Annual Report
2009

Catholic Church Insurances Limited

Serving Church

Contents

Directory

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

Registered Office and Principal Place of Business

Level 5
324 St Kilda Road
Melbourne Vic 3004

Tel 03 9934 3000
Fax 03 9934 3460

Directors

Mr W R d'Apice ~ *Chairman*
Sister C T Condon
Ms J Dawson
Mr P A Gallagher
Mr N E B Griffiths
Mr J A Killen
Reverend B J Lucas
Mr C R O'Malley
Mr P A Rush
(Alternate Director)

Chief Executive Officer

Peter Rush

Company Secretary

Dominic Chila

Executive Group

Peter Rush ~ *Chief Executive Officer*

John Apter ~ *Regional Manager NSW/ACT (Appointed to the Executive Group on 24 October 2008)*

Kym Bennetts ~ *Assistant General Manager, Client Relations (Resigned 10 October 2008)*

Edd Branigan ~ *Assistant General Manager, Insurance Operations*

Tania Briganti ~ *Reinsurance Manager (Appointed to the Executive Group on 24 October 2008)*

Hans Buettner ~ *Risk Management Manager (Resigned 12 September 2008)*

Dominic Chila ~ *Company Secretary and Chief Financial Officer*

Robert Faorlin ~ *Superannuation Manager*

Charlie Nettleton ~ *Human Resources Manager*

Ian Smith ~ *Chief Investment Officer (Appointed to the Executive Group on 24 October 2008)*

Norman Smith ~ *Information, Communication and Systems Manager*

Auditor

Ernst & Young
Ernst & Young Building
8 Exhibition Street
Melbourne Vic 3000
Tel 03 9288 8000

Company Profile

Catholic Church Insurances has been serving the Church in Australia since 1911.

Not only is Catholic Church Insurances one of the oldest insurance companies in Australia, it is unparalleled in its understanding of the unique risks of Church organisations, properties, schools and health and aged care facilities.

Our heritage provides the basis for the structure and philosophy of our company. From our very beginnings, when the idea of the Church setting up its own insurance company was first raised, the principles on which the company was founded have remained constant, to develop specialist products and services which are able to meet the needs of Church, to keep control of insurance costs and to retain surplus within Church.

Many of our early initiatives still exist today, such as:

~ The Master Policy program

~ Free personal accident insurance cover for every priest, brother and sister active in Church service

~ Free overseas travel insurance for Bishops and Religious Leaders

~ Evacuation and alarm programs for schools and

~ A property valuation service at no cost to clients.

Some of our more recent initiatives include risk management assessments and audits, student accident insurance to reduce the risk of liability claims against schools, the School Community Safety Program for schools and the development of professional standards in pastoral ministries and outreach services.

As a wholly Church-owned business, our responsibility to our Church clients is much greater than that afforded by a commercial insurer. Notwithstanding the prudential and regulatory obligations required by governments and regulatory bodies, our responsibility extends to caring for our clients.

Beyond our insurance operations, Catholic Church Insurances and our staff actively engage in the wider Church community. The company has longstanding relationships with Catholic Health Australia, the Australian Catholic Primary Principals Association, Catholic Social Services Australia, Australian Catholic Press Association and the Catholic Development Funds.

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

Operating under mutual principles we are able to put Church interests before company profits. When an operating surplus is achieved, a significant proportion is returned to Church by way of dividends, distributions to Catholic Church entities and grants. We have returned in excess of $193.6 million in the last 31 years to further the mission of Church.

Catholic Church Insurances is a truly different type of insurance company, one that genuinely cares for its clients.

We seek to ensure that all Catholic Church organisations are adequately and fairly insured by providing a diverse range of insurance products to cover all insurable Church risks. Most of our covers come with automatic renewal and we will endeavour not to cancel or fail to renew a Church policy due to adverse claims experience or inability to pay premiums.

Our relationship philosophy is simple – to go the extra mile and be there when it counts.

A team of mobile service staff, represented in each Australian state is available to provide personal service. Our service team travels many thousands of kilometres each year, going as far afield as the missions at Cape York and the offshore islands.

In the event of a claim, we act promptly, not only to restore or repair the loss, but also to support those who are affected. While the insurance industry has many rules about how customers should be serviced, what information they must receive and by what code of practice our staff members should abide, as a Church organisation our staff are more naturally aware of the importance of fairness, clear communication and caring service.

Catholic Church Insurances is part of the community we serve and that gives us an even greater incentive to do the very best we can.

Management

Chief Executive Officer ~ **Peter Rush**

Client Services and Marketing

Assistant General Manager, Strategy, Marketing and Client Relations ~ **Jillian Barrie**

Marketing Manager ~ **Judith McCarthy**

Regional Manager VIC/TAS ~ **Michael Newell**

Regional Manager NSW/ACT ~ **John Apter**

Client Services Manager NSW ~ **Jeff Giltinan**

Branch Manager ACT ~ **Tony Cassar**

State Manager QLD ~ **Gary Esler**

State Manager SA/NT ~ **John Lemm**

State Manager WA ~ **Bob Fragomeni**

Insurance Operations

Assistant General Manager, Insurance Operations ~ **Edd Branigan**

National Claims Manager ~ **Marita Wright**

Property Claims Manager ~ **Effie Valavanis**

Underwriting Operations Manager ~ **Ray Wilson**

National Risk Management Manager ~ **Mark Wilson**

Reinsurance Manager ~ **Tania Briganti**

Reinsurance Operations Manager ~ **Cheryl Cook**

Claims and Underwriting Manager, Workers Compensation NSW/ACT ~ **Ari LaVache**

Claims and Injury Management Manager, Workers Compensation SA/NT/TAS ~ **Dave Harding**

Information and Communication Technologies

Information, Communication and Systems Manager ~ **Norman Smith**

Technology and Infrastructure Manager ~ **Carlo DeFazio**

Investments

Chief Investment Officer ~ **Ian Smith**

CCI Investment Management General Manager ~ **Peter Rush**

CCI Investment Management Manager ~ **Ian Smith**

Finance and Administration

Chief Financial Officer and Company Secretary ~ **Dominic Chila**

Finance Manager, Insurance ~ **Jenny Slavkovic**

Finance Manager, Superannuation Accounting ~ **Peter Nancarrow**

Corporate Compliance and Governance Manager ~ **Robert Halley-Frame**

Internal Audit Manager ~ **Steven Berizzi**

Human Resources Manager ~ **Charlie Nettleton**

Project Management Office

Project Management Office Manager ~ **TBA**

Superannuation

Superannuation Manager ~ **Robert Faorlin**

Superannuation Business Manager ~ **Loretta Drago**

Vision, Mission, Values

Vision

'Serving Church'

The vision of Catholic Church Insurances is to serve Church. As the Church's own insurer and provider of risk consultancy services, we are an active member of the Church community.

Mission

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

The mission of Catholic Church Insurances is to be recognised by Church as the provider of Church-focused insurance and risk management services.

Values

The company's values support our vision and guide our operations and customer service charter. They are:

~ Honesty
~ Fairness
~ Commitment to Serve

Highlights of the Year 2009

- ~ The achievement of a positive insurance result with an underwriting profit of $17.4 million
- ~ Sound financial security with a solvency coverage of 1.74 times the minimum required by the Australian Prudential Regulation Authority (APRA), zero borrowings and net assets in excess of $233 million as at 30 June 2009
- ~ The enhancement of the corporate governance framework including the review of the capital management plan and the promotion of the company's risk management strategy
- ~ First class reinsurance protection which supports our policyholders' financial interests
- ~ The progressive improvement of the Customer Satisfaction Index from 60% in 1998 to 86% in 2008
- ~ The advancement of our corporate objectives designed to strengthen the company's commitment to '*Serving Church*'
- ~ The implementation of superannuation administration systems to serve the needs of our business partners and superannuation fund members
- ~ Payment of grants to the Australian Catholic Bishops Conference and Catholic Religious Australia, bringing the total distributions in the last 31 years to $193.6 million

Strategic Planning

In support of our vision of 'Serving Church', extensive planning around the development of our corporate objectives for the years 2008–2011 continued this year.

Additionally, we have added an eighth objective focused on growth and retention.

Our corporate strategic plan is based on the need to ensure the long term sustainability of the organisation through offering a value-added service that meets the needs of our clients. The plan is centred on five pillars of strategy that will remain a central focus for the organisation for the next 2–3 years.

Five pillars of strategy

Remaining part of Church fabric	*Growth and retention of existing business*	*New business development*	*New channel partners*	*Expense and profitability management*

Eight corporate objectives

Culture	*Growth and retention*	*Health*	*Best employer*
Productivity	*Risk services*	*Sustainability*	*Related services*

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Pillars of strategy

1 ~ Remaining part of Church fabric

This is the core of the organisation and honours our purpose and vision of *'Serving Church'*. Our decisions will be based on whether our evolving strategies meet the needs of our clients and whether they contribute to our organisation remaining a part of the fabric of Church.

2 ~ Growth and retention of existing business

The protection and defence of our client base is fundamental to our future growth and sustainability. We will continue to service our current clients by ensuring that we are meeting their needs and offering new products and services that fill gaps in their insurance coverage and financial services requirements.

3 ~ New business development

Our long term sustainability is dependent on growing our client base with acquisition of new business in the Catholic communities. This will be enabled through the development of related products and services to existing and new markets – demographically, geographically and product-based.

4 ~ New channel partners

While the organisation is sound operationally and highly skilled in insurance and related financial services, our market reach has been limited and economies of scale have not been able to be achieved due to the size of the organisation. Collaboration with key channel partners will enable the deeper penetration into Catholic communities.

5 ~ Expenses and profitability management

While we continue to build growth and retention strategies, new business acquisition and channel partner development, it is essential to manage expenses prudently.

These 5 pillars of strategy will be achieved through the delivery of the eight corporate objectives.

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Corporate objectives

1 ~ Culture

To strengthen our *'Serving Church'* culture across all departments, which supports a common view of the client and facilitates a seamless client service.

2 ~ Growth and retention of existing business

To protect and defend our current client base whilst growing our business through new business and new channel partners.

3 ~ Health

To be the preferred insurance provider in the Catholic Health Sector by December 2010.

4 ~ Best employer

To improve our Hewitt Best Employer engagement score to 78%.

5 ~ Productivity

To improve productivity and effectiveness across the company by promoting best practice.

6 ~ Risk services

To align risk management products and services to our client needs and to add value to relationships and minimise our clients' exposure to risk.

7 ~ Sustainability

To proactively identify and respond to changes in the environment in order to ensure the organisation remains relevant to our clients and to ensure our sustainability into the future.

8 ~ Related services

To offer new products and services to the Church based on internal expertise as well as through strategic partnerships.

Chairman's Report

WILLIAM (BILL) d'APICE
Chairman

As Chairman of the Board and on behalf of my fellow Directors of Catholic Church Insurances Limited I am pleased to report to our shareholders and policyholders on the company's major activities and performance for the financial year.

Catholic Church Insurances has faced challenges in previous years and this year was no different. It is disappointing to report that we have incurred an operating loss. However, despite the global financial crisis and a number of natural disasters affecting the operating performance of many in our industry, Catholic Church Insurances remains in a stable position. It is in these difficult times that the company is afforded the opportunity to demonstrate its strength and value to our shareholders and clients.

Company Performance

Continuing from last year, the financial environment has been difficult again. Investment markets on which we rely to augment insurance results have suffered major declines. The company's investment policy is designed to maintain a sound, conservative and diversified portfolio with prudential constraints to protect capital adequacy requirements. While we employ these strategies to insulate us as much as possible from market forces, we are not immune from external influences.

Further to this, a large number of natural disasters have impacted the industry. Of course, we are unable to influence the occurrence of natural catastrophes but we can manage our response. To this end, the close relationship we maintain with our reinsurers holds us in good stead to withstand such catastrophic events.

The company is well placed to endure and progress through any unforeseen events which may lie ahead as our financial position continues to be strong. Catholic Church Insurances' solvency coverage exceeds APRA's minimum capital requirements considerably and is well above the minimum levels indicated by our own risk modelling. These strict requirements will ensure that the company's future is long and stable.

Catholic Church Insurances places as much emphasis on the financial management of the Church's reserves as we do on the day-to-day management of claims. The Capital Management Plan is revised annually as part of our corporate risk management framework to ensure that the company has sufficient capital to be able to withstand multiple unexpected circumstances such as a natural disaster, a default of a major partner or a significant correction to the share market. The value to the Church of having its own specialist insurer is demonstrated again as the company continues to assist those affected by the Victorian bushfires and the floods in Queensland and northern New South Wales while acting in the best interests of the Church.

Corporate Governance

The Directors of the company are devoted to developing best practice frameworks to proactively manage corporate risk and to ensure compliance with all applicable laws and regulations. Various Board committees exist to scrutinise the company's operations and performance to ensure benchmarks are achieved.

Further, the strengthening of the compliance and governance department demonstrates the company's commitment and responsibility to maintain high levels of compliance with legislation, the prudential requirements of APRA and other government authorities and to promote corporate risk management within the organisation.

Strategic Initiatives

I reported last year on the seven new corporate objectives that were identified and approved by the Board. We have a long history of protecting the people and assets of the Church in Australia and as a company we are aware of the need to build and plan for the future, even during tough times. Designed to embrace Catholic Church Insurances' vision, mission and unique culture, these objectives, with the addition of an eighth objective this year (concerning growth and retention of business) will sustain, transform and grow our business into the future.

The company began the implementation phase of this strategic planning cycle and is making significant progress towards achieving the objectives. With engagement and support at all levels of the organisation, we are positioned well to be *'Serving Church'* for the long term.

Grants

While the focus of our business will always be to deliver optimum insurance protection, supporting Church mission remains Catholic Church Insurances' underlying priority and the distribution of surplus is fundamental to the mutual principles under which the company operates. In the past 31 years we have returned in excess of $193.6 million to Church via dividends, grants and Catholic entity distributions to further its pastoral, education, health and welfare work.

It is disappointing therefore to report that due to the operating loss and regulatory guidelines which impose strict restrictions on certain distributions during negative periods, we will be unable to pay dividends or Catholic entity distributions this year.

We will continue to provide grants to the Australian Catholic Bishops Conference and Catholic Religious Australia.

CCI Investment Management Limited

For the past nine years, CCI Investment Management has furthered Catholic Church Insurances' strategy of providing additional services to meet shareholders' requirements. CCI Investment Management assists with the investment needs of Church organisations by allowing investors the opportunity to diversify their investments and the ability to do so within the Church.

Investment markets this year have not been conducive to the strong growth of funds under management but the Board is confident that as financial markets recover, funds managed by CCI Investment Management will expand. The service CCI Investment Management provides to clients is continually reviewed to ensure it addresses the needs of Church investors.

Superannuation Administration

Catholic Church Insurances has provided a complete superannuation administration service to the National Catholic Superannuation Fund since 1986 and this has produced worthwhile benefits to the members and trustees of the fund, to the company and ultimately to the Church.

We have an ongoing commitment to administration services and the potential merger between the National Catholic Superannuation Fund and Catholic Superannuation Fund will provide an opportunity for our administration services to grow. Additionally, further opportunities to provide services to other Catholic superannuation funds are being explored.

Outlook

On a final note, I commend the management and staff of Catholic Church Insurances for having done an admirable job of managing the operations of the company. In particular I thank our Chief Executive Officer, Peter Rush, for his responsible, dedicated and tireless leadership.

The responsibilities on Directors in the current business and insurance climate are onerous and I thank my fellow Directors for the time, effort and expertise they contribute to help the company meet its obligations.

Thank you also to our shareholders and policyholders. Without your support there would be no Catholic Church Insurances and your ongoing loyalty is appreciated and most valued by the Board.

In these times of financial uncertainty, it is clear that proper and prudent administration has resulted in satisfactory management of the company and, although we suffered a financial loss, the outlook for the future of the company is positive. Our sound financial situation and capital strength, strong solvency margin and cautious reinsurance protection will ensure Catholic Church Insurances will travel well into the future. Additionally, clear strategies and direction enable us to continue to identify and service the relevant needs of the Church.

William (Bill) d'Apice
Chairman

Catholic Church Insurances' Corporate Governance Statement

For the year ended 30 June 2009

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

The Board of Directors

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

~ The appointment and periodical review of the performance of the Chief Executive Officer

~ Setting the strategic direction, reviewing and monitoring progress, and refining the direction where considered appropriate

~ Establishing and monitoring the achievement of goals and targets

~ Ensuring regulatory compliance and adequate risk management processes, including internal controls and external audit reports

~ Nominating and appointing Directors when vacancies occur or when special skills and expertise are required and

~ Reporting to shareholders.

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

The Constitution provides:

~ For not less than 3 nor more than 8 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 report and make recommendations to the Board.

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

Audit, Risk Management & Compliance Committee

The committee must have at least 3 members. The Chairman of the Board may be a member of this committee but cannot chair the committee.

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

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

This committee must invite the company's appointed auditor and appointed actuary to meetings of the committee.

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

The role of the Audit, Risk Management & Compliance committee is to:

~ Review the company's annual accounts and the external auditor's annual report

~ Review the appointment of the external auditor and actuary

~ Review the scope of the external and internal audits

~ Review the reports of the external and internal auditors to assess internal controls and monitor for suitability, reliability and compliance

~ Review the external auditors' management letter and response

~ Ensure compliance with the Insurance Act, APRA guidelines and other relevant legislation

~ Review the compliance plan and assess reports on compliance with relevant legislation, regulations, standards, the insurance industry code of practice and privacy principles, the Risk Management Plan (including the Business Continuity Plan) and various company policies

~ Review Statement of Integrity of Financial Reporting from Chief Executive Officer and Chief Financial Officer and

~ Review APRA reports and management responses.

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 also identifies and recommends suitable candidates for appointment to the Board.

Key Church 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 following specific responsibilities to:

~ Examine the percentages of the present asset mix in the portfolio and direct management as to any changes to be made, 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 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 and

~ Ensuring that reports from management are adequate to determine compliance with the policy which will include compliance with statutory and regulatory requirements.

Remuneration Committee

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

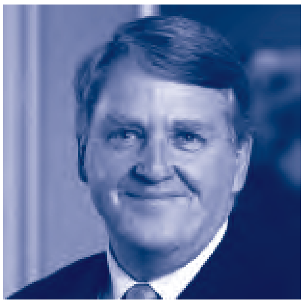
Directors' arrangements with the company

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. 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.

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 accordingly takes no part in discussions nor exercises any influence over other members of the Board.

Chief Executive Officer's Review of Operations



PETER RUSH
Chief Executive Officer

The financial year to 30 June 2009 was one of extraordinary contrasts. A year that started euphorically with the visit of Pope Benedict XVI to celebrate World Youth Day 2008 was followed by the combined impact of the global financial crisis, floods in Queensland and northern New South Wales, and February's catastrophic bushfires in Victoria.

General Review

These economic and natural disasters brought the Catholic community together in many different ways, more than anyone had expected in the first few weeks of the financial year.

Due almost entirely to the negative investment returns resulting from the effect of the economic environment, the company recorded an operating loss as at 30 June 2009 of $32.4 million.

However, a key measure of the performance of the company is our underwriting result, which is a very positive $17.4 million. Underwriting results express our performance before investment income is considered, indicating that our premium income has exceeded our claims and expense costs.

What best demonstrates our company's stability and strength, however, is our solvency. Set by the Australian Prudential Regulatory Authority (APRA), our solvency margin is 1.74, which is significantly better than the APRA minimum requirement of 1.

One of the features of Catholic Church Insurances that differentiates us from other insurance companies is our focus on the interests of the Church rather than being purely profit driven. The revenue produced by our investment activities is used to maintain solvency at a suitable level and to make distributions to policyholders, shareholders and the Church whenever possible. Over the past three decades we have returned $193.6 million to Catholic shareholders and policyholders in the form of Catholic entity distributions and grants. While we are not in a position to return distributions this year, we have been able to contain premium increases and build on a strong base for the future.

In that regard, we are in a solid position. Following our increased focus on strategic planning we have begun the implementation phase of our three year corporate plan 2008 – 2011. We have identified corporate objectives that will transform, grow and sustain our company into the future. Our plans are designed to keep Catholic Church Insurances modern and efficient, taking advantage of new technologies while managing and nurturing our human resources. Each objective has also been measured against our vision of '*Serving Church*' and only those objectives that clearly support and align with our vision were adopted.

Strategy

The further development of our strategic planning framework was a major focus for the Executive Group. The 5 pillars of strategy that support our corporate objectives are:

~ Remaining part of the Church fabric

~ Growth and retention of existing business

~ New business development

~ New channel partners and

~ Expenses and profitability management.

Overview of the Insurance Market

The 2008/09 financial year has been an extremely challenging one for all industries worldwide, including insurance. With the onset of the financial crisis and the increased impact of natural disasters, profitability for insurers was severely affected, necessitating a review of pricing structures and policy coverage to offset those events within the industry.

As market rates increased across property and the liability classes of business, we also saw an end to the so called 'soft' market that prevailed for the past five years.

The total losses for the industry at 31 December 2008 were 105% of premium compared to 83% at 31 December 2007. By comparison, our ratio at 30 June 2009 was a satisfactory 93%.

We expect our industry to continue exploring more efficient ways to provide insurance products and new ways to grow its income, particularly through mergers and acquisitions.

Insurance Operations

As reported in previous years our insurance team has endeavoured to ensure that premiums remain as low as possible. There were, however, some small increases in our rates for motor vehicle insurance due to a rise in the severity or cost of claims for this portfolio. In other classes of insurance, we managed to keep rates at existing levels, with the only increases coming from the indexation of and adjustments to sums insured.

Underwriting

In this reporting period we continued to develop the database for our major *EvalU* property valuation project. The *EvalU* program was initiated to address issues which arose following a number of fires in churches. During the assessment of the losses, the cost of repairs indicated that in some cases, these church buildings were substantially under-insured. Consequently, a project team was formed with the sole objective of identifying and providing a more accurate method of valuing church property. Protection of the assets of dioceses and religious congregations was the driving factor in establishing the *EvalU* program.

In addition to ensuring that our community's assets are adequately insured, this three year project brings improved efficiency and accuracy into our business, which in the long term will allow us to spend more time with our clients.

Over the next financial year, we intend to refine this new methodology for valuing our Catholic churches and education buildings.

We are also finalising the content of a new statutory liability insurance product, intended for launch in November 2009.

Claims

As always, our claims team continued to deliver a comprehensive and timely service to our clients. Compared to the previous financial year, we experienced a decrease in the number of property and motor vehicle claims.

Despite this reduction, total claims payments and reserves on existing claims remained consistent, and claims recoveries remained in line with those of the prior year.

Six natural disasters occurred in Australia during the year. For us, the most significant financial impact resulted from the destruction of two churches during the February 2009 Victorian bushfires. Otherwise, our exposure to these events was relatively minor, compared to other insurers.

Fortunately, the increase in single large losses (largely due to fire and storm) experienced in the previous financial year did not prevail into the 2008/09 period.

In relation to our liability claims portfolio, the frequency of public liability claims appears to have stabilised, with the cost of new claims being approximately the same as in the previous year. This is not unexpected given that tort reform was enacted in all Australian States in 2002, the results of which are now being experienced.

In the early part of the year, we also provided claims management services for World Youth Day and Days in the Dioceses, involving the design, implementation and delivery of customised claims services that supported those activities.

FACTS

Name:	**St Brigid s Church, (Gordon Parish) Ballan, Victoria**
Date of Loss:	**April 2009**
Nature of Loss:	**Fire**
Cost of Damages:	**Est. $1.2 million (building)**

On 8 April 2009, an electrical fire occurred at St Brigid's Parish Church, Ballan. The fire caused major damage throughout the building, collapsed the ceiling and destroyed the leadlight windows, the interior and all its contents. Fortunately, due to the heavy timber doors of the church and prompt action by the Country Fire Authority (CFA), the fire did not spread to an adjoining building.

Only the external walls of St Brigid's remain and the Parish is currently working with Catholic Church Insurances, architects and builders to determine the design of the restoration.

Reinsurance

Reinsurance is an important aspect of our company's operations, as it allows us to insure high-value properties and liabilities, while also protecting our capital base and, hence, our solvency.

At Catholic Church Insurances we value the support, security and expertise of our reinsurers and continue to manage our reinsurance placement in accordance with the company's long term strategy and objectives.

In line with this, we continued to emphasise the long term partnerships with our reinsurers. A significant requirement for each member of our reinsurance panel is that of strong financial security, so that reinsurers can meet their current and future claim obligations, especially those for 'long-tail' classes of business.

Risk Management

Beginning in 1989 the risk management department has grown from a team of three to seven. Today it continues to provide expertise and guidance on a wide variety of risk exposures within the areas of occupational health and safety plus liability and asset protection.

Chief Executive Officer's Review of Operations
(continued)

During the year we provided the following risk management services and programs to our clients:

~ The installation of new alarm systems in Catholic schools and colleges

~ The installation of Very Early Smoke Detection Apparatus (VESDA) systems for cathedrals

~ The implementation of diocesan risk projects, through the Diocesan Risk Management Program

~ The provision of general risk management advice and assistance to clients through the helpdesk service and

~ The publication of articles and bulletins on a variety of risk exposures.

As we progress towards better aligning risk management products and services to client needs, we will improve upon existing services. A key focus for this department for the next financial year is to enhance client relationships and develop partnerships to assist our clients in improving their risk management performance.

Strategy, Marketing and Client Services

Catholic Church Insurances is very proud to have been the Official Insurance Partner for World Youth Day, in July 2008, when members of our Board and Executive Group represented the company in Sydney.

This was the culmination of year-long preparations, not only by Church, but also by our client services, underwriting, claims and marketing departments, who supported Church with insurance solutions and promotional assistance. While providing more than $10 million in financial support for World Youth Day 2008, the company also satisfied its insurance needs. Assisting with advice and support proved to be the most rewarding part of our involvement.

In September 2008 our fifth biennial Customer Satisfaction Survey was facilitated. We are most grateful to those who participated, as they provided us with an important measure of how well we are *'Serving Church'*. In its tenth year of operation, we observe with pride that our customer satisfaction results have improved consistently. In 1998, our overall score (or percentage of clients feeling satisfied with our service) was 60. In 2008 it reached 86, meaning that 86% of our clients would use us again and recommend us to others.

As the economic crisis took hold, we took the unprecedented step of curtailing our normal sponsorship and advertising activities. This decision was not made lightly, as we understand that our support in these areas is one valuable way by which we support Catholic mission. Given the circumstances, however, prudent stewardship of company finances had to take precedence. In light of this difficult decision, we have been overwhelmed by the understanding and kindness of those whose requests were declined. During the second half of 2009, we will take the opportunity to review our sponsorship policy as part of an overall brand review.

It is a key departmental objective to improve our processes towards providing better service. With this in mind, we are continuing to develop our client relationship management system *iClient*, which has become the foundation for managing our client services visitations and risk management programs. When establishing this system, we also took the opportunity to update our client data and to automate the production of our improved insurance manuals to ensure accuracy and improve productivity. Although still in development, *iClient* has become an integral part of our day to day work practices.

Investments

As readers will have observed, the financial crisis continued to impact investment markets over the year as poor investor sentiment and very tight credit conditions prevailed.

Equity markets reached a low point in March 2009 then staged a rally to the end of the financial year. Despite the marked improvement in the last quarter, the Australian Stock Exchange (ASX) 200 index returned -24.18% for the year. This was due to equity markets having been heavily sold down since the high of 6,828 points of early November 2007, to finish the 2008/09 financial year at 3,954 points, an incredible reduction in value. However, it was a good year for fixed income markets as investors re-weighted their portfolios to the relative safety of government bonds. Many investors also maintained a higher weighting to cash as governments moved to shore up the banking sector by offering deposit guarantees for cash held in bank-approved deposits.

Over this period we maintained a below benchmark exposure to equities, in favour of defensive assets (government bonds and cash). We continued to maintain our derivative hedging program that mitigated a large portion of losses sustained from our equity investments. Although the portfolio experienced a drop in value for the year, Catholic Church Insurances remains financially strong with no debt and a very strong asset base.

Despite some lingering pessimism, it is expected that the domestic economy will narrowly avoid a recession and with the rest of the developed world, will return to positive economic growth by early 2010.

The investment portfolio is well positioned to benefit from an improvement in markets but we continue to remain vigilant in managing 'downside risks' through our use of derivative protection. The Board's Investment Committee and our investment department have been vigilant throughout the year to ensure that the portfolio remains well managed and ready to respond to market forces.

As custodian of Church funds, we are cognisant of the importance of maintaining a strong financial position. This is evidenced by our prudent approach to investment management and our maintenance of high solvency coverage that is well above the minimum set by APRA.

FACTS
Name: **St Mary s Church (Diamond Creek Parish) Kinglake West, Victoria**
Date of Loss: **February 2009**
Nature of Loss: **Fire**
Cost of Damages: **Est. $515,000**

FACTS
Name: **Our Lady of the Snows Church (Healesville Parish) Marysville, Victoria**
Date of Loss: **February 2009**
Nature of Loss: **Fire**
Cost of Damages: **Est. $360,000**

On 7 February 2009, Victoria's catastrophic bushfires destroyed St Mary's Church in Kinglake and Our Lady of the Snows Church in Marysville.

St Mary's in Kinglake was a ten year old brick veneer church of modest proportions. The only wall left standing after the fire, the rear wall, had an inscribed glass cross; however, it too eventually collapsed. A temporary structure is on site as an interim place of worship and once a design is finalised, the parish intends to build a new St Mary's as an ongoing symbol of hope and faith for the Kinglake community.

Like much of the town of Marysville, Our Lady of the Snows Church, built in 1940, was also destroyed. Since July, a small portable building has stood at the site, containing an altar donated by a local member of the community whose family was lost in the bushfires.

The parish has received its settlement for the building portion of its claim but, due to the extent of devastation and disruption at Marysville, its future plans remain undecided.

Our Lady of the Snows Church
Photograph courtesy of Catholic Churches of Australia

Compliance & Governance

During the year Catholic Church Insurances expanded its compliance and governance team to meet the ongoing responsibilities as a general insurer, superannuation administrator and to support its subsidiary, CCI Investment Management.

The department provides governance, compliance and legal advice on the varying and complex legislative and regulatory requirements by which the entity is bound. Catholic Church Insurances remains focused on providing transparent and robust governance and compliance practices to the company's business units to ensure that it continues to provide a high level of service, delivered with integrity.

Project Management Office (PMO)

In its second year of operation, the PMO continues to develop and assists in the management and reporting of many key projects across the business. Over the past year, methodologies developed specifically for our unique requirements have matured and have become integral to our daily processes and procedures for project tasks and activities. Those business units involved in projects have found these PMO developed protocols to be beneficial, relevant and simple to apply.

Our PMO implementation has been such a success that it has attracted the attention of other project-related organisations, who wish to review our implementation as an example from which to learn.

While the company has many ongoing departmental and organisational projects to be undertaken over coming years, the presence of a robust, mature and operational project management function will greatly assist management in delivering this work. The PMO processes and structure are also applied by the business units to assist in managing and delivering departmental and corporate objectives.

Human Resources

This year saw the launch of our national induction program that brings newly-appointed staff together and focuses heavily on our company values, vision and our relationship with Church. To give our staff a greater understanding of the Church and how we can serve it better, we also developed a self-paced education program with an overview of the structure of the Catholic Church and its operations within Australia.

To measure staff engagement in the business, Catholic Church Insurances participates in the Hewitt Best Employer study and I am pleased to report that our most recent score of 68% placed us in the "Best Employer" category. The information from such studies assists us to develop strategies to attract and retain quality staff. In the next study, we aim to achieve a 78% score.

Significant appointments this year include:

~ John Apter – Regional Manager NSW/ACT

~ The corporate compliance and governance team, headed by Robert Halley-Frame and

~ Mark Wilson – National Risk Management Manager.

Even though this year saw considerable reductions in staff numbers at many other major insurers, there were no staff retrenchments at Catholic Church Insurances. Rather, we seized the opportunity of these difficult times to build on our strengths and further ensure our stability in readiness for the future.

Chief Executive Officer's Review of Operations
(continued)

Information and Communication Technologies (ICT)

The ICT department provides reliable computer systems and communication networks to Catholic Church Insurances. For ICT, the year has been busy and challenging, with many company-wide initiatives and improvements being implemented. As a result, the department has grown to cater for this increased demand for its services.

Specifically, ICT was (and remains) committed to several major projects, including the:

~ Replacement of our workers' compensation insurance system due for completion in 2010

~ Successful national implementation of a new and improved telephony system and

~ Projects, related to superannuation administration.

ICT provides Catholic Church Insurances with the latest technology and, during the year, also upgraded several mainframe computing environments.

CCI Investment Management Limited

Over the past nine years, CCI Investment Management has been the specialist investment service for Church. Its mission is to earn a competitive return for its clients with all surpluses from operations returned to Church through its parent company Catholic Church Insurances.

Through the use of a multi-manager sector specialist structure, CCI Investment Management continues to offer a diverse investment offering, where specialist investment managers provide a wide range of research, superior market information and a broad skills base for investment decision making.

Operating within a fiscal economic environment with poor investor sentiment, CCI Investment Management managed over $4 million of new fund flows over the year and had funds under management totalling $152.9 million at 30 June 2009. During the year, we undertook significant work on our corporate objectives to identify various sectors that will underpin future growth.

Despite a volatile investment year, we remain focused on serving the investment needs of Church by ensuring prudent management of client funds.

New Recruit: Sales and Marketing Executive
Jillian Barrie

Jillian joined Catholic Church Insurances in 2009 as the Assistant General Manager   Strategy, Marketing and Client Services. She has worked with the company as a trusted advisor for many years.

As a Sales and Marketing Executive, Jillian worked with many of Australia's most successful corporations, including Coles Myer and Telstra.

For the last six years Jillian ran her own business, offering strategy planning, sales and customer service training and marketing advice to corporate clients.

Through this work, she first came in contact with Catholic Church Insurances.

Jillian worked closely with our Chief Executive Officer, Peter Rush and the Executive Group on strategy development for three years before joining the company. As a result, Jillian knows the company well and understands the objectives and challenges we face.

Superannuation Administration

Our long administration relationship with the National Catholic Superannuation Fund continued in the financial year and in a year of such great economic unrest, diligent and prudent services provided were highly regarded by the fund Trustee, members and employers.

The announcement of the potential merger between the National Catholic Superannuation Fund and Catholic Superannuation Fund provided an opportunity for our administration services to grow. The proposed merger will bring together two large superannuation funds established for our Catholic Church employers and employees, with assets of around $3.2 billion and more than 72,000 members.

To position our company for the merger of the two funds, we commenced several upgrades to systems and changes to the administration processing environment. We incorporated numerous improvements to our superannuation products and services, including introducing unitisation ahead of administering the Catholic Superannuation Fund. Considerable progress on the development has been made, with several major milestones met and the department is tracking well to meet the proposed merger date of 1 April 2010.

The potential growth of our administration services will increase the contribution to the overall services and finances of the company.

While major project work progressed, this did not compromise our services to the National Catholic Superannuation Fund. Throughout the year, the Trustee, members and employers of the fund continued to receive comprehensive, accurate and caring service. All compliance, statutory reporting, investment administration and member information were delivered on time and to the required standards.

Melbourne Office Relocation

In December 2009, our Melbourne office will relocate from its current location in St Kilda Road to 485 La Trobe Street. While the move has been imposed on us as our existing building will be demolished to create residential apartments, the relocation is both timely and opportune.

Our move allows us to design and build a modern and comfortable workplace for our staff, in order to provide a more efficient environment. The timing of the relocation also enables us to embrace our major corporate objectives, the most obvious being to enhance culture, best employer and productivity activities.

We have worked closely with our architects to ensure that the concept, design and fit-out of the new offices properly represents who we are and what we must achieve as a company. They have managed to capture and combine many aspects of Church and modern office design to create a concept, floor plan and finish that meets our current and future needs.

Conclusion

In a complex environment, the company has performed well through hard work and commitment. Despite such a difficult year for all businesses, Catholic Church Insurances has weathered the storm well, partially due to our adherence to Catholic values. Putting Church before profits has allowed us, to a certain extent, to ride out the bumps of the financial crisis and has protected us from making negative decisions.

I wish to extend my appreciation to our senior executives, managers and staff for the commendable job performed in this difficult year. The contribution of all who are employed at Catholic Church Insurances is greatly valued.

As we finalise another year, Catholic Church Insurances is well placed to continue its contribution to the Church community. Here we have an insurance company like no other, an honourable, client-focused enterprise of enviable stability, financial strength, with no debt and above all, a loyal client base. I would like to join our chairman, Mr d'Apice, in thanking our clients for their loyalty and support, which is essential to our activities.

Peter Rush

Chief Executive Officer

Directors' Report

The Directors of Catholic Church Insurances Limited have pleasure in presenting their annual financial report on the company and its controlled entity for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mr W R d'Apice *(Chairman)*

Sister C T Condon

Ms J Dawson

Mr P A Gallagher

Mr N E B Griffiths

Mr J A Killen

Reverend B J Lucas

Mr C R O'Malley

Mr P Rush *(Alternate Director)*

Principal activities

The principal activities of the parent entity during the year were to underwrite the property, workers' compensation and liability risks of entities of the Catholic Church in Australia including the investment of funds relating thereto. The company also provides some residential and personal accident insurance business to the Catholic community and acts as administrator of the National Catholic Superannuation Fund (NCSF) which is a superannuation fund that is open to employees of participating Catholic organisations, self-employed people and the general public. NCSF operates under the direction of a trustee company, N.C.S.F. Limited. The fund has been administered by Catholic Church Insurances Limited since its inception in 1987.

The entity's wholly owned subsidiary, CCI Investment Management Limited acts as Trustee/manager of the CCI Investment Management trusts.

There have been no significant changes in the nature of these activities during the year.

Employees

The consolidated entity employed 236 employees as at 30 June 2009 (2008: 223 employees).

Ecclesiastical

Directors note with sadness the death of:

Most Reverend Peter Quinn

~Emeritus Bishop of Bunbury

Review of operations

The review of operations has been outlined by the Chief Executive Officer on pages 12 to 17.

Results of operations

	2009 $'000	2008 $'000
Consolidated Profit/(Loss)	(32,372)	4,686

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

Significant changes in the state of affairs

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

Subsequent events after the balance date

There has not been any 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 economic entity, the results of those operations, or the 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 economic 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.

Dividends

In respect of the financial year ended 30 June 2008, as detailed in the Directors' report for that financial year, a final unfranked dividend of 40 cents per share was paid to the holders of fully paid ordinary shares on 20 November 2008.

In respect of the financial year ended 30 June 2009, the Directors recommend that no dividend be paid.

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

Directors' shareholdings

Each Director, except Mr Griffiths, holds 1,250 shares in Catholic Church Insurances Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church. Mr Griffiths holds 1,000 shares in trust (refer to note 37).

Directors' Report (continued)

Names, qualifications, experience and special responsibilities

Mr William R d'Apice
LLB, KCSG, MAICD

Mr William R d'Apice was appointed to the Board in June 1995. He is a solicitor and a Senior Partner of NSW law firm, Makinson & d'Apice. Mr d'Apice has been a legal adviser to the Australian Catholic Bishops Conference and a number of dioceses, religious institutes, parishes and ecclesiastical organisations of the Church in NSW for many years. He is a chair and/or member of a number of Church Boards and committees for various dioceses and religious congregations. He is also a Director of CCI Investment Management Limited.

Special responsibilities held in the company:

Chairman of the Board of Directors and a member of the Directors' Governance Committee.

Sister Clare T Condon
MPS, Grad Dip Ed ADM, BA, MAICD

Sister Clare Condon joined the Board in October 2004. She is currently the Congregational Leader (Superior) of the Sisters of the Good Samaritan. In July 2008 Sister Clare was elected President of Catholic Religious Australia. From 1988 until 1993 she held the position of Sydney Province Leader within the Congregation and from 1991 to 1993 she was President of the NSW Conference of Leaders of Religious Institutes. Sister Clare was then appointed as a member of the General Council and Trustee of the Sisters of the Good Samaritan – a position she held until 1999. Prior to her current appointment she was Chancellor for Stewardship of the Archdiocese of Adelaide, a member of the Adelaide Diocesan Pastoral Team and the Management Board of Church Resources. From this extensive experience she has a broad knowledge of the needs and concerns of religious institutes.

Special responsibilities held in the company:

Member of the Board Audit, Risk Management & Compliance Committee, Directors' Governance Committee, Reinsurance Committee and Remuneration Committee.

Ms Jo Dawson
B.Comm, MBA, CA, CFP, MAICD

Ms Jo Dawson joined the Board in October 2006. Jo is a chartered accountant and certified financial planner. She is currently Managing Director of financial planning firm Executive Wealth Strategies Pty Ltd and is an authorised representative of financial services organisation Hillross Financial Services Ltd. She is also a Director of a number of private companies. Jo spent 14 years with chartered accounting firm Deloitte specialising in the financial services industry, and has held a number of senior positions with National Australia Bank within the areas of insurance and funds management. She is also a Board member, and chairperson of the finance and audit committee of the Victorian State Government Agency, Film Victoria.

Special responsibilities held in the company:

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

Mr Paul A Gallagher
B.Comm, FCA, MAICD

Mr Paul A Gallagher joined the Board in October 2007. He is a partner at BDO Kendalls (QLD) in the Audit and Assurance Services division. He is responsible for the audit of a significant number of the firm's clients in a broad range of industries. His expertise is in the area of statutory and special purposes audits, special investigations, due diligence and corporate governance. He is currently the chair of the Archdiocesan Services Council and the Archdiocesan Finance Council in Brisbane as well as a member of the Board of St Joseph's College Gregory Terrace.

Special responsibilities held in the company:

Member of the Board Audit, Risk Management & Compliance Committee, Budget Committee, and Remuneration Committee.

Directors' Report (continued)

Names, qualifications, experience and special responsibilities

Mr Norman E B Griffiths

B.E. (Civil), M.I.E.Aust, AAII, MAICD

Mr Norman E B Griffiths joined the Board in June 2001. He was employed by Munich Reinsurance Company of Australasia Limited from 1972 to 2001, the last 18 years of which he was Regional Manager for Victoria, South Australia and Tasmania. Prior to that Mr Griffiths was a civil engineer in the Army and in private business. He is also a former Chairman of the Australian Nuclear Insurance Pool and has held various senior positions with the Australian Insurance Institute.

Special responsibilities held in the company:

Chairman of the Reinsurance Committee and Budget Committee. Member of the Board Audit, Risk Management & Compliance Committee and Directors' Governance Committee.

Mr J A (Tony) Killen

BA FAIM, FAICD

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

Special responsibilities held in the company:

Chairman of the 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

Reverend Brian J Lucas joined the Board in August 2003. He is the General Secretary of the Australian Catholic Bishops Conference, a position he has held since August 2002. Prior to that he was Archdiocesan Secretary and Financial Administrator of the Archdiocese of Sydney and Assistant Priest in a number of Parishes in the Sydney Archdiocese.

Special responsibilities held in the company:

Chairman of the Directors' Governance Committee and member of the Audit, Risk Management and Compliance Committee and Investment Committee.

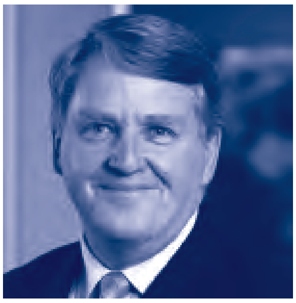
Mr Christopher R O'Malley

Mr Christopher R O'Malley joined the Board in February 1997.
He was General Manager of the company for 21 years and has over 50 years experience in the insurance industry. Mr O'Malley was previously Chairman of N.C.S.F. Limited, the corporate Trustee of the National Catholic Superannuation Fund and was formerly a Director of the Insurance Council of Australia, a former President of the Australian Insurance Association and was a member of the Insurance Industry Claims Review Panel. He is presently a Director of Irish National Foresters (INF) Friendly Society Limited.

Special responsibilities held in the company:

Chairman of the Remuneration Committee and member of the Budget Committee, Investment Committee and Reinsurance Committee.

Names, qualifications, experience and special responsibilities



Peter Rush
Chief Executive Officer

Peter Rush was appointed General Manager of Catholic Church Insurances in January 1999. Prior to his appointment he had held the position of Manager – Underwriting, Reinsurance and Risk Management with Catholic Church Insurances since 1998. Before joining this company he spent 15 years with Munich Reinsurance Company specialising in fire and casualty reinsurance. He is a Fellow of the Australian Insurance Institute, President of the Australian Insurance Association and has been involved in the insurance industry for over 30 years. Peter was appointed Chief Executive Officer in 2009 and is also the General Manager of CCI Investment Management Limited and Chairman of the Trustee of the National Catholic Superannuation Fund.

Peter Rush acts as alternate Director for Mr C R O'Malley.

Dominic Chila
B.Bus, CPA
Company Secretary

Dominic Chila was appointed as Company Secretary and Chief Financial Officer in February 2008. He has over 15 years experience in the financial services industry in the areas of general insurance, superannuation and funds management. Dominic commenced his career at Catholic Church Insurances in 1994 and has held various roles in accounting and management including as a systems accountant, investment accountant and in his last role as the Finance & Administration Manager. He is also the Company Secretary of CCI Investment Management Limited.

Directors' Report (continued)

Indemnification of officers

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

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

Remuneration report

This report outlines the remuneration arrangements in place for Directors and executives of Catholic Church Insurances Limited (the company).

Remuneration philosophy

The performance of the company depends upon the quality of its Directors and executives. To prosper, the company must attract, motivate and retain highly skilled Directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

~ Provide competitive rewards to attract high calibre executives and Directors

~ Link executive rewards to company performance and

~ Establish appropriate and demanding performance hurdles for variable executive remuneration.

Board Remuneration Committee

The Board Remuneration Committee is made up of four of the company's Board members and its meetings are attended by the Chief Executive Officer, Chief Financial Officer and Human Resources Manager. The committee seeks information from the company's management and an independent remuneration specialist and makes recommendations to the full Board on the company's remuneration position and budget. This includes both fixed and variable components of salary.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director remuneration

Objective

The Board seeks to remunerate at a level that provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

Remuneration of Directors consists of both a fixed and a variable component and is based on the scope of the Director responsibilities.

Retiring allowances which were accruing have been frozen as at 30 June 2005 and are to be paid out on retirement of each individual Director.

Fixed remuneration

Fixed remuneration includes annual fees, superannuation contributions and any other benefits provided by the company.

Variable remuneration

In addition to the fixed remuneration each Director receives the following:

~ An amount for each of the scheduled committee meetings of which a Director is a member of and

~ A loading per meeting for each committee Chairman.

Executive remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

~ Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks

~ Align the interests of executives with those of policyholders

~ Link rewards with the strategic goals and performance of the company and

~ Ensure total remuneration is competitive by market standards.

Structure

The executive remuneration structure comprises a fixed component and a variable component. The proportion of fixed and variable remuneration varies between levels of management, with the proportion of variable remuneration increasing in line with the seniority of the role.

The company reports and calculates salary information as the Total Employment Cost (TEC). TEC includes base salary, employer superannuation contribution and other benefits (such as any other packaged component). It does not include any bonus or incentive payments.

In determining the level and make-up of executive remuneration, the company has adopted the Mercer CED Job Evaluation System as the methodology to determine the relative worth of positions.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

Variable remuneration

Objective

Each executive is entitled to receive a cash incentive at the end of each year if certain criteria are met. The amount is determined after consideration of the following:

~ Company performance for the year and

~ The executive's performance against specific objectives.

Details of remuneration of executives and non-executive Directors are included in note 37 to the financial statements.

Directors' meetings

The following table sets out the number of meetings of the company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2009 and the numbers of meetings attended by each Director.

Number of Meetings attended by:	Directors' Meetings		Audit, Risk Management & Compliance		Budget		Directors' Governance		Investment		Reinsurance		Remuneration	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
W R d'Apice	7	7	–	–	–	–	2	2	–	–	–	–	–	–
C T Condon	7	7	4	4	–	–	2	2	–	–	2	2	1	1
J Dawson	7	7	4	4	1	1	–	–	6	6	2	2	–	–
P A Gallagher	7	6	4	4	1	1	–	–	–	–	–	–	1	1
N E B Griffiths	7	7	4	4	1	1	2	2	–	–	2	2	–	–
J A Killen	7	6	–	–	–	–	–	–	6	6	–	–	1	1
B J Lucas	7	7	4	4	–	–	2	2	6	6	–	–	–	–
C R O'Malley	6	5	–	–	1	1	–	–	6	5	2	1	1	1

Directors' benefits

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in note 37). This is by reason of a contract made by the company or a related entity with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than normal fees for professional services paid to a firm of solicitors of which one Director is a member (see note 38), and as outlined under the headings of Indemnification and Insurance.

Rounding

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

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors.

W R d'Apice
Director
Melbourne, 7 October 2009

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

In relation to our audit of the financial report of Catholic Church Insurances Limited for the financial year ended 30 June 2009, 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

T M Dring
Partner
Melbourne
7 October 2009

Income Statement

for the financial year ended 30 June

	Note	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Premium revenue		182,147	166,804	182,147	166,804
Outwards reinsurance expense		(56,129)	(48,389)	(56,129)	(48,389)
Net premium revenue	7	126,018	118,415	126,018	118,415
Claims expense	8	(103,458)	(66,655)	(103,458)	(66,655)
Reinsurance and other recoveries revenue	9	33,320	12,739	33,320	12,739
Net claims incurred	10	(70,138)	(53,916)	(70,138)	(53,916)
Acquisition costs		(228)	(235)	(228)	(235)
Other underwriting expenses	11	(38,285)	(34,943)	(38,285)	(34,943)
Underwriting expenses		(38,513)	(35,178)	(38,513)	(35,178)
Gross movement in unexpired risk liability	12	(355)	1,140	(355)	1,140
Reinsurance recoveries on unexpired risk liability		390	(390)	390	(390)
Net movement in unexpired risk liability		35	750	35	750
Underwriting result		17,402	30,071	17,402	30,071
Investment income	13	(40,575)	(13,029)	(40,561)	(13,013)
General and administration expenses	14	(13,468)	(12,020)	(12,203)	(10,906)
Catholic entity distributions		27	(4,729)	27	(4,729)
Sundry income		4,242	4,393	3,383	3,229
Profit/(loss) for the period Profit/(loss) attributable to members of Catholic Church Insurances Limited	14	(32,372)	4,686	(31,952)	4,652

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June

	Note	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Current Assets					
Cash and cash equivalents	16	10,475	120,238	10,289	120,043
Trade and other receivables	17	110,662	112,562	110,530	112,265
Prepaid reinsurance premiums	18	27,398	25,844	27,398	25,844
Deferred acquisition costs	19	55	59	55	59
Financial assets at fair value through profit and loss	20	370,800	354,275	370,800	354,275
Tax assets	21	5,625	5,290	5,625	5,290
Other assets	22	8,362	5,727	8,362	5,727
Total Current Assets		533,377	623,995	533,059	623,503
Non-Current Assets					
Trade and other receivables	23	32,086	27,626	32,586	27,876
Financial assets at fair value through profit and loss	24	225,835	130,854	225,835	130,854
Plant and equipment	25	6,056	6,943	6,056	6,943
Total Non-Current Assets		263,977	165,423	264,477	165,673
Total Assets		797,354	789,418	797,536	789,176
Current Liabilities					
Trade and other payables	26	33,396	32,428	33,391	32,419
Outstanding claims	34	73,797	74,910	73,797	74,910
Unearned premiums	35	124,322	112,195	124,322	112,195
Unexpired risk liability	12	780	815	780	815
Provisions	27	3,468	8,247	3,468	8,247
Tax liabilities	28	40	91	40	91
Other liabilities	29	2,621	–	2,621	–
Total Current Liabilities		238,424	228,686	238,419	228,677
Non-Current Liabilities					
Outstanding claims	34	324,114	292,597	324,114	292,597
Provisions	30	1,423	1,223	1,423	1,223
Total Non-Current Liabilities		325,537	293,820	325,537	293,820
Total Liabilities		563,961	522,506	563,956	522,497
Net Assets		233,393	266,912	233,580	266,679
Shareholders' Equity					
Contributed equity	32	8,139	8,139	8,139	8,139
Reserves	33	257,247	257,247	257,247	257,247
Retained profit/(loss)		(31,993)	1,526	(31,806)	1,293
Total Shareholders' Equity		233,393	266,912	233,580	266,679

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the financial year ended 30 June

	Contributed Equity $'000	General Reserves $'000	Retained Earnings $'000	Total $'000
Economic Entity				
At 1 July 2007	8,139	251,247	2,295	261,681
Net profit/(loss) for the period	–	–	4,686	4,686
Transfer to reserves	–	6,000	(6,000)	–
Catholic entity distributions	–	–	1,721	1,721
Dividend for 2007 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2008	**8,139**	**257,247**	**1,526**	**266,912**
At 1 July 2008	8,139	257,247	1,526	266,912
Net profit/(loss) for the period	–	–	(32,372)	(32,372)
Catholic entity distributions	–	–	29	29
Dividend for 2008 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2009	**8,139**	**257,247**	**(31,993)**	**233,393**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Contributed Equity $'000	General Reserves $'000	Retained Earnings $'000	Total $'000
Parent Entity				
At 1 July 2007	8,139	251,247	2,096	261,482
Net profit/(loss) for the period	–	–	4,652	4,652
Transfer to reserves	–	6,000	(6,000)	–
Catholic entity distributions	–	–	1,721	1,721
Dividend for 2007 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2008	**8,139**	**257,247**	**1,293**	**266,679**
At 1 July 2008	8,139	257,247	1,293	266,679
Net profit/(loss) for the period	–	–	(31,952)	(31,952)
Catholic entity distributions	–	–	29	29
Dividend for 2008 ($0.40 cents per share)	–	–	(1,176)	(1,176)
At 30 June 2009	**8,139**	**257,247**	**(31,806)**	**233,580**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the financial year ended 30 June

	Note	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Cash flows from operating activities					
Premiums received		173,182	156,061	173,182	156,061
Outwards reinsurance paid		(59,043)	(51,469)	(59,043)	(51,469)
Claims paid		(73,053)	(68,603)	(73,053)	(68,603)
Reinsurance and other recoveries received		32,526	32,633	32,526	32,633
Acquisition costs paid		(225)	(231)	(225)	(231)
Other underwriting expenses paid		(28,610)	(23,879)	(28,610)	(23,879)
Other operating expenses paid		(12,473)	(12,693)	(11,370)	(11,421)
Other operating income received		4,014	3,564	2,906	2,150
Interest received		18,069	19,686	18,083	19,702
Dividends received		20,342	33,562	20,342	33,562
Total cash flows from operating activities	41	74,729	88,631	74,738	88,505
Cash flows from investing activities					
Investment trading		(176,798)	(58,643)	(176,798)	(58,643)
Payments for plant and equipment		(1,967)	(2,538)	(1,967)	(2,538)
Proceeds from sale of plant and equipment		903	1,457	903	1,457
Total cash flows from investing activities		(177,862)	(59,724)	(177,862)	(59,724)
Cash flows from financing activities					
Dividends paid		(1,176)	(1,176)	(1,176)	(1,176)
Catholic entity distributions		(5,454)	(34,498)	(5,454)	(34,498)
Total cash flows from financing activities		(6,630)	(35,674)	(6,630)	(35,674)
Net increase/(decrease) in cash held		(109,763)	(6,767)	(109,754)	(6,893)
Cash at the beginning of the financial year		120,238	127,005	120,043	126,936
Cash at the end of the financial year	16	10,475	120,238	10,289	120,043

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the financial year ended 30 June 2009

1. Corporate information

The financial report of Catholic Church Insurances Limited (the company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 7 October 2009.

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

2. Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Subject to the exceptions noted in the paragraphs below dealing with the valuation of investments, the financial report has been prepared on an accrual basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of financial statements in conformity with Australian International Financial Reporting Standards ('AIFRS') requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in notes 3 and 4.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and 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 2009 have not been applied in preparing the company's financial statements. The nature of the impact of the application of these standards is disclosed only. The company will apply these standards for the annual reporting periods beginning on or after the operative dates as set out on the following page.

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date of company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the Statement of Changes in Equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	These amendments will have no direct impact on the amounts included in the Group's financial statements	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: ~ Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ~ Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and ~ Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments will have no direct impact on the amounts included in the Group's financial statements and will only affect the disclosure of financial instruments.	1 July 2009
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These amendments are not expected to have a direct impact on the amounts included in the Group's financial statements.	1 July 2009

(d) Basis of consolidation

The financial report covers the economic entity of Catholic Church Insurances Limited and its controlled entity CCI Investment Management Limited.

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

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

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

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

(e) Premium revenue

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

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

(f) Revenue recognition

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

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

Rendering of services
Services have been rendered to a buyer.

Interest
Control of the right to receive the interest payment.

Dividends
Control of the right to receive the dividend payment.

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

(g) Unexpired risk liability

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

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

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

(h) Outwards reinsurance

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

(i) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR), and the anticipated direct and indirect costs of settling claims. Outstanding claims are assessed by reviewing individual claim files and actuarially estimating IBNRs and settlement costs based on past experiences and trends. 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 increase the probability that the net liability is adequately provided for. Risk Margins applied are included in note 34.

(j) Reinsurance and other recoveries receivable

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

(k) Deferred acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure.

(l) Investment income

Interest income is recognised on an accruals basis. Dividends are recognised when due. 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.

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 an item of the expense.

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

(n) Fire brigade and other charges

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

(o) Unearned premium liabilities

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

(p) Employee benefits

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(q) Cash and cash equivalents

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

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

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

(r) Reinsurance commission

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

(s) Superannuation

The company's contributions to the superannuation fund in respect of employees of the company are charged to operating profit 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 of which is documented in policy.

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 balance sheet day. Fair value for each type of investment is determined as follows:

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

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

~ The fair value of recent arm's length transactions involving the same instrument or similar instruments that are substantially the same

~ Reference to published financial information including independent property valuation reports and audited financial statements

~ For trust securities using redemption prices provided by the trustee

~ Cost of acquisition where fair value cannot be measured reliably and

~ Marked to model.

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

Marked to model

At 30 June 2009 Catholic Church Insurances Limited's investment portfolio consisted of unlisted investments where actively quoted prices were not available. As an appropriate technique to estimate the fair value of such investments the following valuation models were adopted:

Collateral debt obligation (CDO) investments

The valuation process involved 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.

Asset default correlation was calibrated using historical default data of investment grade companies from 1980 to 2008, and since 2002 when the world experienced high default levels. The correlations centre around the 10% mark. In the pricing model, an average correlation of 10.36% was used.

Floating loss given default is modelled via historical recovery rates for senior unsecured bonds assumed to follow a beta distribution with the mean at 45.49% and standard deviation at 34.5% as published by Moody's research papers.

Probabilities of default were derived from the individual observed credit default swap (CDS) spreads as published by Bloomberg. Where CDS spreads were not observed for a particular reference name, the spread was approximated by referring to the average spread for the rating category to which the reference name belongs.

The valuation was performed based on the market information available at the time of valuation.

Unlisted property assets

The valuation process involved the use of a financial model to determine the price of the security. Prices were based on the performance returns of similar unlisted property assets held within the unlisted investment portfolio where valuation data was available.

The objective was to obtain fair values based on performance returns of similar unlisted property assets.

Unlisted ordinary shares (biomedical funds)

The valuation process involved the calculation of marked to model adjustments based on the returns of the ASX Small Ordinaries Index for the financial year ended 30 June 2009.

The above technique was adopted with the view of estimating fair value based on observable market data and other factors that are likely to affect the instrument's fair value.

Impairment of financial assets

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

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

Derivative instruments

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

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

Trade and other receivables

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

Plant and equipment

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

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

(ii) Financial liabilities

Trade and other payables

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

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

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

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

(u) Depreciation

Depreciation on fixed assets, comprising motor vehicles, office equipment and fixtures, is calculated on a straight-line basis over the useful life of the asset to the economic 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:

	2009	2008
Computer equipment	3–10 years	3–10 years
Office equipment	6–15 years	6–15 years
Motor vehicles	5 years	5 years

(v) Foreign currency

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

(w) Dividends and Catholic entity distributions

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

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

(x) Impairment of assets

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

(y) Operating leases

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

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 above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the consolidated entity may not receive amounts due to it and these amounts can be reliably measured.

4. Actuarial assumptions and methods

The company is a general insurer underwriting all 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) and

~ Workers' compensation.

Short-tail

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

The ICD method estimates the liability by considering the change in the incurred cost from one development period to another. The incurred cost is the total of all past payments plus current case estimates. The ultimate expected cost of claims is projected from the current incurred cost after allowing for the assumed future change in incurred costs based on past experience. The undiscounted value of outstanding claims is the difference between the ultimate cost and the payments made to valuation date. Due to the short-tail nature of the liabilities we have ignored the impact of investment income on the liability.

Public Liability

Claims estimates for the company's public liability business are derived from analysis of the results of using different actuarial models. Ultimate numbers of claims are projected based on the past reporting patterns using the chain ladder (CL) method. Payments experience is analysed based on averages paid per claim incurred (PPCI) method and averages paid per claim finalised (PPCF) method. Historic case estimate development is also used to develop a model of future payments using the projected case estimate (PCE) 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, 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. 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 ICD model has been applied for the professional indemnity portfolio. 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.

Claims inflation and superimposed inflation are implicitly allowed for in the methodology. However, due to the longer term to settlement the projected payments are discounted to allow for the time value of money.

Workers' Compensation

The same methodologies applied to public liability were also used for the workers' compensation classes. Analysis was undertaken at a state level and there was no explicit allowance for latent claims.

(a) Actuarial assumptions

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

2009	Short-Tail	Public Liability	Professional Indemnity	Workers' Compensation
Average weighted term to settlement (discounted)	Less than 1 year	5.9 years	5.2 years	6.4 years
Inflation	0.00%	3.00%	3.00%	3.00%
Superimposed inflation	0.00%	4.00%	4.00%	3.00%
Discount rate	0.00%	4.25%	4.25%	4.25%
Expense rate	5.00%	5.00%	5.00%	5.00%
Risk margin	9.50%	12.10%	16.00%	9.00%
2008				
Average weighted term to settlement (discounted)	Less than 1 year	6.3 years	5.0 years	6.3 years
Inflation	0.00%	4.50%	4.50%	4.50%
Superimposed inflation	0.00%	4.00%	4.00%	3.00%
Discount rate	0.00%	6.75%	6.75%	6.75%
Expense rate	5.00%	5.00%	5.00%	5.00%
Risk margin	9.70%	12.00%	16.00%	9.00%

(b) Processes used to determine assumptions

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

Average weighted term to settlement

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

Inflation

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

Superimposed inflation

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

Discount rate

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

Expense rate

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

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

Average claim size
Claim size for the current accident year is initially determined from the total of the assumed average payments per claim incurred modelling.

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

Net incurred cost development
The net incurred cost development for the current accident year has been based on past experience of the incurred cost development of the particular portfolios over the last three financial years.

Minimum loss ratio
To allow for the underdevelopment of the more recent year we have applied minimum loss ratios based on past history of claims and premiums.

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

(c) Sensitivity analysis – insurance contracts

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

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

		Net Profit $'000		Equity $'000	
		Gross	Net	Gross	Net
Variable	**Movement in variable**	**Movement in amount**		**Movement in amount**	
Average weighted term to settlement (years)	+0.5	3,321	3,431	3,321	3,431
	-0.5	(3,265)	(3,384)	(3,265)	(3,384)
Inflation and superimposed assumption	+1%	15,029	15,023	15,029	15,023
	-1%	(13,658)	(13,656)	(13,658)	(13,656)
Discount rate	+1%	(18,065)	(17,366)	(18,065)	(17,366)
	-1%	20,087	19,335	20,087	19,335
Expense rate	+1%	3,813	3,813	3,813	3,813
	-1%	(3,813)	(3,813)	(3,813)	(3,813)
Risk margins	+1%	3,096	3,096	3,096	3,096
	-1%	(3,096)	(3,096)	(3,096)	(3,096)
Average claim size	+10%	10,667	10,667	10,667	10,667
	-10%	(10,667)	(10,667)	(10,667)	(10,667)

5. Risk management

(a) 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 this note.

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

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

Risk management framework

In accordance with Prudential Standards GPS 220 Risk Management for General Insurers and GPS 230 Reinsurance Management issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the consolidated entity have developed, implemented and maintained a comprehensive Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

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

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

The RMS and REMS have been approved annually by the Board and lodged with APRA. Key aspects of the processes established in the RMS to mitigate risks include:

~ Dedicated risk management and compliance function responsible for development and maintenance of the risk management framework

~ The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time

~ Actuarial models which use information from the management information systems to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process

~ Documented procedures are followed for underwriting and accepting insurance risks

~ Reinsurance is used to limit the consolidated entity's exposure to large single claims and catastrophes

~ The mix of assets in which the company invests is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to match the maturity dates of assets with the expected pattern of claim payments and

~ The diversification of business over various classes of insurance and large numbers of uncorrelated individual risks seeks to reduce variability in loss experience.

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.

(b) Insurance risk

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

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

Underwriting risks

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

Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into both short-tail and long-tail classes of business across all states in Australia. To manage the risks associated with natural catastrophes (i.e. those properties concentrated in regions susceptible to earthquakes, bushfires, cyclones or hail storms), the company's underwriting strategy requires risks to be differentiated in order to reflect the higher loss frequency in these areas. The company also purchases catastrophe reinsurance protection to limit the financial impact of its exposure to any single event.

The table below demonstrates the diversity of the consolidated entity's operations by class of business.

	2009	2008
Gross earned premium	$'000	$'000
Commercial property	54,001	49,313
Domestic property	5,245	5,301
Motor	7,886	7,163
Marine and aviation	150	139
Professional indemnity	8,084	7,243
Public liability	34,141	33,405
Workers' compensation	62,706	54,826
Travel	103	99
Other	9,831	9,315
	182,147	166,804

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.

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.

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.

Capital and regulatory risk

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

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

6. Financial risk

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

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

(a) Market risk

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

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

(i) Currency risk

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

The parent company invests in international equities via unit trusts using Australian fund managers. The international equities comprise 10% of our total investment portfolio, with currency risk managed by the fund manager. Catholic Church Insurances 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 Insurances invests in floating rate and fixed interest financial instruments. Interest rate movements expose Catholic Church Insurances to cash flow risks (income) from floating rate investments and fair value risks (capital) for fixed interest investments.

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

Catholic Church Insurances 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 44.

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 Insurances 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 Insurances 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 parent entity 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 $'000	AA $'000	A $'000	BBB $'000	Speculative Grade $'000	Not Rated $'000	Total $'000
2009							
Consolidated							
Cash and cash equivalents	–	6,249	4,226	–	–	–	10,475
Interest bearing investments [1]	164,532	32,754	8,156	377	2,215	3,117	211,151
Reinsurance & other recoveries [2]	34,010	–	25,060	879	1,270	–	61,219
Loans receivable [3]	–	–	–	–	–	337	337
2008							
Consolidated							
Cash and cash equivalents	–	115,256	4,982	–	–	–	120,238
Interest bearing investments [1]	80,954	28,179	3,465	3,462	–	–	116,060
Reinsurance & other recoveries [2]	35,450	–	19,247	1,436	1,321	–	57,454
Loans receivable [3]	–	–	–	–	–	1,986	1,986

[1] Includes government and semi-government bonds, other fixed interest securities and unsecured notes in other corporations (refer notes 20 and 24).

[2] Includes reinsurance and other recoveries on outstanding claims and reinsurance commissions receivable (refer notes 17 and 23). The BBB and speculative credit rating's associated with reinsurance and other recoveries is based on the historic recoverability associated with defunct reinsurers or reinsurers in run-off and does not reflect the actual grading of reinsurers in our reinsurance program where the majority have a security rating of A or above.

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

(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 the parent entity's financial assets and the ageing of those that are past due but not impaired at balance date.

		Past Due				
	Fully Performing $'000	**Less than 3 months $'000**	**3 to 6 months $'000**	**6 months to 1 year $'000**	**Greater than 1 year $'000**	**Total $'000**
2009						
Consolidated						
Premiums receivable	**77,022**	**323**	**347**	**–**	**–**	**77,692**
Reinsurance & other recoveries [1]	**52,954**	**5,080**	**1,765**	**203**	**298**	**60,300**
Loans receivable	**337**	**–**	**–**	**–**	**–**	**337**
Tax assets	**5,625**	**–**	**–**	**–**	**–**	**5,625**
Other receivables [2]	**4,743**	**–**	**–**	**12**	**–**	**4,755**
2008						
Consolidated						
Premiums receivable	66,006	521	163	–	–	66,690
Reinsurance & other recoveries [1]	49,958	4,624	2,011	253	98	56,944
Loans receivable	1,870	–	–	–	116	1,986
Tax assets	5,290	–	–	–	–	5,290
Other receivables [2]	16,546	–	–	8	–	16,554
Financial asset – options	1,652	–	–	–	–	1,652

[1] Includes reinsurance and other recoveries on outstanding claims, reinsurance commissions receivable and provision for doubtful debts reinsurance recoveries (refer notes 17 and 23).

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

Catholic Church Insurances 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 Insurances 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 Insurances has a strong liquidity position with no interest bearing debt.

At 30 June 2009, the mean term to maturity of fixed interest securities was 2.1 years (2008: 1.5 years).

Catholic Church Insurances 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 parent entity based on the remaining undiscounted contractual obligations.

	Less than 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
2009					
Consolidated					
Trade and other payables	–	33,396	–	–	33,396
Financial liability – options	2,621	–	–	–	2,621
2008					
Consolidated					
Trade and other payables	–	32,428	–	–	32,428

The consolidated and parent entity has 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.

		Financial Impact +/-			
Market risk	**Movement in variable**	**2009 Net profit (loss) $'000**	**2009 Equity $'000**	**2008 Net profit (loss) $'000**	**2008 Equity $'000**
Interest rate	2%+/-	8,571/(8,571)	8,571/(8,571)	3,297/(3,297)	3,297/(3,297)
Equities	10%+/-	22,975/(22,975)	22,975/(22,975)	17,917/(17,917)	17,917/(17,917)
	20%+/-	43,240/(43,240)	43,240/(43,240)	35,833/(35,833)	35,833/(35,833)
	30%+/-	63,505/(63,505)	63,505/(63,505)	53,750/(53,750)	53,750/(53,750)

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

7. Net premium revenue

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Direct	171,118	157,020	171,118	157,020
Fire service levies	11,029	9,784	11,029	9,784
Premium revenue	182,147	166,804	182,147	166,804
Outwards reinsurance premiums	(56,129)	(48,389)	(56,129)	(48,389)
Net premium revenue	126,018	118,415	126,018	118,415

8. Claims expense

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Direct	103,458	66,655	103,458	66,655

9. Reinsurance and other recoveries revenue

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Reinsurance and other recoveries	33,320	12,739	33,320	12,739

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.

	2009 Current Year $'000	2009 Prior Years $'000	2009 Total $'000	2008 Current Year $'000	2008 Prior Years $'000	2008 Total $'000
Direct business						
Gross claims incurred and related expenses – undiscounted	114,075	(71,762)	42,313	124,848	(6,562)	118,286
Reinsurance and other recoveries – undiscounted	(26,677)	(752)	(27,429)	(35,444)	22,789	(12,655)
Net claims incurred – undiscounted	87,398	(72,514)	14,884	89,404	16,227	105,631
Discount and discount movement – gross claims incurred	(23,311)	84,456	61,145	(31,766)	(19,865)	(51,631)
Discount and discount movement – reinsurance and other recoveries	8,371	(14,262)	(5,891)	8,849	(8,933)	(84)
Net discount movement	(14,940)	70,194	55,254	(22,917)	(28,798)	(51,715)
Net claims incurred	72,458	(2,320)	70,138	66,487	(12,571)	53,916

The balance of net claims incurred for the economic entity is the same as the parent entity.

11. Underwriting and other operating expenses

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Expenses by function:				
Investment expenses	644	200	644	200
Marketing expenses	556	548	556	548
Underwriting expenses	38,285	34,943	38,285	34,943
Lease expenses	1,308	1,377	1,301	1,371
Other expenses	10,960	9,895	9,702	8,787
Total expenses	51,753	46,963	50,488	45,849
Expenses by nature:				
Depreciation charges (note 25)	2,689	2,209	2,689	2,209
Employee benefit expense	264	(400)	264	(400)
Other expenses	48,800	45,154	47,535	44,040
Total expenses	51,753	46,963	50,488	45,849

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
12. Unexpired risk liability				
(a) Unexpired risk liability				
Unexpired risk liability as at 1 July	214	(926)	214	(926)
Recognition of additional unexpired risk liability in the period	(355)	1,140	(355)	1,140
Gross unexpired risk liability as at 30 June	(141)	214	(141)	214
(b) Deficiency recognised in the income statement				
Gross unexpired risk liability	(141)	214	(141)	214
Reinsurance recoveries (expense) on unexpired risk liability	(639)	(1,029)	(639)	(1,029)
Net unexpired risk liability	(780)	(815)	(780)	(815)
Total deficiency recognised in the income statement	(780)	(815)	(780)	(815)

(c) Deficiency recognised in the income statement

Year ended 30 June 2009		Commercial Motor $'000	Domestic Motor $'000	Professional Indemnity $'000	Householders $'000	Total $'000
Unearned premium liability relating to insurance contracts		4,440	230	3,750	2,735	11,155
Related reinsurance asset		(9)	–	(1,851)	(472)	(2,332)
	(A)	4,431	230	1,899	2,263	8,823
Central estimate of present value of expected future cash flows arising from future claims on insurance contracts issued		5,528	360	1,020	2,682	9,590
Risk margin		105	2	1,502	96	1,705
Present value of expected future cash inflows arising from reinsurance recoveries on future claims on insurance contracts issued		(796)	(66)	(392)	(438)	(1,692)
	(B)	4,837	296	2,130	2,340	9,603
Net deficiency	(B) - (A)	406	66	231	77	780
Add back reinsurance element of present value of expected future cash flows for future claims		(787)	(66)	1,459	33	639
Gross surplus/(deficiency)		1,193	132	(1,228)	44	141

The liability adequacy test has identified a surplus for other 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 34. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

Year ended 30 June 2008		Commercial Motor $'000	Domestic Motor $'000	Professional Indemnity $'000	Travel $'000	Total $'000
Unearned premium liability relating to insurance contracts		4,220	293	4,805	70	9,388
Related reinsurance asset		(12)	–	(2,451)	–	(2,463)
	(A)	4,208	293	2,354	70	6,925
Central estimate of present value of expected future cash flows arising from future claims on insurance contracts issued		5,024	463	2,641	64	8,192
Risk margin		497	26	452	8	983
Present value of expected future cash inflows arising from reinsurance recoveries on future claims on insurance contracts issued		(891)	(109)	(435)	–	(1,435)
	(B)	4,630	380	2,658	72	7,740
Net deficiency	(B) - (A)	422	87	304	2	815
Add back reinsurance element of present value of expected future cash flows for future claims		(878)	(109)	2,016	–	1,029
Gross surplus/(deficiency)		1,300	196	(1,712)	2	(214)

The liability adequacy test has identified a surplus for other 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 34. As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

	Economic Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
13. Investment income				
Dividend income	**18,849**	22,382	**18,849**	22,382
Interest income	**17,806**	24,488	**17,820**	24,504
Changes in fair value				
– Unrealised gains/(losses) on investments	**(55,788)**	(40,620)	**(55,788)**	(40,620)
– Realised gains/(losses) on investments	**(21,442)**	(19,279)	**(21,442)**	(19,279)
	(40,575)	(13,029)	**(40,561)**	(13,013)

	Economic Entity		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	$'000	$'000
14. Operating profit/(loss)				
Gross written premiums	183,628	169,232	183,628	169,232
Unearned premium movement	(1,481)	(2,428)	(1,481)	(2,428)
Gross earned premium	182,147	166,804	182,147	166,804
Outward reinsurance expense	(56,129)	(48,389)	(56,129)	(48,389)
Net earned premium	126,018	118,415	126,018	118,415
Gross claims incurred	(103,458)	(66,655)	(103,458)	(66,655)
Reinsurance and other recoveries	33,320	12,739	33,320	12,739
Net claims incurred	(70,138)	(53,916)	(70,138)	(53,916)
Acquisition costs	(228)	(235)	(228)	(235)
Net movement in unexpired risk liability	35	750	35	750
Underwriting and other expenses	(38,285)	(34,943)	(38,285)	(34,943)
	(108,616)	(88,344)	(108,616)	(88,344)
Underwriting profit	17,402	30,071	17,402	30,071
Dividends received	18,849	22,382	18,849	22,382
Interest income	17,806	24,488	17,820	24,504
Changes in net market value of investments:				
– Realised	(21,442)	(19,279)	(21,442)	(19,279)
– Unrealised	(55,788)	(40,620)	(55,788)	(40,620)
Other income	4,242	4,393	3,383	3,229
Investment and other income	(36,333)	(8,636)	(37,178)	(9,784)
General and administration expenses	(13,468)	(12,020)	(12,203)	(10,906)
Catholic entity distributions	27	(4,729)	27	(4,729)
Profit/(loss) from ordinary activities	(32,372)	4,686	(31,952)	4,652

15. Dividends paid and proposed

	Economic Entity 2009	Economic Entity 2008	Parent Entity 2009	Parent Entity 2008
Declared and paid during the year:				
Dividends on ordinary shares: Final unfranked dividend for 2008: $0.40 cents (2007: $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 2009: $0.00 cents (2008: $0.40 cents)	–	1,176	–	1,176

16. Cash and cash equivalents

	Economic Entity 2009	Economic Entity 2008	Parent Entity 2009	Parent Entity 2008
Cash balance comprises:				
– Cash on hand	3	3	2	2
– Cash at call	10,472	120,235	10,287	120,041
	10,475	120,238	10,289	120,043
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	10,475	120,238	10,289	120,043
	10,475	120,238	10,289	120,043

The economic entity has a combined bank overdraft facility of $150,000. This facility was unused at 30 June.

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

17. Trade and other receivables (current)

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Premiums receivable (i)	77,692	66,690	77,692	66,690
Reinsurance commissions receivable (ii)	150	37	150	37
Reinsurance and other recoveries on outstanding claims (iii)	28,983	29,791	28,983	29,791
Provision for doubtful debts on reinsurance recoveries	(919)	(510)	(919)	(510)
	28,064	29,281	28,064	29,281
Investment income accrued (iv)	3,989	6,374	3,989	6,374
Sundry debtors (v)	767	10,180	635	9,883
	110,662	112,562	110,530	112,265

The current period balance of premiums receivable includes $55.777 million (2008: $45.130 million) for workers' compensation premiums expiring at 4pm, 30 June 2009.

(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 consolidated entities right to receive the payment is established.

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

18. Prepaid reinsurance premiums

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Prepaid reinsurance premium asset as at 1 July	25,844	21,448	25,844	21,448
Deferral of reinsurance premiums on contracts entered into in the period	(64,361)	(57,553)	(64,361)	(57,553)
Earning of reinsurance premiums on contracts entered into in previous periods	65,915	61,949	65,915	61,949
Prepaid reinsurance premium asset as at 30 June	27,398	25,844	27,398	25,844

The current period balance of the prepaid reinsurance premiums includes $7.342 million (2008: $6.678 million) for workers' compensation premiums expiring at 4pm, 30 June 2009.

19. Deferred acquisition costs

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Deferred acquisition costs as at 1 July	59	61	59	61
Acquisition costs deferred	110	127	110	127
Amortisation charged to income	(114)	(129)	(114)	(129)
Deferred acquisition costs as at 30 June	55	59	55	59

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
20. Financial assets (current)				
Listed on a prescribed stock exchange (fair value through profit and loss)				
– Other fixed interest securities	3,946	5,180	3,946	5,180
– Shares in other corporations	239,897	215,157	239,897	215,157
– Property	9,726	19,091	9,726	19,091
– Financial asset-options	–	1,652	–	1,652
	253,569	241,080	253,569	241,080
Unlisted (fair value through profit and loss)				
– Government and semi-government bonds	15,137	14,026	15,137	14,026
– Other fixed interest securities	6,112	–	6,112	–
– Shares in other corporations	2,247	3,216	2,247	3,216
– Units in unit trust	73,748	60,368	73,748	60,368
– Property	19,987	33,969	19,987	33,969
– Loans-secured	–	1,616	–	1,616
	117,231	113,195	117,231	113,195
Total current investments	370,800	354,275	370,800	354,275
21. Tax assets				
Imputation credits	4,344	3,714	4,344	3,714
Deferred GST refund	1,281	1,576	1,281	1,576
	5,625	5,290	5,625	5,290
22. Other current assets				
Prepaid statutory charges	5,570	5,008	5,570	5,008
Other assets	2,792	719	2,792	719
	8,362	5,727	8,362	5,727
23. Trade and other receivables (non-current)				
Reinsurance and other recoveries on outstanding claims	32,086	27,626	32,086	27,626
Loan to subsidiary	–	–	500	250
	32,086	27,626	32,586	27,876

Reinsurance and other recoveries on outstanding claims are settled in accordance with the terms of the contract. These amounts are normally settled after twelve months.

The loan to the subsidiary company will not be called in the next year.

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

24. Financial assets (non-current)

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Listed on a prescribed stock exchange (fair value through profit and loss)				
– Other fixed interest securities	–	857	–	857
– Shares in other corporations	21,380	11,758	21,380	11,758
– Unsecured notes in other corporations	792	704	792	704
	22,172	13,319	22,172	13,319
Unlisted (fair value through profit and loss)				
– Government and semi-government bonds	56,504	66,531	56,504	66,531
– Other fixed interest securities	128,660	28,763	128,660	28,763
– Units in unit trust	18,162	21,871	18,162	21,871
– Loans – secured	337	370	337	370
	203,663	117,535	203,663	117,535
Total non-current investments	225,835	130,854	225,835	130,854

25. Plant and equipment

	Economic Entity			
Year ended 30 June 2009	Motor Vehicles $'000	Office Equipment $'000	Computer Equipment $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2008	2,059	4,128	10,906	17,093
Additions	559	20	1,388	1,967
Disposals	(627)	(7)	(226)	(860)
Balance at 30 June 2009	1,991	4,141	12,068	18,200
Accumulated depreciation				
Depreciation charge for the year	(417)	(782)	(1,490)	(2,689)
Accumulated depreciation	(410)	(2,031)	(7,014)	(9,455)
Balance at 30 June 2009	(827)	(2,813)	(8,504)	(12,144)
Net carrying amount at 30 June 2009	1,164	1,328	3,564	6,056

There has been no change to depreciation rates or useful lives at 30 June 2009 for motor vehicles and computer equipment.

Office equipment includes a higher depreciation expense in relation to office fit-out that will not be transferred across to the new premises. The balance of plant and equipment for the economic entity is the same as the parent entity.

Year ended 30 June 2008	Motor Vehicles $'000	Office Equipment $'000	Computer Equipment $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2007	2,137	4,106	9,782	16,025
Additions	572	31	1,935	2,538
Disposals	(650)	(9)	(811)	(1,470)
Balance at 30 June 2008	2,059	4,128	10,906	17,093
Accumulated depreciation				
Depreciation charge for the year	(432)	(401)	(1,376)	(2,209)
Accumulated depreciation	(472)	(1,637)	(5,832)	(7,941)
Balance at 30 June 2008	(904)	(2,038)	(7,208)	(10,150)
Net carrying amount at 30 June 2008	1,155	2,090	3,698	6,943

There has been no change to depreciation rates or useful lives at 30 June 2008.

The balance of plant and equipment for the economic entity is the same as the parent entity.

	Economic Entity		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	$'000	$'000
26. Trade and other payables (current)				
Trade creditors	31,428	30,570	31,428	30,570
Accrued expenses	1,392	1,151	1,387	1,142
Sundry creditors	576	707	576	707
	33,396	32,428	33,391	32,419

The current period balance of the trade creditors includes $7.342 million (2008: $6.768 million) for reinsurance premiums payable for workers' compensation premiums expiring at 4pm, 30 June 2009.

	Economic Entity		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	$'000	$'000
27. Provisions (current)				
Catholic entity distributions	524	5,510	524	5,510
Risk management	98	160	98	160
Employee benefits	2,846	2,577	2,846	2,577
	3,468	8,247	3,468	8,247

Catholic entity distributions

Catholic Church Insurances 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 incurred in the next financial year.

Risk management

Catholic Church Insurances Limited undertakes programs to minimise risk and control losses by encouraging and assisting our clients in adopting better risk management practices.

This provision has been set aside to cover the costs associated with the Cathedral Fire Safety program and to assist NSW Workers' Compensation clients in establishing Loss Management Programs.

All of these costs are expected to be incurred 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.

	Economic Entity		Parent Entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
28. Tax liabilities				
GST provision	**40**	91	**40**	91
29. Other current liabilities				
Financial liability – options	**2,621**	–	**2,621**	–
30. Provisions (non-current)				
Employee benefits	**664**	669	**664**	669
Make good of premises	**759**	554	**759**	554
	1,423	1,223	**1,423**	1,223

Make good of premises

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

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

31. Provisions

	Economic Entity					
	Catholic Entity Distributions $'000	Risk Management $'000	Refurbishment $'000	Employee Entitlements $'000	Make Good Premises $'000	Total $'000
Year ended 30 June 2009						
Carrying amount at 1 July 2008	5,510	160	–	3,246	554	9,470
Additional provisions	524	–	–	707	205	1,436
Amounts utilised during the year	(5,468)	(62)	–	(336)	–	(5,866)
Reversal of unused provision	(42)	–	–	(107)	–	(149)
Carrying amount at 30 June 2009	524	98	–	3,510	759	4,891
Current (note 27)	524	98	–	2,846	–	3,468
Non-current (note 30)	–	–	–	664	759	1,423
	524	98	–	3,510	759	4,891
Year ended 30 June 2008						
Carrying amount at 1 July 2007	36,490	652	5	3,646	554	41,347
Additional provisions	5,510	48	–	623	–	6,181
Amounts utilised during the year	(34,493)	(363)	(5)	(990)	–	(35,851)
Reversal of unused provision	(1,997)	(177)	–	(33)	–	(2,207)
Carrying amount at 30 June 2008	5,510	160	–	3,246	554	9,470
Current (note 27)	5,510	160	–	2,577	–	8,247
Non-current (note 30)	–	–	–	669	554	1,223
	5,510	160	–	3,246	554	9,470

32. Contributed equity

	Economic Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Authorised 10,000,000 ordinary shares of $2.00 each	20,000	20,000	20,000	20,000
Ordinary shares issued & paid-up 2,939,676 (2008: 2,939,676)	8,139	8,139	8,139	8,139

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

Terms and conditions of contributed equity

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

		Economic Entity		Parent Entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000

33. Reserves

(a) Composition					
General reserve		257,247	257,247	257,247	257,247
		257,247	257,247	257,247	257,247
(b) Movements					
General reserve					
Opening balance		257,247	251,247	257,247	251,247
Transfers to and from retained profits		–	6,000	–	6,000
Closing balance		257,247	257,247	257,247	257,247

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.

34. Outstanding claims

(a) Outstanding claims liability					
Central estimate	(A)	449,501	484,410	449,501	484,410
Discount to present value		(103,069)	(164,333)	(103,069)	(164,333)
		346,432	320,077	346,432	320,077
Claims handling costs	(B)	17,442	16,142	17,442	16,142
		363,874	336,219	363,874	336,219
Risk margin	(C)	34,037	31,288	34,037	31,288
Gross outstanding claims liability		397,911	367,507	397,911	367,507
Gross claims incurred – undiscounted	(A)+(B)+(C)	500,980	531,840	500,980	531,840
Current		73,797	74,910	73,797	74,910
Non-current		324,114	292,597	324,114	292,597
Total		397,911	367,507	397,911	367,507

(b) Risk margin

Process for determining risk margin

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

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

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

The final selected dollar margin must be at least equal to the 75% level of sufficiency.

Risk margins applied

	2009 %	2008 %
Short-tail	9.5	9.7
Professional indemnity	16.0	16.0
Public liability	12.1	12.0
Workers' compensation	9.0	9.0

(c) Reconciliation of movement in discounted outstanding claims liability

2009	Gross $'000	Reinsurance $'000	Net $'000
Brought forward	367,507	50,919	316,588
Effect of changes in assumptions	4,370	8,562	(4,192)
Increase in claims incurred/recoveries anticipated over the year	98,729	19,007	79,722
Incurred claims recognised in the income statement	103,099	27,569	75,530
Claim payments/recoveries during the year	(72,695)	(24,192)	(48,503)
Carried forward	397,911	54,296	343,615

2008			
Brought forward	369,454	69,998	299,456
Effect of changes in assumptions	(34,655)	(23,163)	(11,492)
Increase in claims incurred/recoveries anticipated over the year	101,026	27,710	73,316
Incurred claims recognised in the income statement	66,371	4,547	61,824
Claim payments/recoveries during the year	(68,318)	(23,626)	(44,692)
Carried forward	367,507	50,919	316,588

(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	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	288,092	64,058	68,185	68,496	72,572	69,164	65,902	696,469
One year later	307,740	47,459	62,952	64,502	62,183	61,215	–	606,051
Two years later	299,312	45,343	56,990	55,005	52,944	–	–	509,594
Three years later	329,272	44,072	44,490	42,484	–	–	–	460,318
Four years later	326,044	40,023	37,244	–	–	–	–	403,311
Five years later	340,425	35,533	–	–	–	–	–	375,958
Current estimate of cumulative claims cost	364,334	35,533	37,244	42,484	52,944	61,215	65,902	659,656
Cumulative payments	(156,564)	(21,320)	(19,583)	(18,829)	(17,057)	(14,667)	(6,652)	(254,672)
Outstanding claims – undiscounted	207,770	14,213	17,661	23,655	35,887	46,548	59,250	404,984
Discount								(89,189)
Outstanding claims								315,795
Short-tail outstanding claims								30,639
Claims handling expenses								17,440
Risk margins								34,037
Total gross outstanding claims as per the Balance Sheet								397,911

(ii) Net

Accident year	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	Total $'000
Estimate of ultimate claims cost:								
At end of accident year	231,285	61,974	64,962	65,228	68,152	65,752	65,066	622,419
One year later	237,185	43,879	59,819	60,983	59,827	58,917	–	520,610
Two years later	229,625	42,034	54,888	52,763	51,696	–	–	431,006
Three years later	250,121	41,116	43,459	39,989	–	–	–	374,685
Four years later	251,224	39,115	37,087	–	–	–	–	327,426
Five years later	260,161	35,172	–	–	–	–	–	295,333
Current estimate of cumulative claims cost	291,877	35,172	37,087	39,989	51,696	58,917	65,066	579,804
Cumulative payments	(114,047)	(21,115)	(19,582)	(17,180)	(16,857)	(13,922)	(6,628)	(209,331)
Outstanding claims – undiscounted	177,830	14,057	17,505	22,809	34,839	44,995	58,438	370,473
Discount								(85,319)
Outstanding claims								285,154
Short-tail outstanding claims								6,984
Claims handling expenses								17,440
Risk margins								34,037
Total net outstanding claims as per the Balance Sheet								343,615

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
35. Unearned premium liability				
Unearned premium liability as at 1 July	112,195	100,559	112,195	100,559
Deferral of premiums on contracts written in the period	147,652	178,977	147,652	178,977
Earning of premiums written in previous periods	(135,525)	(167,341)	(135,525)	(167,341)
Unearned premium liability as at 30 June	124,322	112,195	124,322	112,195

The current period balance of the unearned premium liability includes $55.777 million (2008: $45.130 million) for premiums expiring at 4pm, 30 June 2009.

36. Segment information

(a) Primary reporting format – business segment

The company is organised into four business segments:

1. Short-tail – includes fire & composite risks property insurance, motor, marine, accident & travel insurance.
2. Professional indemnity – provides indemnity for claims arising from the rendering of or failure to render professional advice or service by the insured or any error or omission connected with such advice or service.
3. Public liability – indemnification of other parties who have suffered damage or loss as a result of personal injury, property damage, advertising or product liability.
4. Workers' compensation – protection for the employer from the costs of injuries of workers and associated common law costs.

The segment results are as follows for the years ending:

Year ended 30 June 2009	Economic Entity Short-Tail $'000	Professional Indemnity $'000	Public Liability $'000	Workers' Compensation $'000	Unallocated $'000	Total $'000
Premium revenue	77,217	8,084	34,141	62,705	–	182,147
Outwards reinsurance expense	(37,761)	(5,116)	(5,282)	(7,970)	–	(56,129)
Net premium revenue	39,456	2,968	28,859	54,735	–	126,018
Claims expense	37,142	1,442	36,153	28,721	–	103,458
Reinsurance and other recoveries revenue	(26,057)	(1,490)	(7,641)	1,868	–	(33,320)
Net claims incurred	11,085	(48)	28,512	30,589	–	70,138
Acquisition costs	108	–	5	115	–	228
Other underwriting expenses	21,646	797	6,641	9,201	–	38,285
Underwriting expenses	21,754	797	6,646	9,316	–	38,513
Gross movement in unexpired risk liability	(129)	484	–	–	–	355
Reinsurance recoveries on unexpired risk liability	169	(559)	–	–	–	(390)
Net movement in unexpired risk liability	40	(75)	–	–	–	(35)
Underwriting result	6,577	2,294	(6,299)	14,830	–	17,402
Investment income					(40,575)	(40,575)
General and administration expenses					(13,468)	(13,468)
Catholic entity distributions					27	27
Sundry income					4,242	4,242
Profit/(loss) for the period	6,577	2,294	(6,299)	14,830	(49,774)	(32,372)
Profit/(loss) attributable to members of Catholic Church Insurances Limited						

Year ended 30 June 2008	Economic Entity Short-Tail $'000	Professional Indemnity $'000	Public Liability $'000	Workers' Compensation $'000	Unallocated $'000	Total $'000
Premium revenue	71,329	7,243	33,405	54,827	–	166,804
Outwards reinsurance expense	(34,050)	(4,737)	(3,565)	(6,037)	–	(48,389)
Net premium revenue	37,279	2,506	29,840	48,790	–	118,415
Claims expense	42,785	(23,899)	31,702	16,067	–	66,655
Reinsurance and other recoveries revenue	(29,538)	16,488	(447)	758	–	(12,739)
Net claims incurred	13,247	(7,411)	31,255	16,825	–	53,916
Acquisition costs	124	–	6	105	–	235
Other underwriting expenses	19,518	837	4,678	9,910	–	34,943
Underwriting expenses	19,642	837	4,684	10,015	–	35,178
Gross movement in unexpired risk liability	1,455	(1,996)	–	(599)	–	(1,140)
Reinsurance recoveries on unexpired risk liability	(981)	1,230	–	141	–	390
Net movement in unexpired risk liability	474	(766)	–	(458)	–	(750)
Underwriting result	3,916	9,846	(6,099)	22,408	–	30,071
Investment income					(13,029)	(13,029)
General and administration expenses					(12,020)	(12,020)
Catholic entity distributions					(4,729)	(4,729)
Sundry income					4,393	4,393
Profit/(loss) for the period	3,916	9,846	(6,099)	22,408	(25,385)	4,686
Profit/(loss) attributable to members of Catholic Church Insurances Limited						

Other segment items included in the income statement are as follows:

	Economic Entity					
	Short-Tail $'000	Professional Indemnity $'000	Public Liability $'000	Workers' Compensation $'000	Unallocated $'000	Total $'000
Year ended 30 June 2009						
Depreciation	–	–	–	–	2,689	2,689
Year ended 30 June 2008						
Depreciation	–	–	–	–	2,209	2,209

The segment assets and liabilities and the capital expenditure are as follows:

	Short-Tail $'000	Professional Indemnity $'000	Public Liability $'000	Workers' Compensation $'000	Unallocated $'000	Total $'000
Year ended 30 June 2009						
Assets	58,723	17,071	16,957	75,635	628,968	797,354
Liabilities	89,709	31,126	232,982	196,868	13,276	563,961
Capital expenditure	–	–	–	–	1,967	1,967
Year ended 30 June 2008						
Assets	57,101	17,950	10,959	65,887	637,521	789,418
Liabilities	89,885	32,152	206,931	178,683	14,855	522,506
Capital expenditure	–	–	–	–	2,538	2,538

Segment assets consist of premium receivable, reinsurance and other recoveries receivable and deferred acquisition costs.
Segment liabilities consist of outstanding claims liabilities, unearned premium liabilities and unexpired risk liabilities.
Capital expenditure comprises additions to plant and equipment.

(b) Secondary reporting format – geographical segments

The controlling entity operates as a general insurer and investment entity in Australia.

	Economic Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009** $'000	2008 $'000
i) Revenue				
Australia	220,099	185,076	219,240	183,912
ii) Total assets				
Australia	797,354	789,418	797,536	789,176

37. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

The names of persons who were Directors of Catholic Church Insurances Limited at any time during the financial year are as follows:

W R d'Apice	Chairman (non-executive)
C T Condon	Director (non-executive)
J Dawson	Director (non-executive)
P A Gallagher	Director (non-executive)
N E B Griffiths	Director (non-executive)
J A Killen	Director (non-executive)
B J Lucas	Director (non-executive)
C R O'Malley	Director (non-executive)
P A Rush	Alternate Director

(ii) Executives

Peter Rush	Chief Executive Officer
John Apter	Regional Manager NSW/ACT *(Appointed to the Executive Group on 24 October 2008)*
Kym Bennetts	Assistant General Manager, Client Relations *(Resigned 10 October 2008)*
Edd Branigan	Assistant General Manager, Insurance Operations
Tania Briganti	Reinsurance Manager *(Appointed to the Executive Group on 24 October 2008)*
Hans Buettner	Risk Management Manager *(Resigned 12 September 2008)*
Dominic Chila	Company Secretary and Chief Financial Officer
Robert Faorlin	Superannuation Manager
Charlie Nettleton	Human Resources Manager
Ian Smith	Chief Investment Officer *(Appointed to the Executive Group on 24 October 2008)*
Norman Smith	Information, Communication and Systems Manager

(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:

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Directors				
Short-term	364,156	357,586	274,156	267,595
Post employment	23,661	31,786	15,561	24,054
	387,817	389,372	289,717	291,649

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

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Executives				
Short-term	2,124,523	2,899,272	2,124,523	2,899,272
Post employment	116,969	146,999	116,969	146,999
Other long-term	131,860	143,246	131,860	143,246
Termination benefits	96,449	–	96,449	–
	2,469,801	3,189,517	2,469,801	3,189,517

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 Insurances Limited in trust for the Australian Episcopal Conference of the Roman Catholic Church.

Executives are not eligible to hold shares in the company.

Year ended 30 June 2009	Balance at Beginning	Net Change Other	Balance at End
Directors			
W R d'Apice	1,250	–	1,250
C T Condon	1,250	–	1,250
J Dawson	1,250	–	1,250
P Gallagher	1,250	–	1,250
N E B Griffiths	1,000	–	1,000
J A Killen	1,250	–	1,250
B J Lucas	1,250	–	1,250
C R O'Malley	1,250	–	1,250
Total	9,750	–	9,750

Year ended 30 June 2008			
Directors			
W R d'Apice	1,250	–	1,250
C T Condon	1,250	–	1,250
J Dawson	1,250	–	1,250
R J Ebbage *(Retired 8 October 2007)*	1,250	(1,250)	–
P Gallagher *(Appointed 25 October 2007)*	–	1,250	1,250
N E B Griffiths	1,000	–	1,000
J A Killen	1,250	–	1,250
B J Lucas	1,250	–	1,250
C R O'Malley	1,250	–	1,250
Total	9,750	–	9,750

(d) Loans to key management personnel

(i) Details of aggregates of loans to key management personnel are as follows:

Year ended 30 June 2009	Balance at Beginning $'000	Interest Charged $'000	Interest not Charged $'000	Write-off $'000	Balance at End $'000	Number in Group
Total	–	–	–	–	–	–
Year ended 30 June 2008						
Total	936	42	–	–	–	2

There are no loans to Directors.

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

Year ended 30 June 2009	Balance at Beginning $'000	Interest Charged $'000	Interest not Charged $'000	Write-off $'000	Balance at End $'000	Highest Owing in Period $'000
Executives						
Edd Branigan	–	–	–	–	–	–
Stephen Hunt	–	–	–	–	–	–
Year ended 30 June 2008						
Executives						
Edd Branigan	638	29	–	–	–	638
Stephen Hunt	298	13	–	–	–	298

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $

38. Related parties

Wholly owned group transactions

The entities within the wholly owned group are Catholic Church Insurances Limited (parent entity), and CCI Investment Management Limited (subsidiary). Catholic Church Insurances Limited is the ultimate parent entity.

The parent entity provided a loan to its subsidiary totalling $250,000 (2008: $250,000) with no fixed repayment date.

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Loan to subsidiary			500,000	250,000

The Directors have also provided a guarantee of continued financial support to CCI Investment Management Limited up until 3 September 2010 in the amount of $2,000,000 (2008: $1,500,000).

Catholic Church Insurances Limited has invested funds into the investment trusts of its subsidiary under normal terms and conditions.

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Market value of investment			18,161,762	21,870,207

Other related party transactions

Transactions with Director related entities

A Director of the parent entity, Mr W R d'Apice, is a partner in the firm Makinson & d'Apice, Solicitors. Makinson & d'Apice has provided legal services to the company on normal commercial terms and conditions.

A Director of the subsidiary company, Ms P J Dwyer, is a Director of the firm Roble & Co. Roble & Co. has provided investment consultancy services to the company on normal commercial terms and conditions.

The aggregate amount of these transactions with Directors and their Director-related entities were as follows:

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Professional fees	183,769	191,355	165,019	180,105

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
39. 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	174,400	175,668	162,850	164,668
(b) other services in relation to the entity and any other entity in the consolidated entity				
– Taxation services	67,380	99,494	67,380	99,494
– Other services	36,561	70,625	36,561	70,625
Total other services	103,941	170,119	103,941	170,119

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
40. Expenditure commitments				
Operating lease expenditure commitments:				
– Within one year	3,752	2,188	3,752	2,188
– After one year but not more than five years	12,950	4,500	12,950	4,500
– More than five years	13,064	339	13,064	339
	29,766	7,027	29,766	7,027
Lease payments recognised as an expense in the period				
Minimum lease payment	1,402	1,317	1,394	1,311
Contingent rents	(94)	60	(94)	60
	1,308	1,377	1,300	1,371

Leasing arrangements

Leased offices

The economic entity leases offices under operating leases expiring from 1 to 10 years. Leases generally provide the economic entity with a right to renew at which time all terms are renegotiated. Leased 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 economic 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.

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000

41. Statement of cash flows

	Economic Entity 2009 $'000	Economic Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities				
Profit/(loss) from ordinary activities	(32,372)	4,686	(31,952)	4,652
Changes in net market value of investments	78,986	66,277	78,986	66,277
Depreciation of assets	1,994	924	1,994	924
Profit/(loss) on sale of assets	(42)	11	(42)	11
Changes in assets and liabilities				
(Increase)/decrease in unearned premium	12,127	11,636	12,127	11,636
Increase/(decrease) in premiums receivable	(11,002)	(14,317)	(11,002)	(14,317)
Increase/(decrease) in reinsurance and other recoveries receivable on outstanding claims	(3,243)	17,952	(3,243)	17,952
Increase/(decrease) in reinsurance payables	(853)	(749)	(853)	(749)
(Increase)/decrease in outstanding claims	30,405	(1,948)	30,405	(1,948)
Increase/(decrease) in acquisition costs	3	4	3	4
(Increase)/decrease in statutory charge liability	(561)	(675)	(561)	(675)
(Increase)/decrease in GST tax provision	243	(73)	243	(73)
(Increase)/decrease in other provisions and sundry debtors	(956)	4,903	(1,367)	4,811
Cash flow from operating activities	74,729	88,631	74,738	88,505

42. Controlled entities

Name of entity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %	Investment 2009 $'000	Investment 2008 $'000
Parent entity					
Catholic Church Insurances Limited	Australia				
Controlled entity					
CCI Investment Management Limited	Australia	100	100	–	–

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

43. Capital adequacy

The Australian Prudential Regulation Authority's (APRA's) prudential standards set out the basis for calculating the minimum capital requirement (MCR) of licensed insurers. The MCR assumes a risk-based approach in calculating a company's solvency and is determined as the sum of the insurance, investment, 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 MCR of Catholic Church Insurances Limited applying consolidation principles to the prudential standards is as follows:

	Economic Entity 2009 $'000	Economic Entity 2008 $'000
Tier 1 capital		
Paid-up ordinary shares	8,139	8,139
General reserves	257,247	257,247
Retained earnings at end of reporting period	(13,508)	18,475
Net tier 1 capital	251,878	283,861
Total capital base	251,878	283,861
Minimum capital requirement	145,117	105,742
Solvency coverage	1.74	2.68

The consolidated entity does not hold any tier 2 capital.

44. Additional financial instruments disclosure

(a) Significant accounting policies

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

(b) Interest rate risk

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

			Fixed Interest Rate Maturity				
2009	**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	2.95	10,472				3	10,475
Receivables and other						142,748	142,748
Government and semi-government loans	6.63		15,137	56,504			71,641
Other fixed interest securities	7.77		10,058	118,794	9,865		138,717
Loans	5.00				337		337
Shares, options & trusts						363,767	363,767
Preference shares	6.46			21,380			21,380
Convertible notes	10.19			792			792
Total		10,472	25,195	197,470	10,202	506,518	749,857
Financial liabilities							
Trade and sundry creditors						33,396	33,396
Exchange traded options						2,621	2,621
Total						36,017	36,017

2008							
Financial assets							
Cash assets	7.68	120,235				3	120,238
Receivables and other						140,188	140,188
Government and semi-government loans	7.22		14,026	66,531			80,557
Other fixed interest securities	7.90		5,180	13,145	16,475		34,800
Loans	4.90		1,616		370		1,986
Shares, options & trusts						352,672	352,672
Preference shares	7.14		998	9,752	2,007		12,757
Convertible notes	10.19			704			704
Exchange traded options						1,652	1,652
Total		120,235	21,820	90,132	18,852	494,515	745,554
Financial liabilities							
Trade and sundry creditors						32,428	32,428
Total						32,428	32,428

Directors' Declaration

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

In the opinion of the Directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

W R d'Apice
Director
Melbourne, 7 October 2009

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

Report on the Financial Report

We have audited the accompanying financial report of Catholic Church Insurances Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

In our opinion:

1. the financial report of Catholic Church Insurances Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the financial position of Catholic Church Insurances Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
Ernst & Young

7 October 2009

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