CCI
Catholic Church Insurance

2018 Annual Report

Contents

Chairman's Report

Our ability to create meaningful change within CCI has meant preserving a foundation of strength while adapting to new risk challenges. As our journey continues, I see that we are now a stronger, more focused organisation delivering better solutions and services for our clients.

Over a century ago, CCI made a commitment to protecting the interests of the Catholic Church. Today, this duty remains unchanged and we now embrace our broader Christian community.

With this in mind, globalisation and its new digital persona demands that we undertake the greater task of meeting the fluctuating and more complex needs of our clients. Doing so with effect and meaning has seen us embark on a strategic journey that is transforming our organisation. It's doing so in ways that have allowed us to get on with business and at the same time build resilience so that we can better serve our clients. I'm very pleased to see that in our second year of this strategic journey, our progress reveals solid results.

Our clients are central to everything we do

We set out to enhance the solutions and client experiences that we provide, and that meant prioritising our work in order to embed robust change across the organisation.

It's satisfying to see that the CCI team has now rolled out the second phase of our operating model changes in Finance, Marketing, and Technical Operations (underwriting), and is underway developing Professional Services and Company Secretary initiatives. Supported by underlying foundations of dependability, and a commitment to the mission of the Catholic Church and its values, there are now active and redefined roles within teams that are firmly in place and at work within CCI.

We are on track with our strategy to ensure delivery of a better support services model, enhanced by the expertise of some carefully-selected business partnerships. On the back of introducing new online services last year, and improved risk management systems, our technology developments and our underwriting functions are well underway to faster turnaround times for our core processes. These are in line with providing technical depth along the whole supply chain.

Going from strength to strength

Expanding our risk knowledge and awareness of the challenges clients face makes us a valued insurance partner. Anticipating client needs now and into the future means keeping a close eye on the industry developments most likely to impact the Catholic community. At the same time, we have to remain financially strong in order to offer the best insurance protection and be the preferred investment partner. Our commitment to innovation has proved beneficial in this regard, both within CCI over the last year and in various forms now flowing through to the broader community and Catholic organisations.

Our people are firmly on the pulse where our clients are concerned. They understand and share our Catholic values and the Church mission. Keeping our clients' needs at the centre of our thinking has stood the test of time, and I'm delighted to report that once again we have a clear measure of success reflected in our Net Promoter Score and staff engagement score. Equally important is how we communicate, and we've improved in this area by more deeply engaging with clients and CCI staff through new websites, risk support services, research and thought leadership.

CCI's management also appointed an innovation champion this year, to explore and engage staff in ideas development. The purpose is to ensure our new processes are being implemented appropriately, and that CCI remains relevant to clients and strong in a competitive landscape. Issues such as affordability for the Church create pressures that we are keenly aware of, and it's our intention to assist clients in overcoming the difficulties of the changing landscape.

Giving back and carrying it forward

Distribution payments are always high on our agenda and this year has been no different. With success for CCI's Investment Management team, the company has achieved a strong investment result. Clients can expect distribution payments once more. I'm especially pleased that this news continues the theme of giving that will carry forward into our community.

CCI Giving, our charitable foundation, has afforded the opportunity to make a significant contribution to supporting those important members of society who are making a real difference to the lives of people who face hardship and disadvantage. We should all feel proud of the impact that our CCI Giving Small Grants and Impact Grants will make, and the potential for this going some way towards sustaining communities and individuals in need.

Our clients and shareholders are central to how we measure our performance, and give our role its unique identity and purpose as insurer and investment partner. Shared values will continue to direct our decisions, while shaping ongoing transformations enabling us to meet a range of future risks. Risk incidents also carry inevitable financial burdens which are managed by CCI on behalf of the Church, and supported by our carefully chosen partnerships with suppliers and reinsurance colleagues. I'd like to thank all of them.

Our progress over the last year could not have been possible without strong leadership from the Board, and the goodwill and cooperation they have with CCI's Senior Leadership Team who have worked hard with CCI staff to deliver our agreed strategy.

We've never lost sight of the importance of people and mission because it sits at the heart of CCI's legacy. I'd like to thank our CEO Roberto Scenna who has shown true leadership overseeing the re-shaping of our organisational structure, and for guiding our management team in carrying out these strategic initiatives.

In recognising the great work of our people, my fellow directors who share the same values of people over profits must also be commended for their vision and trust.

On behalf of CCI's clients and the Board, and management, I wish to express our sincere thanks to Jo Dawson whose retirement from the Board will occur in October of this year. Jo joined the Board in October 2006, and her commitment to the service of CCI and its clients has been unequalled. Jo chaired a number of committees during her time, and the technical expertise she brought to these roles has served our clients well. We wish Jo the best in her future endeavours.

I am grateful for the support of all, and sincerely thank everyone on behalf of CCI.

As I look forward to our work in the year ahead, I'm reminded that helping to meet the needs of others is a great privilege indeed.

Paul Gallagher
Chairman

CEO's Review of Operations

Transforming our organisation has been at the top of our agenda for the last two years, and I am delighted to recognise the important work of all within CCI. I can see that we are now confidently delivering our company strategy, on track with our expected time frame, and abiding by our mission and purpose.

Having clear vision for the success of CCI and our clients is enormously rewarding. The work of the past two years shows tangible results and is a clear firm indication of our successful passage into the final phase of our transformation program Isidore. As we take an assertive step into the future together, I know that our clients acknowledge our financial security and our ability to return surpluses to them in the form of distributions. Once again, we have delivered strong investment returns, underpinned by diligence in our underwriting disciplines.

In the third year of our commitment to internal changes, there are clear benefits for clients as we strive to become more responsive and innovative. Clients will see an increasing number of tools and services delivered to them that focus on making it easier to deal with CCI; further deepening our understanding of the broadening risks they face so that we can build solutions accordingly. We've built strength as an insurer, and I believe that CCI will support clients more than ever to adapt and grow within a changing global and domestic economic landscape.

Our financial reports and operational position remain strong, and we've reinforced significant gains in Asset Management who achieved their best performance on record for the 2017/2018 period. While we continue to build on our core business of protecting our Catholic Church community, our growth and new business is led by an organisation with a strong DNA. As it matures, this underpinning culture will serve us well in helping clients to meet a range of future risk challenges and to address disruptive technologies and cyber threats.

Two new appointments this year will prove integral to the evolution of CCI as an entity with the right systems, processes, and risk controls to deliver the highest value to our stakeholders, and better place us to provide total risk solutions. Kathryn Young joined us as Chief Information Officer, and leads a technology team in developing strategic and progressive solutions to build a resilient IT environment. Revisions to our enterprise architecture, and augmenting infrastructure and integrated systems will promote a high performing and client focused team. Kath's design and supervision of technology transformation programs places CCI on the front foot of digital and workplace enablement, and strengthens our compliance and information management. Jeremy Yipp, as Chief Risk Officer, consolidates CCI's Senior Leadership Team. His supervision of the organisation's risk identification and mitigation measures began in the first quarter and has engaged staff in new training, accordingly. These are key roles to ensure our overall business performance and will support improving client relationships and their engagement with us.

Over the last year, I have been pleased to see that clients have come to recognise and experience the benefits of change within CCI through our strategic Enhance, Expand, and Give Back initiatives.

Enhance

The driving principle of our Enhance strategy is developing client solutions and improved processes that this year signals a milestone in the delivery of a superior client engagement model with digital services. We delivered genuine improvements to Workers Compensation claims processes with new automated systems; building on our introduction of online self-service functionality for clients who have come to rely on traditional and personalised service but want autonomy and interactivity.

Developing affordability solutions and strategies for our Catholic Parish community is an important CCI objective because it is a high priority for many clients. Establishing working teams within CCI to work with clients on affordability-focused solutions reflects the serious approach adopted by CCI's Senior Leadership Team in finding ways forward that supports the Church community with this issue.

With so many cyber risks on the horizon, and the potentially devastating impact of cyber attacks on business continuity, assisting clients adequately meant that we needed to enhance our cyber insurance product. I'm confident that our enhanced policy, Cyber 360, is a market leading solution that provides our clients with a level of service that is unmatched in the industry. With 24 hour technical expertise from our global cyber security partner DXC Technology, and a new risk management protocol that operates in tandem with claims service, CCI now delivers end-to-end support throughout a cyber hack or any cyber incident in which business operations are held ransom.

Staying abreast of technological change and industry developments is equally important if we are to remain strong in the face of increasing risks, and was a key factor for the introduction of our Solution Series in 2017. I believe its success revealed a need for new ways to help clients to understand risk topics, and to assist in their preparedness for new and emerging risks. Launching our new thought leadership platform, CCI Insights, is a timely move to ensure that all client segments are engaged with issues relevant to their communities. Industry experts discuss key hot topics, such as mental health and wellbeing, with our senior leaders and segment leads. Through CCI Insights, a range of subjects has unfolded online that looks more deeply at people and workplace trends, the latest research, Church property and assets and their risks, and some unique and inspiring stories about our Church organisations. There are numerous risk impacts to clients that are weighed in conversations with influencers and innovators, and more is to come in the form of feature articles, videos, research reports, and podcasts.

Attending some of the Focus Forums that were held around the country, I've enjoyed meaningful exchanges with clients about the value that such initiatives bring to their own organisations within our Catholic community. The attendance numbers show a willingness among everyone to share knowledge and a desire to help one another.

Expand

I am also delighted to see growth in client numbers once again, as it clearly states our role as a trusted risk management, insurance, and investments partner. Our clients now include Australian Jesuits among others, and we've expanded our broker channel to ensure that we offer the choice of a direct relationship or an intermediary.

CCI's Asset Management team has navigated the changes in global politics, and the economy at home and abroad, to report record financial returns this year. Our guaranteed Catholic Entity Distribution (CED) has seen a significantly larger amount as our legacy of providing certainty and first class reinsurance protection to policyholders is matched by having settled more than 98% of claims for the last two decades. The stewardship of CCI's segment leads has paid closer attention to individual sectors and clients in need of extra help, to identify their risk needs and with the growing strength of our Solutions Team.

Give back

Our charitable foundation CCI Giving has now set the wheels in motion to give assistance to organisations who work with a range of disadvantaged communities and individuals in need of funds. The vision for a perpetual foundation will help to sustain those carrying out the Catholic mission through small and large grants that are distributed nationally. CCI staff are embracing this project knowing that our new national grants program, 'In a Good Place', has implications for some who support rural communities facing hardship. Investing in the mental health and wellbeing of people who live remotely benefits all Australians. There is no better time for this good news than now, when the acute challenge of drought is visible. At the same time, CCI Giving welcomed recipients of the Small Grants Program with our Impact Grants partner FRRR, during a warm afternoon tea reception this year. Recipients from around the country attended, and the opportunity to meet in person and connect through conversations was both humbling and motivating for all who joined us.

Our positive steps to empower our own staff to give back is a source of great pleasure, and I expect more of us to become increasingly interactive in the broader Church mission of welfare. On a personal note, it's tremendously satisfying to observe the strength in our Best Employer Score.

As I witness the strides that our clients make to achieve their goals, as well as some of the headwinds they face, I believe they are happy and feel secure in their choice of trusted advisor and insurance partner.

Looking ahead, there will be further developments in our modernisation journey, and I anticipate another generous year for meeting our goals. I wish to thank our clients and shareholders for their advocacy, the Senior Leadership Team for their dedication to the program, the Board for their trust, our valued staff, and the Catholic Church and broader Christian community for their faith.

Special gratitude must extend to Reverend Dr. Philip Marshall and Sister Louise Reeves for their unwavering effort in binding ties between our work and that of the Catholic Church.

I thank you, and welcome our shared endeavours.

Roberto Scenna
Chief Executive Officer

We’re giving back

Our staff have donated over $50,000 in cash, plus goods to a range of charities over the last year!

Our 'Give Back Committee' have committed themselves to organising a range of great fundraisers throughout the year, for our staff to attend and make donations. These include raffles, trivia nights, sausage sizzles and winter appeals just to name a few. Here's a breakdown of what was donated by our generous staff:

Jul 2017	Jesuit Social Services	$1,462.75
Aug 2017	Youth off the Streets	$113.80
	St Vincent de Paul Winter Appeal	Winter clothes
Sep 2017	STREAT	$179.60
Oct 2017	St Vincent de Paul	$111.00
Nov 2017	McAuley Community Services for Women	$467.70
	JoCare, Malvern	$9,030.00
	St Patricks Community Support Centre	$12,070.00
	ACRATH	$12,350.00
	Marymead	$11,550.00
Dec 2017	CatholicCare	Childrens Christmas gifts
Feb 2018	Home of Compassion (Fitzroy)	$401.05
Apr 2018	St Pauls (specialist school, Kew)	$1,250.00
	MacKillop Family Services	$140.00
May 2018	John Paul Village (NSW)	$1,350.00
	Adelaide Day Centre for the homeless	$1,350.00
	CatholicCare Tasmania	$1,670.00
Jun 2018	St Vincent de Paul Winter Appeal	Clothes and sleeping bags
	St Vincent de Paul CEO Sleepout	$500.00
Total		**$ 53,995.90 in cash, plus goods**

Corporate Governance Statement

For the year ended 30 June 2018

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 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 a minimum of 50% of members, and they report and make recommendations to the Board.

The Board committees are Audit, Risk, Budget, Nominations & Remuneration, Investment and Reinsurance.

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
- 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.

Nominations & Remuneration 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,

- monitor Board effectiveness, plan for Directors' retirements and identify and recommend suitable candidates for appointment to the Board, and
- make recommendations on CCI's job evaluation, remuneration reward systems and policies, using the advice of external consultants as appropriate.

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.

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.

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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

Directors' Report

The Directors of Catholic Church Insurance Limited (the "company") have pleasure in presenting their annual financial report on the company and its controlled entity for the financial year ended 30 June 2018. 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)
- Jo Dawson
- Joan Fitzpatrick
- Richard M Haddock
- Reverend Dr Philip Marshall
- Sister Louise Reeves
- 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 Chair of the Boards of the Archdiocesan Ministries and Services Council in Brisbane and the Edmund Rice Foundation Australia, having retired as Chair of the Archdiocesan Finance Council earlier this year. He is also a Director on the Boards of BDO Australia and Queensland Investment Corporation.

Special responsibilities held in the company:

Chairman of the Board, and Member of the Board Audit, Risk, Nominations & Remuneration and Budget Committees.

Jo Dawson

B.COMM, MBA, CA, GAICD

Jo was appointed to the Board in 2006 and has more than 30 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 member of Chartered Accountants ANZ. She is also a non-executive Director of Templeton Global Growth Fund Limited, Vision Super, Bank First and CCI Asset Management Limited.

Special responsibilities held in the company:

Chair of the Board Audit and Risk Committees and Member of the Board Investment Committee

Joan Fitzpatrick

BA (Hons), LLB, FAICD, ANZIIF Fellow

Joan joined the Board in 2016 and has more than 35 years of commercial business experience. Joan has delivered successful business results throughout her career. Qualified as a barrister, she has senior operations management experience working for multinational companies in several countries including 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance Finance. She is a Fellow of ANZIIF and the Australian Institute of Company Directors. She is the Chair of the Boards of ESS Super, Sacré Coeur School Glen Iris and TCRSA Holdings Ltd (and subsidiaries), a non-executive Director of the Boards of Defence Bank, Maurice Blackburn Lawyers, AFL Players Injury and Hardship Fund and CCI Asset Management Limited, and an executive Director of Alvearium Pty Ltd.

Special responsibilities held in the company:

Chair of the Board Budget Committee and Member of the Board Reinsurance and Investment Committees.

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 Chair of the Boards of CatholicCare, Catholic Superannuation and Retirement Fund, St Vincents Curran Foundation, the Sisters of Charity Foundation and CCI Asset Management Limited, and a Director of the University of Notre Dame. 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:

Chair of the Board Investment Committee and Member of the Board Reinsurance and Nominations & Remuneration Committees

Reverend Dr Philip Marshall

Ph.D

Rev Philip joined the Board in 2016 and is Administrator Delegate 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. 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:

Member of the Board Budget, Reinsurance and Nominations & Remuneration Committees

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 diverse and highly regulated sectors. She is the President of the National Competition Council, and Independant Chair of Private Healthcare Australia and the National Injury Insurance Agency (Qld). She is a Director of Av Super and CS Energy, having retired as a Director of Aviation Australia Pty Ltd, Open Minds Australia Ltd and Catholic Network Australia Ltd earlier this year.

She facilitates in Risk and Strategy in the AICD Company Directors Course, is a former Queensland Telstra Business Women's award winner and the recipient of an award from the Queensland Law Society for exceptional services to Australian society.

Special responsibilities held in the company:

Chair of the Board Nominations & Remuneration Committee and Member of the Board Audit, Risk and Reinsurance Committee.

Jane A Tongs

B.BUS (ACTG), EMBA, FCPA, FACA, MAICD

Jane joined the Board in February 2010. She is the Chair of the Boards of the Netwealth Group and the Australian Prime Property Investor Committees, a non-executive Director of Cromwell Property Group, Warakirri Asset Management Ltd (and subsidiaries), Brighton Grammar School (and subsidiaries) and CCI Asset Management Limited. She retired as a Director of the Australian Energy Market Operator earlier this year. Her areas of expertise include risk, financial services, general insurance, funds management and infrastructure. She is a Member of the Australian Institute of Company Directors and a Fellow of CPA Australia and the Institute of Chartered Accountants.

Special responsibilities held in the company:

Chair of the Board Reinsurance Committee and Member of the Board Budget and Investment Committees

Sister Louise Reeves

MEd, MA, LLB

Sister Louise joined the Board in February 2017. She is a Sister of St Joseph and currently a member of the Congregational Leadership Team. She has previously been a non-executive Director in the Education, NGO and Aged Care sectors, and retired as a Director of the Mary MacKillop Foundation earlier this year. Sister Louise has a background in Education and Law, holds a Practicing Certificate with Law Society of NSW, and has worked at the Legal Aid Commission NSW and in Community Legal Centres.

Special responsibilities held in the company:

Member of the Board Audit and Risk Committees

Roberto Scenna

Chief Executive Officer BEC (HONS)

Roberto Scenna joined CCI as Chief Executive Officer in September 2016. 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 director roles, having served on the Boards of ANZ financial advice companies, Italian Community Services Groups and the Advisory Board to World Vision Australia. Rob is currently a Board member on McAuley Community Services and CCI Giving. 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.

Dominic P Chila

Company Secretary B.BUS, FCPA, AGIA

Dominic was appointed as Company Secretary in February 2008 and acts as secretary to the Board and all of the Committees to ensure proper functioning of the Board. In addition to his company secretarial duties, he is responsible for the corporate legal and procurement functions, and he administratively oversees the internal audit function. 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 and Chief Risk Officer. He is also the Company Secretary of CCI Asset Management Limited.

Dividends

In respect of the financial year ended 30 June 2018, the Directors recommend the payment of a final unfranked dividend of $1.176M (2017:$1.176M) to the holders of fully paid ordinary shares on 22 October 2018. The dividend has not been provided for in the 30 June 2018 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.

Employees

The consolidated entity employed 226 employees as at 30 June 2018 (2017: 221 employees).

Review of operations

Results of Operations

	2018	2017
	$'000	$'000
Consolidated Profit	66,569	76,723

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

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 after the reporting date

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

Likely developments and expected results

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

State and federal inquiries

During the reporting period, the Royal Commission into Institutional Responses to Child Sexual Abuse continued to investigate the many and varied aspects of this complex issue. The Royal Commission delivered its final report to the Governor General in December 2017. The Royal Commission made many recommendations and a significant one was the establishment of a National Redress Scheme. That recommendation has been adopted by the Federal Parliament and came into operation on 1 July 2018.

The Victorian Parliamentary Inquiry (2012) previously resulted in change to the legislation in Victoria regarding limitation of actions. In July 2017 the Victorian Parliament passed further changes shifting the onus of proof in sexual abuse cases so that the Institution will now be required to prove it took steps to prevent abuse occurring. Further reforms are also being proposed in relation to identifying and establishing entities to sue for sexual abuse cases.

During the reporting period, Western Australia also adopted changes to limitation periods for sexual abuse claims as well as mechanisms for the revisiting of past claims, similar to reforms passed in Queensland in 2016/2017.

Further civil litigation reform has also been proposed and is the subject of consultation currently in NSW.

Outcomes from these State and Federal Inquiries continue to be monitored and the extent to which recommendations from the Royal Commission will continue to be adopted by Government is unclear, and therefore the ultimate financial impact on CCI, if any, is not known at this stage.

National Redress Scheme

A number of Church Authorities have indicated their intention to participate in the Scheme. Only participants in the Scheme can be liable for Scheme redress payments and administration costs. CCI is continuing to monitor the position of policyholders in respect of the Scheme but currently does not anticipate the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

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 33c).

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 33).

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 where rounding is applicable and where noted ($'000) under the option available to the company under ASIC 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 2018 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	9	8	4	3	4	3	1	1
J Dawson	9	8	4	4	4	4	-	-
J Fitzpatrick	9	7	-	-	-	-	1	1
R Haddock	9	9	-	-	-	-	-	-
P Marshall	9	7	-	-	-	-	1	-
L Reeves	9	7	4	4	4	4	-	-
J A Schafer	9	7	4	4	4	4	-	-
J A Tongs	9	7	-	-	-	-	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	1	1	-	-	-	-	2	1
J Dawson	-	-	4	4	-	-	-	-
J Fitzpatrick	-	-	4	4	3	3	-	-
R Haddock	-	-	4	4	3	3	2	2
P Marshall	1	1	-	-	1	-	2	1
L Reeves	1	1	-	-	-	-	-	-
J A Schafer	1	1	-	-	3	3	2	2
J A Tongs	-	-	4	3	3	3	-	-

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors.

P A Gallagher - Director
Melbourne, 4 September 2018

Auditor's Independence Declaration

EY
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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 2018, 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.

This declaration is in respect of Catholic Church Insurance Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
4 September 2018

Financial Reports

Statement of Comprehensive Income

For the financial year ended 30 June

	Note	Consolidated		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Premium revenue		223,796	214,284	223,796	214,284
Outwards reinsurance expense		(72,746)	(68,096)	(72,746)	(68,096)
Net premium revenue	7	151,050	146,188	151,050	146,188
Gross claims incurred	8	(102,776)	(133,806)	(102,776)	(133,806)
Reinsurance and other recoveries revenue	9	9,302	43,433	9,302	43,433
Net claims incurred	10	(93,474)	(90,373)	(93,474)	(90,373)
Acquisition costs		(368)	(192)	(368)	(192)
Other underwriting expenses	11	(41,630)	(38,789)	(41,630)	(38,789)
Underwriting expenses		(41,998)	(38,981)	(41,998)	(38,981)
Commission revenue		154	122	154	122
Underwriting result		15,732	16,956	15,732	16,956
Investment income	14	80,409	87,673	80,409	87,673
General administration expenses	11	(15,879)	(19,963)	(14,711)	(18,678)
Catholic entity distributions		(7,095)	(10,445)	(7,046)	(10,445)
Donations - CCI Giving Trust	13	(10,250)	-	(10,250)	-
Other income		3,652	2,502	2,209	1,517
Profit for the period	15	66,569	76,723	66,343	77,023
Total comprehensive income for the period		66,569	76,723	66,343	77,023

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

Statement of Financial Position

As at 30 June

		Consolidated		Company	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets					
Cash and cash equivalents	17	179,537	181,403	179,303	181,175
Trade and other receivables	18	196,127	213,867	195,714	213,723
Financial assets at fair value through profit and loss	21	946,593	885,851	946,593	885,851
Deferred reinsurance expense	19	29,671	27,267	29,671	27,267
Deferred acquisition costs	20	129	-	129	-
Plant and equipment	24	10,067	9,125	10,067	9,125
Other assets	23	6,895	7,478	6,895	7,478
Tax assets	22	6,996	5,748	6,996	5,748
Intangible assets	25	8,441	3,879	8,441	3,879
TOTAL ASSETS		1,384,456	1,334,618	1,383,809	1,334,246
Liabilities					
Trade and other payables	26	41,159	33,162	41,159	33,162
Other liabilities	28	730	573	730	573
Unearned premium reserve	32	154,640	143,049	154,640	143,049
Provisions	27	14,721	18,340	14,672	18,340
Outstanding claims	31	599,315	630,996	599,315	630,996
TOTAL LIABILITIES		810,565	826,120	810,516	826,120
NET ASSETS		573,891	508,498	573,293	508,126
Shareholders' Equity					
Contributed equity	29	8,139	8,139	8,139	8,139
Reserves	30	563,585	498,192	563,585	498,192
Retained profit		2,167	2,167	1,569	1,795
TOTAL SHAREHOLDERS' EQUITY		573,891	508,498	573,293	508,126

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 2016		8,139	422,645	2,167	432,951
Net profit for the period		-	-	76,723	76,723
Transfer to reserves	30	-	75,547	(75,547)	-
Dividend for 2016 ($0.40 cents per share)	16	-	-	(1,176)	(1,176)
At 30 June 2017		8,139	498,192	2,167	508,498
At 1 July 2017		8,139	498,192	2,167	508,498
Net profit for the period		-	-	66,569	66,569
Transfer to reserves	30	-	65,393	(65,393)	-
Dividend for 2017 ($0.40 cents per share)	16	-	-	(1,176)	(1,176)
At 30 June 2018		8,139	563,585	2,167	573,891
Company					
At 1 July 2016		8,139	422,645	1,495	432,279
Net profit for the period		-	-	77,023	77,023
Transfer to reserves	30	-	75,547	(75,547)	-
Dividend for 2016 ($0.40 cents per share)	16	-	-	(1,176)	(1,176)
At 30 June 2017		8,139	498,192	1,795	508,126
At 1 July 2017		8,139	498,192	1,795	508,126
Net profit for the period		-	-	66,343	66,343
Transfer to reserves	30	-	65,393	(65,393)	-
Dividend for 2017 ($0.40 cents per share)	16	-	-	(1,176)	(1,176)
At 30 June 2018		8,139	563,585	1,569	573,293

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

Statement of Cash Flows

For the financial year ended 30 June

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Cash flows from operating activities					
Premiums received		217,556	203,550	217,556	203,550
Outwards reinsurance paid		(70,865)	(68,172)	(70,865)	(68,172)
Claims paid		(134,429)	(126,422)	(134,429)	(126,422)
Reinsurance and other recoveries received		34,871	40,639	34,871	40,639
Acquisition costs paid		(497)	(192)	(497)	(192)
Other underwriting expenses paid		(27,358)	(25,185)	(27,358)	(25,185)
Other operating expenses paid		(17,761)	(18,979)	(16,324)	(17,790)
Other operating income received		3,532	2,349	2,089	1,375
Interest received		21,710	20,816	21,710	17,999
Dividends received		41,140	47,351	41,140	50,168
Total cash flows from operating activities	37	67,899	75,755	67,893	75,970
Cash flows from investing activities					
Investment trading		(37,835)	(42,905)	(37,835)	(42,905)
Payments for plant and equipment		(3,932)	(5,876)	(3,932)	(5,876)
Proceeds from sale of plant and equipment		285	426	285	426
Payments for intangibles		(6,169)	(2,483)	(6,169)	(2,483)
Total cash flows (used in)/from investing activities		(47,651)	(50,838)	(47,651)	(50,838)
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Donations - CCI Giving		(10,000)	-	(10,000)	-
Catholic entity distributions		(10,938)	(7,565)	(10,938)	(7,565)
Total cash flows (used in) financing activities	37	(22,114)	(8,741)	(22,114)	(8,741)
Net increase in cash held		(1,866)	16,176	(1,872)	16,391
Cash and cash equivalents at 1 July		181,403	165,227	181,175	164,784
Cash and cash equivalents at 30 June	17	179,537	181,403	179,303	181,175

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 2018

1. Corporate Information

The consolidated financial report of Catholic Church Insurance Limited (the company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 4 September 2018.

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 Catholic Church Insurance'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 International Financial Reporting Standards (IFRS).

c) Australian Accounting Standards issued but not yet effective

Australian Accounting Standards which have been issued or amended during the annual reporting period ending 30 June 2018 and have been applied in preparing Catholic Church Insurance's financial statements, where applicable. The nature of the impact of the application of these standards is disclosed.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2016-2	Amendments to Australian Accounting Standards– Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1-Jan-17	Please refer to note 37.	01-Jul-17

d) Australian Accounting Standards issued but not yet effective

Australian Accounting Standards which have been issued or amended during the annual reporting period ending 30 June 2018 and have been applied in preparing Catholic Church Insurance's financial statements. The nature of the impact of the application of these standards is disclosed only. Catholic Church Insurance will apply these standards for the annual reporting periods beginning on or after the operative dates as set out below.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Applica-tion date for CCI
AASB 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to: • 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 • 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-19	These amendments will have no direct impact	01-Jul-18

Notes to the Financial Statements *continued*

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 1058 AASB 2016-8	Income of Not-for-Profit Entities Amendments to Australian Accounting Standards –Australian Implementation Guidance for Not-For-Profit Entities	AASB 1058 and AASB 2016-8 will defer income recognition in some circumstances for not-for-profit 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 not-for-profit 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. Consequently AASB 1004 Contributions is also amended, with its scope effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.	1-Jan-19	These amendments will have no material impact.	01-Jan-19

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1-Jan-21	Management have yet to assess the impact of this new standard as we have deferred this until AASB 17 comes into effect.	01-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Applica-tion date for CCI
AASB 15	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 Leases (or AASB 16 Leases, once applied). 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 an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: **Step 1:** Identify the contract(s) with a customer **Step 2:** Identify the performance obligations in the contract **Step 3:** Determine the transaction price **Step 4:** Allocate the transaction price to the performance obligations in the contract **Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation	1-Jan-19	Other income for CCI has yet to be reviewed due to the immaterial nature, but will be reviewed over the new year. CCIAM have undertaken a detailed review of the impact of AASB 15 (Revenue from Contracts with Customers). In assessing the current method of revenue recognition, the review covered the identification of contracts and performance obligations as well as a determination of the transaction price and performance obligations. The outcome of the review was that the current method of revenue recognition is in line with the requirements of AASB 15 and that there is no material impact on the accounting treatment.	01-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Applica-tion date for CCI
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1-Jan-19	CCI is still assessing the impact of this standard.	1-Jul-19

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Applica-tion date for CCI
AASB 17	Insurance Contracts	AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 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 AASB 17 is the General (building block) Model, supplemented by: • A specific adaptation for contracts with direct participation features (Variable Fee Approach) • A simplified approach mainly for short-duration contracts (Premium Allocation Approach). 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 (thefulfilment 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, determined by an accounting policy choice.	1-Jan-21	Management have yet to assess the impact of this new standard. We currently have plans in place to implement a program to assess the impact and where necessary implement changes.	1-Jul-21
AASB 2017-3	Amendments to Australian Accounting Standards – Clarifications to AASB 4	The amendments confirm that in Australia compliance with AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts ensures simultaneous compliance with AASB 4. The Standard also amends AASB 4 to ensure the relief available to issuers of insurance contracts set out in AASB 2016-6 can be applied by an entity applying either AASB 1023 and AASB 1038 if the entity otherwise meets the qualifying criteria.	1-Jan-18	This is expected to have no significant impact	1-Jul-18

e) Basis of consolidation

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

The financial statements of its controlled entity are prepared for the same reporting period as Catholic Church Insurance, 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 Catholic Church Insurance obtained control and until such time as Catholic Church Insurance ceases to control such entity.

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

f) Premium revenue

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

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

g) Revenue recognition

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

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. Other revenue includes commission from Allianz Australia for our underwriting agreement and Risk Management revenue for various Risk Management services we offer.

Unexpired risk liability

At each reporting date Catholic Church Insurance 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. Catholic Church Insurance 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 31.

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 Catholic Church Insurance 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 Catholic Church Insurance'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

Catholic Church Insurance's contributions to superannuation in respect of employees of Catholic Church Insurance 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 property and other unit 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 41 sets out the consolidated entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Impairment of financial assets

Financial 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 Catholic Church Insurance, 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

Catholic Church Insurance'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.

Catholic Church Insurance 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 (refer to note 2(s) for methodology).

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, Catholic Church Insurance 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 (refer to note 2(t) 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 Catholic Church Insurance 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 Catholic Church Insurance 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:

	2018	2017
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
Right of use	8 years	-

u) Amortisation of intangible assets

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

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

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 professional standards 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.

Consideration should also be given to note 44 Other Matters, with the commencement of the Redress Scheme, the impact on future claims experience is uncertain and as the Scheme only commenced on 1 July 2018 there is no historical claims experience.

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

Catholic Church Insurance 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

Public Liability includes general liability and professional standards claims. Claims estimates for Catholic Church Insurance'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.

2018	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	3.9 years	2.3 years	3.7 years
Wage inflation	0.00%	2.75%	2.75%	2.75%
Superimposed inflation	0.00%	2.00%	5.00%	3.00%
Discount rate	0.00%	2.25%	2.25%	2.00%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	9.8%	18.50%	16.00%	9.00%
2017				
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%

*This is a combined risk margin for general liability of 10.5% and professional standards of 20%.

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 Catholic Church Insurance's claims administration costs as a percentage of past gross payments.

Risk margins

Risk margins have been based on features of Catholic Church Insurance'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 Catholic Church Insurance.

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	(4,697)	(4,272)	(4,697)	(4,272)
	−0.5	4,753	4,323	4,753	4,323
Inflation and superimposed assumption	+1%	13,072	12,215	13,072	12,215
	−1%	(13,072)	(12,215)	(13,072)	(12,215)
Discount rate	+1%	(13,072)	(12,215)	(13,072)	(12,215)
	−1%	13,072	12,215	13,072	12,215
Expense rate	+1%	5,663	5,663	5,663	5,663
	−1%	(5,663)	(5,663)	(5,663)	(5,663)
Risk margins	+1%	5,172	4,532	5,172	4,532
	−1%	(5,172)	(4,532)	(5,172)	(4,532)
Average claim size	+10%	20,775	19,124	20,775	19,124
	−10%	(20,775)	(19,124)	(20,775)	(19,124)

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

Catholic Church Insurance is committed to controlling insurance risk thus reducing the volatility of operating profits through identifying, monitoring and managing risks associated with its business activities. In addition to the inherent uncertainty of insurance risk which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values.

Risk management framework

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

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

- Risk Management Strategy (RMS): The RMS describes the strategy for managing risk and the key elements of the RMF that give effect to this strategy. The objective of the RMS is to address each material risk.
- Reinsurance Management Strategy (REMS): The REMS is part of CCI's risk management strategy and details the Reinsurance Management Framework, including the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements.
- Risk Appetite Statement (RAS): The Board and executive management develop Catholic Church Insurance'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 Catholic Church Insurance's compliance with the RMS, REMS, RAS and ICAAP.

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

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

The key areas of risk exposure discussed below are:

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

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

a) Insurance risk

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

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

Underwriting risks

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

Concentration of insurance risk

Catholic Church Insurance'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 Catholic Church Insurance'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), Catholic Church Insurance's underwriting strategy requires risks to be differentiated in order to reflect the higher loss frequency in these areas. Catholic Church Insurance 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

Catholic Church Insurance 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 Catholic Church Insurance'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 Catholic Church Insurance'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 19.63% (2017:20%) 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 40.

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

(iii) Price risk

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

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

b) Credit risk

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

The following policies and procedures are in place to reduce Catholic Church Insurance 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
2018							
Consolidated							
Cash and cash equivalents	2	178,415	71	–	–	1,049	179,537
Interest bearing investments[1]	123,867	180,178	13,421	23,321	–	1,074	341,861
Reinsurance & other recoveries[2]	–	63,097	20,142	12,728	–	–	95,967
2017							
Consolidated							
Cash and cash equivalents	3	180,098	354	–	–	948	181,403
Interest bearing investments[1]	121,692	154,821	13,476	19,953	–	6,957	316,899
Reinsurance & other recoveries[2]	–	86,368	21,237	9,676	–	–	117,281

1 Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer note 21). Also includes parts of Investment income accrued that relates to nterest bearing investments (refer note 18).

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

The difference between the consolidated entity and Catholic Church Insurance relates to cash and cash equivalents. The AA rating for Catholic Church Insurance reduces by $234,000 for the current year and by $228,000 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.

		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
2018						
Consolidated						
Premiums receivable	85,340	8,142	2,989	2,600	-	99,071
Reinsurance & other recoveries[1]	89,236	5,057	38	466	1,170	95,967
Tax assets	6,996	–	–	–	–	6,996
Other receivables[2]	16,009	–	–	–	–	16,009
2017						
Consolidated						
Premiums receivable	78,000	7,057	1,449	373	280	87,159
Reinsurance & other recoveries[1]	111,117	4,922	235	67	940	117,281
Tax assets	5,748	–	–	–	–	5,748
Other receivables[2]	20,054	–	–	–	–	20,054

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

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

The difference between the consolidated entity and Catholic Church Insurance relates to other receivables. The "On Demand" category for Catholic Church Insurance decreases by $413,000 for the current year and $145,000 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 Catholic Church Insurance 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
2018					
Trade and other payables	41,159	–	–	–	41,159
Financial Liabilities – Options/Futures	–	730	–	–	730
Outstanding Claims	94	53,371	545,850	–	599,315
2017					
Trade and other payables	33,162	–	–	–	33,162
Financial Liabilities – Options/Futures	–	573	–	–	573
Outstanding Claims	103	78,584	552,309	–	630,996

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 Catholic Church Insurance's business and the environment in which it operates. This same level of testing is used by Catholic Church Insurance in determining a targeted solvency ratio.

		Financial Impact +/-			
		2018 Net profit (loss)	2018 Equity	2017 Net profit (loss)	2017 Equity
Market risk	Movement in variable	$'000	$'000	$'000	$'000
Interest rate	2%+/-	21,837/(21,837)	21,837/(21,837)	21,596/(21,596)	21,596/(21,596)
Equities	10%+/-	23,303/(23,303)	23,303/(23,303)	22,203/(22,203)	22,203/(22,203)
Domestic Equities	10%+/-	30,899/(30,899)	30,899/(30,899)	28,569/(28,569)	28,569/(28,569)

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
7. Net premium revenue				
Direct	216,507	206,709	216,507	206,709
Fire service levies	7,289	7,575	7,289	7,575
Premium revenue	223,796	214,284	223,796	214,284
Outwards reinsurance premiums	(72,746)	(68,096)	(72,746)	(68,096)
Net premium revenue	151,050	146,188	151,050	146,188
8. Gross claims incurred				
Direct	102,776	133,806	102,776	133,806
9. Reinsurance and other recoveries revenue				
Reinsurance and other recoveries	9,302	43,433	9,302	43,433

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.

	2018			2017		
	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	107,316	(3,053)	104,263	139,762	4,299	144,061
Reinsurance and other recoveries – undiscounted	(15,976)	6,543	(9,433)	(49,164)	6,602	(42,562)
Net claims incurred – undiscounted	91,340	3,490	94,830	90,598	10,901	101,499
Discount and discount movement – gross claims incurred	(11,955)	11,117	(838)	(10,953)	267	(10,686)
Discount and discount movement – reinsurance and other recoveries	7,770	(8,288)	(518)	7,465	(7,905)	(440)
Net discount movement	(4,185)	2,829	(1,356)	(3,488)	(7,638)	(11,126)
Net claims incurred	87,155	6,319	93,474	87,110	3,263	90,373

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

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000

11. Other underwriting and general administration expenses

Expenses by function:				
Levies and charges	10,066	9,848	10,066	9,848
Administration expenses	43,524	40,376	43,524	40,376
Reinsurance commission	(11,960)	(11,435)	(11,960)	(11,435)
Other underwriting expenses	41,630	38,789	41,630	38,789
Investment expenses	1,382	1,290	1,382	1,290
Marketing expenses	1,060	1,144	1,060	1,144
Lease expenses	1,382	2,502	1,368	2,477
Depreciation charges (note 24)	2,568	2,237	2,568	2,237
Information technology expenses	4,034	4,599	4,034	4,599
Employee expenses	3,414	5,892	2,769	5,066
Other expenses	2,039	2,299	1,530	1,865
General administration expenses	15,879	19,963	14,711	18,678

12. Unexpired risk liability

Year ended 30 June 2018
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 31. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

13. Donations - CCI Giving Trust

CCI has donated $10.250M in order to set up a charitable trust CCI Giving. $10M was initially donated to establish the trust and a further $250K has been donated throughout the year.

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000

14. Investment income

Dividend income	38,369	38,336	38,369	38,336
Interest income	19,224	17,661	19,224	17,661
Changes in fair value				
- Unrealised gains / (losses) on investments	25,058	25,158	25,058	25,158
- Realised gains / (losses) on investments	(2,242)	6,518	(2,242)	6,518
	80,409	87,673	80,409	87,673

15. Profit for the period

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Gross written premiums	233,893	218,850	233,893	218,850
Unearned premium movement	(10,097)	(4,566)	(10,097)	(4,566)
Gross earned premium	223,796	214,284	223,796	214,284
Outward reinsurance expense	(72,746)	(68,096)	(72,746)	(68,096)
Net earned premium	151,050	146,188	151,050	146,188
Gross claims incurred	(102,776)	(133,806)	(102,776)	(133,806)
Reinsurance and other recoveries	9,302	43,433	9,302	43,433
Net claims incurred	(93,474)	(90,373)	(93,474)	(90,373)
Acquisition costs	(368)	(192)	(368)	(192)
Commission Income	154	122	154	122
Underwriting expenses	(41,630)	(38,789)	(41,630)	(38,789)
	(135,318)	(129,232)	(135,318)	(129,232)
Underwriting profit / (loss)	**15,732**	**16,956**	**15,732**	**16,956**
Dividend income	38,369	38,336	38,369	38,336
Interest income	19,224	17,661	19,224	17,661
Changes in fair value:				
- Unrealised gains / (losses) on investments	25,058	25,158	25,058	25,158
- Realised gains / (losses) on investments	(2,242)	6,518	(2,242)	6,518
Other income	3,652	2,502	2,209	1,517
Investment and other income	84,061	90,175	82,618	89,190
General administration expenses	(15,879)	(19,963)	(14,711)	(18,678)
Catholic entity distributions	(7,095)	(10,445)	(7,046)	(10,445)
Donations - CCI Giving Trust	(10,250)	-	(10,250)	-
Profit from ordinary activities	**66,569**	**76,723**	**66,343**	**77,023**

16. Dividends paid and proposed

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2017: $0.40 cents (2016: $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 2018: $0.40 cents (2017: $0.40 cents)	1,176	1,176	1,176	1,176

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000

17. Cash and cash equivalents

Cash and cash equivalents comprises:				
– Cash on hand	2	2	2	2
– Cash at call	179,535	181,401	179,301	181,173
	179,537	181,403	179,303	181,175
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	179,537	181,403	179,303	181,175
	179,537	181,403	179,303	181,175

The consolidated entity has a combined bank overdraft facility of $150,000 (2017: $150,000). This facility was unused at 30 June 2018 (2017: Unused).

18. Trade and other receivables

Premiums receivable (i)	99,071	87,159	99,071	87,159
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	60,072	77,050	60,072	77,050
Provision for doubtful debts on reinsurance recoveries	(14,920)	(10,627)	(14,920)	(10,627)
	45,152	66,423	45,152	66,423
Investment income accrued (iv)	14,417	19,209	14,417	19,209
Sundry debtors (v)	1,592	845	1,179	701
Total current receivables	160,232	173,636	159,819	173,492
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	35,895	40,231	35,895	40,231
Total non-current receivables	35,895	40,231	35,895	40,231
Total Trade and Other Receivables	196,127	213,867	195,714	213,723

The current period balance of premiums receivable includes $51.793 million (2017: $50.298 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2018.

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

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

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

(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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
19. Deferred reinsurance expense				
Deferred reinsurance expense as at 1 July	27,267	26,730	27,267	26,730
Reinsurance premiums paid during the year	77,454	70,819	77,454	70,819
Reinsurance premiums charged to profit and loss during the year	(75,050)	(70,282)	(75,050)	(70,282)
Deferred reinsurance expense as at 30 June	29,671	27,267	29,671	27,267

The current period balance of deferred reinsurance expense includes $2.285 million (2017: $2.303 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2018.

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
20. Deferred acquisition costs				
Deferred acquisition costs as at 1 July	-		-	
Acquisition costs deferred	497	-	497	-
Amortisation charged to income	(368)	-	(368)	-
Deferred acquisition costs as at 30 June	129	-	129	-
21. Financial assets at fair value through profit and loss				
- Government and semi-government bonds	237,399	222,673	237,399	222,673
- Other fixed interest securities	100,866	90,780	100,866	90,780
- Shares in other corporations	223,746	206,344	223,746	206,344
- Units in other unit trusts	261,105	247,462	261,105	247,462
- Units in property unit trusts	72,866	67,966	72,866	67,966
- Alternatives	50,611	50,626	50,611	50,626
Total investments	946,593	885,851	946,593	885,851
22. Tax assets				
Imputation credits	3,175	3,639	3,175	3,639
GST recoverable	3,821	2,109	3,821	2,109
	6,996	5,748	6,996	5,748
23. Other assets				
Deferred fire service levy expenses	3,385	3,123	3,385	3,123
Other assets	3,510	4,355	3,510	4,355
	6,895	7,478	6,895	7,478

24. Plant and equipment

	Consolidated					
	Right to Use Asset	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2018						
Gross carrying amount						
Balance at 1 July 2017	-	2,647	3,500	6,361	3,176	15,684
Additions	1,315	838	223	669	886	3,931
Disposals	-	(852)	(1,405)	(598)	-	(2,855)
Balance at 30 June 2018	1,315	2,633	2,318	6,432	4,062	16,760
Accumulated depreciation						
Depreciation charge for the year	(211)	(557)	(217)	(1,167)	(416)	(2,568)
Accumulated depreciation	-	(206)	(249)	(3,237)	(433)	(4,125)
Balance at 30 June 2018	(211)	(763)	(466)	(4,404)	(849)	(6,693)
Net carrying amount at 30 June 2018	1,104	1,870	1,852	2,028	3,213	10,067

There has been no change to depreciation rates or useful lives at 30 June 2018.

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

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

25. Intangible assets

Consolidated
Year ended 30 June 2018

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

	Computer Software
Gross carrying amount	$'000
Balance at 1 July 2017 net of accumulated amortisation	10,771
Additions	6,212
Disposals	(982)
Impairment of intangible assets	-
Balance at 30 June 2018	16,001
Accumulated amortisation	
Amortisation charge for the year	(1,609)
Disposals	941
Accumulated amortisation	(6,892)
Balance at 30 June 2018	(7,560)
Net carrying amount at 30 June 2018	8,441

The balance of intangible assets for the consolidated entity is the same as Catholic Church Insurance.

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 Catholic Church Insurance.

Consolidated
Year ended 30 June 2017

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

	Computer Software
Gross carrying amount	$'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 Catholic Church Insurance.

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000

26. Trade and other payables

Trade creditors	32,592	25,554	32,592	25,554
Accrued expenses	727	1,028	727	1,028
Sundry creditors	7,840	6,580	7,840	6,580
	41,159	33,162	41,159	33,162

The current period balance of the trade creditors includes $2.285 million (2017: $2.303 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2018.

27. Provisions

Current				
Catholic entity distributions	7,285	10,500	7,236	10,500
Grants	891	630	891	630
Employee benefits	5,090	5,217	5,090	5,217
	13,266	16,347	13,217	16,347
Non-current				
Employee benefits	440	1,003	440	1,003
Make good of premises	1,015	990	1,015	990
	1,455	1,993	1,455	1,993
Total Provisions	14,721	18,340	14,672	18,340

	Consolidated				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2018	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2017	10,500	630	6,220	990	18,340
Additional provisions	7,182	891	2,479	25	10,577
Amounts utilised during the year	(10,308)	(630)	(3,169)	-	(14,107)
Reversal of unused provision	(89)	-	-	-	(89)
Carrying amount at 30 June 2018	7,285	891	5,530	1,015	14,721

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

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 Catholic Church Insurance'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.

28. Other liabilities

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial liability - exchange traded options	730	573	730	573
	730	573	730	573

29. Contributed equity

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Authorised				
10,000,000 ordinary shares	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2017: 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, Catholic Church Insurance 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.

30. Reserves

		Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
(a) Composition					
General reserve		563,585	498,192	563,585	498,192
		563,585	498,192	563,585	498,192
(b) Movements					
General reserve					
Opening balance		498,192	422,645	498,192	422,645
Transfers to and from retained profits		65,393	75,547	65,393	75,547
Closing balance		563,585	498,192	563,585	498,192

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.

31. Outstanding claims

		Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	534,855	591,129	534,855	591,129
Discount to present value		(47,778)	(46,898)	(47,778)	(46,898)
		487,077	544,231	487,077	544,231
Claims handling costs	(B)	29,275	28	29,275	28
		516,352	544,259	516,352	544,259
Risk margin	(C)	82,963	86,737	82,963	86,737
Gross outstanding claims liability – discounted		599,315	630,996	599,315	630,996
Gross claims liability – undiscounted	(A)+(B)+(C)	647,093	677,894	647,093	677,894
Current		148,665	165,315	148,665	165,315
Non-current		450,650	465,681	450,650	465,681
Total		599,315	630,996	599,315	630,996

(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 Catholic Church Insurance 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	2018 %	2017 %
Short-tail	9.8	10.0
Professional indemnity	16.0	16.0
Public liability	10.5	10.5
Professional standards	20.0	20.0
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

	Gross	Reinsurance	Net
2018	$'000	$'000	$'000
Brought forward	630,996	95,490	535,506
Effect of changes in assumptions	(1,960)	(5,163)	3,203
Increase in claims incurred/recoveries anticipated over the year	102,730	15,110	87,620
Claim payments/recoveries during the year	(132,451)	(32,847)	(99,604)
Carried forward	599,315	72,590	526,725
2017			
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

(d) Claims development tables – long-tail classes

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

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

(i) Gross

Accident year	2012 & prior $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	829,245	60,573	47,073	44,937	47,084	51,292	56,809	1,137,013
One year later	821,163	60,524	45,395	44,160	49,241	49,964	-	1,070,447
Two years later	796,642	58,032	47,655	44,055	49,371	-	-	995,755
Three years later	761,991	61,812	41,026	40,917	-	-	-	905,746
Four years later	793,091	62,049	41,782	-	-	-	-	896,922
Five years later	859,036	61,867	-	-	-	-	-	920,903
Current estimate of cumulative claims cost	971,876	61,867	41,782	40,917	49,371	49,964	56,809	1,272,586
Cumulative payments	(632,728)	(51,262)	(30,610)	(26,623)	(25,364)	(17,760)	(8,413)	(792,760)
Outstanding claims – undiscounted	339,148	10,605	11,172	14,294	24,007	32,204	48,396	479,826
Discount								(38,584)
Outstanding claims								441,242
Short-tail outstanding claims								45,835
Claims handling expenses								29,275
Risk margins								82,963
Total gross outstanding claims as per the Balance Sheet								599,315

(ii) Net of reinsurance

Accident year	2012 & prior $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	747,932	58,134	46,821	44,473	46,689	50,722	56,594	1,051,365
One year later	742,820	56,124	45,235	43,836	48,894	49,676	-	986,585
Two years later	713,920	51,631	47,411	43,669	49,066	-	-	905,697
Three years later	664,987	48,802	40,926	40,501	-	-	-	795,216
Four years later	701,713	47,931	41,671	-	-	-	-	791,315
Five years later	734,425	47,957	-	-	-	-	-	782,382
Current estimate of cumulative claims cost	831,261	47,957	41,671	40,501	49,066	49,676	56,594	1,116,726
Cumulative payments	(524,105)	(38,595)	(30,502)	(26,303)	(25,175)	(17,692)	(8,410)	(670,782)
Outstanding claims – undiscounted	307,156	9,362	11,169	14,198	23,891	31,984	48,184	445,944
Discount								(37,654)
Outstanding claims								408,290
Short-tail outstanding claims								15,648
Claims handling expenses								29,275
Risk margins								73,512
Total net outstanding claims as per the Balance Sheet								526,725

	Consolidated		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000

32. Unearned premium reserve

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unearned premium liability as at 1 July	143,049	138,328	143,049	138,328
Deferral of premiums on contracts written in the period	220,244	203,887	220,244	203,887
Earning of premiums written in current and previous periods	(208,653)	(199,166)	(208,653)	(199,166)
Unearned premium liability as at 30 June	154,640	143,049	154,640	143,049

The current period balance of the unearned premium reserve includes $51.793 million (2017: $50.298 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2018.

33. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

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

P A Gallagher	Chairman (non-executive)
L Reeves	Director (non-executive)
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 (SLT Member until 8 Feb 2018)
J Yipp	Chief Risk Officer (Joined SLT on 19 March 2018)
D Muscari	Chief Financial Officer
T Briganti	General Manager, Technical Operations
R Castle	General Manager, Client
N Smith	General Manager, Information and Communication Technology (Left 2 October 2017)
K Young	General Manager, Information and Communication Technology (Commenced 28 May 2018)
S Stares	General Manager, People and Change
D Trevorah	General Manager, Strategy, Marketing and Transformation
M Wright	General Manager, 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	
	2018 $	2017 $	2018 $	2017 $
Directors				
Short-term	416,585	409,486	367,674	361,766
Post employment	39,576	35,953	34,929	31,420
	456,161	445,439	402,603	393,186

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

	Consolidated 2018 $	Consolidated 2017 $	Company 2018 $	Company 2017 $
Executives				
Short-term	4,916,423	4,051,548	4,916,423	4,051,548
Post employment	248,550	197,831	248,550	197,831
Other long-term	144,347	200,598	144,347	200,598
	5,309,320	4,449,977	5,309,320	4,449,977

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 Catholic Church Insurance.

	Balance at 1 Jul 2016	Net Change Other	Balance at 30 Jun 2017	Net Change Other	Balance at 30 Jun 2018
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	
	2018 $	2017 $	2018 $	2017 $

34. Related parties

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	-	-	1,167,210	1,283,278
Balance of intercompany receivable from CCI Asset Management Limited	-	-	226,984	271,990
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.	151,026,248	145,628,079	151,026,248	145,628,079
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	37,433,000	34,182,653	37,433,000	34,182,653
Management fees for the reporting period paid by the Schemes to CCI Asset Management Limited				
– Catholic Values Unit Trust	658,901	495,604	658,901	495,604
– Income Unit Trust	377,876	334,936	377,876	334,936
Funds under management for the reporting period with CCI Asset Management Limited that are also shareholders of CCI	337,256,715	350,596,601	337,256,715	350,596,601

35. Auditors' remuneration

	Consolidated 2018 $	Consolidated 2017 $	Company 2018 $	Company 2017 $
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	234,546	242,932	194,406	216,481
(b) other services in relation to the entity and any other entity in the consolidated entity				
– Taxation services	32,620	-	32,620	-
– Other services	134,307	76,166	68,275	60,304
Total other services	166,927	76,166	100,895	60,304

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

36. Expenditure commitments

	Consolidated 2018 $ '000	Consolidated 2017 $ '000	Company 2018 $ '000	Company 2017 $ '000
Operating lease expenditure commitments:				
- Within one year	4,036	3,842	4,036	3,842
- After one year but not more than five years	16,426	15,870	16,426	15,870
- More than five years	8,523	12,645	8,523	12,645
	28,985	32,357	28,985	32,357
Lease payments recognised as an expense in the period				
Minimum lease payment	2,039	3,157	2,025	3,132
Contingent rents	(657)	(655)	(657)	(655)
	1,382	2,502	1,368	2,477

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.

37. Statement of cash flows

	Consolidated		Company	
	2018 $ '000	2017 $ '000	2018 $ '000	2017 $ '000
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit from ordinary activities	66,569	76,723	66,343	77,023
Changes in net market value of investments	(17,559)	(19,508)	(17,559)	(19,508)
Depreciation of assets	2,402	2,237	2,391	2,227
Amortisation of intangible assets	1,608	1,340	1,608	1,340
Loss on sale of assets	286	2,024	286	2,024
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	17,985	11,073	17,936	11,073
Increase in unearned premium	11,591	4,721	11,591	4,721
(Increase) in premiums receivable	(11,912)	(7,363)	(11,912)	(7,363)
other recoveries receivable on outstanding claims	25,606	(3,027)	25,606	(3,026)
(Increase)/decrease in reinsurance payables	307	(1,792)	307	(1,792)
Increase/(decrease) in outstanding claims	(31,690)	7,617	(31,690)	7,617
(Increase)/decrease in acquisition costs	(129)	-	(129)	-
(Increase)/decrease in statutory charge asset	(976)	(333)	(976)	(333)
Decrease in GST tax provision	(1,712)	(29)	(1,712)	(29)
Decrease in other provisions and sundry debtors	5,523	2,072	5,803	1,996
Cash flow from operating activities	67,899	75,755	67,893	75,970

Catholic entity distributions, Grants and Donations - CCI Giving

	Consolidated		Company	
	2018 $ '000	2017 $ '000	2018 $ '000	2017 $ '000
Reconciliaiton of liabilities arising from financing activites				
Carrying amount at 1 July	11,130	7,621	11,130	7,621
Cash flow	(20,938)	(7,564)	(20,938)	(7,564)
Additional provisions	18,073	11,130	18,073	11,130
Reversal of unused provision	(89)	(57)	(89)	(57)
Carrying amount at 30 June	8,176	11,130	8,176	11,130

38. Controlled entities

Name of entity	Country of incorporation	Ownership interest		Investment	
		2018 %	2017 %	2018 $'000	2017 $'000
Parent entity					
Catholic Church Insurance Limited	Australia	–	–	–	–
Controlled entity					
CCI Asset Management Limited	Australia	100	100	–	–
CCI GF Pty 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. The shares held in CCI GF Pty Limited of $120 were written down to zero in the financial year ended June 2017.

39. Capital adequacy

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

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

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

	Company	
	2018 $'000	2017 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	563,585	498,192
Retained earnings at end of reporting period	1,569	1,795
Premium liability surplus	22,852	23,900
Net tier 1 capital	596,145	532,026
Less net intangible assets	8,443	3,879
Less assets under a fixed or floating charge	-	8,759
Total capital base	587,702	519,388
Prescribed capital amount	236,102	220,519
Prescribed capital amount coverage	2.49	2.36

The consolidated entity does not hold any tier 2 capital.

40. Additional financial instruments disclosure

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements. 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						
2018	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	1.74	179,535				2	179,537
Debtors						196,127	196,127
Government and semi-government loans	4.89		46,309	115,263	75,827		237,399
Other fixed interest securities	3.83		21,071	43,935	35,860		100,866
Alternatives	-		-	-		50,611	50,611
Shares, options & trusts						557,717	557,717
Total		179,535	67,380	159,198	111,687	804,457	1,322,257
Financial liabilities							
Creditors						41,159	41,159
Exchange traded options			730				730
Total			730			41,159	41,889

	Fixed Interest Rate Maturity – Company						
2018	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	1.74	179,301				2	179,303
Debtors						195,714	195,714
Government and semi-government loans	4.89		46,309	115,263	75,827		237,399
Other fixed interest securities	3.83		21,071	43,935	35,860		100,866
Alternatives	-			-		50,611	50,611
Shares, options & trusts						557,717	557,717
Preference shares						-	
Total		179,301	67,380	159,198	111,687	804,044	1,321,610
Financial liabilities							
Creditors						41,159	41,159
Exchange traded options			730				730
Total			730			41,159	41,889

2017	Fixed Interest Rate Maturity – Consolidated						
	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		15,057	47,183	45,510		107,750
Syndicated loan funds	-					50,626	50,626
Shares, options & trusts						510,601	510,601
Preference shares	-					11,171	11,171
Total		181,401	37,439	180,245	112,739	786,267	1,298,091
Financial liabilities							
Creditors						33,162	33,162
Exchange traded options			573				573
Total			573			33,162	33,735

2017	Fixed Interest Rate Maturity – Company						
	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		15,057	47,183	45,510		107,750
Syndicated loan funds	-			-		50,626	50,626
Shares, options & trusts						510,601	510,601
Preference shares	-					11,171	11,171
Total		181,173	37,439	180,245	112,739	786,123	1,297,719
Financial liabilities							
Creditors						33,162	33,162
Exchange traded options			573				573
Total			573			33,162	33,735

41. Fair value hierarchy

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

Consolidated as at 30 June 2018	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	237,399	-	-	237,399
- Other fixed interest securities	100,866	-	-	100,866
- Shares in other corporations	223,577	-	169	223,746
- Units in other unit trusts	-	261,105	-	261,105
- Units in property unit trusts	-	72,215	651	72,866
- Alternatives	-	50,611	-	50,611
Total	561,842	383,931	820	946,593
Financial liabilities				
Derivative instruments				
Options	(730)	-	-	(730)
Total	(730)	-	-	(730)

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 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	-	247,462	-	247,462
- Units in property unit trusts	-	67,224	742	67,966
- Alternatives	-	50,626	-	50,626
Total	519,618	365,312	921	885,851
Financial liabilities				
Derivative instruments	-	-	-	-
Options	(573)	-	-	(573)
Total	(573)	-	-	(573)

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	2018 $'000	2017 $'000
Opening balance		
Total gains and losses	921	936
– Realised		
– Unrealised	-	(15)
Purchases	(101)	-
Sales	-	-
Transfers to other categories	-	-
Closing balance	-	-
	820	921

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 $82,383 (2017: $92,060) or increase the Level 3 fair value by $82,383 (2017: $92,060).

42. Contingent liability

CCI has unallocated capital of $395,901 (2017:$395,901) in its wholly owned subsidiary CCI Asset Management. There are currently no plans for this to be allocated.

43. 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.

44. Other Matters

State and Federal Inquiries

During the reporting period, the Royal Commission into Institutional Responses to Child Sexual Abuse continued to investigate the many and varied aspects of this complex issue. The Royal Commission delivered its final report to the Governer General in December 2017. The Royal Commission made many recommendations and a significant one was the establishment of a National Redress Scheme. That recommendation has been adopted by the Federal Parliament into operation on 1 July 2018.

The Victorian Parliamentary Inquiry (2012) previously resulted in change to the legislation in Victoria regarding limitations of actions. In July 2017 the Victorian Parliament passed further changes shifting the onus of proof in sexual abuse cases so that the Institution will now be required to prove it took steps to prevent abuse occuring. Further reforms are also being proposed in relation to identifying and establishing entities to sue for sexual abuse cases.

During the reporting period, Western Australia also adopted changes to limitation periods for sexual abuse claims as well as mechanisms for the revisting of past claims, similar to reforms passed in Queensland in 2016/2017.

Further civil litigation reform has also been proposed and is the subject of consultation currently in NSW.

Outcomes from these State and Federal Inquiries continue to be monitored and the extent to which recommendations from the Royal Commission will continue to be adopted is unclear, and therfore the ultimate financial impact on CCI, if any, is not known at this stage.

National Redress Scheme

A number of Church Authorities have indicated their intention to participate in the Scheme. Only participants in the Scheme can be liable for Scheme redress payments and administrative costs. CCI is continuing to monitor the position of policyholders in respect of the Scheme but currently does not anticipate the Scheme altering CCI's exposure to claims for sexual abuse under insurance policies issued by the company.

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 Catholic Church Insurance's and consolidated entity's financial position as at 30 June 2018 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 Catholic Church Insurance will be able to pay its debts as and when they become due and payable.

On behalf of the Board

P A Gallagher
Director
Melbourne, 4 September 2018

Independent Auditor's Report

For the financial year ended 30 June 2018

EY

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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) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 30 June 2018;
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements 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, the accompanying financial report is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

a) giving a true and fair view of the Company's and the Group's financial position of the Group as at 30 June 2018 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

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 Group 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Catholic Church Insurance Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 and Group'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 Group 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 or the Group'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 or Group'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 or the Group 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 entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
6 September 2018

Corporate Information

For the financial year ended 30 June 2018

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)

Jo Dawson

Joan Fitzpatrick

Richard M Haddock

Reverend Dr Philip Marshall

Sister Louise Reeves

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
(SLT member until 8 Feb 2018)

Jeremy Yipp - Company Secretary
(Joined SLT on 19 March 2018)

Domenic Muscari - Chief Financial Officer

Tania Briganti - General Manager, Technical Operations

Ross Castle - General Manager, Client

Norman Smith - General Manager, Information and Communication Technology
(Left 2 October 2017)

Kathryn Young - General Manager, Information and Communication Technology
(Commenced 28 May 2018)

Sally Stares - General Manager, People and Change

David Trevorah - General Manager, Strategy, Marketing and Transformation

Marita Wright - General Manger, Claims

Solicitors

Makinson d'Apice Lawyers
Level 10 135 King Street
Sydney NSW 2000

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

CCI
Catholic Church Insurance

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AFSL No. 235415

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