CCI Asset Management Limited Annual Financial Report for Year Ended 30 June 2017

Corporate Information

CCI Asset Management Limited
ABN 65 006 685 856

Registered Office and
Principal Place of Business
Level 8, 485 La Trobe Street
Melbourne Vic 3000

Directors
Richard M Haddock (Chairman)
Jo Dawson
Joan Fitzpatrick
Jane A Tongs
Robert Scenna (Alternate Director for Richard M Haddock)

Chief Executive Officer
Roberto Scenna

Company Secretary
Dominic P Chila

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

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

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Vic 3000
Australia

Directors' Report

The Directors of CCI Asset Management Limited (the company) have pleasure in presenting their report on the financial statements of the company for the financial year ended 30 June 2017.

DIVIDENDS

Directors resolved that no dividend be paid in respect of the year ended 30 June 2017 (2016: $Nil).

CORPORATE INFORMATION

CCI Asset Management Limited is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Catholic Church Insurance Limited.

Principal activities

The principal activity of the company during the year was to act as trustee and manager of the CCI Asset Management Trusts and Individually Mandated Accounts, which are available for investment by organisations of the Catholic Church in Australia.

Employees

Catholic Church Insurance Limited (the parent entity) provides the employees to administer the company. The associated labour costs are expensed to CCI Asset Management Limited on commercial terms and conditions.

REVIEW AND RESULTS OF OPERATIONS

	2017	2016
	$	$
Profit/(Loss) for the year	(298,818)	115,722

The company received $984,460 (2016: $765,240) in income during the period whilst incurring $1,283,278 (2016: $649,518) in expenses from ordinary activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholders' equity decreased from $669,578 to $370,760, an overall decrease of $298,818.

SIGNIFICANT 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 entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIRECTORS' SHAREHOLDINGS

No Directors hold any shares in the company.

INDEMNIFICATION OF DIRECTORS

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

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

INDEMNIFICATION OF AUDITORS

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

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

DIRECTORS' 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 shown in the accounts).

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received a declaration from the auditors of CCI Asset Management Limited as attached after the Directors' report.

Signed in accordance with a resolution of the Directors.

Mr R M Haddock
Director

Melbourne, 5 September 2017

Auditor's Independence Declaration to the Directors of CCI Asset Management Limited

In relation to our audit of the financial report of CCI Asset Management Limited for the financial year ended 30 June 2017, 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

B A Kallio
Partner

Melbourne, 5 September 2017

CCI Asset Management Limited
Statement of Comprehensive Income
For the financial year ended 30 June 2017

	Note	2017 $	2016 $
Revenue and other income	6(a)	984,460	765,240
Expenses	6(b)	(1,283,278)	(649,518)
(Loss)/Profit from continuing operations		**(298,818)**	**115,722**

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

CCI Asset Management Limited
Statement of Financial Position
As at 30 June 2017

	Note	2017 $	2016 $
Assets			
Cash and cash equivalents	7	226,536	441,840
Receivables	8	416,214	297,478
TOTAL ASSETS		642,750	739,318
Liabilities			
Trade and other payables	9	271,990	69,740
TOTAL LIABILITIES		271,990	69,740
NET ASSETS		370,760	669,578
Shareholders' Equity			
Contributed equity	10	1,004,099	1,004,099
Retained losses	11	(633,339)	(334,521)
TOTAL SHAREHOLDERS' EQUITY		370,760	669,578

The above Statement of Financial Position should be read in conjunction with the accompanying notes, and specifically note 10 and 11, with regards to the Shareholders Equity position.

CCI Asset Management Limited
Statement of Changes in Equity
For the financial year ended 30 June 2017

	Contributed Equity $	Retained Earnings $	Total $
At 1 July 2015	1,004,099	(450,243)	553,856
Net profit for the period	-	115,722	115,722
Total at 30 June 2016	1,004,099	(334,521)	669,578
At 1 July 2016	1,004,099	(334,521)	669,578
Net loss for the period	-	(298,818)	(298,818)
Total at 30 June 2017	1,004,099	(633,339)	370,760

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

CCI Asset Management Limited
Statement of Cash Flows
For the financial year ended 30 June 2017

	Note	2017 $	2016 $
Operating activities			
Management fees received		861,635	767,642
Bank interest received		4,088	7,207
Professional fees paid		(261,180)	(175,706)
Other operating expenses paid		(819,847)	(450,509)
Loan interest paid		-	-
Net cash flow (used in)/from operating activities	12(b)	**(215,304)**	**148,634**
Net (decrease)/increase in cash and cash equivalents		(215,304)	148,634
Cash and cash equivalents at the beginning of the financial year		441,840	293,206
Cash and cash equivalents at the end of the financial year	12(a)	**226,536**	**441,840**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the financial year ended 30 June 2017

1. **Corporate Information**

CCI Asset Management Limited is a company limited by shares that is incorporated and domiciled in Australia. The entity is also registered as a charity in accordance with the Australian Charities and Not-for-profits Commission Act 2012.

The nature of the operations and principal activities of the company are described in the director's report.

2. **Summary of significant accounting policies**

a) **Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and section 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*. The financial report has been prepared on an accruals basis and is based on historical costs.

The financial statements have been prepared on a going concern basis.

The financial report is presented in Australian dollars.

b) **Statement of compliance**

The financial report complies with Australian Accounting Standards and the Australian equivalent of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard board.

The accounting policies have been consistently applied, unless otherwise stated.

c) **Australian Accounting Standards issued but not yet effective**

Australian Accounting Standards which have recently been issued or amended but are not yet effective for the annual reporting period ending 30 June 2017 have not been applied in preparing the company's financial statements. The nature of the impact of the application of these standards is disclosed only. The company will apply these standards for the annual reporting periods beginning on or after the operative dates as set out on the next page.

Reference	Title	Summary	Application date of standard	Impact on CCI financial report	Application date for CCIAM
AASB 1058	Income of Not-for-Profit Entities	AASB 1058 and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which NFP entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases. AASB 1004 Contributions is also amended, with many of its requirements being revised and relocated AASB 1058. The scope of AASB 1004 is effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context. AASB 1058 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided AASB 15 Revenue from Contracts with Customers is applied on or before the date of initial application.	1 January 2019	These amendments will have no direct impact on the amounts included in the company's financial statements.	1 January 2019
AASB 15	Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018	Preliminary reviews suggest these amendments will have no material impact on the amounts included in the company's financial statements.	1 July 2018

d) Income tax

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

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand with banks or financial institutions that are readily convertible to known amounts of cash.

f) Revenue recognition

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

Management fees
Fees for managing the funds' investments and Individually Managed Accounts on behalf of clients are recognised as they accrue.

Interest income
Interest income is recognised as it accrues.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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 Statement of Financial Position are shown inclusive of GST.

h) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

i) Financial instruments

i) Trade and other receivables

Trade debtors are recognised and measured at amortised cost using the effective interest rate (EIR) method, less impairment. An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

ii) Trade and other Payables

Payables are carried at amortised cost and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

3. Critical accounting estimates and judgements

There have been no critical accounting estimates or judgements made in preparing the financial statements.

4. Risk management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the company's objectives and activities are aligned with the risks and opportunities identified by the Board.

Some of the potential risks to the company are:

- Operational risk
- Interest rate risk
- Credit risk and
- Market risk.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified. These include the following:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets
- Monitoring and overseeing the company's financial position
- Ensuring that compliance and risk management systems are in place
- Determining that satisfactory arrangements are in place for auditing the company
- Complying with statutory duties and obligations
- Ensuring that the company and its officers act legally, ethically and responsibly in all matters

a) Operational risk

Operational risk is the risk of loss arising from inadequate systems and controls, human error or management failure.

The company's exposure to operational risk is mitigated by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, positions and documentation, maintaining key backup procedures, and undertaking regular contingency planning.

Financial risks (credit and interest risks) are considered in note 5.

5. Financial risk

The operating activities of the company expose it to market, credit and liquidity risks.

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.

(i) Interest rate risk

The following table details the company's exposure to interest rate risk at 30 June:

2017	Average Interest Rate	Less than 1 Year	1 – 5 Years	More than 5 Years	Non – Interest Bearing	Total
		$	$	$	$	$
Financial Assets	1.07%					
Cash and cash equivalents		226,436	-	-	100	226,536
Receivables		-	-	-	416,214	416,214
		226,436	-	-	416,314	642,750
Financial Liabilities	0%					
Payables – Intercompany transactions		-	-	-	271,990	271,990
		-	-	-	271,990	271,990

2016	Average Interest Rate	Less than 1 Year	1 – 5 Years	More than 5 Years	Non – Interest Bearing	Total
		$	$	$	$	$
Financial Assets	1.48%					
Cash and cash equivalents		441,740	-	-	100	441,840
Receivables		-	-	-	297,478	297,478
		441,740	-	-	297,578	793,318
Financial Liabilities	0%					
Payables – Intercompany transactions		-	-	-	69,740	69,740
		-	-	-	69,740	69,740

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.

(i) Credit exposure

The financial assets and liabilities are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

The following tables provide information regarding the aggregate credit risk exposure of the company at the balance date in respect of the major classes of financial assets. There is no significant concentration of credit risk, as the company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company. 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.

2017	AAA $	AA $	A $	BBB $	Not Rated $	Total $
Cash and cash equivalents	-	226,436	-	-	100	226,536
Receivables	-	-	-	-	416,214	416,214

2016	AAA $	AA $	A $	BBB $	Not Rated $	Total $
Cash and cash equivalents	-	441,740	-	-	100	441,840
Receivables	-	-	-	-	297,478	297,478

The above tables should be read in conjunction with notes 7 and 8.

The carrying amounts of all the company's financial assets and financial liabilities at the balance sheet date approximate their fair values.

c) Liquidity risk

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

The following tables summarises the maturity profile of financial liabilities of the company based on the remaining undiscounted contractual obligations.

2017	On demand $	Less than 3 months $	3 Months to 1 year $	1 to 5 years $	Greater than 5 years $	Total $
Intercompany account	271,990	-	-	-	-	271,990

2016	On demand $	Less than 3 months $	3 Months to 1 year $	1 to 5 years $	Greater than 5 years $	Total $
Intercompany account	69,740	-	-	-	-	69,740

The above tables should be read in conjunction with note 9.

			2017	2016
			$	$
Note -	**6**	**Operating profit/(loss)**		
		Operating profit has been determined after:		
	(a)	Revenue and other income:		
		Management fee	980,372	758,033
		Interest income	4,088	7,207
			984,460	765,240
	(b)	Expenses:		
		Professional fees	261,180	175,706
		Other general and administration expenses	1,022,098	473,812
		Expenses from ordinary activities	1,283,278	649,518

The borrowing cost represents a related party expense.

Note -	**7**	**Cash and cash equivalents**		
		Cash on hand	100	100
		Cash at bank	226,436	441,740
			226,536	441,840

The company does not have a bank overdraft facility.

Note -	**8**	**Receivables**		
		Accrued management fees	416,214	297,478
			416,214	297,478

Accrued management fees are non-interest bearing
and are recognised as they accrue. They are settled on a 30-day term.

Note -	**9**	**Trade and other payables**		
		Balance of intercompany account with parent entity	271,990	69,740
			271,990	69,740

The balance of the payables account is all due to related party transactions.

The balance of the intercompany account with the parent entity includes administrative costs incurred by the parent entity on behalf of the company and represents the amount owing at balance date. This is a non-interest bearing liability and is normally settled on monthly terms.

			2017	2016
			$	$
Note -	**10**	**Contributed equity**		
		1,000,100 Ordinary shares of $1 each	1,000,100	1,000,100
		399,900 Ordinary shares paid	3,999	3,999
			1,004,099	1,004,099

The total amount outstanding on paid shares at the end of the year is $395,901 (2016: $395,901)

Terms and conditions of contributed equity
Ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up the company, the shareholder has 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.

The company is 100% owned by Catholic Church Insurance Limited.

			2017	2016
Note -	**11**	**Retained losses**		
		Retained losses at the beginning of the financial year	(334,521)	(450,243)
		Net (loss)/profit attributable to members of the company	(298,818)	115,722
		Retained losses at the end of the financial year	(633,339)	(334,521)

			2017	2016
Note -	**12**	**Statement of cash flows reconciliation**		
		(a) Reconciliation of cash flows		
		Cash balance comprises:		
		- cash on hand	100	100
		- cash at bank	226,436	441,740
			226,536	441,840
		(b) Reconciliation of the operating profit to the net cash flows (used in)/from operations		
		Profit/(loss) from continuing operations	(298,818)	115,722
		Changes in assets and liabilities:		
		(Increase) / Decrease in receivables	(118,736)	9,609
		Increase in payables	202,250	23,303
		Cash used in operating activities	(215,304)	148,634

Note -	13	Related parties transactions

Directors

The names of persons who were Directors of CCI Asset Management Limited at any time during the financial year are as follows:

Richard M Haddock (Chairman)
Jo Dawson
Joan Fitzpatrick
Jane A Tongs
Robert Scenna *(Alternate Director for R Haddock)*

Wholly owned group transactions

Expenses paid for by Catholic Church Insurance Ltd and reimbursed by CCI Asset Management Ltd total $1,283,278 (2016:$649,518). Of this $271,990 remains outstanding (2016: $69,740).

			2017	2016
			$	$
Note -	14	**Director and executive disclosures**		
		Compensation of key management personnel		
		(a) Executives		
		Catholic Church Insurance Limited (the parent entity) provides the employees to administer the company. The associated labour costs and directors' fees are expensed to the company on commercial terms and conditions.		
		(b) Directors		
		Short-term	47,720	46,693
		Post employment	4,533	4,436
		The short term category includes salaries and fees. The post employment category includes superannuation.		
Note -	15	**Auditors' remuneration**		
		Amounts received or due and receivable by Ernst & Young Australia for:		
		- an audit of the financial report of the entity	11,388	11,220

Note -	16	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 and financial liability are disclosed in note 2 of the financial statements.

b) As at balance date the company had no capital commitments or contingent liabilities (2016: $0)

Note -	17	Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the company disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the company for the reporting period ended on that date.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of CCI Asset Management Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*, including:

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

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

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

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

On behalf of the Board

Mr R M Haddock
Director

Melbourne, 5 September 2017