Catholic Church Insurance

SUPPORTING & SERVING CHURCH & COMMUNITY

ANNUAL REPORT

2016

Contents

Chairman's Report

I'm delighted that we have been able to make a modest Catholic Entity Distribution to our clients and shareholders this year, in addition to meeting our prudential provisioning requirements.

Paul Gallagher
Chairman

As I reflect on this financial year, a year in which CCI has undergone significant change, with two new Directors, a new CEO and several new senior management appointments, pleasingly I find myself thinking that we have taken a great organisation and continued to improve it. Improved it financially, improved its focus on its clients, and improved its strategic direction.

Our new CEO, Roberto has been on the front foot from day one. He has brought a strong focus on strategy and a close connection to the Board, the senior leadership team and our clients. Under Roberto's direction, the senior leaders have worked diligently with the Board to deliver a reinvigorated strategic plan built on solid foundations to improve our understanding of our client needs, enhance the solutions we provide and increase the ways we give back.

The company has also performed well financially in an environment of volatile investment markets, both nationally but particularly in foreign markets. I'm delighted that we have been able to make a modest Catholic Entity Distribution to our clients and shareholders this year, in addition to meeting our prudential provisioning requirements regarding potential redress schemes and solvency requirements.

I'm also pleased to say that the Board has been working closely with management to include a number of improvements that will provide greater certainty around future distribution payments. We understand the importance of these distributions in aiding your ability to deliver on the Church's mission in pastoral, education, health and welfare work.

One of the clear issues facing the Church is that of significant expansion in some areas, whilst experiencing consolidation in others. CCI understands this and as the Church, our clients and our shareholders move to respond to this, we are moving too; as you look to repurpose properties and generate new mission, we're looking to work with you.

We understand that with new mission comes new risks, with new directions comes new uncertainties. We recognise our responsibilities to work with our clients and so we want to partner with you.

Working side-by-side, our aim is to design solutions together today, which will ensure we are prepared to deal with the challenges of tomorrow, as one. As the Church expands into new areas, so too will CCI, remaining steadfast as your partner in managing risk.

As well as enhancing the way we meet the needs of our clients and expanding the solutions we provide, I'm also extremely pleased to see the company developing an even stronger focus on giving back to Church and the Catholic community.

CCI has always given back to the Church, our clients and the broader Catholic community, whether through the support we provide for pilgrims travelling to World Youth Day or sponsorship of important Catholic conferences and events. Yet, I'm happy to see some fresh thinking and ideas from the company's senior leaders around new and enhanced ways for CCI to give back even more as part of the new strategic plan. The Board will continue to play a close role in the assessment and selection of these initiatives.

Perhaps most pleasingly, this reinforces my view that as an organisation we continue to attract people at all levels of the company who bring to CCI a balance of strong business acumen as well as a clear understanding of what it means to be part of Church.

As a Catholic insurer, we manage a balance between the prudential demands of running an insurance company and being part of the Church community. Above and beyond meeting our regulatory obligations, our responsibility extends to caring for our clients and giving back to the Church community. CCI is an insurer first and foremost and the Board has been working to ensure we meet our regulatory obligations on a number of fronts this year.

A strong focus has been placed on meeting our fit and proper requirements, ensuring we have the right skill base across the Board, and effective continual training programs in place this year we have seen some changes at the board table.

With the retirement of Tony Killen and Father Brian Lucas we welcome Joan Fitzpatrick, who brings enormous skill and commercial business expertise to the role. We also welcome Rev Dr Philip Marshall, who brings important balance to the Board around its connection to Church and the delivery of its mission. On behalf of the Board I would like to extend a welcome to them both.

Finally, while our strategy may have been refreshed and with a number of new faces within the Board and management, the purpose of CCI remains true – to develop specialist products and services which meet the needs of the Church, to keep control of insurance costs and to retain the surplus within Church.

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

To the Board, the senior leaders and all the staff at CCI, I'd like to thank you for your contribution and the hard work you have put in to help ensure another great year for our organisation. On behalf of the Board and the company, I would like to again welcome Roberto and thank him for the energy, focus and experience he has brought with him as our new CEO.

To our valued clients and shareholders, of course we wouldn't be here without you. I'd like to thank you again for your support this year and I look forward to continuing to work together in the year ahead.

Paul Gallagher
Chairman

Highlights of the year

- Solvency coverage of double APRA's minimum requirement
- Strengthening of financial reserves.
- First class reinsurance protection which supports policy holders financial interests.
- Payments of grants to the ACBC and CRA as well as dividends to shareholders and Catholic Entity Distributions to clients.
- Total distributions in the past 38 years of more than $291 million.
- Positive staff engagement score.
- Outstanding Client Satisfaction Index score.

Chief Executive Officer's Review of Operations

I am pleased with the strides we have made as an organisation over the financial year.

Roberto Scenna
Chief Executive Officer

In my first year as Chief Executive, it has been a pleasure getting to know both our clients and the amazing work they undertake, as well as our dedicated staff who are deeply committed to supporting them.

Early in my tenure, my observations were of a company that was very clear on its purpose to serve Church, was financially and operationally stable and that displayed great maturity and resilience in the face of ambiguity, something that has been particularly apparent in the handling of matters pertaining to the Royal Commission to date. I'm pleased to say these views have only been strengthened since.

Having completed a full year at the helm, I am pleased with the strides we have made as an organisation over the financial year. For instance, we have been able to post a robust financial result in the face of highly unstable investment markets. Such a result is important as it underpins CCI's ability to remain a strong and stable company that is there to protect Church and Community from its risks for the long term.

Moreover, this result has enabled us to return to paying Catholic Entity Distributions, which we understand is an important means of supporting our clients to pursue their mission based works. Separately, we have continued to strengthen our governance frameworks to ensure that the organisation remains operationally strong in the face of existing and emerging risks.

Looking forward, I'm very encouraged by the positive contribution that will be made by the implementation of our new three year strategic plan, which has been developed over the past months by management and the Board. The starting point for developing the strategy was to ask ourselves how we would continue to fulfil our purpose, in an ever changing world, in a manner that would further strengthen our relationship with our clients, make us easier to connect with, and ensure that we continued to grow so that we become a partner into perpetuity with Church and community.

In answering these questions, we became acutely aware of the significant change that the Catholic community was and is undergoing, with varying impacts across the different sectors of the Church. For instance, Catholic health and education continue to grow strongly, but face many new and emerging challenges including an environment of increasing regulatory obligations. Welfare continues to play an increasing role in assisting Australian's facing hardship and its role in our social landscape increases.

The nature of risks faced by Church and community is venturing into new areas including cyber. And of course, the restrained financial returns being offered by today's investment markets are placing financial pressures on our insureds. Our new strategy is a direct response to the risks and issues emerging over the next many years, and may be summarised as follows:

With CCI's purpose being to 'Serve and Support Church and Community', and our vision being one of 'A Catholic community safeguarded from risks by its trusted adviser,' our new strategy is guided by three core themes: Enhancing our solutions to clients; Expanding into new customer segments where we have a capability and appetite to service them; and Giving Back to the Catholic Community in a variety of new and innovative ways.

Enhance

Enhancing our solutions means improving and innovating the services we offer to our clients including the way we offer them. For instance, beyond an already unrivalled level of claims paid (almost 99%), we are implementing new and improved ways of managing claims, striving to ensure we provide amongst the fastest response times to claims available in the market.

Also, in aiming to build on our reputation as a leader in risk management services, we are planning to work more closely with clients to undertake whole of Dioceses reviews of multiple parishes and bring best-practice risk management disciplines from around Australia to them. We have, additionally, just launched the first of our Client Solutions Series in which CCI staff will work with clients on the development of new solutions to tackle emerging risks.

Expand

Expanding our services means being selective about areas of new growth so that we continue to operate prudently, within the risk appetite of the Board and within our areas of competency. We see opportunities to extend our services into more areas of education and aged care for instance. Additionally, we have a well-established investment management service (now into its 17th year) that can support our clients (including their Catholic Development Funds) in areas of investment including fixed interest and, where desirable, blue chip equities.

Give back

The give back component of the strategy is both a formalisation of CCI's (past) practices of repatriating financial surpluses to shareholders and policy holders, as well as an extension of the organisation's intended social footprint. The latter stems from an organisation-wide acknowledgement of an increasing number of societal issues in Australia that will not be able to be funded by Government alone, nor even the existing number of philanthropic efforts.

Our willingness to create a CCI charitable foundation is an example of proactive action in this space. The intent is that the foundation be injected with seed capital that will be invested according to perpetual principles, with a protected corpus and an ongoing income stream that is granted to charitable purposes aligned to the mission of the Church and Catholic community.

Of course, underpinning our strategy is a strong focus on people, technology and governance. I view our people as our most important asset, critical to the service we provide to our clients. On this front, we aim to develop a caring culture, with clear accountabilities, whilst maintaining a focus on client outcomes. In parallel, we also need to continue investing in 'enabling' technology. This will mean an upgrade of our core systems in the financial year with visible benefits to clients such that CCI will be easier and quicker to connect with, when it is convenient for our clients to do so.

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

In closing, I'm a firm believer that what you say has no credibility unless it's backed up by your actions and behaviour, so you can expect to see a number of changes starting in 2016 as we aim to bring our strategy to life. And as we do so, CCI will continue to strengthen its ability to fulfil its purpose and vision for the Catholic community.

To our ever-valued clients, thank you for allowing CCI to play a part in your organisation's activities over the past 12 months and we look forward to working together over the many years to come.

Roberto Scenna
Chief Executive Officer

Corporate Governance Statement

For the year ended 30 June 2016

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 Catholic Church Insurance including:

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

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

The Constitution provides:

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

Board Committees

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

The Board committees are Audit, Risk, Budget, Directors' Governance, Investment, Reinsurance and Remuneration.

Audit Committee

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

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

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

This committee must invite Catholic Church Insurance's Appointed Auditor and Appointed Actuary to meetings of the committee.

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

The role of the Audit Committee is to:

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

Risk Committee

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

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

This committee may invite Catholic Church Insurance's Appointed Auditor and Appointed Actuary to meetings of the committee.

The role of the Risk Committee is to:

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

Budget Committee

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

Directors' Governance Committee

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

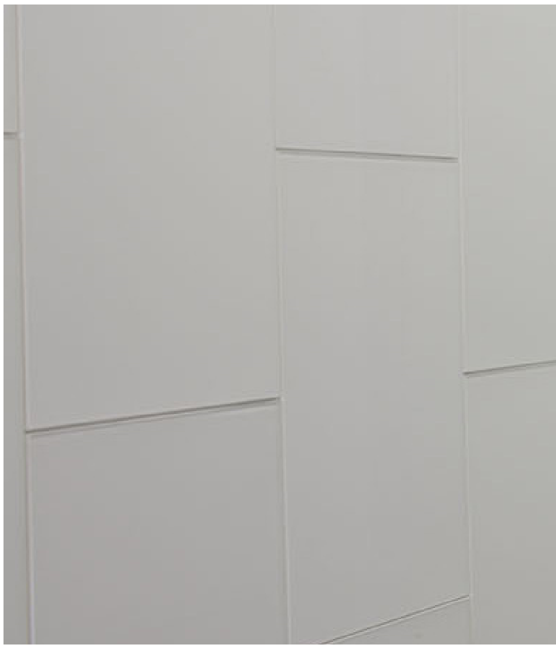
The committee also monitors Board effectiveness, plans for Directors' retirement and identifies and recommends suitable candidates for appointment to the Board.

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

Investment Committee

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

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



Reinsurance Committee

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

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

Remuneration Committee

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

Directors' arrangements with the Company

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

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

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

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

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

Workplace Gender Equality Agency

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

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

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

Directors' Report

The Directors of Catholic Church Insurance Limited (the "company") have pleasure in presenting their annual financial report on Catholic Church Insurance and its controlled entity for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report is as follows:

Directors

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

- Paul A Gallagher (Chairman)
- Sister Clare T Condon
- Jo Dawson
- Joan Fitzpatrick *(commenced 9 Mar 2016)*
- Richard M Haddock
- J A (Tony) Killen *(retired 2 Dec 2015)*
- Reverend Brian J Lucas *(retired 9 Sep 2015)*
- Reverend Dr Philip Marshall *(commenced 26 Oct 2015)*
- Julie-Anne Schafer
- Jane A Tongs
- Peter A Rush *(Alternate Director for Reverend Brian J Lucas - Retired 9 September 2016)*
- Roberto Scenna *(Alternate Director for Richard M Haddock - Commenced 21 September 2016)*

Names, qualifications, experience and special responsibilities

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

Paul joined the Board in 2007. A partner at BDO (QLD) in the Audit and Assurance Services division, Paul has expertise in the area of statutory and special purpose audits, special investigations, due diligence and corporate governance. He is currently the Chair of the Archdiocesan Finance Council and the Archdiocesan Ministries and Services Council in Brisbane.

Paul is also a Director of BDO Australia, the Queensland Investment Corporation and the Brisbane City Council – Field Services Division.

Special responsibilities held in the company:

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

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

Sister Clare joined the Board in 2004. Sister Clare is the Congregational Leader of the religious congregation of the Sisters of the Good Samaritan and Co-Chair of the National Professional Standards Committee. In 2013, Sister Clare was awarded the Australian Human Rights Medal and has previously held the role of President of Catholic Religious Australia, as well as Chancellor for Stewardship of the Archdiocese of Adelaide. She has been a member of the Adelaide Diocesan Pastoral Team and the Management Board of Church Resources and has an extensive knowledge of the needs and concerns of religious institutes.

Special responsibilities held in the company:

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

Jo Dawson

B.COMM, MBA, CA, CFP, GAICD

Jo joined the Board in 2006 and has more than 25 years' experience in the financial services industry. She spent 14 years with chartered accounting firm Deloitte, and has held a number of senior positions with National Australia Bank within the areas of insurance and funds management. She has a Bachelor of Commerce, Masters of Business Administration, Diploma of Financial Planning, and is a qualified Chartered Accountant and Certified Financial Planner. She is a non-executive Director of Templeton Global Growth Fund Limited, Vision Super, Victoria Teachers Mutual Bank and Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Chair of the Board Audit Committee and Risk Committee and member of the Investment Committee.

Joan Fitzpatrick

BA, LLB, ANZIIF, Fellow, CIP, GAICD

Joan joined the Board in 2016 and has more than 35 years of commercial business experience and 20 years of non-executive director experience. An experienced change management leader, Joan has delivered successful business results in each of her roles including a strong engagement of people focus. Qualified as a barrister, she began her career in London at 20th Century Fox. Joan joined the insurance industry in London in 1991 and became Regional General Manager of the ASEAN countries for a global insurer of manufacturing and special risks. Joan spent 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance and Finance where she revitalised the business. She is a Fellow of ANZIIF, a Graduate of the Australian Institute of Company Directors and is currently a non-executive director for RCGL including Mason Black Lawyers, SAFA, Defence Bank, MIGA and Sacre Coeur International School. Joan is also Director of CCI Asset Management Limited.

Special responsibilities held in the company:

Member of the Board Budget Committee, Reinsurance Committee, and Investment Committee.

Richard M Haddock

BA, LLB, FAICD

Richard joined the Board in October 2010. He commenced his professional life as a lawyer but spent most of his career in banking and more recently as a non-executive director. He is presently Chairman of Catholic Care, the Catholic Superannuation and Retirement Fund, the St Vincents Curran Foundation and the Sisters of Charity Foundation. He is a director of Vicinity Group and Retirement Villages Group and is also a Member of the Finance Council of the Archdiocese of Sydney. He is a Fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia. In 2012 he was awarded a Member of the Order of Australia for service to business and welfare. Richard is also Chairman of CCI Asset Management Limited.

Special responsibilities held in the company:

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

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

Tony joined the Board in April 2003 and retired in December 2015. Tony has experience over a range of businesses and financial services including life and general insurance, funds management, investment banking, financial planning, actuarial consulting, non-bank financial institutions, property development and the Government and not-for-profit sectors. He was previously Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Limited and formerly Chairman of the Sisters of Charity Health Service Limited and the Sisters of Charity Healthcare Australia Limited. He is currently Chairman of both Equity Trustees Limited and Templeton Global Growth Fund Limited and a Director of Victoria Golf Club Ltd. He is also a member of the Diocesan Finance Council of the Archdiocese of Melbourne and was the Chairman of CCI Asset Management Limited until December 2015.

Special responsibilities held in the company:

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

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

Father Brian joined the Board in August 2003 and retired as Director in September 2015. He is the General Secretary of the Australian Catholic Bishops Conference, a position he has held since August 2002. Prior to that he was Archdiocesan Secretary and Financial Administrator of the Archdiocese of Sydney and Assistant Priest in a number of Parishes in the Sydney Archdiocese. He is a co-author of the Church Administration Handbook, Adjunct Professor of the Australian Catholic University and a member of the Not for Profit Advisory Group of the Australian Taxation Office. Father Brian was also a Director of CCI Asset Management Limited until September 2015.

Special responsibilities held in the company:

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

Reverend Dr Philip Marshal
Ph.D

Rev Philip joined the Board in 2015 and is Vicar General and Moderator of the Curia of the Adelaide Archdiocese. He studied at Adelaide University and then worked in the area of community welfare before joining the St Francis Xavier Seminary at Rostrevor. Following his ordination, Rev Philip served in several parishes, including Hectorville where he played a significant role in establishing the Hectorville Catholic Community, which places a strong focus on the involvement of the whole community in the life of the Church and neighbourhood. He is a Doctor of Philosophy in the area of ecclesiology, and his locus of study in Canada was well-known Dominican theologian Father Jean-Marie Tillard. He has served as Principal of the Adelaide Theological College, and currently has oversight of the Adelaide Archdiocese "Renewing Parishes" program.

Special responsibilities held in the company:

Member of the Board Budget Committee, Director's Governance Committee and Remuneration Committee.

Julie-Anne Schafer

LLB (Hons), FAICD, ANZIIF

Julie-Anne joined the Board in February 2012 and has extensive experience as a non-executive director in the financial services and other sectors. She is President of the National Competition Council and non-executive directorships include CS Energy, Av Super, Collection House Limited and Aviation Australia Pty Ltd. She was previously Chair of RACQ and RACQ Insurance, a non-executive director of the Territory Insurance Office, Queensland Rail, and National Transport Commissioner. Julie-Anne holds an honours degree in law and was a partner in legal professional services firms for 25 years specialising in commercial and insurance work. She is a Fellow of the Australian Institute of Company Directors and facilitates for the AICD in risk and strategy. Julie-Anne is also a former Queensland Telstra Business Women's award winner.

Special responsibilities held in the company:

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

Jane A Tongs

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

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

Special responsibilities held in the company:

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

(Retired) Chief Executive Officer

Peter A Rush

DIP.BUS, ANZIIF, CIP

Peter was appointed Chief Executive Officer of Catholic Church Insurance in 2009 and retired in September 2015, having commenced his career with CCI in the role of Manager – Underwriting, Reinsurance and Risk Management in 1998 before being appointed General Manager in 1999. Prior to joining CCI Peter spent 15 years with Munich Reinsurance Company specialising in fire and casualty reinsurance. He is a Fellow of the Australian and New Zealand Institute of Insurance and Finance, President of the Australian Insurance Association and has been involved in the insurance industry for over 40 years. Peter was also the Chief Executive Officer of CCI Asset Management Limited until September 2015.

Peter Rush acted as alternate Director for Father Brian Lucas until September 2015.

Chief Executive Officer
Roberto Scenna
BEC (HONS)

Roberto was appointed as Chief Executive Officer in September 2015. He brings more than 20 years' experience in financial services, management consulting and aviation to CCI having previously held the positions of Managing Director ANZ Private Wealth, Managing Director ANZ Trustees and Managing Director Super Concepts. His portfolio also includes a range of executive director roles on the Boards of ANZ financial advice companies. Rob has a passion for developing strong relationships with customers, building energised and engaged workplaces and developing solutions to enable businesses to directly benefit communities. He is a graduate of the 2013 Leadership Victoria – Williamson Community Leadership Program. Roberto is also the Chief Executive Officer of CCI Asset Management Limited from September 2015.

Roberto Scenna acts as alternate Director for Richard M Haddock. (Commenced 21 September 2015)

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

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

Dividends

In respect of the financial year ended 30 June 2016, the Directors recommend the payment of a final unfranked dividend of $1.176M (2015:$1.176M) to the holders of fully paid ordinary shares on 24 October 2016. The dividend has not been provided for in the 30 June 2016 financial statements.

Catholic Church Insurance operates on the principle of mutuality where Catholic Church policyholders receive distributions depending on the performance of Catholic Church Insurance. This is in furtherance of Catholic Church Insurance'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 Catholic Church Insurance 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. Catholic Church Insurance 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.

There have been no other significant changes during the year.

Ecclesiatical

Directors note with sadness the death of:

Most Reverend Raymond Benjamin
- *Bishop Emeritus of Townsville*

Most Reverend John Satterthwaite
- *Bishop Emeritus of Lismore*

Most Reverend Myles McKeon
- *Bishop Emeritus of Bunbury*

Review of operations

Results of Operations

	2016	2015
	$'000	$'000
Consolidated Profit	13,440	4,683

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

Employees

The consolidated entity employed 231 employees as at 30 June 2016 (2015: 230 employees).

Risk management

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

Significant changes in the state of affairs

In the opinion of Directors, there were no significant changes in the state of affairs of the financial statements or notes thereto.

Subsequent events after the reporting date

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

Likely developments and expected results

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

State and federal inquiries

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

Environmental regulation and performance

The operations of Catholic Church Insurance 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 Catholic Church Insurance.

Directors' shareholdings

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

Indemnification of officers

During the financial year, Catholic Church Insurance paid a premium in respect of a contract insuring the Directors of Catholic Church Insurance, Catholic Church Insurance Secretary, and all executive officers of Catholic Church Insurance 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.

Indemnification of auditors

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

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

Directors' Meetings

The following table sets out the number of meetings of Catholic Church Insurance's Directors (including meetings of committees of Directors) held during the year ended 30 June 2016 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	9	4	4	4	4	1	1
C T Condon	9	8	4	3	4	3	-	-
J Dawson	9	8	4	3	4	3	-	-
J Fitzpatrick	3	3	-	-	-	-	1	1
R Haddock	9	9	-	-	-	-	1	1
J A Killen	5	4	-	-	-	-	-	-
B J Lucas	2	2	-	-	1	1	-	-
P Marshall	7	6	-	-	-	-	1	-
J A Schafer	9	8	4	4	2	2	1	1
J A Tongs	9	9	-	-	-	-	1	1

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

Directors' benefits

Since the end of the previous financial year, no Director of Catholic Church Insurance 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 32).

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 Catholic Church Insurance under ASIC class instrument reference 2016/191. Catholic Church Insurance is an entity to which the class order applies.

Auditor's Independence Declaration

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

P A Gallagher
Director
Melbourne, 6 September 2016

Auditor's Independence Declaration

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

In relation to our audit of the financial report of Catholic Church Insurance Limited for the financial year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
6 September 2016

Financial Statements

Statement of Comprehensive Income

For the financial year ended 30 June

		Consolidated		Company	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Premium revenue		206,482	201,558	206,482	201,558
Outwards reinsurance expense		(68,976)	(69,040)	(68,976)	(69,040)
Net premium revenue	7	137,506	132,518	137,506	132,518
Gross claims incurred	8	(119,054)	(222,717)	(119,054)	(222,717)
Reinsurance and other recoveries revenue	9	29,631	78,509	29,631	78,509
Net claims incurred	10	(89,423)	(144,208)	(89,423)	(144,208)
Acquisition costs		(189)	(166)	(189)	(166)
Other underwriting expenses	11	(33,769)	(30,263)	(33,769)	(30,263)
Underwriting expenses		(33,958)	(30,429)	(33,958)	(30,429)
Underwriting result		14,125	(42,119)	14,125	(42,119)
Investment income	13	18,289	59,160	18,289	59,160
General administration expenses	11	(13,959)	(18,739)	(13,309)	(18,093)
Catholic entity distributions		(7,000)	-	(7,000)	-
Other income		1,985	6,381	1,219	5,587
Profit for the period	14	13,440	4,683	13,324	4,535
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		13,440	4,683	13,324	4,535

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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets					
Cash and cash equivalents	16	165,227	124,825	164,784	124,531
Trade and other receivables	17	217,280	216,806	217,051	216,544
Financial assets at fair value through profit and loss	19	827,037	842,553	827,037	842,553
Deferred reinsurance expense	18	26,730	25,655	26,730	25,655
Plant and equipment	22	6,252	7,243	6,252	7,243
Other assets	21	6,157	5,243	6,157	5,243
Tax assets	20	5,598	7,270	5,598	7,270
Intangible assets	23	2,736	2,728	2,736	2,728
TOTAL ASSETS		1,257,017	1,232,323	1,256,345	1,231,767
Liabilities					
Trade and other payables	24	48,297	31,844	48,297	31,844
Tax liabilities	26	-	593	-	593
Other liabilities	27	266	647	266	647
Unearned premium reserve	31	138,328	132,511	138,328	132,511
Provisions	25	13,796	7,784	13,796	7,784
Outstanding claims	30	623,379	638,257	623,379	638,257
TOTAL LIABILITIES		824,066	811,636	824,066	811,636
NET ASSETS		432,951	420,687	432,279	420,131
Shareholders' Equity					
Contributed equity	28	8,139	8,139	8,139	8,139
Reserves	29	422,645	410,381	422,645	410,381
Retained profit		2,167	2,167	1,495	1,611
TOTAL SHAREHOLDERS' EQUITY		432,951	420,687	432,279	420,131

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

Statement of Changes in Equity

For the financial year ended 30 June

	Contributed Equity	General Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
Consolidated				
At 1 July 2014	8,139	406,874	2,167	417,180
Net profit for the period	-	-	4,683	4,683
Transfer to reserves	-	3,507	(3,507)	-
Dividend for 2014 ($0.40 cents per share)	-	-	(1,176)	(1,176)
At 30 June 2015	8,139	410,381	2,167	420,687
At 1 July 2015	8,139	410,381	2,167	420,687
Net profit for the period	-	-	13,440	13,440
Transfer to reserves	-	12,264	(12,264)	-
Dividend for 2015 ($0.40 cents per share)	-	-	(1,176)	(1,176)
At 30 June 2016	8,139	422,645	2,167	432,951
Company				
At 1 July 2014	8,139	406,874	1,759	416,772
Net profit for the period	-	-	4,535	4,535
Transfer to reserves	-	3,507	(3,507)	-
Dividend for 2014 ($0.40 cents per share)	-	-	(1,176)	(1,176)
At 30 June 2015	8,139	410,381	1,611	420,131
At 1 July 2015	8,139	410,381	1,611	420,131
Net profit for the period	-	-	13,324	13,324
Transfer to reserves	-	12,264	(12,264)	-
Dividend for 2015 ($0.40 cents per share)	-	-	(1,176)	(1,176)
At 30 June 2016	8,139	422,645	1,495	432,279

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 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
Cash flows from operating activities					
Premiums received		207,315	194,020	207,315	194,020
Outwards reinsurance paid		(66,748)	(64,231)	(66,748)	(64,231)
Claims paid		(133,385)	(108,158)	(133,385)	(108,158)
Reinsurance and other recoveries received		46,023	25,707	46,023	25,707
Acquisition costs paid		(188)	(165)	(188)	(165)
Other underwriting expenses paid		(21,900)	(11,236)	(21,912)	(11,210)
Other operating expenses paid		(21,939)	(24,793)	(21,311)	(24,142)
Other operating income received		2,193	4,740	1,428	3,949
Interest received		23,969	19,792	21,626	19,792
Dividends received		38,671	28,382	41,014	28,382
Total cash flows from operating activities	36	74,011	64,058	73,862	63,944
Cash flows from investing activities					
Investment trading		(30,050)	14,106	(30,050)	14,106
Payments for plant and equipment		(1,295)	(2,480)	(1,295)	(2,480)
Proceeds from sale of plant and equipment		887	850	887	850
Payments for intangibles		(1,363)	(1,060)	(1,363)	(1,060)
Total cash flows (used in)/from investing activities		(31,821)	11,416	(31,821)	11,416
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Catholic entity distributions		(612)	(10,619)	(612)	(10,619)
Total cash flows (used in) financing activities		(1,788)	(11,795)	(1,788)	(11,795)
Net increase in cash held		40,402	63,679	40,253	63,565
Cash and cash equivalents at 1 July		124,825	61,146	124,531	60,966
Cash and cash equivalents at 30 June	16	165,227	124,825	164,784	124,531

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 2016

1. Corporate Information

The consolidated financial report of Catholic Church Insurance Limited (The company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 6 September 2016.

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 and the Corporations Act 2001, including the application of ASIC class instrument reference 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. Certain comparative amounts within the Statement of Net Assets and the notes to the financial statements have been reclassified to conform with the current year's presentation. The reclassifications made are for presentational purposes and have no impact on the net asset position of Catholic Church Insurance.

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 Catholic Church Insurance under ASIC class instrument reference 2016/191. Catholic Church Insurance is an entity to which the class order applies.

b) Statement of compliance

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

c) Australian Accounting Standards issued but not yet effective

Australian Accounting Standards which have recently been issued or amended but are not yet effective for the annual reporting period ending 30 June 2016 have not 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 on the following page.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1-Jan- 2016	These amendments will have no direct impact on the amounts included in Catholic Church Insurance's financial statements.	01-Jul-16

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: **AASB 5 Non-current Assets Held for Sale and Discontinued Operations:** Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. **AASB 7 Financial Instruments: Disclosures:** Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. **AASB 119 Employee Benefits:** Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. **AASB 134 Interim Financial Reporting:** Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1-Jan- 2016	These amendments will have no direct impact on the amounts included in Catholic Church Insurance's financial statements.	01-Jul-16

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1-Jan-16	These amendments will have no direct impact on the amounts included in Catholic Church Insurance's financial statements	1-Jul-16
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. *(continued on next page)*	1-Jan-18	Preliminary reviews suggest these amendments will have no material impact on the amounts included in Catholic Church Insurance's financial statements. Further reviews will take place over the next financial year to ensure this is still the case.	1-Jul-18

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 9 *(continued)*		**Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ◆ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ◆ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.			

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCI
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1-Jan-16	These amendments will have no direct impact on the amounts included in Catholic Church Insurance's financial statements	1-Jul-16
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1-Jan-16	These amendments will have no direct impact on the amounts included in Catholic Church Insurance's financial statements	1-Jul-16

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

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

d) Australian Accounting Standards issued and effective

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

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

e) Basis of consolidation

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

The financial statements of its controlled entity are prepared for the same reporting period as 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:

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

Rendering of services
Services have been rendered to a buyer.

Interest
Control of the right to receive the interest payment.

Dividends
Control of the right to receive the dividend payment.

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

h) Unexpired risk liability

At each reporting date 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.

i) Outwards reinsurance

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

j) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR), and the anticipated direct and indirect costs of settling claims. Outstanding claims are valued by the Appointed Actuary by reviewing individual claim files and actuarially estimating IBNRs and settlement costs based on past experiences and trends. The outstanding claims liability is recorded as the central estimate of the present value of expected future payments relating to claims incurred as at the report date. Outstanding claims are the ultimate cost of settling claims including normal and superimposed inflation, discounted to present value using risk free discount rates. A prudential margin is added to the outstanding claims provision net of reinsurance and other recoveries to allow for inherent uncertainty in the central estimate. Risk Margins applied are included in note 30.

k) Reinsurance and other recoveries receivable

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

l) Investment income

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

m) Taxation

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

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

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

n) Fire service levy and other charges

A liability for fire service levy and other charges payable is recognised on business written to the balance date. Levies and charges payable are expensed by 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.

o) Unearned premium liabilities

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

p) Employee benefits

Provision is made for 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 the Australian corporate bond discount rate which have terms to maturity that match, as closely as possible, the estimated future cash outflows.

q) Cash and cash equivalents

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

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

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

r) Reinsurance commission

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

s) Superannuation

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.

t) Financial assets and liabilities

(i) Financial assets

As part of its investment strategy the consolidated entity actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities. With the exception of plant and equipment, the consolidated entity has determined that all assets are held to back general insurance liabilities. All financial assets are managed and performance evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented risk management strategy.

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

(ii) Fair value

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

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

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

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

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

(iii) Hierarchy

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

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

Note 40 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 investment portfolio risks. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Trade and other receivables

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

Plant and equipment

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

Such costs include the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, 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 (see note 2(y) 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.

u) Depreciation

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

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

	2016	2015
Computer equipment	3 -10 years	3 -10 years
Office equipment	6 -15 years	6 -15 years
Motor vehicles	5 years	5 years
Leasehold improvements	10 years	10 years

v) Amortisation of intangible assets

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

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

w) Foreign currency

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

x) Dividends and Catholic entity distributions

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

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

y) Impairment of assets

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

z) Operating leases

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

aa) Options

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

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

3. Critical accounting estimates and judgements

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

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

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

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

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

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

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

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the same methodologies with due consideration to the uncertainty in proving for the estimated cost of claims incurred but not settled. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

4. Actuarial assumptions and methods

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

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 non-economic factors such as developments of legal precedent. The claims inflation including superimposed is implicitly included in the ICD and PCE methods. However under all methods the projected payments are discounted to allow for the time value of money.

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

Professional Indemnity

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

Discounting is also applied for this long tail class.

Workers' Compensation

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

a) Actuarial assumptions

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

2016	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	4.4 years	2.9 years	3.7 years
Wage inflation	0.00%	2.00%	2.00%	2.00%
Superimposed inflation	0.00%	2.42%	5.00%	3.00%
Discount rate	0.00%	1.50%	1.50%	1.50%
Expense rate	6.00%	6.00%	6.00%	6.00%
Risk margin	9.90%	18.60%	16.00%	9.00%
2015				
Average weighted term to settlement (discounted)	Less than 1 year	5.1 years	3.7 years	3.8 years
Wage inflation	0.00%	0.00%	2.75%	2.75%
Superimposed inflation	0.00%	5.00%	5.00%	3.00%
Discount rate	0.00%	2.50%	2.50%	2.50%
Expense rate	2.90%	6.00%	6.00%	6.00%
Risk margin	10.00%	16.90%	16.00%	9.00%

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	(3,144)	(2,763)	(3,144)	(2,763)
	-0.5	3,170	2,786	3,170	2,786
Inflation and superimposed assumption	+1%	24,642	22,270	24,642	22,270
	–1%	(24,642)	(22,270)	(24,642)	(22,270)
Discount rate	+1%	(24,642)	(22,270)	(24,642)	(22,270)
	–1%	24,642	22,270	24,642	22,270
Expense rate	+1%	5,893	5,893	5,893	5,893
	–1%	(5,893)	(5,893)	(5,893)	(5,893)
Risk margins	+1%	5,387	4,537	5,387	4,537
	–1%	(5,387)	(4,537)	(5,387)	(4,537)
Average claim size	+10%	27,349	24,771	27,349	24,771
	–10%	(27,349)	(24,771)	(27,349)	(24,771)

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 non- standard contracts that have a material impact on the financial statements.

Claims management and provisioning

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

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

b) Reinsurance counterparty risk

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

c) Operational risk

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

d) Capital and regulatory risk

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.

Catholic Church Insurance invests in international equities via unit trusts using Australian fund managers. The international equities comprise 17.1% of our total investment portfolio with currency risk managed by the fund manager. Catholic Church Insurance manages foreign currency by asset allocation, diversification and fund manager selection. The selection of fund managers considers the managers' portfolio allocation and currency hedging strategy to minimise foreign currency losses and consequent impact on the unit price valuations.

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

(ii) Interest rate risk

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

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

Catholic Church Insurance has no interest bearing financial liabilities.

The maturity profile of the consolidated entity's financial assets and liabilities and effective weighted average interest rate are set out in note 39.

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

(iii) Price risk

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

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

b) Credit risk

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

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

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

(i) Credit exposure

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

	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
Consolidated							
Cash and cash equivalents	3	151,875	114	–	–	13,235	165,227
Interest bearing investments[1]	134,332	127,378	12,576	24,779	–	10,782	309,847
Reinsurance & other recoveries[2]	–	83,968	19,074	585	–	–	103,627
2015							
Consolidated							
Cash and cash equivalents	3	123,739	–	–	–	1,083	124,825
Interest bearing investments[1]	98,710	186,646	23,180	19,872	–	10,921	339,329
Reinsurance & other recoveries[2]	–	100,471	18,306	864	510	–	120,151

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

2 Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer note 17). The BBB and below investment grade credit rating's 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 $443,000 for the current year and by $294,000 for the prior year.

(ii) Asset carrying value

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

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

		Past Due				
	On Demand	Less than 3 months	3 to 6 months	6 months to 1 year	Greater than 1 year	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Consolidated						
Premiums receivable	69,773	8,585	1,097	23	318	79,796
Reinsurance & other recoveries[1]	100,502	24	532	832	1,737	103,627
Tax assets	5,598	–	–	–	–	5,598
Other receivables[2]	33,857	–	–	–	–	33,857
2015						
Consolidated						
Premiums receivable	66,586	10,793	1,012	222	5	78,618
Reinsurance & other recoveries[1]	112,968	4,383	843	105	1,852	120,151
Tax assets	7,270	–	–	–	–	7,270
Other receivables[2]	18,037	–	–	–	–	18,037

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

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

The difference between the consolidated entity and Catholic Church Insurance relates to other receivables. The "On Demand" category for Catholic Church Insurance decreases by $229,000 for the current year and $264,000 for the prior year.

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

c) Liquidity risk

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

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

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

The following tables summarise the maturity profile of financial liabilities of the consolidated entity and 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
	$'000	$'000	$'000	$'000	$'000
2016					
Trade and other payables	48,297	–	–	–	48,297
Financial Liabilities – Options/Futures	–	266	–	–	266
2015					
Trade and other payables	31,844	–	–	–	31,844
Financial Liabilities – Options/Futures	647	–	–	–	647

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 +/-			
		2016 Net profit (loss)	2016 Equity	2015 Net profit (loss)	2015 Equity
Market risk	Movement in variable	$'000	$'000	$'000	$'000
Interest rate	2%+/-	24,878/(24,878)	24,878/(24,878)	15,348/(15,348)	15,348/(15,348)
Equities	10%+/-	45,828/(45,828)	45,828/(45,828)	26,822/(26,822)	26,822/(26,822)

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
7. Net premium revenue				
Direct	199,645	195,097	199,645	195,097
Fire service levies	6,837	6,461	6,837	6,461
Premium revenue	206,482	201,558	206,482	201,558
Outwards reinsurance premiums	(68,976)	(69,040)	(68,976)	(69,040)
Net premium revenue	137,506	132,518	137,506	132,518
8. Gross claims incurred				
Direct	119,054	222,717	119,054	222,717
9. Reinsurance and other recoveries revenue				
Reinsurance and other recoveries	29,631	78,509	29,631	78,509

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.

	2016			2015		
	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	107,821	(23,221)	84,600	155,985	64,944	220,929
Reinsurance and other recoveries – undiscounted	(21,163)	(6,363)	(27,526)	(68,997)	(10,079)	(79,076)
Net claims incurred – undiscounted	86,658	(29,584)	57,074	86,988	54,865	141,853
Discount and discount movement – gross claims incurred	(8,806)	44,004	35,198	(9,874)	13,397	3,523
Discount and discount movement – reinsurance and other recoveries	6,455	(9,304)	(2,849)	6,084	(7,252)	(1,168)
Net discount movement	(2,351)	34,700	32,349	(3,790)	6,145	2,355
Net claims incurred	84,307	5,116	89,423	83,198	61,010	144,208

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

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000

11. Other underwriting and general administration expenses

Expenses by function:				
Levies and charges	9,031	8,321	9,031	8,321
Administration expenses	36,041	33,231	36,041	33,231
Reinsurance commission	(11,303)	(11,289)	(11,303)	(11,289)
Other underwriting expenses	33,769	30,263	33,769	30,263
Investment expenses	1,086	1,058	1,086	1,058
Marketing expenses	825	855	825	855
Lease expenses	2,404	2,291	2,392	2,280
Depreciation charges (note 22)	1,915	1,795	1,915	1,795
Impairment of Assets (note 23)	-	-	-	-
Information technology expenses	3,437	3,163	3,437	3,163
Employee expenses	2,932	7,153	2,628	6,858
Other expenses	1,360	2,424	1,026	2,084
General administration expenses	13,959	18,739	13,309	18,093

12. Unexpired risk liability

Year ended 30 June 2016
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 30. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of sufficiency.

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000

13. Investment income

Dividend income	53,446	35,771	53,446	35,771
Interest income	21,334	21,038	21,334	21,038
Changes in fair value				
- Unrealised gains / (losses) on investments	(39,313)	6,083	(39,313)	6,083
- Realised (losses) on investments	(17,178)	(3,732)	(17,178)	(3,732)
	18,289	59,160	18,289	59,160

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
14. Operating profit				
Gross earned premium	206,482	201,558	206,482	201,558
Outward reinsurance expense	(68,976)	(69,040)	(68,976)	(69,040)
Net earned premium	137,506	132,518	137,506	132,518
Gross claims incurred	(119,054)	(222,717)	(119,054)	(222,717)
Reinsurance and other recoveries	29,631	78,509	29,631	78,509
Net claims incurred	(89,423)	(144,208)	(89,423)	(144,208)
Acquisition costs	(189)	(166)	(189)	(166)
Net movement in unexpired risk liability	-	-	-	-
Underwriting expenses	(33,769)	(30,263)	(33,769)	(30,263)
	(123,381)	(174,637)	(123,381)	(174,637)
Underwriting profit / (loss)	**14,125**	**(42,119)**	**14,125**	**(42,119)**
Dividend income	53,446	35,771	53,446	35,771
Interest income	21,334	21,038	21,334	21,038
Changes in fair value:				
– Unrealised gains / (losses) on investments	(39,313)	6,083	(39,313)	6,083
– Realised (losses) on investments	(17,178)	(3,732)	(17,178)	(3,732)
Other income	1,985	6,381	1,219	5,587
Investment and other income	20,274	65,541	19,508	64,747
General administration expenses	(13,959)	(18,739)	(13,309)	(18,093)
Catholic entity distributions	(7,000)	-	(7,000)	-
Profit from ordinary activities	**13,440**	**4,683**	**13,324**	**4,535**

15. Dividends paid and proposed				
Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2015: $0.40 cents (2014: $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 2016: $0.40 cents (2015: $0.40 cents)	1,176	1,176	1,176	1,176

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
16. Cash and cash equivalents				
Cash and cash equivalents comprises:				
– Cash on hand	2	3	2	2
– Cash at call	165,225	124,822	164,782	124,529
	165,227	124,825	164,784	124,531
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	165,227	124,825	164,784	124,531
	165,227	124,825	164,784	124,531

The consolidated entity has a combined bank overdraft facility of $150,000 (2015: $150,000). This facility was unused at 30 June 2016.

17. Trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
Premiums receivable (i)	79,796	78,618	79,796	78,618
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	72,249	81,342	72,249	81,342
Provision for doubtful debts on reinsurance recoveries	(14,588)	(13,077)	(14,588)	(13,077)
	57,661	68,265	57,661	68,265
Investment income accrued (iv)	31,499	17,157	31,499	17,157
Sundry debtors (v)	2,358	880	2,129	618
Total current receivables	171,314	164,920	171,085	164,658
Reinsurance and other recoveries on outstanding claims and claims paid (iii)	45,966	51,886	45,966	51,886
Total non-current receivables	45,966	51,886	45,966	51,886
Total Trade and Other Receivables	217,280	216,806	217,051	216,544

The current period balance of premiums receivable includes $50.142 million (2015: $48.522 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2017.

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

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

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

These amounts are normally settled within twelve months.

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

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

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
18. Deferred reinsurance expense				
Deferred reinsurance expense as at 1 July	25,655	24,497	25,655	24,497
Reinsurance premiums written during the year	72,554	72,612	72,554	72,612
Reinsurance premiums earned during the period	(71,479)	(71,454)	(71,479)	(71,454)
Deferred reinsurance expense as at 30 June	26,730	25,655	26,730	25,655

The current period balance of deferred reinsurance expense includes $2.186 million (2015: $2.502 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2017.

	Consolidated 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
19. Fair value of financial assets				
– Government and semi-government bonds	214,491	207,885	214,491	207,885
– Other fixed interest securities	95,356	131,444	95,356	131,444
– Shares in other corporations	201,728	243,705	201,728	243,705
– Units in other unit trusts	203,016	196,958	203,016	196,958
– Units in property unit trusts	64,234	62,561	64,234	62,561
– Units in syndicated loan funds	48,212	-	48,212	-
Total investments	827,037	842,553	827,037	842,553

	Consolidated 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
20. Tax assets				
Imputation credits	3,518	5,721	3,518	5,721
GST recoverable	2,080	1,549	2,080	1,549
	5,598	7,270	5,598	7,270

	Consolidated 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
21. Other assets				
Deferred fire service levy expenses	3,155	2,859	3,155	2,859
Other assets	3,002	2,384	3,002	2,384
	6,157	5,243	6,157	5,243

22. Plant and equipment

	Consolidated				
	Motor Vehicles	Office Equipment	Computer Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2016					
Gross carrying amount					
Balance at 1 July 2015	2,364	2,767	8,385	5,009	18,525
Additions	1,034	10	250	-	1,294
Disposals	(972)	-	-	-	(972)
Balance at 30 June 2016	2,426	2,777	8,635	5,009	18,847
Accumulated depreciation					
Depreciation charge for the year	(502)	(108)	(792)	(513)	(1,915)
Accumulated depreciation	(251)	(1,903)	(6,139)	(2,387)	(10,680)
Balance at 30 June 2016	(753)	(2,011)	(6,931)	(2,900)	(12,595)
Net carrying amount at 30 June 2016	1,673	766	1,704	2,109	6,252

There has been no change to depreciation rates or useful lives at 30 June 2016.

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

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

23. Intangible assets

Consolidated
Year ended 30 June 2016

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

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

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 2015

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

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

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000

24. Trade and other payables

Trade creditors	27,224	21,770	27,224	21,770
Accrued expenses	898	907	898	907
Sundry creditors	20,175	9,167	20,175	9,167
	48,297	31,844	48,297	31,844

The current period balance of the trade creditors includes $2.186 million (2015: $2.502 million) relating to the renewal of workers' compensation premiums expiring at 4pm 30 June 2016.

25. Provisions

Current				
Catholic entity distributions	7,000	-	7,000	-
Grants	621	613	621	613
Employee benefits	3,766	4,635	3,766	4,635
	11,387	5,248	11,387	5,248
Non-current				
Employee benefits	1,115	1,083	1,115	1,083
Make good of premises	1,294	1,453	1,294	1,453
	2,409	2,536	2,409	2,536
Total Provisions	13,796	7,784	13,796	7,784

	Consolidated				
	Catholic Entity Distributions	Grants	Employee Entitlements	Make good Premises	Total
Year ended 30 June 2016	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2015	-	613	5,718	1,453	7,784
Additional provisions	7,000	621	890	-	8,511
Amounts utilised during the year	-	(613)	(1,727)	-	(2,340)
Reversal of unused provision	-	-	-	(159)	(159)
Carrying amount at 30 June 2016	7,000	621	4,881	1,294	13,796
Year ended 30 June 2015	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2014	10,017	602	5,748	1,453	17,820
Additional provisions	–	613	1,528	–	2,141
Amounts utilised during the year	(10,017)	(602)	(1,558)	–	(12,177)
Reversal of unused provision	–	–	–	–	–
Carrying amount at 30 June 2015	–	613	5,718	1,453	7,784

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.

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
26. Tax liabilities				
GST provision	-	593	-	593
	-	593	-	593

	Consolidated			
	Actual 2016	Actual 2015	Notional 2016	Notional 2015
27. Other liabilities				
Financial liability - exchange traded options	266	647	266	647
	266	647	266	647

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
28. Contributed equity				
Authorised				
10,000,000 ordinary shares	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2015: 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.

29. Reserves

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) Composition				
General reserve	422,645	410,381	422,645	410,381
	422,645	410,381	422,645	410,381
(b) Movements				
General reserve				
Opening balance	410,381	406,874	410,381	406,874
Transfers to and from retained profits	12,264	3,507	12,264	3,507
Closing balance	422,645	410,381	422,645	410,381

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.

30. Outstanding claims liability

		Consolidated		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) Outstanding claims liability					
Undiscounted central estimate	(A)	543,230	597,799	543,230	597,799
Discount to present value		(36,218)	(71,328)	(36,218)	(71,328)
		507,012	526,471	507,012	526,471
Claims handling costs	(B)	30,490	29,536	30,490	29,536
		537,502	556,007	537,502	556,007
Risk margin	(C)	85,877	82,250	85,877	82,250
Gross outstanding claims liability – discounted		623,379	638,257	623,379	638,257
Gross claims liability – undiscounted	(A)+(B)+(C)	659,597	709,585	659,597	709,585
Current		146,086	153,040	146,086	153,040
Non-current		477,293	485,217	477,293	485,217
Total		623,379	638,257	623,379	638,257

(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	2016 %	2015 %
Short-tail	9.9	10.0
Professional indemnity	16.0	16.0
Public liability	18.6	16.9
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

	Gross	Reinsurance	Net
2016	$'000	$'000	$'000
Brought forward	638,257	112,485	525,772
Effect of changes in assumptions	14,578	4,230	10,348
Increase in claims incurred/recoveries anticipated over the year	105,454	19,794	85,660
Claim payments/recoveries during the year	(134,910)	(40,343)	(94,567)
Carried forward	623,379	96,166	527,213
2015			
Brought forward	522,581	61,467	461,114
Effect of changes in assumptions	66,847	10,565	56,282
Increase in claims incurred/recoveries anticipated over the year	152,573	69,256	83,317
Claim payments/recoveries during the year	(103,744)	(28,803)	(74,941)
Carried forward	638,257	112,485	525,772

(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	2010 & prior $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	781,782	53,814	52,466	60,573	47,073	44,937	47,138	1,087,783
One year later	752,267	47,613	57,710	60,524	45,395	44,154	-	1,007,663
Two years later	680,440	47,238	53,119	58,032	47,451	-	-	886,280
Three years later	681,724	43,162	46,702	62,201	-	-	-	833,789
Four years later	678,482	40,897	43,808	-	-	-	-	763,187
Five years later	663,866	39,780	-	-	-	-	-	703,646
Current estimate of cumulative claims cost	836,915	39,780	43,808	62,201	47,451	44,154	47,138	1,121,447
Cumulative payments	(491,444)	(31,260)	(32,831)	(40,757)	(22,615)	(17,292)	(8,431)	(644,630)
Outstanding claims – undiscounted	345,471	8,520	10,977	21,444	24,836	26,862	38,707	476,817
Discount								(29,191)
Outstanding claims								447,626
Short-tail outstanding claims								59,386
Claims handling expenses								30,490
Risk margins								85,877
Total gross outstanding claims as per the Balance Sheet								623,379

(ii) Net of reinsurance

Accident year	2010 & prior $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	679,366	53,484	51,800	58,134	46,821	44,473	46,739	980,817
One year later	671,521	46,988	55,328	56,124	45,235	43,850	-	919,046
Two years later	600,336	46,621	52,787	51,631	47,208	-	-	798,583
Three years later	602,623	43,020	46,487	48,986	-	-	-	741,116
Four years later	594,679	40,702	43,441	-	-	-	-	678,822
Five years later	570,679	39,596	-	-	-	-	-	610,275
Current estimate of cumulative claims cost	705,349	39,596	43,441	48,986	47,208	43,850	46,739	975,169
Cumulative payments	(400,251)	(31,084)	(32,662)	(31,985)	(22,534)	(17,178)	(8,385)	(544,079)
Outstanding claims – undiscounted	305,098	8,512	10,779	17,001	24,674	26,672	38,354	431,090
Discount								(27,428)
Outstanding claims								403,662
Short-tail outstanding claims								19,526
Claims handling expenses								30,490
Risk margins								73,535
Total net outstanding claims as per the Balance Sheet								527,213

31. Unearned premium reserve

	Consolidated		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Unearned premium liability as at 1 July	132,511	128,467	132,511	128,467
Deferral of premiums on contracts written in the period	212,299	203,969	212,299	203,969
Earning of premiums written in current and previous periods	(206,482)	(199,925)	(206,482)	(199,925)
Unearned premium liability as at 30 June	138,328	132,511	138,328	132,511

The current period balance of the unearned premium reserve includes $50.142 million (2015: $48.522 million) relating to the renewal of Workers' Compensation premiums expiring at 4pm on 30 June 2017.

32. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

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

P A Gallagher	Chairman (non-executive)
C T Condon	Director (non-executive)
J Dawson	Director (non-executive)
J Fitzpatrick	Director (non-executive) - Commenced 9 March 2016
R M Haddock	Director (non-executive)
J A Killen	Director (non-executive) - Retired 2 December 2015
B J Lucas	Director (non-executive) - Retired 9 September 2015
P Marshall	Director (non-executive) - Commenced 26 October 2015
J A Schafer	Director (non-executive)
J A Tongs	Director (non-executive)
P A Rush	Alternate Director for B J Lucas - Retired 9 September 2015
R Scenna	Alternate Director for R M Haddock - Commenced 21 September 2015

(ii) Senior Leadership Team

R Scenna	Chief Executive Officer - Commenced 21 September 2015
D Chila	Company Secretary and Chief Risk Officer
D Muscari	Chief Financial Officer
C Nettleton	Chief Operating Officer - Retired 29 February 2016
I Smith	Chief Investment Officer - SLT Member until 7 March 2016
T Briganti	General Manager, Underwriting, Portfolio and Reinsurance - Joined SLT 19 October 2015
R Castle	General Manager, Client - Commenced 21 March 2016
N Smith	General Manager, Information and Communication Technology
S Stares	General Manager, People and Change - Joined SLT 19 October 2015
D Trevorah	General Manager, Strategy, Marketing and Transformation
M Wright	General Manger, Claims - Joined SLT 29 February 2016

(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	
	2016 $	2015 $	2016 $	2015 $
Directors				
Short-term	409,349	430,084	362,656	374,136
Post employment	36,775	35,618	32,340	30,303
	446,124	465,702	394,996	404,439

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

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Executives				
Short-term	3,943,052	3,486,273	3,943,052	3,486,273
Post employment	223,387	202,776	223,387	202,776
Other long-term	186,868	97,772	186,868	97,772
	4,353,307	3,786,821	4,353,307	3,786,821

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 2014	Net Change Other	Balance at 30 Jun 2015	Net Change Other	Balance at 30 Jun 2016
Directors					
P A Gallagher	1,250	-	1,250	-	1,250
C T Condon	1,250	-	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	-	1250	(1,250)	-
B J Lucas	1,250	-	1250	(1,250)	-
J A Schafer	1,000	-	1,000	-	1,000
J A Tongs	1,250	-	1250	-	1,250
J Fitzpatrick	-	-	-	1250	1,250
P Marshall	-	-	-	1250	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	
	2016 $	2015 $	2016 $	2015 $
33. 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	–	–	649,518	645,187
Balance of intercompany receivable from CCI Asset Management Limited	–	–	69,740	46,435
Other related party transactions				
Catholic Church Insurance sold insurance policies to the shareholders of Catholic Church Insurance 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.	144,390,693	138,529,978	144,390,693	138,529,978
Catholic Church Insurance Limited has invested funds into the investment trusts managed by its subsidiary under normal terms and conditions.				
Market value of investment in Catholic Values Unit Trust	31,011,930	31,369,105	31,011,930	31,369,105
Management fees for the reporting period paid by the Schemes to CCI Asset Management Limited				
– Catholic Values Unit Trust	475,803	432,171	475,803	432,171
– Income Unit Trust	338,505	379,967	338,505	379,967

	Consolidated		Company	
	2016 $	2015 $	2016 $	2015 $

34. Auditors' remuneration

Amounts received or due and receivable by Ernst & Young Australia for:				
(a) an audit or review of the financial report of the entity and any other entity in the consolidated entity	232,502	217,845	197,832	183,855
(b) other services in relation to the entity and any other entity in the consolidated entity				
– Taxation services	31,490	80,060	31,490	80,060
– Other services	125,604	95,172	109,742	79,310
Total other services	157,094	175,232	141,232	159,370

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

	Consolidated		Company	
	2016 $ '000	2015 $ '000	2016 $ '000	2015 $ '000

35. Expenditure commitments

Operating lease expenditure commitments:				
– Within one year	4,431	4,366	4,431	4,366
– After one year but not more than five years	7,822	11,545	7,822	11,545
– More than five years	582	-	582	-
	12,835	15,911	12,835	15,911
Lease payments recognised as an expense in the period				
Minimum lease payment	2,718	2,605	2,707	2,595
Contingent rents	(314)	(314)	(315)	(315)
	2,404	2,291	2,392	2,280

Leasing arrangements

Leased offices

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

Equipment

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

36. Statement of cash flows

	Consolidated 2016 $'000	Consolidated 2015 $'000	Company 2016 $'000	Company 2015 $'000
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit from ordinary activities	13,440	4,684	13,324	4,535
Changes in net market value of investments	44,349	(10,981)	44,349	(10,981)
Depreciation of assets	1,915	1,795	1,901	1,782
Amortisation of intangible assets	1,355	1,173	1,355	1,173
Profit on sale of assets	84	35	84	35
Changes in assets and liabilities				
Changes in grants and Catholic Entity Distributions	7,621	613	7,621	613
Increase in unearned premium	5,817	4,045	5,817	4,045
(Increase) in premiums receivable	(1,178)	(3,565)	(1,178)	(3,565)
(Increase)/decrease in reinsurance and other recoveries receivable on outstanding claims	16,524	(53,502)	16,524	(53,502)
Decrease in reinsurance payables	593	2,927	593	2,927
Increase/(decrease) in outstanding claims	(14,463)	115,260	(14,463)	115,260
(Increase)/decrease in statutory charge asset	1,331	(474)	1,331	(474)
Increase/(decrease) in GST tax provision	(1,123)	337	(1,123)	337
Increase/(decrease) in other provisions and sundry debtors	(2,254)	1,711	(2,273)	1,759
Cash flow from operating activities	74,011	64,058	73,862	63,944

37. Controlled entities

Name of entity	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %	Investment 2016 $'000	Investment 2015 $'000
Parent entity					
Catholic Church Insurance Limited	Australia	–	–	–	–
Controlled entity					
CCI Asset Management Limited	Australia	100	100	–	–

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

38. 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	
	2016 $'000	2015 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	422,645	410,381
Retained earnings at end of reporting period	1,495	1,611
Premium liability surplus	23,532	25,206
Net tier 1 capital	455,811	445,337
Less net intangible assets	2,736	2,728
Less assets under a fixed or floating charge	8,759	7,909
Total capital base	444,316	434,700
Prescribed capital amount	218,838	219,434
Prescribed capital amount coverage	2.03	1.98

The consolidated entity does not hold any tier 2 capital.

39. 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					
2016	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.69	165,225				2	165,227
Receivables and other recoveries						217,280	217,280
Government and semi-government loans	5.42		13,361	130,914	70,216		214,491
Other fixed interest securities	4.40		8,622	47,183	39,551		95,356
Syndicated loan funds						48,212	48,212
Shares, options & trusts						465,152	465,152
Preference shares						3,825	3,825
Total		165,225	21,983	178,097	109,767	734,471	1,209,544
Financial liabilities							
Trade and sundry creditors						48,297	48,297
Exchange traded options			266				266
Total			266			48,297	48,563

		Fixed Interest Rate Maturity – Company					
2016	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.69	164,782				2	164,784
Receivables and other recoveries						217,051	217,051
Government and semi-government loans	5.42		13,361	130,914	70,216		214,491
Other fixed interest securities	4.40		8,622	47,183	39,551		95,356
Syndicated loan funds						48,212	48,212
Shares, options & trusts						465,152	465,152
Preference shares						3,825	3,825
Total		164,782	21,983	178,097	109,767	734,242	1,208,872
Financial liabilities							
Trade and sundry creditors						48,297	48,297
Exchange traded options			266				266
Total			266			48,297	48,563

		Fixed Interest Rate Maturity – Consolidated					
2015	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.26	124,822				3	124,825
Receivables and other recoveries						216,806	216,806
Government and semi-government loans	5.44		81,526	90,626	35,733		207,885
Other fixed interest securities	5.08		15,611	69,985	45,848		131,444
Shares, options & trusts						498,377	498,377
Preference shares						4,847	4,847
Exchange traded warrants							
Total		124,822	97,136	160,612	81,582	720,033	1,184,185
Financial liabilities							
Trade and sundry creditors						31,844	31,844
Exchange traded options			647				647
Total			647			31,844	32,491

		Fixed Interest Rate Maturity – Company					
2015	Average Interest Rate %	Variable Interest $'000	Less than 1 Year $'000	1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash assets	2.26	124,529				2	124,531
Receivables and other recoveries						216,544	216,544
Government and semi-government loans	5.44		81,526	90,626	35,733		207,885
Other fixed interest securities	5.08		15,611	69,985	45,848		131,444
Shares, options & trusts						498,377	498,377
Preference shares						4,847	4,847
Convertible notes							
Exchange traded warrants							
Total		124,529	97,136	160,612	81,582	719,770	1,183,629
Financial liabilities							
Trade and sundry creditors						31,844	31,844
Exchange traded options			647				647
Total			647			31,844	32,491

40. 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.

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
Consolidated as at 30 June 2016	$'000	$'000	$'000	$'000
Financial assets				
– Government and semi-government bonds	214,491	-	-	214,491
– Other fixed interest securities	95,356	-	-	95,356
– Shares in other corporations	201,504	40	184	201,728
– Units in other unit trusts	-	251,229	-	251,229
– Units in property unit trusts	-	63,481	752	64,233
Total	511,351	314,750	936	827,037
Financial liabilities				
Derivative instruments				
Options	(266)	-	-	(266)
Total	(266)	-	-	(266)

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 2015				
Financial assets				
– Government and semi-government bonds	207,885	–	–	207,885
– Other fixed interest securities	131,444	–	–	131,444
– Shares in other corporations	243,511	4	190	243,705
– Units in other unit trusts	–	196,958	–	196,958
– Units in property unit trusts	–	58,426	4,135	62,561
Total	582,840	255,388	4,325	842,553
Financial liabilities				
Derivative instruments				
Options	(647)	–	–	(647)
Total	(647)	–	–	(647)

Transfer between categories

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

Reconciliation of Level 3 fair value movements	Consolidated Entity 2016 $'000	Consolidated Entity 2015 $'000
Opening balance	4,325	6,929
Total gains and losses		
– Realised	91	(974)
– Unrealised	-	-
Purchases	-	-
Sales	(1,258)	(1,630)
Transfers to other categories	(2,222)	-
Closing balance	936	4,325

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

Fair value is determined by computing the loss distribution of a credit portfolio taking into account asset correlation, recovery rates and risk neutral probability of default of individual reference entities. The potential effect of using reasonable alternative assumptions based on a relevant input by 10% would have the effect of reducing the Level 3 fair value by up to $93,600 (2015: $432,500) or increase the Level 3 fair value by $93,600 (2015: $432,500) or increase the level 3 fair value by $93,600 (2015: $432,500).

41. Events occurring after the reporting period

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

Directors' Declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of 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 2016 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and the *Australian Charities and Not-for-profits Regulation 2013*;

(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, 6 September 2016

Independent Auditor's Report

For the financial year ended 30 June 2016

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Independent auditor's report to the members of Catholic Church Insurance Limited

Report on the financial report

We have audited the accompanying financial report of Catholic Church Insurance Limited (the 'registered entity'), which comprises the statements of financial position as at 30 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation of the financial report that gives a true and fair view 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 registered entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the registered entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

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

   i giving a true and fair view of the registered entity's and consolidated entity's financial positions as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and

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

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
6 September 2016

Corporate Information

For the financial year ended 30 June 2016

Catholic Church Insurance Limited

ABN 76 000 005 210
AFSL No. 235415

Registered Office and Principal Place of Business

Level 8
485 La Trobe Street
Melbourne Vic 3000

Directors

Paul A Gallagher
(Chairman)

Sister Clare T Condon

Jo Dawson

Joan Fitzpatrick
(Commenced 9 Mar 2016)

Richard M Haddock

J A (Tony) Killen
(Retired 2 Dec 2015)

Reverend Brian J Lucas
(Retired 9 Sep 2015)

Reverend Dr Philip Marshall
(Commenced 26 Oct 2015)

Julie-Anne Schafer

Jane A Tongs

Peter A Rush
(Alternate Director for Rev.Brian J Lucas - Retired 9 Sep 2015)

Roberto Scenna
(Alternate Director for Richard M Haddock - Commenced 21 Sep 2015)

Chief Executive Officer

Peter Rush
(Retired 21 Sep 2015)

Roberto Scenna
(Commenced 21 Sep 2015)

Company Secretary

Dominic P Chila

Senior Leadership Team (Former Executive Group)

Roberto Scenna	- Chief Executive Officer *(Commenced 21 Sep 2015)*
Peter Rush	- Chief Executive Officer *(Retired 21 Sep 2015)*
Dominic Chila	- Company Secretary and Chief Risk Officer
Domenic Muscari	- Chief Financial Officer
Charlie Nettleton	- Chief Operating Officer *(Retired 29 Feb 2016)*
Ian Smith	- Chief Investment Officer *(SLT member until 7 Mar 2016)*
Tania Briganti	- General Manager, Underwriting, Portfolio and Reinsurance *(Joined 19 Oct 2015)*
Ross Castle	- General Manager, Client *(Commenced 21 Mar 2016)*
Norman Smith	- General Manager, Information and Communication Technology
Sally Stares	- General Manager, People and Change *(Joined 19 Oct 2015)*
David Trevorah	- General Manager, Strategy, Marketing and Transformation
Marita Wright	- General Manger, Claims *(Joined 29 Feb 2016)*

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