(5,967)	(5,967)	(5,967)
Risk margins	+1%	5,456	4,603	5,456	4,603
	-1%	(5,456)	(4,603)	(5,456)	(4,603)
Average claim size	+10%	23,844	21,936	23,844	21,936
	-10%	(23,844)	(21,936)	(23,844)	(21,936)

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 APRAregulated 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

Recently a dynamic financial analysis (DFA) was undertaken with the help of our appointed actuary. The results of this analysis was an increase in the upper and lower bounds of our PCR Ratio.

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 nonstandard 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 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 20% (2016:17.1%) of our total investment portfolio with currency risk managed by the fund manager. Catholic Church Insurance Limited 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 Limited invests in floating rate and fixed rate financial instruments. Interest rate movements expose Catholic Church Insurance Limited 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 Limited 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 38.

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 Limited 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 Limited 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
2017							
Consolidated							
Cash and cash equivalents	3	180,098	354	–	–	948	181,403
Interest bearing investments[1]	120,672	152,671	13,350	19,803	–	6,957	313,453
Reinsurance & other recoveries[2]	–	83,220	21,186	2,248	–	–	106,654
2016							
Consolidated							
Cash and cash equivalents	3	151,875	114	–	–	13,235	165,227
Interest bearing investments[1]	134,332	127,378	12,576	24,779	–	10,782	309,847
Reinsurance & other recoveries[2]	–	83,968	19,074	585	–	–	103,627

1 Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer note 19).

2]Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 17). 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.

The difference between the consolidated entity and the company relates to cash and cash equivalents. The AA rating for the company reduces by $228,000 for the current year and by $443,000 for the prior year.

(ii) Asset carrying value

The carrying amount of the asset classes shown below 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
2017						
Consolidated						
Premiums receivable	78,000	7,057	1,449	373	280	87,159
Reinsurance & other recoveries[1]	100,961	4,922	235	–	536	106,654
Tax assets	5,748	–	–	–	–	5,748
Other receivables[2]	20,054	–	–	–	–	20,054
2016						
Consolidated						
Premiums receivable	69,773	8,585	1,097	23	318	79,796
Reinsurance & other recoveries[1]	100,502	24	532	832	1,737	103,627
Tax assets	5,598	–	–	–	–	5,598
Other receivables[2]	33,857	–	–	–	–	33,857

1 Includes reinsurance and other recoveries on outstanding claims, reinsurance commission's receivable and provision for doubtful debts reinsurance recoveries (refer note 17).

2 Includes investment income accrued and sundry debtors (refer note 17).

The difference between the consolidated entity and the company relates to other receivables. The "On Demand" category for the company decreases by $145,000 for the current year and $229,000 for the prior year.

Catholic Church Insurance Limited 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 Limited will encounter difficulties in meeting its obligations with financial liabilities.

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

Catholic Church Insurance Limited 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
Consolidated & Company	$'000	$'000	$'000	$'000	$'000
2017					
Trade and other payables	33,162	–	–	–	33,162
Financial Liabilities – Options/Futures	–	573	–	–	573
2016					
Trade and other payables	48,297	–	–	–	48,297
Financial Liabilities – Options/Futures	–	266	–	–	266

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 +/-			
		2017 Net profit (loss)	2017 Equity	2016 Net profit (loss)	2016 Equity
Market risk	Movement in variable	$'000	$'000	$'000	$'000
Interest rate	2%+/-	21,596/(21,596)	21,596/(21,596)	24,878/(24,878)	24,878/(24,878)
Equities	10%+/-	22,203/(22,203)	22,203/(22,203)	17,938/(17,938)	17,938/(17,938)
Domestic Equities	10%+/-	28,569/(28,569)	28,569/(28,569)	27,890/(27,890)	27,890/(27,890)

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
7. Net premium revenue				
Direct	206,709	199,645	206,709	199,645
Fire service levies	7,575	6,837	7,575	6,837
Premium revenue	214,284	206,482	214,284	206,482
Outwards reinsurance premiums	(68,096)	(68,976)	(68,096)	(68,976)
Net premium revenue	146,188	137,506	146,188	137,506
8. Gross claims incurred				
Direct	133,806	119,054	133,806	119,054
9. Reinsurance and other recoveries revenue				
Reinsurance and other recoveries	43,433	29,631	43,433	29,631

10. 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.

	2017			2016		
	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	139,762	4,299	144,061	107,821	(23,221)	84,600
Reinsurance and other recoveries – undiscounted	(49,164)	6,602	(42,562)	(21,163)	(6,363)	(27,526)
Net claims incurred – undiscounted	90,598	10,901	101,499	86,658	(29,584)	57,074
Discount and discount movement – gross claims incurred	(10,953)	267	(10,686)	(8,806)	44,004	35,198
Discount and discount movement – reinsurance and other recoveries	7,465	(7,905)	(440)	6,455	(9,304)	(2,849)
Net discount movement	(3,488)	(7,638)	(11,126)	(2,351)	34,700	32,349
Net claims incurred	87,110	3,263	90,373	84,307	5,116	89,423

The balance of net claims incurred for the consolidated entity is the same as Catholic Church Insurance.

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000

11. Other underwriting and general administration expenses

Expenses by function:				
Levies and charges	9,848	9,031	9,848	9,031
Administration expenses	40,376	36,041	40,376	36,041
Reinsurance commission	(11,435)	(11,303)	(11,435)	(11,303)
Other underwriting expenses	38,789	33,769	38,789	33,769
Investment expenses	1,290	1,086	1,290	1,086
Marketing expenses	1,144	825	1,144	825
Lease expenses	2,502	2,404	2,477	2,392
Depreciation charges (note 22)	2,237	1,915	2,237	1,915
Information technology expenses	4,599	3,437	4,599	3,437
Employee expenses	5,892	2,932	5,066	2,628
Other expenses	2,299	1,360	1,865	1,026
General administration expenses	19,963	13,959	18,678	13,309

12. Unexpired risk liability

Year ended 30 June 2017
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.

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for, is discussed in Note 29. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000

13. Investment income

Dividend income	38,336	53,446	38,336	53,446
Interest income	17,661	21,334	17,661	21,334
Changes in fair value				
- Unrealised gains / (losses) on investments	25,158	(39,313)	25,158	(39,313)
- Realised gains / (losses) on investments	6,518	(17,178)	6,518	(17,178)
	87,673	18,289	87,673	18,289

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
14. Profit for the period				
Gross earned premium	214,284	206,482	214,284	206,482
Outward reinsurance expense	(68,096)	(68,976)	(68,096)	(68,976)
Net earned premium	146,188	137,506	146,188	137,506
Gross claims incurred	(133,806)	(119,054)	(133,806)	(119,054)
Reinsurance and other recoveries	43,433	29,631	43,433	29,631
Net claims incurred	(90,373)	(89,423)	(90,373)	(89,423)
Acquisition costs	(192)	(189)	(192)	(189)
Commission Income	122	-	122	-
Underwriting expenses	(38,789)	(33,769)	(38,789)	(33,769)
	(129,232)	(123,381)	(129,232)	(123,381)
Underwriting profit / (loss)	**16,956**	**14,125**	**16,956**	**14,125**
Dividend income	38,336	53,446	38,336	53,446
Interest income	17,661	21,334	17,661	21,334
Changes in fair value:				
- Unrealised gains / (losses) on investments	25,158	(39,313)	25,158	(39,313)
- Realised gains / (losses) on investments	6,518	(17,178)	6,518	(17,178)
Other income	2,502	1,985	1,517	1,219
Investment and other income	90,175	20,274	89,190	19,508
General administration expenses	(19,963)	(13,959)	(18,678)	(13,309)
Catholic entity distributions	(10,445)	(7,000)	(10,445)	(7,000)
Profit from ordinary activities	**76,723**	**13,440**	**77,023**	**13,324**

15. Dividends paid and proposed				
Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2016: $0.40 cents (2015: $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 2017: $0.40 cents (2016: $0.40 cents)	1,176	1,176	1,176	1,176

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
16. Cash and cash equivalents				
Cash and cash equivalents comprises:				
– Cash on hand	2	2	2	2
– Cash at call	181,401	165,225	181,173	164,782
	181,403	165,227	181,175	164,784
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	181,403	165,227	181,175	164,784
	181,403	165,227	181,175	164,784

The consolidated entity has a combined bank overdraft facility of $150,000 (2016: $150,000). This facility was unused at 30 June 2017 (2016: Unused).

17. Trade and other receivables

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Premiums receivable (i)	87,159	79,796	87,159	79,796
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	77,050	72,249	77,050	72,249
Provision for doubtful debts on reinsurance recoveries	(10,627)	(14,588)	(10,627)	(14,588)
	66,423	57,661	66,423	57,661
Investment income accrued (iv)	19,209	31,499	19,209	31,499
Sundry debtors (v)	845	2,358	701	2,129
Total current receivables	173,636	171,314	173,492	171,085
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	40,231	45,966	40,231	45,966
Total non-current receivables	40,231	45,966	40,231	45,966
Total Trade and Other Receivables	213,867	217,280	213,723	217,051

The current period balance of premiums receivable includes $50.298 million (2016: $50.142 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2017.

(i) Premiums receivable are contracted on normal terms and conditions. An allowance for doubtful debts is made when there is

(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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
18. Deferred reinsurance expense				
Deferred reinsurance expense as at 1 July	26,730	25,655	26,730	25,655
Reinsurance premiums written during the year	70,819	72,554	70,819	72,554
Reinsurance premiums earned during the period	(70,282)	(71,479)	(70,282)	(71,479)
Deferred reinsurance expense as at 30 June	27,267	26,730	27,267	26,730

The current period balance of deferred reinsurance expense includes $2.303 million (2016: $2.186 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2017.

19. Financial assets at fair value through profit and loss				
- Government and semi-government bonds	222,673	214,491	222,673	214,491
- Other fixed interest securities	90,780	95,356	90,780	95,356
- Shares in other corporations	206,344	201,728	206,344	201,728
- Units in other unit trusts	247,462	203,016	247,462	203,016
- Units in property unit trusts	67,966	64,234	67,966	64,234
- Alternatives	50,626	48,212	50,626	48,212
Total investments	885,851	827,037	885,851	827,037

20. Tax assets				
Imputation credits	3,639	3,518	3,639	3,518
GST recoverable	2,109	2,080	2,109	2,080
	5,748	5,598	5,748	5,598

21. Other assets				
Deferred fire service levy expenses	3,123	3,155	3,123	3,155
Other assets	4,355	3,002	4,355	3,002
	7,478	6,157	7,478	6,157

	Consolidated				
	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
22. Plant and equipment	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2017					
Gross carrying amount					
Balance at 1 July 2016	2,426	2,777	8,635	5,009	18,847
Additions	1,254	1,729	2,074	2,491	7,548
Disposals	(1,033)	(1,006)	(4,348)	(4,324)	(10,711)
Balance at 30 June 2017	2,647	3,500	6,361	3,176	15,684
Accumulated depreciation					
Depreciation charge for the year	(518)	(120)	(1,083)	(516)	(2,237)
Accumulated depreciation	(119)	(1,404)	(2,714)	(85)	(4,322)
Balance at 30 June 2017	(637)	(1,524)	(3,797)	(601)	(6,559)
Net carrying amount at 30 June 2017	2,010	1,976	2,564	2,575	9,125

There has been no change to depreciation rates or useful lives at 30 June 2017.

The balance of plant and equipment for the consolidated entity is the same as Catholic Church Insurance.

Year ended 30 June 2016					
Gross carrying amount					
Balance at 1 July 2015	2,364	2,767	8,385	5,009	18,525
Additions	1,034	10	250	-	1,294
Disposals	(972)	-	-	-	(972)
Balance at 30 June 2016	2,426	2,777	8,635	5,009	18,847
Accumulated depreciation					
Depreciation charge for the year	(502)	(108)	(792)	(513)	(1,915)
Accumulated depreciation	(251)	(1,903)	(6,139)	(2,387)	(10,680)
Balance at 30 June 2016	(753)	(2,011)	(6,931)	(2,900)	(12,595)
Net carrying amount at 30 June 2016	1,673	766	1,704	2,109	6,252

23. Intangible assets

Consolidated
Year ended 30 June 2017

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

Gross carrying amount	Computer Software $'000
Balance at 1 July 2016 net of accumulated amortisation	8,288
Additions	2,483
Disposals	-
Impairment of intangible assets	-
Balance at 30 June 2017	10,771
Accumulated amortisation	
Amortisation charge for the year	(1,340)
Disposals	-
Accumulated amortisation	(5,552)
Balance at 30 June 2017	(6,892)
Net carrying amount at 30 June 2017	3,879

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 2016

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

Gross carrying amount	Computer Software $'000
Balance at 1 July 2015 net of accumulated amortisation	6,925
Additions	1,363
Disposals	-
Impairment of intangible assets	-
Balance at 30 June 2016	8,288
Accumulated amortisation	
Amortisation charge for the year	(1,355)
Disposals	-
Accumulated amortisation	(4,197)
Balance at 30 June 2016	(5,552)
Net carrying amount at 30 June 2016	2,736

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000

24. Trade and other payables

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade creditors	25,554	27,224	25,554	27,224
Accrued expenses	1,028	898	1,028	898
Sundry creditors	6,580	2,940	6,580	2,940
Unsettled investment transactions	-	17,235	-	17,235
	33,162	48,297	33,162	48,297

The current period balance of the trade creditors includes $2.303 million (2016: $2.186 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2017.

25. Provisions

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Current				
Catholic entity distributions	10,500	7,000	10,500	7,000
Grants	630	621	630	621
Employee benefits	5,217	3,766	5,217	3,766
	16,347	11,387	16,347	11,387
Non-current				
Employee benefits	1,003	1,115	1,003	1,115
Make good of premises	990	1,294	990	1,294
	1,993	2,409	1,993	2,409
Total Provisions	18,340	13,796	18,340	13,796

	Consolidated				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2017	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2016	7,000	621	4,881	1,294	13,796
Additional provisions	10,500	630	2,781	27	13,938
Amounts utilised during the year	(6,943)	(621)	(1,442)	-	(9,006)
Reversal of unused provision	(57)	-	-	(331)	(388)
Carrying amount at 30 June 2017	10,500	630	6,220	990	18,340
Year ended 30 June 2016	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2015	-	613	5,718	1,453	7,784
Additional provisions	7,000	621	890	-	8,511
Amounts utilised during the year	-	(613)	(1,727)	-	(2,340)
Reversal of unused provision	-	-	-	(159)	(159)
Carrying amount at 30 June 2016	7,000	621	4,881	1,294	13,796

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.

26. Other liabilities

	Consolidated			
	Actual 2017	Actual 2016	Notional 2017	Notional 2016
Financial liability - exchange traded options	573	266	573	266
	573	266	573	266

27. Contributed equity

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Authorised				
10,000,000 ordinary shares	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2016: 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000

28. Reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
(a) Composition				
General reserve	498,192	422,645	498,192	422,645
	498,192	422,645	498,192	422,645
(b) Movements				
General reserve				
Opening balance	422,645	410,381	422,645	410,381
Transfers to and from retained profits	75,547	12,264	75,547	12,264
Closing balance	498,192	422,645	498,192	422,645

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.

29. Outstanding claims

		Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	562,089	543,230	562,089	543,230
Discount to present value		(46,898)	(36,218)	(46,898)	(36,218)
		515,191	507,012	515,191	507,012
Claims handling costs	(B)	29,068	30,490	29,068	30,490
		544,259	537,502	544,259	537,502
Risk margin	(C)	86,737	85,877	86,737	85,877
Gross outstanding claims liability – discounted		630,996	623,379	630,996	623,379
Gross claims liability – undiscounted	(A)+(B)+(C)	677,894	659,597	677,894	659,597
Current		165,315	146,086	165,315	146,086
Non-current		465,681	477,293	465,681	477,293
Total		630,996	623,379	630,996	623,379

(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	2017 %	2016 %
Short-tail	10.0	9.9
Professional indemnity	16.0	16.0
Public liability	18.7	18.6
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

	Gross	Reinsurance	Net
2017	$'000	$'000	$'000
Brought forward	623,379	96,166	527,213
Effect of changes in assumptions	(1,908)	(7,132)	5,224
Increase in claims incurred/recoveries anticipated over the year	136,881	48,967	87,914
Claim payments/recoveries during the year	(127,356)	(42,511)	(84,845)
Carried forward	630,996	95,490	535,506
2016			
Brought forward	638,257	112,485	525,772
Effect of changes in assumptions	14,578	4,230	10,348
Increase in claims incurred/recoveries anticipated over the year	105,454	19,794	85,660
Claim payments/recoveries during the year	(134,910)	(40,343)	(94,567)
Carried forward	623,379	96,166	527,213

(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

	2011 & prior	2012	2013	2014	2015	2016	2017	Total
Accident year	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims cost:								
At end of accident year	833,581	52,466	60,573	47,073	44,937	47,084	51,216	1,136,930
One year later	751,351	57,710	60,524	45,395	44,160	49,575	-	1,008,715
Two years later	745,939	53,119	58,032	47,655	44,156	-	-	948,901
Three years later	736,122	46,702	61,812	41,077	-	-	-	885,713
Four years later	704,057	44,205	62,127	-	-	-	-	810,389
Five years later	746,477	44,101	-	-	-	-	-	790,578
Current estimate of cumulative claims cost	903,880	44,101	62,127	41,077	44,156	49,575	51,216	1,196,132
Cumulative payments	(552,205)	(35,550)	(48,670)	(27,042)	(23,001)	(18,894)	(7,017)	(712,379)
Outstanding claims – undiscounted	351,675	8,551	13,457	14,035	21,155	30,681	44,199	483,753
Discount								(37,795)
Outstanding claims								445,958
Short-tail outstanding claims								69,233
Claims handling expenses								29,068
Risk margins								86,737
Total gross outstanding claims as per the Balance Sheet								630,996

(ii) Net of reinsurance

Accident year	2011 & prior $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	751,942	51,800	58,134	46,821	44,473	46,689	50,645	1,050,504
One year later	669,855	55,328	56,124	45,235	43,836	49,225	-	919,603
Two years later	670,350	52,787	51,631	47,411	43,770	-	-	865,949
Three years later	650,141	46,487	48,802	40,977	-	-	-	786,407
Four years later	608,301	43,839	47,986	-	-	-	-	700,126
Five years later	657,847	43,927	-	-	-	-	-	701,774
Current estimate of cumulative claims cost	770,156	43,927	47,986	40,977	43,770	49,225	50,645	1,046,686
Cumulative payments	(450,517)	(35,382)	(36,581)	(26,957)	(22,691)	(18,795)	(7,000)	(597,923)
Outstanding claims – undiscounted	319,639	8,545	11,405	14,020	21,079	30,430	43,645	448,763
Discount								(36,433)
Outstanding claims								412,330
Short-tail outstanding claims								18,921
Claims handling expenses								29,068
Risk margins								75,187
Total net outstanding claims as per the Balance Sheet								535,506

	Consolidated		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
30. Unearned premium reserve				
Unearned premium liability as at 1 July	138,328	132,511	138,328	132,511
Deferral of premiums on contracts written in the period	203,887	212,299	203,887	212,299
Earning of premiums written in current and previous periods	(199,166)	(206,482)	(199,166)	(206,482)
Unearned premium liability as at 30 June	143,049	138,328	143,049	138,328

The current period balance of the unearned premium reserve includes $50.298 million (2016: $50.142 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2017.

31. 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) (Retired 31 December 2016)
L Reeves	Director (non-excutive) (Commenced 7 February 2017)
J Dawson	Director (non-executive)
J Fitzpatrick	Director (non-executive)
R M Haddock	Director (non-executive)
P Marshall	Director (non-executive)
J A Schafer	Director (non-executive)
J A Tongs	Director (non-executive)
R Scenna	Alternate Director for R M Haddock

(ii) Senior Leadership Team

R Scenna	Chief Executive Officer
D Chila	Company Secretary and Chief Risk Officer
D Muscari	Chief Financial Officer
T Briganti	General Manager, Technical Operations
R Castle	General Manager, Client
N Smith	General Manager, Information and Communication Technology
S Stares	General Manager, People and Change
D Trevorah	General Manager, Strategy, Marketing and Transformation
M Wright	General Manger, Claims

(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	
	2017 $	2016 $	2017 $	2016 $
Directors				
Short-term	409,486	409,349	361,766	362,656
Post employment	35,953	36,775	31,420	32,340
	445,439	446,124	393,186	394,996

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Executives				
Short-term	4,051,548	3,943,052	4,051,548	3,943,052
Post employment	197,831	223,387	197,831	223,387
Other long-term	200,598	186,868	200,598	186,868
	4,449,977	4,353,307	4,449,977	4,353,307

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 1 Jul 2015	Net Change Other	Balance at 30 Jun 2016	Net Change Other	Balance at 30 Jun 2017
Directors					
P A Gallagher	1,250	-	1,250	-	1,250
C T Condon	1,250	-	1,250	(1,250)	-
L Reeves	-	-	-	1,250	1,250
J Dawson	1,250	-	1,250	-	1,250
R M Haddock	1,250	-	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	-	1,000
J A Tongs	1,250	-	1,250	-	1,250
J Fitzpatrick	-	1,250	1,250	-	1,250
P Marshall	-	1,250	1,250	-	1,250
Total	9,750	-	9,750	-	9,750

(d) Loans to key management personnel

There are no loans to key management personnel.

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $

32. Related parties

	Consolidated 2017 $	Consolidated 2016 $	Company 2017 $	Company 2016 $
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	-	-	1,283,278	649,518
Balance of intercompany receivable from CCI Asset Management Limited	-	-	271,990	69,740
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.	145,628,079	144,390,693	145,628,079	144,390,693
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	34,182,653	31,011,930	34,182,653	31,011,930
Management fees for the reporting period paid by the Schemes to CCI Asset Management Limited				
– Catholic Values Unit Trust	495,604	475,803	495,604	475,803
– Income Unit Trust	344,936	338,505	344,936	338,505

33. Auditors' remuneration

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
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	242,932	232,502	216,481	197,832
(b) other services in relation to the entity and any other entity in the consolidated entity				
– Taxation services	-	31,490	-	31,490
– Other services	76,166	125,604	60,304	109,742
Total other services	76,166	157,094	60,304	141,232

Other services relates to the review performed by the Ernst & Young Actuary team and risk appetite work.

34. Expenditure commitments

	Consolidated		Company	
	2017 $ '000	2016 $ '000	2017 $ '000	2016 $ '000
Operating lease expenditure commitments:				
– Within one year	3,842	4,431	3,842	4,431
– After one year but not more than five years	15,870	7,822	15,870	7,822
– More than five years	12,645	582	12,645	582
	32,357	12,835	32,357	12,835
Lease payments recognised as an expense in the period				
Minimum lease payment	3,157	2,718	3,132	2,707
Contingent rents	(655)	(314)	(655)	(315)
	2,502	2,404	2,477	2,392

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 fixed as per each lease agreement

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.

CCI Charitable Foundation

The board of CCI has agreed to seed funding of $10m for the establishment of CCI Giving. This will be paid in the 2017/18 financial year.

35. Statement of cash flows

	Consolidated		Company	
	2017 $ '000	2016 $ '000	2017 $ '000	2016 $ '000
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit from ordinary activities	76,723	13,440	77,023	13,324
Changes in net market value of investments	(19,508)	44,349	(19,508)	44,349
Depreciation of assets	2,237	1,915	2,227	1,901
Amortisation of intangible assets	1,340	1,355	1,340	1,355
Loss on sale of assets	2,024	84	2,024	84
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	11,073	7,621	11,073	7,621
Increase in unearned premium	4,721	5,817	4,721	5,817
(Increase) in premiums receivable	(7,363)	(1,178)	(7,363)	(1,178)
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	(3,027)	16,524	(3,026)	16,524
(Increase)/decrease in reinsurance payables	(1,792)	593	(1,792)	593
Increase/(decrease) in outstanding claims	7,617	(14,463)	7,617	(14,463)
(Increase)/decrease in statutory charge asset	(333)	1,331	(333)	1,331
Decrease in GST tax provision	(29)	(1,123)	(29)	(1,123)
Decrease in other provisions and sundry debtors	2,072	(2,254)	1,996	(2,273)
Cash flow from operating activities	75,755	74,011	75,970	73,862

36. Controlled entities

Name of entity	Country of incorporation	Ownership interest		Investment	
		2017 %	2016 %	2017 $'000	2016 $'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.

37. 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	
	2017 $'000	2016 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	498,192	422,645
Retained earnings at end of reporting period	1,795	1,495
Premium liability surplus	23,900	23,532
Net tier 1 capital	532,026	455,811
Less net intangible assets	3,879	2,736
Less assets under a fixed or floating charge	8,759	8,759
Total capital base	519,388	444,316
Prescribed capital amount	220,519	218,838
Prescribed capital amount coverage	2.36	2.03

The consolidated entity does not hold any tier 2 capital.

38. 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. Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(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						
2017	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	1.62	181,401				2	181,403
Debtors						213,867	213,867
Government and semi-government loans	5.25		22,382	133,062	67,229		222,673
Other fixed interest securities	4.09		15,058	30,212	45,510		90,780
Syndicated loan funds	-		-	-		50,626	50,626
Shares, options & trusts						510,601	510,601
Preference shares						11,171	11,171
Total		181,401	37,440	163,274	112,739	786,267	1,281,121
Financial liabilities							
Creditors						33,162	33,162
Exchange traded options			573				573
Total			573			33,162	33,735

	Fixed Interest Rate Maturity – Company						
2017	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	1.62	181,173				2	181,175
Debtors						213,723	213,723
Government and semi-government loans	5.25		22,382	133,062	67,229		222,673
Other fixed interest securities	4.09		15,058	30,212	45,510		90,780
Alternatives	-			-		50,626	50,626
Shares, options & trusts						510,601	510,601
Preference shares						11,171	11,171
Total		181,173	37,440	163,274	112,739	786,123	1,280,749
Financial liabilities							
Creditors						33,162	33,162
Exchange traded options			573				573
Total			573			33,162	33,735

2016	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
	Fixed Interest Rate Maturity – Consolidated						
Financial assets							
Cash assets	2.69	165,225				2	165,227
Debtors						217,280	217,280
Government and semi-government loans	5.42		13,361	130,914	70,216		214,491
Other fixed interest securities	4.40		8,622	47,183	39,551		95,356
Syndicated loan funds	-					48,212	48,212
Shares, options & trusts						465,152	465,152
Preference shares	-					3,825	3,825
Total		165,225	21,983	178,097	109,767	734,471	1,209,543
Financial liabilities							
Creditors						48,297	48,297
Exchange traded options			266				266
Total			266			48,297	48,563

2016	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
		Fixed Interest Rate Maturity – Company					
Financial assets							
Cash assets	2.69	164,782				2	164,784
Debtors						217,051	217,051
Government and semi-government loans	5.42		13,361	130,914	70,216		214,491
Other fixed interest securities	4.40		8,622	47,183	39,551		95,356
Syndicated loan funds	-			-		48,212	48,212
Shares, options & trusts						465,152	465,152
Preference shares	-					3,825	3,825
Total		164,782	21,983	178,097	109,767	734,242	1,208,871
Financial liabilities							
Creditors						48,297	48,297
Exchange traded options			266				266
Total			266			48,297	48,563

39. 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 2017	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	222,673	-	-	222,673
– Other fixed interest securities	90,780	-	-	90,780
– Shares in other corporations	206,165	-	179	206,344
– Units in other unit trusts	-	298,088	-	298,088
– Units in property unit trusts	-	67,224	742	67,966
Total	519,618	365,312	921	885,851
Financial liabilities				
Derivative instruments				
Options	(573)	-	-	(573)
Total	(573)	-	-	(573)

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 2016				
Financial assets				
– Government and semi-government bonds	214,491	-	-	214,491
– Other fixed interest securities	95,356	-	-	95,356
– Shares in other corporations	201,504	40	184	201,728
– Units in other unit trusts	-	251,229	-	251,229
– Units in property unit trusts	-	63,481	752	64,233
Total	511,351	314,750	936	827,037
Financial liabilities				
Derivative instruments				
Options	(266)	-	-	(266)
Total	(266)	-	-	(266)

Level 1

Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 Entity	
Reconciliation of Level 3 fair value movements	2017 $'000	2016 $'000
Opening balance	936	4,325
Total gains and losses		
– Realised	-	91
– Unrealised	(15)	-
Purchases	-	-
Sales	-	(1,258)
Transfers to other categories	-	(2,222)
Closing balance	921	936

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 property unit trusts	Net Tangible Asset	Net Tangible Asset

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 $92,060 (2016: $93,600) or increase the Level 3 fair value by $92,060 (2016: $93,600).

40. 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.

41. Other Matters

During 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. However, the Royal Commission is reaching completion with private sessions and public hearings having being completed in March 2017 and its Final Report is to be delivered to the Governor General by December 2017.

The formal response by the Victorian Government to the Victorian Parliamentary Inquiry (2012) has resulted in some change to the legislation in Victoria regarding limitation of actions. 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.

The Queensland Parliament has recently passed legislation (8th November 2016) that removed the limitation period for civil actions for damages for personal injury, arising from sexual abuse and provides for the potential of the revisitation of certain past claims.

The extent to which recommendations regarding changes to legislation and alternative means of redress for victims will be accepted, is as yet unclear, and therefore the ultimate financial impact on CCI is not known at this stage.

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 Catholic Church Insurance and consolidated entity are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Australian Charities and Not-for-profits

(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

J Fitzpatrick
Director
Melbourne, 5 September 2017

Independent Auditor's Report

For the financial year ended 30 June 2017

Independent Auditor's Report to the members of Catholic Church Insurance Limited

Opinion

We have audited the financial report of Catholic Church Insurance Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the financial report of Catholic Church Insurance Limited is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

   i. giving a true and fair view of the registered entity's and consolidated entity's financial positions as at 30 June 2017 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
5 September 2017

Corporate Information

For the financial year ended 30 June 2017

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
(Retired 31 Dec 2016)

Jo Dawson

Joan Fitzpatrick

Richard M Haddock

Reverend Dr Philip Marshall

Sister Louise Reeves
(Commenced 7 Feb 2017)

Julie-Anne Schafer

Jane A Tongs

Roberto Scenna
(Alternate Director for Richard M Haddock)

Chief Executive Officer

Roberto Scenna

Company Secretary

Dominic P Chila

Senior Leadership Team (Former Executive Group)

Roberto Scenna	- Chief Executive Officer
Dominic Chila	- Company Secretary and Chief Risk Officer
Domenic Muscari	- Chief Financial Officer
Tania Briganti	- General Manager, Technical Operations
Ross Castle	- General Manager, Client
Norman Smith	- General Manager, Information and Communication Technology
Sally Stares	- General Manager, People and Change
David Trevorah	- General Manager, Strategy, Marketing and Transformation
Marita Wright	- General Manger, Claims

Solicitors

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

Bankers

National Australia Bank Limited
Melbourne Office Business Banking Centre
Level 2, 330 Collins Street
Melbourne Vic 3004

Auditor

Ernst & Young
8 Exhibition Street
Melbourne Vic 3000
Australia


ST. PATRICK'S CHURCH
SYDNEY, NSW

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