



Half Year  
Condensed  
Consolidated  
Financial Report

for the six months ended 31 December 2013

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# ClearView Wealth Limited

ABN 83 106 248 248

## Directors' Report

The Directors of ClearView Wealth Limited (ClearView or the Company) submit herewith the Condensed Consolidated Financial Report of ClearView Wealth Limited and its subsidiaries (the Group) for the half year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names of Directors of the Company who held office during the half year ended 31 December 2013 and up to the date of this report are shown below.

- **Dr. Gary Weiss** (appointed Chairman 1 July 2013)
- **Andrew Sneddon** (appointed 3 December 2013, resigned as Alternate to Mr Fallick on same date)
- **Bruce Edwards**
- **David Brown**
- **Gary Burg**
- **Jennifer Weinstock** (appointed 1 July 2013)
- **John Leslie Fallick** (resigned 3 December 2013)
- **Michael Alscher** (appointed 1 July 2013)
- **Michael Lukin** (appointed Alternate to Ms Weinstock 1 July 2013)
- **Nathaniel Thomson**
- **Simon Swanson** (Managing Director)

The above named Directors held office during and since the end of the half year unless otherwise stated above.

### Principal activities

ClearView is an Australian financial services company with businesses that specialise in life insurance, wealth management and financial advice solutions. The Group advises on and/or manages approximately \$3.8 billion of client assets, has in-force premiums of approximately \$74 million and 109 authorised financial advice representatives across Australia<sup>1</sup>.

### Operating and Financial Review

This operating and financial review report, which forms part of the Directors' Report, sets out information about the Group for the half year ended 31 December 2013.

#### The ClearView Story

ClearView in its current form was created by the acquisition

and successful integration of the life insurance and wealth management businesses acquired from MBF Holdings Pty Limited (Bupa Australia) on 9 June 2010 (the Acquisition). Key attributes of the Acquisition were as follows:

- Potential to use the platform acquired to create a new non-bank owned life insurance and wealth management company that could bring innovation to the market and challenge the incumbents;
- No material legacy technology issues, enabling speed to market; and
- No material exposure to Group Life, pre global financial crisis income protection or capital guaranteed products.

Since the Acquisition, ClearView has undergone a significant transformation by:

- Building out a new management team with a track record in growing life and wealth management businesses;
- Development and launch of LifeSolutions (full suite of life insurance advice products) and WealthSolutions (ClearView Wrap platform);
- Entering into new market segments and utilising the cash flow generation of the in-force portfolios acquired to fund the capital intensive new life insurance business growth to date;
- Expanding distribution with the further recruitment of aligned financial advisers. ClearView has established a multi-channel distribution footprint through its own expanding adviser network as well as having access to the third party financial advisers who are independent of ClearView (referred to as Independent Financial Advisers or IFAs), with LifeSolutions products being included on Approved Product Lists; and
- Investment in systems and processes to improve efficiency and service delivery.

ClearView is starting to generate momentum and intends leveraging further off its platform as follows:

- Focusing on profitable market segments and not be "all things to all people";
- Retaining its appeal to financial advisers with quality products and related service offering; and
- Focusing on execution of its strategy with the long-term objective to capture 3%-5% of the life insurance profit pool and building a material wealth management business.

<sup>1</sup> As at 31 December 2013

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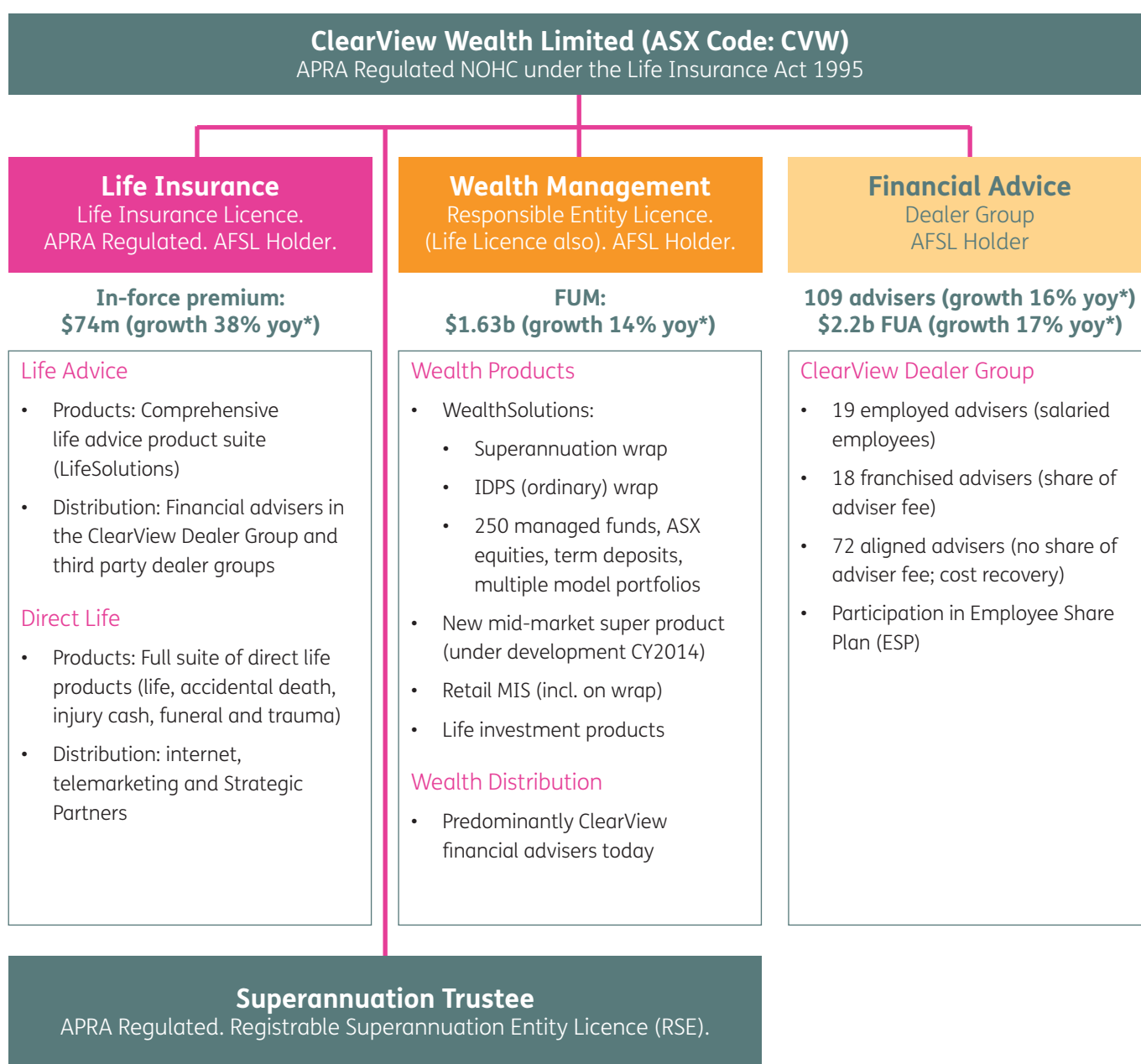
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### ClearView Business

ClearView generates its revenue through the provision and distribution of life insurance, superannuation and investment products. The markets in which ClearView competes are highly regulated. ClearView holds, via its operating subsidiaries, an APRA life insurance licence, an APRA registered superannuation entity licence, an ASIC fund manager licence and an ASIC adviser licence. In addition, the Company is regulated by APRA as a Non Operating Holding Company (NOHC) under the Life Insurance Act 1995.

The Group operates three business segments under the ClearView brand: Life Insurance, Wealth Management and Financial Advice. ClearView's three business segments span the entire life insurance and wealth management value chains and are outlined below:



\* yoy - year on year

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### Life Insurance

ClearView creates products that compete in both the Advised Life and Non-Advice (Direct) segments of the \$12 billion Australian life (risk) insurance market<sup>2</sup>. The Australian life (risk) insurance market has grown 12.6% per annum over the last 10 years<sup>2</sup> and has been resilient through the global financial crisis. Market growth forecasts range from circa 7%-12% nominal<sup>3</sup> growth over the next 10 to 15 years.

While life risk in-force premiums have grown for some time, underlying profitability growth within the industry has been more subdued, with negative growth in FY13. This has been driven by issues related to Group Life, the income protection component of the Life Advised market and lapses. ClearView as a focused niche operator has generally avoided these issues to date.

The Australian life (risk) insurance market is relatively consolidated and with significant positions from larger institutions (particularly bank owned). These institutions often have legacy issues (partly driven by acquisitions). As a non-bank aligned, Australian-listed life insurer with life and wealth licences, ClearView is a differentiated business with limited legacy issues. The market construct can create opportunities for a challenger such as ClearView. Furthermore, there are high barriers to entry with a strong regulator and high capital requirements.

Key requirements that are needed to be achieved to succeed as a challenger include, but are not limited to the following:

- New business growth (effective distribution with competitive products);
- Profitable new business written (appropriate pricing including a rational market and/or competitors);
- Customer retention (quality advisers and value proposition for customers); and
- Scale and cost control (efficient systems and support).

#### (a) Advised Life Insurance

The Advised Life market segment comprises life insurance products placed by financial advisers.

The ClearView product suite, branded LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business

expense cover. Policies can be issued directly or via the ClearView Retirement Plan from a superannuation fund.

The product has had encouraging early success. The near term strategy is to build on this success by continuing to invest in technology to support the product growth and to introduce additional product improvements.

ClearView has 109 financial advisers many of whom sell life insurance products to their clients (including LifeSolutions). ClearView's life insurance products are also placed across Australia through third party financial advisers who are independent of ClearView (referred to as Independent Financial Advisers or IFAs), with LifeSolutions products being included on 107 Approved Product Lists which provides access to a significant number of IFAs.

Key focus areas as ClearView continues to invest for growth include:

- Upgrades to existing LifeSolutions products and services;
- Upgrade the supporting technology; and
- Expand distribution footprint further (aligned and external) and continuing to establish distribution agreements with third parties, including other financial services businesses and financial advisers, who are interested in innovative life insurance products and quality services.

#### (b) Non-Advice (Direct) Life Insurance

The Non-Advice (Direct) Life market segment encompasses products that are purchased by consumers without using a financial adviser. This can include life insurance products sold through direct marketing, telemarketing, "over the counter" or online.

ClearView has an exclusive distribution agreement with Bupa Australia, Australia's second largest private health insurer. This allows ClearView to distribute Non-Advice (Direct) Life products, to the Bupa Australia customer base. ClearView also has distribution agreements with a further eleven strategic partners, including a number of credit unions.

ClearView has recently commenced investing in revitalising its Direct Life insurance business. This includes recruiting a new Direct team and a refocused direct distribution approach. A new call centre has been established in Parramatta. This has resulted in some short term cost base impacts, which are being incurred with the objective of creating shareholder value in the medium term.

<sup>2</sup> Plan for Life (September 2013)

<sup>3</sup> DEXX&R (June 2012)

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Key focus areas as ClearView continues to invest for growth include:

- Building on developing the direct marketing capabilities with Non-Advice products that are sold via direct channels including Bupa Australia and other Strategic Partners;
- Build out its investment in infrastructure; and
- Continue to refine its product offering and sales approach.

## Wealth Management

ClearView's products compete in the Master Trust and Wrap segments of the circa \$614 billion retail wealth management market<sup>4</sup>. Retail funds under management have grown 8% per annum over the past 10 years despite the impact of the global financial crisis<sup>5</sup>. The majority of the growth has come from superannuation due to the increase in the Superannuation Guarantee to 9.25% p.a. and concessional contribution arrangements. The superannuation asset pool is expected to continue to grow underpinned by a continued increase in the Superannuation Guarantee levy to 12% p.a. by 2021.

Over recent periods retail funds have ceded market share to both industry funds and self-managed super funds (SMSFs), given the "choice of fund" legislation introduced in 2005 and an increased focus on costs. Industry funds and SMSF segments are expected to remain fast growing segments. The retail fund sector growth is forecast to also be strong driven partly by the recovery in investment markets and the introduction of MySuper (effective from 1 July 2013) and expectations of increased demand for scaled advice, albeit with corresponding fee compression.

Fee pressure is expected to continue across the industry in line with heightened consumer awareness of the cost of fee structures, price competition and a greater focus by consumers on capital preservation. Asset allocations are likely to shift back into equities as greater confidence in the global economic outlook emerges.

A Master Trust is an administrative service that enables customers to hold a portfolio of different investments that the customer selects from the Master Trust menu. A Wrap is similar to a Master Trust, but it allows the customer to hold a broader variety of investments, such as listed shares and term deposits, and operates through a "cash hub".

ClearView provides wealth management products via three primary avenues:

- Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan. This business represents the majority of the in-force wealth business;
- Managed Investment Schemes (MIS). Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include MIS products issued via ClearView's WealthSolutions platform; and
- A superannuation and retirement income wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (IDPS) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. WealthSolutions includes a menu of approximately 250 investment funds, ASX listed shares, term deposits and seven ClearView managed funds. It also provides eight model portfolios managed by ClearView for superannuation investors.

ClearView's wealth management products are distributed primarily by ClearView employed financial advisers and more recently by the aligned financial advisers.

There has been significant regulatory change in the wealth management industry, most notably the Stronger Super and SuperStream reforms.

Key focus areas as ClearView continues to invest for growth include:

- Implement model portfolios on the WealthSolutions platform to improve both margin and adviser efficiency. This requires ClearView to continue to educate the market on its product value proposition;
- Development of a mid-market super offering; and
- Expanding the distribution of WealthSolutions by attracting aligned wealth focused financial advisers.

## Financial Advice

ClearView provides financial advice services through its wholly owned subsidiary ClearView Financial Advice (CFA). CFA has historically employed a number of salaried financial advisers and provides Dealer Group services to a number of franchised financial advisers, including a growing group of highly experienced financial advisers that have joined CFA as "aligned advisers".

<sup>4</sup> Plan for Life (September 2013)

<sup>5</sup> Deloitte, Dynamics of the Australian Superannuation System (September 2013)

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On joining the CFA Dealer Group, these aligned financial advisers have been able to participate in the overall performance of ClearView through share ownership in the Company via the ClearView ESP. The number of financial advisers in the CFA Dealer Group has increased to 109 as at 31 December 2013, representing an increase of 16% since 31 December 2012.

The Future of Financial Advice (FoFA) reforms became effective on 1 July 2013 and focused on improving the quality of financial advice, particularly product recommendations to retail clients. On 20 December 2013, the Government announced a package of changes to FoFA to implement its election commitment to reduce compliance costs and regulatory burden on the financial services sector. The changes are aimed at ensuring the integrity of the financial advice framework is maintained whilst delivering a system that offers affordable and accessible financial advice to the Australian community.

The progress of the implementation and review of the regulatory reforms will continue to be monitored and the impact assessed as these regulations are rolled out and the practicalities of the reforms unfold.

The Group has restructured the financial advice business by rationalising the branch network and reorganising the service model in the current financial year.

Key focus areas as ClearView continues to invest for growth include:

- Continue to expand the adviser base through recruitment of aligned advisers. This includes focusing the recruitment on high quality advisers who have the right cultural fit for ClearView;
- Improve the effectiveness of the dealer group model; and
- Complete building high quality advice processes for each practice.

### Risks

The Group's activities expose it to a variety of risks, both financial and non-financial. Risk management is an integral part of the Group's management process. For details on Risk Management please refer to Note 5 of the 30 June 2013 Annual Report on page 85.

### Strategy

The growth that ClearView's range of new life insurance and wealth management products is experiencing supports the view that the new products are attractive. These new products and services have enabled the Group to improve penetration of the broader financial adviser market, improve the product and service offering for ClearView financial advisers, grow its financial advice and Dealer Group business, and significantly broaden the Group's exposure to the wealth management and life insurance markets.

ClearView acquired a profitable in-force base with strong cash flow generation (from its predecessor of NRMA Life and MBF Life). This cash flow is being invested in growth by ClearView, with the business investing in operating costs ahead of revenue to generate this growth. This includes an investment in incremental costs above what is required for the current scale of ClearView (expense overruns) to build capability for the future. As ClearView grows, these expense overruns are likely to be absorbed and ClearView should achieve operating leverage.

The strategy is not to be "all things to all people", but rather focus on profitable segments of the market. Consequently there is no current intention to participate in the Group Life market (there may be an opportunity to enter the market if and/or when rational and sustainable prices return). ClearView also has very limited exposure to pre global financial crisis income protection policies. ClearView has to date avoided most current industry issues, in particular in Group Life and Income Protection. As the industry potentially raises prices and modifies terms, ClearView may benefit from these changes.

ClearView will continue to focus on the Life Advice segment of the market, and the Direct Life market where its strategic partnerships can be leveraged to reach more potential clients. In the Wealth Management segment of the business, there is a focus on building out a mid market offering to enable ClearView to participate in the broader accumulation segment. ClearView has laid the foundations for growth and is starting to generate momentum.

ClearView's overall strategy is supported by an experienced management team in the life insurance and wealth management market. Furthermore, members of the ClearView Board have experience investing and directing growing life insurance businesses, wealth management businesses and other financial services businesses.



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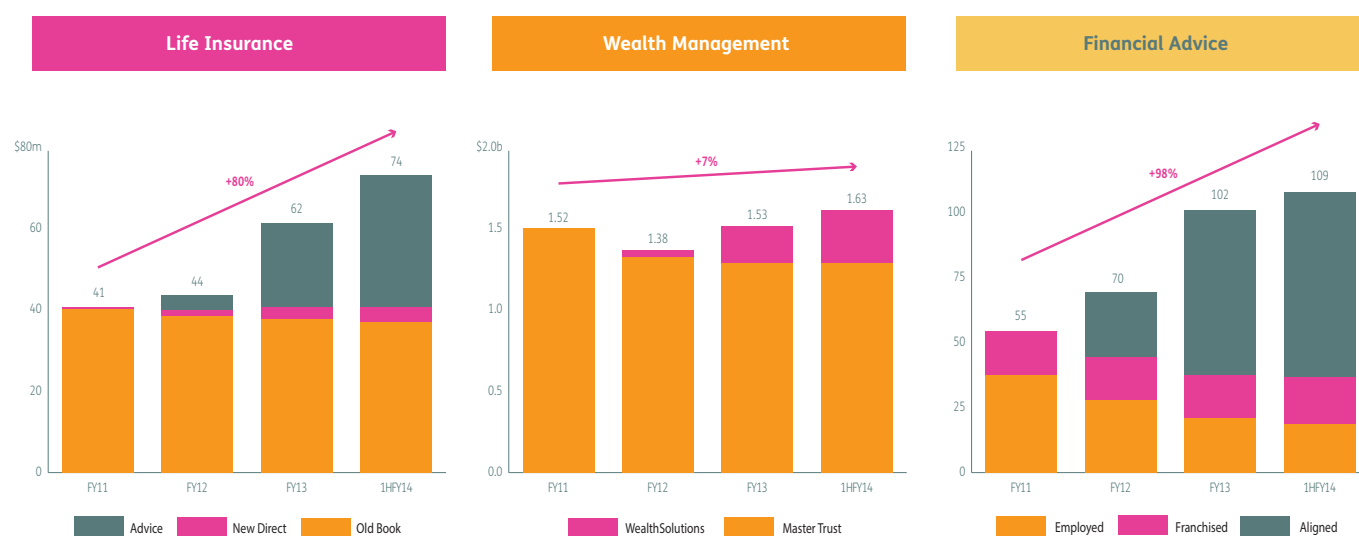
### Financial Results

#### Key Performance Indicators

In the half year to 31 December 2013, ClearView achieved further growth in its new product offerings with in-force life insurance premiums of circa \$74 million, which includes over \$32 million of in-force LifeSolutions premium, and in-force FUM of over \$1,625 million, which includes over \$326 million of WealthSolutions. This has been achieved within a little over two years from launch of the LifeSolutions and WealthSolutions products and services.

These results reflect growth in total in-force life insurance premium of 38% over the year to 31 December 2013 and growth in FUM (for all ClearView products) of 14% over the same period. These represent significant increases over 31 December 2012.

The following graphs reflect the step change in the growth profile of the business:



The Group has achieved the following results for the half year ended 31 December 2013:

Reconciliation of Reported Net Profit after tax to Underlying NPAT	1H FY14 \$ million	1H FY13 \$ million	% Increase (Decrease)
Reported Net Profit After Tax (NPAT)	3.6	(0.6)	NM
Adjusted for:			
Amortisation of intangibles	3.8	3.8	-
Policy liability discount rate effect	2.5	2.1	22%
Take over bid related costs <sup>1</sup>	-	5.2	-
Income tax (benefit)/expense	(0.8)	(2.0)	(60%)
<b>Underlying Net Profit After Tax (UNPAT)</b>	<b>9.1</b>	<b>8.5</b>	<b>7%</b>

<sup>1</sup> Considered unusual to ordinary business activities.

- Statutory profit attributable to shareholders of ClearView for the half year ended 31 December 2013 was \$3.6 million (1H FY13: loss \$0.6 million) representing a significant increase over the prior comparable period;
- Basic earnings per share for the half year on a statutory basis of 0.87 cents per share (1H FY13: 0.14 cents loss per share) representing a significant increase over the prior comparable period;

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- Fully diluted earnings per share on a statutory basis of 0.87 cents per share (1H FY13: 0.14 cents loss per share) representing a significant increase over the prior comparable period;
- Underlying net profit after tax of \$9.1 million (1H FY13: \$8.5 million) representing an increase of 7% over the prior comparable period;
- Basic underlying earnings per share for the half year of 2.18 cents per share (1H FY13: 2.07 cents per share) representing an increase of 5% over the prior comparable period; and
- Fully diluted underlying earnings per share of 2.17 cents per share (1H FY13: 1.96 cents per share) representing an increase of 11% over the prior comparable period.

Underlying net profit after tax (Underlying NPAT) is the Board's key measure of group profitability and the basis on which dividends are determined. This measure consists of reported net profit after tax, adjusted for the amortisation of intangibles (not including capitalised software), the effect of changing discount rates on the insurance policy liabilities and any costs considered unusual to the Group's ordinary activities (for example, costs associated with the takeover bid of ClearView by CCP Bidco in FY13).

Underlying NPAT has increased by \$0.6 million (7%) compared with that for the half year ended 31 December 2012, equivalent to an increase in basic underlying earnings per share for the year from 2.07 cents per share to 2.18 cents per share (5%). This result reflects:

- The first half of FY14 result was positively impacted by a claims experience profit of \$0.7 million (after tax) relative to the expected claims cost. This positive claims experience variation follows similar but opposite negative claims experience in the first half of FY13 of \$1.1 million. Further details are provided in the life insurance segment analysis below.
- The emergence of profit off the increased earned life insurance premium. Further details are provided in the life insurance segment below.
- Lower investment earnings driven by the payment of \$17.8 million in dividends out of the capital base of ClearView (in the first half of FY13) and the payment of takeover costs related to the CCP Bidco takeover offer, combined with reducing market interest rates over FY13. This has reduced the contribution of investment earnings on ClearView's capital to the profit after tax by \$0.8 million when compared to the first half of FY13 result;

- The cost base increase (+12%), other than life insurance acquisition expenses that are discussed below, was driven by:
  - Investment in the business to further develop the systems and processes to support the Group's growth strategy (including the increased write off of capitalised software costs predominantly related to LifeSolutions system costs);
  - Investment in wealth distribution to broaden ClearView's base of financial advisers focused on wealth products;
  - Increased investment in marketing to support the growth of the business; and
  - Increased investment in compliance and risk functions given the growth in the business as well as the expanded Board composition.

These cost increases were partially offset by cost savings in the financial advice business related to rationalising the branch network and reorganising the service model.

- The life insurance acquisition expenses cost base increase (+37%), was driven by:
  - Investment in revitalising the Direct Life insurance business including the recruitment of a new team and set up of a call centre in Parramatta. This has led to additional short term costs, which are forecast to create shareholder value in the medium term;
  - Increased distribution costs including the development of a national presence and the related build out of the business development team;
  - Continued investment in front end systems and processes to support the growth ambitions; and
  - Increased underwriting and new business related costs given the growth in new business.

The following additional items impact the statutory profit after tax, and comprise the reconciling items in the table on the previous page:

- The amortisation of the intangibles is associated with the acquisition of ClearView Group Holdings Pty Limited (CVGH) and CFA, and is separately reported to remove the non-cash effect of the write-off of these intangibles. However, amortisation associated with capitalised software is reported as part of Underlying NPAT;
- The policy liability discount rates effect is the result of the changes in long term discount rates used to determine the insurance policy liabilities. The life



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insurance policy liability (based on Australian International Financial Reporting Standards (AIFRS)) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and consequently earnings. The change in discount rate impacts reflects the change in interest rates between periods. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability does however create a cash flow tax effect; and

- Takeover bid related costs incurred in the first half of

FY13. In response to the CCP Bidco takeover bid, the Board engaged financial and legal advisers on commercial terms normal to a transaction of this nature. Furthermore, the Board implemented retention arrangements with the senior executive team in order to assist in providing continuity of management, and to align the amount of the benefits that might be paid to executives with those that could be received by shareholders under a successful transaction. The costs associated with the aforementioned are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT.

### Analysis of Result by Segment

A breakdown of the result by operating segment is detailed below:

Half Year Ended 31 December 2013, \$ million	1H FY14 \$ million	1H FY13 \$ million	Change %
Life Insurance	4.7	4.0	18%
Wealth Management	2.9	3.8	(21%)
Financial Advice	1.8	0.4	309%
Listed/Other	(0.3)	0.3	(226%)
<b>Underlying NPAT</b>	<b>9.1</b>	<b>8.5</b>	<b>7%</b>
Amortisation	(3.8)	(3.8)	0%
Other adjustments	(1.7)	(5.3)	(67%)
<b>Reported NPAT</b>	<b>3.6</b>	<b>(0.6)</b>	<b>NM</b>

#### (a) Life Insurance

Life insurance risk premium is growing at just under an annualised run rate of \$25 million per annum due to the successful introduction of the LifeSolutions product, primarily sold through aligned advisers and third party dealer groups. This is likely to be the primary driver of growth in underlying profit in the medium term.

The Direct Life book written before 2011 is a highly profitable book that is partly providing the cash flow to fund the growth in the business. Overall, prior to the changes implemented in the Direct Life business in the past 6 months, Direct Life sales since the acquisition of ClearView in 2011 have underperformed. In particular, there had been adverse lapses under some channels (other than Bupa) which had an impact on results. ClearView has now discontinued sales activity with these channels and as outlined above has commenced some material investments in revitalising its Direct Life insurance business. ClearView recruited a new team and refocused the direct distribution approach. There has been an improvement in the quality of new business in the Direct Life business with run rates improving steadily over the first half of FY14.

Underlying life insurance NPAT has increased by \$0.7 million (18%) compared with that for the half year ended 31 December 2012. This result reflects:

- Favourable claims experience profit (after tax) of \$0.7 million during the half year compared to an adverse experience variation in 1H FY13 of \$1.1m (relative to the expected claims cost). Given the current small size of the term life insurance portfolio and the reinsurance arrangements for the pre 2011 business, material claims volatility from period to period is to be expected. As the in-force of LifeSolutions grows, with higher reinsurance arrangements in place, the claims volatility is likely to reduce from period to period;
- Life insurance lapse experience was broadly in line with the rates assumed in the life insurance policy liability (determined at 30 June 2013) with an experience loss of \$0.1 million (after tax) in FY14 compared to experience profit of \$0.1 million (after tax) in the prior half year. As noted above, this was predominantly driven by lapse losses incurred on new direct business written via

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certain channels over the last two years, which have now been closed to new business (some continuing adverse experience on the in-force business from these channels can be expected, albeit tapering off over the short to medium term). The business written pre 2011 has displayed adverse lapse experience over recent periods. The new LifeSolutions business has displayed favourable lapses to date which has largely offset the negative experience by the other channels;

- The growth in life insurance initial commission in the financial year is driven by the upfront variable commission cost related to the increased new business volumes. These acquisition costs are deferred and amortised within the policy liability, over the expected life of the policies, in accordance with the accounting standards;
- An increase in acquisition expenses in life insurance (front end costs). These are in addition to the upfront commissions and are driven by a variable component related to stamp duty and medicals, increased head count (underwriters, administrators and business development managers), front end system costs and an increased cost associated with Direct Life as noted above. This is a semi variable cost driven by direct marketing initiatives. All these acquisition costs are deferred within the policy liabilities in accordance with the accounting standards;
- An increase in maintenance expenses driven by investment in the business to further develop the systems and processes for LifeSolutions (including IT related costs), increased compliance costs and Dealer Group support expenses due to the growth in the aligned advisers recruited and the increased write off of capitalised software costs (predominantly LifeSolutions system costs). Furthermore, there is an increased shared services cost allocation to life insurance as the business grows and absorbs more shared services functions;
- In-force premium has increased significantly over the period. However, new written annualised premium contributes only a part of a year's premium income in the first year it is written in the case of monthly paid business, and in the case of annual paid business, only a part of the premium paid is earned in the first year. This reflects an inherent lag between new life insurance business written in the period and profit emergence. The emergence of profit off the increased earned premium partially offset the impacts outlined above;
- Market competitive premium rates implicitly support market average participant (scale) expense rates.

Expense margins available are therefore proportional to new business premium written and in-force premium revenues. Emerging life insurers invest and incur overhead costs ahead of "getting to scale". As the business gets to scale, these costs are progressively supported by business volumes that creates operating leverage. Expense overruns depress initial reported profits; these should unwind as scale is achieved, thereby increasing underlying profit margins through the in-force portfolio. This resulted in a negative maintenance expense experience loss of \$2.9m for the half year; and

- Increase in investment earnings given the reallocation of shareholder cash to the life insurance segment (given the growth in the business and its related capital requirements).

### (b) Wealth Management

The profitability of Wealth Management is driven by the fees earned off Funds Under Management (FUM) in ClearView product less expenses incurred. The Group was FUM net flow positive of \$5 million for the first half of FY14, compared to net flow negative of \$33 million for the first half of FY13. This predominantly reflects the successful introduction of the WealthSolutions product, primarily sold to date via ClearView employed advisers.

Given margin compression in the industry and a focus on costs, new products are written at a lower margin than the historical Master Trust business. The WealthSolutions product is aimed at higher end Wrap clients (>\$250k investable funds) and in the prior year had only been distributed by ClearView employed advisers. In the first half of FY14, the focus on distributing the WealthSolutions product more broadly has started. The focus is to continue to grow out distribution of this product. The development of a new mid-market super product targeted at smaller account balances is also under way.

Underlying NPAT has decreased by \$0.9 million (21%) compared with that for the year ended 31 December 2013. This result reflects:

- Net increase in FUM levels over the year driven by the positive performance of investment markets and an improvement in the net flows given the launch of WealthSolutions albeit with new business written at lower margins than the existing in-force products. FUM increased by 14% resulting in higher fee income relative to expectations, albeit at lower margins. This is due to the margin compression and the run off of the Master Trust business (as assumed in the Embedded Value);

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- Marginally higher effective tax rate in 1H FY14 compared to 1H FY13;
  - Increased investment in wealth distribution and marketing costs in first half FY14 given the commencement of recruitment of aligned wealth advisers to complement the growth achieved in CFA of life insurance advisers, coupled with an increase in the allocation of shared service costs; and
  - Reduction in investment earnings given the reallocation of shareholder cash between segments.
- Net assets of \$255 million (June 2013: \$250.7 million) representing an increase of 2% over the prior comparable period;
  - Net tangible assets of \$211 million (June 2013: \$203.3 million) (\$235.7 million including ESP loans) representing an increase of 4% over the prior comparable period;
  - Net asset value per share (including ESP loans) of 59.6 cents per share (June 2013: 60.5 cents per share) representing a decrease of 2% over the prior comparable period; and
  - Net tangible asset value per share (including ESP loans) of 50.2 cents per share (June 2013: 50.1 cents per share) representing a marginal increase over the prior comparable period.

### (c) Financial Advice

As outlined above there has been growth in the aligned adviser model driven by relationships, equity offering and the non bank-aligned vertically integrated model. Funds Under Management and Advice (FUMA) levels increased over the period driven by the positive performance of investment markets and the further recruitment of aligned advisers.

Underlying NPAT has increased by \$1.4 million (309%) compared with that for the financial period ended 31 December 2012. This result reflects the profit improvement driven by reduction in cost base including a material reduction in the allocation of shared services overhead (due to growth in other segments), rationalised branch network (including the associated rental cost savings) and a restructured service model.

### (d) Listed Entity/Other

This represents the investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy.

The reduction in the Underlying NPAT is predominantly driven by the payment of dividends in the first half of FY13 and the investment of capital in ClearView Life Assurance Limited, the Group's life insurance subsidiary (reflective of the growth profile of this business), combined with reducing market interest rates over FY13.

## Statement of Financial Position

The Statement of Financial Position of the Group as set out on page 20 reflects the following key metrics as at 31 December 2013:

Net assets and net tangible assets were impacted during the year by:

- A reported profit of \$3.6 million outlined above;
- A dividend of \$8.2 million via a fully underwritten dividend reinvestment plan (DRP);
- Movements in the Executive Share Plan Reserve due to the treatment of the ESP expense in accordance with the accounting standards (\$0.4 million) and the repayment of ESP loans as a result the dividend declared in accordance with the plan rules (\$0.4 million); and
- An increase in share capital, net of costs, (\$8.0 million) due to the issue of shares in accordance with the fully underwritten DRP. A further 14.1 million shares were issued under the DRP which has an impact on the per share calculations.

The net asset value per share and net tangible asset value per share are reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 31 December 2013 (in accordance with the ClearView ESP Rules). The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an "option" in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

# ClearView Wealth Limited

ABN 83 106 248 248

## Directors' Report

An analysis of reconciliation of the net assets in the Statement of Financial Position to Excess Assets over Internal Benchmarks as at 31 December 2013 is outlined in the table below:

Reconciliation of net assets to surplus capital:	Life \$ million	Wealth \$ million	Advice \$ million	Other \$ million	Total \$ million
<b>Net Assets (Balance Sheet)</b>	<b>165</b>	<b>23</b>	<b>15</b>	<b>52</b>	<b>255</b>
Goodwill & Intangibles	(5)	-	(9)	(30)	(44)
<b>Net Tangible Assets</b>	<b>160</b>	<b>23</b>	<b>6</b>	<b>21</b>	<b>211</b>
Deferred Acquisition Costs (DAC)	(126)	-	-	-	(127)
Other Adjustments to Capital Base	(1)	-	-	(3)	(3)
<b>Capital Base (APRA)</b>	<b>33</b>	<b>23</b>	<b>6</b>	<b>19</b>	<b>81</b>
Prescribed Capital Amount	(3)	(9)	-	(4)	(16)
Risk Capital	(17)	(4)	(2)	(4)	(26)
Working Capital	(13)	(7)	-	(10)	(29)
<b>Excess Assets over Internal Benchmarks</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>10</b>

The Life and General Insurance Capital (LAGIC) changes were implemented with effect from 1 January 2013. Adjustments are made to the Capital Base for various asset amounts which are deducted, for example intangibles, goodwill and deferred tax assets (net of deferred tax liabilities). ClearView's capital is currently rated Common Equity Tier1 capital in accordance with the APRA capital standards.

ClearView has no debt and \$9.5 million of net assets in excess of our internal benchmarks as at 31 December 2013. Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position in respect of risk outcomes where the regulatory capital cannot be readily accessed and to protect the various entities regulatory licences. Internal benchmarks include a working capital reserve of \$29 million as at 31 December 2013 to fund anticipated new business growth over the medium term.

Refer to the capital management section on page 16 for further detail.

## Embedded Value

Life Insurance and Wealth Management are long term businesses that involve long term contracts with customers and complex accounting treatments. Embedded Value represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.

# ClearView Wealth Limited

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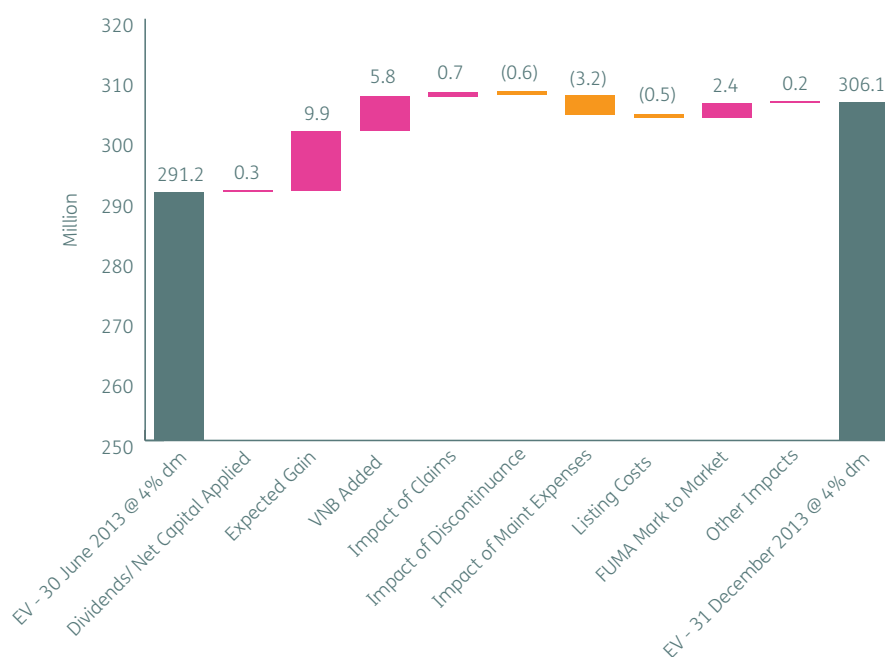
## Directors' Report

Embedded Value calculations at a range of risk discount margins is shown below:

Risk margin over risk free	3% dm \$ million	4% dm \$ million	5% dm \$ million
Life Insurance	190	179	168
Wealth Management	43	41	40
Financial Advice	23	22	21
Value of In-force (VIF)	<b>256</b>	<b>242</b>	<b>229</b>
Net worth	64	64	64
<b>EV</b>	<b>320</b>	<b>306</b>	<b>293</b>
ESP Loans	25	25	25
<b>EV including ESP Loans</b>	<b>345</b>	<b>331</b>	<b>318</b>
<b>Imputation Credits:</b>			
Life Insurance	34	32	30
Wealth Management	11	10	10
Financial Advice	7	7	6
<b>EV including Imputation Credits and ESP Loans</b>	<b>396</b>	<b>380</b>	<b>364</b>
<b>EV per share (cents)</b>	<b>73.4</b>	<b>70.5</b>	<b>67.7</b>
<b>EV per share including Imputation Credits (cents)</b>	<b>84.3</b>	<b>81.0</b>	<b>77.5</b>

Dm = discount rate margin

Relative to the Embedded Value of \$291 million at 30 June 2013 (pre allowance for imputation credits), the movement in the Embedded Value measured at a 4% discount rate margin is reflected below:



# ClearView Wealth Limited

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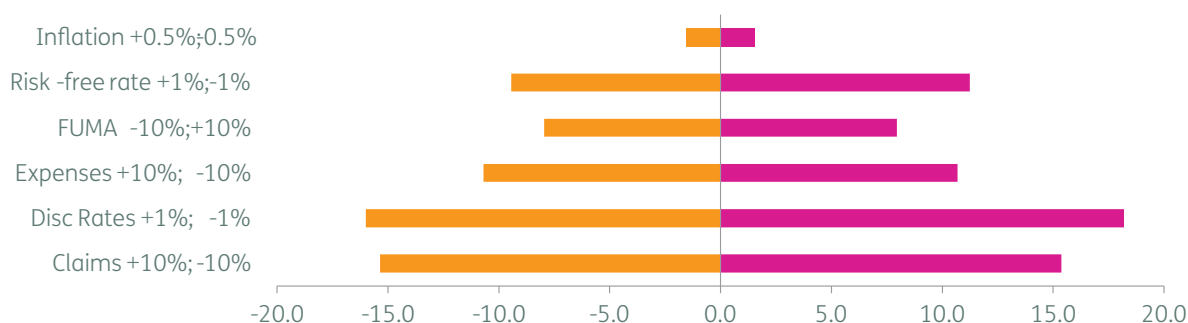
## Directors' Report

### EV Movement

- Net Capital Applied (+\$0.3 million) - The net impact of the Dividend Reinvestment Plan (DRP) and related repayment of Executive Share Plan loans by participants given their ineligibility to participate in the DRP under the Plan Rules.
- Expected Gain (+\$9.9 million) - Expected gain represents the unwind of the discount rate within the value of in-force and investment earnings on net worth;
- Value of New Business (VNB) (+\$5.8 million) - The value added by new business written over the period. The current value of new business is suppressed by the start up and growth costs incurred. The acquisition cost overruns should decrease as the business grows, providing it with operating leverage.
- The claims, client discontinuance and expense rate experience relative to expectation:
  - This is the claims experience (relative to actuarial assumptions). The claims experience of the recently written business (LifeSolutions and Non-Advice) was favourable in 1H FY14. Given the current small size of the insurance portfolio, some claims volatility from period to period is to be expected;
  - The impact of lapses on life insurance book and FUMA discontinuance. The life insurance lapses impact (-\$0.3m) was driven by lapse rates for legacy business being higher than expected (noting lapse rates for the more recent LifeSolutions business have been better than expected). The balance of the impact was due to higher discontinuance rates for the Financial Advice business (noting a key driver for this is transfers to WealthSolutions business which is included in the VNB number for Wealth); and
  - The expense experience (-\$3.2 million). This relates to the maintenance expense overruns versus the long term unit costs assumed in the EV. Emerging life insurers invest and incur overhead costs ahead of “getting to scale”. The expenses rates assumed in the EV are based on longer term unit costs, as opposed to current “expense overrun” levels. As business gets to scale, these costs are progressively supported by business volumes that creates operating leverage. Expense over-runs depress the EV initially; these are likely to be eliminated as scale is achieved, thereby increasing underlying profit margins through the in-force portfolio and removing the drag on the EV; and
  - Expenses were impacted by the Group’s listed overhead costs not allowed for in the Embedded Value (\$0.5 million).
  - FUMA Mark to Market (+\$2.4m) - The net investment performance on the funds under management and advice over the period resulted in higher fee income relative to expectations.
  - Basis Change (+\$0.2m) - This includes the net effect of capital reallocations by segment, model enhancements, timing effects, actuarial assumption changes and regulatory base changes.

While the Embedded Value measures are determined in the context of the Group’s business as a going concern, they do not include any additional value in respect of future new business that may be written after the valuation date. The Embedded Value measure uses assumptions related to future experience. A sensitivity analysis on the key assumptions in the Embedded Value is outlined below:

EV Sensitivity Analysis - Total @ 4%dm (\$mil)





# ClearView Wealth Limited

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## Directors' Report

### Shares issued under the ESP

As at the date of this report, ClearView has a total of 45.2 million ESP shares on issue of which 19.3 million have been issued to select financial advisers. As outlined in the Operating and Financial Review, recruitment of financial advisers represents a significant growth opportunity for ClearView. In addition to being one of the few non bank-aligned participants in the market, the Group is able to offer such financial advisers the opportunity to participate in the overall performance of ClearView through share ownership in the Company.

In November 2011, the ESP rules were extended to allow financial advisers to participate in the Plan (as contractor participants). The Board has, since February 2013, removed any cap on the issue of shares under the ESP and the Board has therefore not set a limit on the number of shares that may be issued under the Plan.

In accordance with the provisions of the ESP, during the half year 2.5 million shares were granted to senior management and contractor participants (financial advisers) with the following grant dates:

Series	Participant	Grant Date	No of Shares Issued	Reallocated	Total
Opening Balance at 30 June 2013					<b>41,867,333</b>
Series 31	Senior Management	14/10/2013	1,100,000	75,000	1,175,000
Series 32	Senior Management	14/10/2013	1,100,000	75,000	1,175,000
Series 33	Senior Management	29/11/2013	-	75,000	75,000
Series 34	Senior Management	29/11/2013	-	75,000	75,000
Series 35	Senior Management	31/01/2014	-	75,000	75,000
Series 36	Senior Management	31/01/2014	-	75,000	75,000
<b>Total (Senior Management)</b>			<b>2,200,000</b>	<b>450,000</b>	<b>2,650,000</b>
Series 37	Contractor Participants	31/01/2014	1,370,277	1,083,056	2,453,333
<b>Total (Contractor Participant)</b>			<b>1,370,277</b>	<b>1,083,056</b>	<b>2,453,333</b>
Reallocated					(1,533,056)
Exercised	Senior Management	31/01/2014			(216,944)
<b>Closing Balance as at the date of this report</b>					<b>45,220,666</b>

### Dividends

The Directors have not declared an interim dividend (1H FY13: Nil).

As outlined in the 30 June 2013 Annual Report, the Board recently reviewed the Company's dividend policy. The Board seeks to pay dividends at sustainable levels and increased the target payout ratio to between 40% and 60% of Underlying NPAT to align closer to its Australian financial services peers. Furthermore, it is the intention to maximise the use of its franking account by paying fully franked dividends (refer to commentary on interim dividends that follows).

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may

be affected by trading and general economic conditions, business growth and regulation. Accordingly, no assurance can be given as to the timing, extent and payment of dividends.

The Board continues to consider implementing an interim dividend payment. The ability to pay an interim dividend is limited by the availability of franking credits and the effect on tax paid of the changes in long term discount rates used to determine the insurance policy liabilities between the half year period and year end.

A final fully franked dividend for FY13 of \$8.2m was declared. This equated to 1.8 cents per share and represented approximately 50% of the FY13 underlying net profit after tax and is in line with the Company's revised dividend policy.

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# ClearView Wealth Limited

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## Directors' Report

The Board reinstated the dividend reinvestment plan (DRP) at the time of the FY13 Final Dividend which was fully underwritten. The DRP:

- Provided shareholders the opportunity to reinvest into the Group's fast growing life insurance business, while at the same time retaining capital within the Group;
- Further, it believed that an underwritten DRP will, over time, lead to enhanced liquidity in the Company's shares through the introduction of new shareholders; and
- Given the illiquidity of the shares, it was not considered appropriate to minimise the dilutive impact of the DRP through the on market purchase of the number of shares required to satisfy the DRP participation.

## Capital Management

### Capital Position

Surplus capital above the internal benchmarks at 31 December 2013 was \$9.5 million across the Group, a decrease of \$2.7 million since 30 June 2013. The decrease in surplus capital since 30 June 2013 reflects the following key items:

- The underlying profit for the year less the net capital absorbed by the growth of the business over the period (-\$2.4 million);
- The increase in the working capital reserve in the six months to 31 December 2013 (-\$1.3m);
- Net impact of the underwritten DRP and related issue of shares (+\$0.3 million); and
- The net impacts of the tax effect on the change in policy liability discount rate and other movements in the capital base (+\$0.7m).

Internal Benchmarks includes capital held for the protection of ClearView's regulatory capital position in respect of risk outcomes where the regulatory capital cannot be readily accessed and to protect the various entities' regulatory licences (risk based capital). Furthermore, a working capital reserve is the capital held to support the capital needs of the business beyond the risk reserving basis. This includes the net capital anticipated to be needed to support the medium term new business plans (in accordance with the Internal Capital Adequacy Process).

Internal benchmarks as at 31 December 2013 includes a working capital reserve of \$29 million to fund anticipated new business growth over the medium term following the approval of the current three year business plan by the Board

in June 2013. ClearView therefore has \$39 million of capital to fund future growth. Life insurance has high upfront costs – but from year two generates positive cash flows. While ClearView remains a high growth company (relative to the in-force portfolio) it will likely remain a negative cash flow business and require net capital funding. This is reviewed over a three year forward period on a continuous basis.

### Capital Raising

Consistent with the 1H FY14 business update, ClearView today also announced the launch of a fully underwritten equity raising of approximately \$45 million to support the growth of the Company with proceeds to be applied as follows:

- \$40 million will be used to fund ClearView's strong growth in in-force premiums; and
- \$5 million will be used to make a number of potential small investments and other activities to accelerate the growth of the business.

The equity raising will comprise two separate components, in order to give existing ClearView shareholders the opportunity to participate, while broadening ClearView's share register:

- An Institutional Placement to raise approximately \$20 million (Placement); and
- A 1 for 12 pro rata accelerated non-renounceable Entitlement Offer to raise approximately \$25 million (Entitlement Offer).

Approximately 70.0 million new ClearView shares will be issued under the equity raising, representing approximately 14.9% of total issued capital.

The issue price of \$0.65 represents a discount of 9.7% to the closing price of \$0.72 on Tuesday, 25 February 2014 and a 9.0% discount to the theoretical ex-rights price (TERP).

The institutional component of the Entitlement Offer (Institutional Entitlement Offer) will be open to eligible institutional shareholders, and provides the opportunity to acquire 1 new ClearView share (New Shares) for every existing 12 shares held at the issue price of \$0.65 per New Share. New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer.

The retail component of the Entitlement Offer (Retail Entitlement Offer) is open to eligible retail shareholders in Australia and New Zealand and provides the opportunity to acquire 1 new ClearView share for every existing 12 shares held as at the Record Date of 7.00pm (AEDT) on Monday, 3 March 2014 at the issue price of \$0.65 per New Share.

# ClearView Wealth Limited

ABN 83 106 248 248

## Directors' Report

Eligible retail shareholders are also being given the opportunity to apply for New Shares in excess of their entitlement<sup>3</sup>. New shares issued under the Placement and the Entitlement Offer will rank equally with existing ClearView shares.

Both the Placement and Entitlement Offer are underwritten by CBA Equities Limited (ABN 76 003 485 952) (the Underwriter). ClearView's major shareholder, Crescent Capital Partners (Crescent) and its associates (holding approximately 59.0% of total issued capital as at the date of this announcement) are supportive of the equity raising. Crescent and its associates hold shares in ClearView through a number of entities (Crescent Shareholders), including CCP BidCo Pty Limited (ACN 159 362 428) as trustee for CCP Bidco Trust (CCP BidCo). CCP BidCo has committed to subscribe for its pro rata entitlement under the Institutional Entitlement Offer at the offer price of \$0.65. CCP BidCo has also agreed with the Underwriter to sub-underwrite the Institutional Entitlement Offer and the Retail Entitlement Offer. Each Crescent Shareholder other than CCP BidCo has agreed not to take up its entitlement so that such entitlements can be taken up by CCP BidCo under this sub-underwriting arrangement. ClearView's Managing Director, Simon Swanson, currently holds shares in ClearView in a personal capacity and through his investment vehicle. Mr Swanson, and his investment vehicle, will not take up their entitlement under the Institutional Entitlement Offer. Instead, Mr Swanson's nominated investment vehicle has entered into a sub-underwriting agreement with the Underwriter pursuant to which Mr Swanson's nominated investment vehicle agrees to sub-underwrite the Institutional Entitlement Offer up to Mr Swanson's, and his investment vehicle's, entitlement under the Institutional Entitlement Offer.

On the basis that CCP BidCo and Mr Swanson's investment vehicle acquire the maximum number of New Shares under the Sub-underwriting Agreements, their voting power in respect of ClearView shares will be as follows:

	Before the placement	On the completion of the Entitlement Offer
CCP BidCo (and associates)	59.0%	58.6%
Simon Swanson (and associates)	2.6%	2.4%

Refer to market release for key dates and further details relating to the capital raising.

### Share Buyback

At ClearView's Annual General Meeting held on 6 November 2013, it was indicated that, the share price does not always reflect the Company's view of intrinsic value, which is particularly relevant when the business is undergoing the current high level of growth in life insurance in-force premium. Accordingly, in such circumstances, the Board believes that buying back shares below intrinsic value is in the best interests of ClearView shareholders.

In accordance with this, the Board established a liquidity facility on 6 January 2014 through an on market buyback. To date \$0.35 million and 510,252 shares have been bought back by the Company subsequent to period end.

### Changes in state of affairs

Other than discussed above, there were no other significant changes in the state of affairs of the Group during the half year ended 31 December 2013.

### Auditor's independence declaration

The auditor's independence declaration is included on page 18.

### Rounding off of amounts

ClearView is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the half year financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors



Dr Gary Weiss  
Chairman  
Sydney, 26 February 2014

<sup>3</sup> Subject to a cap of \$10,000 of Additional New Shares per eligible retail shareholder. The number of additional New Shares this represents will be calculated at the Offer Price. Applications for New Shares in excess of entitlements may be scaled back at ClearView's absolute discretion. Any allocation of additional New Shares will be made at ClearView's absolute discretion subject to a cap of \$10,000 per shareholder.

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# ClearView Wealth Limited

## Auditor's Independence Declaration

**Deloitte.**

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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The Board of Directors  
ClearView Wealth Limited  
Level 12, 20 Bond Street  
Sydney 2000 NSW

26 February 2014

Dear Board Members

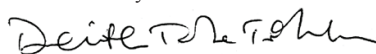
**ClearView Wealth Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ClearView Wealth Limited.

As lead audit partner for the review of the financial statements of ClearView Wealth Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited.

# ClearView Wealth Limited

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2013

	Note	Consolidated	
		6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
<b>Continuing Operations</b>			
<b>Revenue from continued operations</b>			
Premium revenue from insurance contracts		36,236	25,922
Outward reinsurance expense		(3,769)	(1,976)
<b>Net life insurance premium revenue</b>		<b>32,467</b>	<b>23,946</b>
Fee and other revenue		29,140	25,397
Investment income		38,567	40,885
<b>Operating revenue before net fair value gains on financial assets</b>		<b>100,174</b>	<b>90,228</b>
Net fair value gains/ (losses) on financial assets		45,311	56,420
<b>Net operating revenue</b>		<b>145,485</b>	<b>146,648</b>
Claims expense		(10,715)	(10,474)
Reinsurance recoveries revenue		4,463	2,528
Change in life insurance policy liabilities	9	9,302	9,006
Changes in reinsurers' share of life insurance liabilities	9	(3,277)	(1,788)
Change in life investment policy liabilities	9	(79,279)	(81,820)
Depreciation and amortisation expense	4	(5,304)	(4,885)
Commission expense		(21,412)	(15,133)
Other operating expenses	4	(30,042)	(30,814)
Share of profit / (loss) of associate		-	8
Movement in liability of non-controlling interest in controlled unit trust		(4,877)	(8,252)
<b>Profit before income tax expense</b>		<b>4,344</b>	<b>5,024</b>
Income tax expense		723	5,585
<b>Total comprehensive income /(loss) for the period from continuing operations</b>		<b>3,621</b>	<b>(561)</b>
<b>Attributable to:</b>			
Equity holders of the parent		3,621	(561)
<b>Earnings per share</b>			
Basic (cents per share)		0.87	(0.14)
Diluted (cents per share)		0.87	(0.14)

To be read in conjunction with the accompanying notes

# ClearView Wealth Limited

## Condensed Consolidated Statement of Financial Position

for the half year ended 31 December 2013

	Note	Consolidated	
		31 December 2013 \$'000	30 June 2013 \$'000
<b>Assets</b>			
Cash and cash equivalents		223,111	233,663
Investments	8	1,287,724	1,216,450
Receivables		12,783	9,665
Fixed interest deposits		42,847	53,284
Reinsurers' share of life insurance policy liabilities	9	(6,396)	(930)
Deferred tax asset		9,639	9,937
Property, plant and equipment		1,354	1,253
Goodwill	7	4,858	4,858
Other intangible assets		39,140	42,544
<b>Total assets</b>		<b>1,615,060</b>	<b>1,570,724</b>
<b>Liabilities</b>			
Payables		17,137	16,288
Current tax liabilities		-	3,583
Provisions		3,594	3,474
Life insurance policy liabilities	9	(112,763)	(99,736)
Life investment policy liabilities	9	1,165,509	1,175,346
Liability to non-controlling interests		285,262	219,907
Deferred tax liabilities		1,311	1,147
<b>Total liabilities</b>		<b>1,360,050</b>	<b>1,320,009</b>
<b>Net assets</b>		<b>255,010</b>	<b>250,715</b>
<b>Equity</b>			
Issued capital	6	285,601	277,565
Retained losses		(35,511)	(30,977)
Executive Share Plan Reserve		4,920	4,127
Equity attributable to equity holders of the parent		255,010	250,715
<b>Total equity</b>		<b>255,010</b>	<b>250,715</b>

To be read in conjunction with the accompanying notes



# ClearView Wealth Limited

## Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2013

Note	Share capital \$'000	Executive share plan reserve \$'000	Retained losses \$'000	Attributable to the owners of the parent \$'000
<b>Balance at 30 June 2013</b>	<b>277,565</b>	<b>4,127</b>	<b>(30,977)</b>	<b>250,715</b>
Profit for the period	-	-	3,621	3,621
Total comprehensive income for the period	-	-	3,621	3,621
Dividend declared	-	-	(8,155)	(8,155)
Shares issued during the year (DRP)	8,036	-	-	8,036
Recognition of share based payments	-	390	-	390
ESP loans settled through dividend	-	403	-	403
<b>Balance at 31 December 2013</b>	<b>285,601</b>	<b>4,920</b>	<b>(35,511)</b>	<b>255,010</b>
<b>Balance at 30 June 2012</b>	<b>276,565</b>	<b>1,750</b>	<b>(15,034)</b>	<b>263,281</b>
Profit for the period	-	-	(561)	(561)
Total comprehensive income for the period	-	-	(561)	(561)
Dividend declared	-	-	(8,019)	(8,019)
Special Dividend declared	-	-	(9,800)	(9,800)
Recognition of share based payments	-	1,025	-	1,025
ESP loans settled through dividend	-	774	-	774
<b>Balance at 31 December 2012</b>	<b>276,565</b>	<b>3,549</b>	<b>(33,414)</b>	<b>246,700</b>

To be read in conjunction with the accompanying notes

# ClearView Wealth Limited

## Condensed Consolidated Statement of Cash Flows

for the half year ended 31 December 2013

	Consolidated	
	6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
<b>Cash Flows from operating activities</b>		
Receipts from client and debtors	78,308	117,000
Payments to suppliers and other creditors	(59,810)	(65,078)
Withdrawals paid to life investment clients	(104,539)	(160,508)
Dividends and trust distributions received	8,045	8,214
Interest received	15,168	16,765
Income taxes paid	(4,722)	(1,600)
<b>Net cash (utilised) / generated by operating activities</b>	<b>(67,550)</b>	<b>(85,207)</b>
<b>Cash flows from investing activities</b>		
Payments for investment securities	(1,069,817)	(1,047,176)
Proceeds from sales of investment securities	1,055,778	1,126,383
Acquisition of property, plant and equipment	(324)	(12)
Acquisition of fixed interest deposits	(10,414)	(71,974)
Acquisition of capitalised software	(1,800)	(1,171)
Fixed interest deposits (invested) / redeemed	21,737	93,662
Loans (granted to)/ redeemed from advisers	(552)	93
<b>Net cash generated / (utilised) by investing activities</b>	<b>(5,392)</b>	<b>99,805</b>
<b>Cash flows from financing activities</b>		
Net movement in liability of non-controlling interest in unit trusts	62,021	15,100
Repayment of ESP loans through dividend paid	403	774
Settlements from ESP shares exercised	(34)	-
Dividends paid	-	(17,819)
<b>Net cash (utilised) / generated in financing activities</b>	<b>62,390</b>	<b>(1,945)</b>
Net increase/(decrease) in cash and cash equivalents	(10,552)	12,653
Cash and cash equivalents at the beginning of the financial period	233,663	193,371
<b>Cash and cash equivalents at the end of the financial period</b>	<b>223,111</b>	<b>206,024</b>

To be read in conjunction with the accompanying notes

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# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013

### 1. Significant accounting policies

#### General information

ClearView Wealth Limited (the Company or Consolidated Entity) is a limited company incorporated in Australia. The address of its registered office is Level 12, 20 Bond Street, Sydney, NSW 2000. The principal activities of the Company and its subsidiaries (the Group) are described in note 3.

#### Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2013 Annual Financial Report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'; and
- AASB 2012 - 2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities'.

#### Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation - Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

The Directors of the Company have made an assessment as to whether the Group has control over its investments in accordance with the new definition of control and the related guidance set out in AASB 10. The Directors have concluded that there are no changes required as a result of the initial application of AASB10 being effective for annual reporting periods beginning on or after 1 July 2013.

#### Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any changes to the half year report.

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# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payments', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

### Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

The application of AASB 119 has not had any material impact on the amounts recognised in the consolidated financial statements.

### Impact of the application of AASB 2012-2

#### 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

#### (a) Methods used in the valuation of policy liabilities

The policy liabilities have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038 'Life Insurance Contracts', whereas policy liabilities for life investment contracts are valued in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'.

These life insurance and life investment policy liability determinations are also consistent with the requirements of the relevant Prudential Standards and the Life Insurance Act 1995. Life insurance policy liabilities have been calculated in a way which allows for the systematic release of planned margins as services are provided to policy holders and premiums are received.

#### (b) Actuarial assumptions used in the valuation of life insurance policy liabilities

Key assumptions used in the calculations of life insurance policy liabilities are as follows:

Discount rates: Discount rates are based on a yield curve derived from Commonwealth Government bond market yields as at the valuation date, plus an illiquidity adjustment based on the difference between these yields and BBSW swap rates as at the valuation date. As an indication, the resulting average effective discount rate adopted was 4.7% p.a. (30 June 2013: 4.4% p.a.).

Acquisition expenses: Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 6 months to 31 December 2013.

Maintenance expense and inflation: The per policy maintenance expense assumptions were based on the longer term per policy unit costs implied by the ClearView Life Assurance Limited (ClearView Life) 2014 business plan (30 June 2013: Also based on the 2014 business plan). Expense inflation of 2.5% p.a. (30 June 2013: 2.5% p.a.) was assumed.

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

Lapses: Rates adopted vary by product, duration, age and premium frequency, and have been based on an analysis of ClearView Life's experience over recent years with allowance for expected trends.

Mortality: Rates adopted vary by product, age, gender, and smoking status and have been based on ClearView Life's mortality experience. The underlying mortality table used was IA95-97, including allowance for selection.

Morbidity (TPD and Trauma): Rates adopted vary by age, gender and smoking status, and have been based on known industry experience plus advice from ClearView Life's reinsurers.

### (c) Effects of changes in actuarial assumptions (over 6 months ended 31 December 2013)

Assumption Category	6 months to 31 December 2013	
	Increase / (Decrease) On Profit Margins \$'000	Increase / (Decrease) On Policy Liabilities \$'000
Discount rates and inflation	(3,110)	2,511
Lapses	-	-
Mortality and morbidity	-	-
<b>Total</b>	<b>(3,110)</b>	<b>2,511</b>

### (d) Processes used to select assumptions

#### Discount rate

Benefits under life insurance contracts are not contractually linked to the performance of the assets held. As a result, the life insurance policy liabilities are discounted for the time value of money using discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations. The discount rate is based on Commonwealth Government bond rates adjusted by a margin to reflect the illiquid nature of the liabilities. The effect of this approach is unchanged from that adopted last valuation.

#### Maintenance expenses and inflation

Maintenance expenses are set having regard to the cost base in the three year Board adopted business plan excluding short term growth and development costs.

Per policy maintenance expenses are assumed to increase in the future with inflation, at a rate that allows for basic price increases (CPI).

#### Acquisition expenses

Per policy acquisition expenses were derived from the analysis of acquisition expenses adopted for this financial report.

#### Taxation

It has been assumed that current tax legislation and rates continue unaltered.

#### Mortality and morbidity

Appropriate base tables of mortality and morbidity are chosen for the type of products written. An investigation into the actual experience of the insurance portfolio over recent years is performed annually and the Company's mortality and morbidity experience is compared against the rates in the base tables. Where the data is sufficient to be fully statistically credible, the base table is adjusted to reflect the portfolio's experience. Where data is insufficient to be fully statistically credible, the base table is adjusted having regard to the extent of the credibility of the portfolio's experience, the overall experience of the industry known and advice from ClearView's reinsurers.

#### Lapse

An investigation into the actual lapse experience of ClearView Life over the most recent years is performed and statistical methods are used to determine appropriate lapse rates. An allowance is then made for any trends in the data to arrive at a best estimate of future lapse rates.

### (e) Sensitivity analysis

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as discount rates, expenses, mortality, morbidity and lapses. The valuations included in the reported results and ClearView Life's best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable may impact the reported performance and net assets of ClearView Life and the consolidated entity, and as such represents a risk.

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

Variable	Impact of movement in underlying variable
Interest Rate Risk	The life insurance policy liabilities are calculated using a discount rate that is derived from market interest rates. Changes in market interest rates will affect the present value of cash flows and profit margins in the policy liabilities, which in turn will affect the profit and shareholder equity. The change in interest rates would also impact the emerging profit via its impact on the investment returns on the assets held to back the liabilities.
Expense Risk	An increase in the level (or inflation) of expenses over the assumed levels will decrease emerging profit. However, a change in the base expense assumptions adopted for the policy liability is unlikely to impact the current policy liability determination as such a change is absorbed into the policy liability profit margin reserve in the first instance.
Mortality Rates	For life insurance contracts providing death benefits, increased rate of mortality would lead to higher levels of claims, increasing associated claims cost and thereby reducing emerging profit. However, a change in the mortality assumptions adopted for the policy liability is unlikely to directly impact the current policy liability determination as such a change is absorbed into the policy liability profit margin reserve in the first instance.
Morbidity Rates	The cost of claims under TPD and trauma cover depends on the incidence of policyholders becoming totally and permanently disabled or suffering a “trauma” event such as a heart attack or stroke. Higher incidence would increase claim costs, thereby reducing profit and shareholder equity. The impact on the policy liability of a change in morbidity assumptions is as per mortality above.
Lapses	Lapse risk represents the extent to which policyholders choose not to renew their policy, and allow it to lapse. An increase in the lapse rates will have a negative effect on emerging profit owing to the loss of future revenue, including that required to recover acquisition costs. The impact on the policy liability of a change in lapse assumptions is as per mortality above.

## 2. Events subsequent to reporting date

### a) Capital Raising

Consistent with the 1H FY14 business update, on 26 February 2014, ClearView announced the launch of a fully underwritten equity raising of approximately \$45 million to support the growth of the Company with proceeds to be applied as follows:

- \$40 million will be used to fund ClearView’s strong growth in in-force premiums; and
- \$5 million will be used to make a number of potential small investments and other activities to accelerate the growth of the business.

Approximately 70.0 million new ClearView shares will be issued under the equity raising in March 2014, representing approximately 14.9% of total issued capital.

The issue price of \$0.65 represents a discount of 9.7% to the closing price of \$0.72 on Tuesday, 25 February 2014 and a 9.0% discount to the theoretical ex-rights price (TERP).

### b) Share Buyback

At ClearView’s Annual General Meeting held on 6 November 2013, it was indicated that, the share price does not always reflect the Company’s view of intrinsic value, which is particularly relevant when the business is undergoing the current high level of growth in life insurance in-force premium. Accordingly, in such circumstances, the Board believes that buying back shares below intrinsic value is in the best interests of ClearView shareholders

In accordance with this, the Board established a liquidity facility on 6 January 2014 through an on market buyback. To date \$0.35 million and 510,252 shares have been bought back by the Company subsequent to period end.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly, or may significantly; affect the operations of the Group, the results of those operations or the state of the affairs of the Group in future financial years.



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# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The information reported to the Group's Board of Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance is focused on the products and services of each reporting segment.

The principal activities and the Group's reportable segments under AASB 8 are as follows:

- Life Insurance;
- Wealth Management;
- Financial Advice; and
- Listed Entity/ Other.

#### (a) Life Insurance ("protection" products)

ClearView provides life insurance protection products through its wholly owned subsidiary ClearView Life. The products provided by ClearView Life include:

- A comprehensive range of life protection products provided via both ClearView financial advisers and third party, external advisers (IFAs). The product suite, LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the ClearView Retirement Plan as superannuation;
- A range of Non-Advice life protection products distributed via direct marketing, telemarketing and "over-the counter" to customers, clients and supporters of strategic partners of ClearView. Products include term life, accidental death, injury covers, trauma and critical illness and funeral insurance.

#### (b) Wealth Management ("investment" products)

ClearView provides investment products via three primary avenues:

- Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two

provided via the ClearView Retirement Plan. This business represents the majority of the in-force wealth business;

- Managed Investment Schemes (MIS). Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include MIS products issued via ClearView's WealthSolutions platform; and
- A superannuation and retirement income Wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (IDPS) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. WealthSolutions includes a menu of approximately 250 investment funds, ASX listed shares, term deposits and seven ClearView managed funds. It also provides eight model portfolios managed by ClearView for superannuation investors.

ClearView's wealth management products are distributed primarily by ClearView employed financial advisers and more recently by the aligned financial advisers.

#### (c) Financial Advice

ClearView provides financial advice services through its wholly owned subsidiary ClearView Financial Advice (CFA). CFA has historically employed a number of salaried financial advisers and provides Dealer Group services to a number of franchised financial advisers, including a growing group of highly experienced financial advisers that have joined CFA as "aligned advisers".

#### (d) Listed Entity / Other

This represents the investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its ICAAP policy.

Asset segment information has not been disclosed because the allocation of assets is not used for evaluating segment performance and deciding the allocation of resources to segments.

Asset segment information is critical to the performance of each company and their respective regulatory obligations and is managed at a company level.

Information regarding these segments is provided below. The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 1.

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

	External Revenue		Inter-segment		Total	
	Half year ended		Half year ended		Half year ended	
	31 December 2013 \$'000	31 December 2012 \$'000	31 December 2013 \$'000	31 December 2012 \$'000	31 December 2013 \$'000	31 December 2012 \$'000
<b>Segment revenue</b>						
Life Insurance	33,584	24,901	-	-	33,584	24,901
Wealth Management	52,942	53,703	1,109	-	54,051	53,703
Financial Advice	13,243	10,573	10,027	9,184	23,270	19,757
Listed entity / Other	405	1,051	-	-	405	1,051
<b>Consolidated segment revenue</b>	<b>100,174</b>	<b>90,228</b>	<b>11,136</b>	<b>9,184</b>	<b>111,310</b>	<b>99,412</b>

Segment profit or loss represents the profit or loss earned by each segment including the allocation of directly attributable costs of each segment and an allocation of central services costs according to an expense allocation model which allocates costs across each segment. The allocation excludes the allocation of investment revenue and profit from associates. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

Half year ended 31 December 2013 (\$'000's)	Life Insurance	Wealth Management	Financial Advice	Listed Entity	Total
<b>Segment profit</b>					
<b>Underlying net profit / (loss) after tax</b>	<b>4,737</b>	<b>2,945</b>	<b>1,770</b>	<b>(352)</b>	<b>9,100</b>
Amortisation of acquired intangibles	(708)	(2,628)	(432)	-	(3,768)
AIFRS policy liability adjustment	(2,509)	-	-	-	(2,509)
Income tax effect	753	-	45	-	798
<b>Reported profit/ (loss)</b>	<b>2,273</b>	<b>317</b>	<b>1,383</b>	<b>(352)</b>	<b>3,621</b>
<b>Half year ended 31 December 2012 (\$'000's)</b>					
<b>Segment profit</b>					
<b>Underlying net profit / (loss) after tax</b>	<b>4,028</b>	<b>3,732</b>	<b>432</b>	<b>280</b>	<b>8,472</b>
Amortisation of acquired intangibles	(708)	(2,628)	(432)	-	(3,768)
Takeover bid related costs	-	-	-	(5,199)	(5,199)
AIFRS policy liability adjustment	(2,062)	-	-	-	(2,062)
Income tax effect	618	-	45	1,333	1,996
<b>Reported profit/ (loss)</b>	<b>1,876</b>	<b>1,104</b>	<b>45</b>	<b>(3,586)</b>	<b>(561)</b>

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 4. Other Expenses

	Consolidated	
	6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
<b>Administration Expenses</b>		
Administration and other operational costs	9,685	6,845
Custody and investment management expenses	2,922	3,191
<b>Total administration expenses</b>	<b>12,607</b>	<b>10,036</b>
<b>Employee Costs and Directors' fees</b>		
Employee expenses	15,792	15,182
Share based payments	424	1,025
Employee termination payments	134	212
Directors' fees	442	417
<b>Total employee costs and directors' fees</b>	<b>16,792</b>	<b>16,836</b>
<b>Other Expenses</b>		
Take over bid related costs	-	3,332
Professional fees	643	610
<b>Total other expenses</b>	<b>643</b>	<b>3,942</b>
<b>Total other operating expenses</b>	<b>30,042</b>	<b>30,814</b>
<b>Depreciation and amortisation</b>		
Depreciation	223	306
Software amortisation	1,703	1,201
Intangible amortisation	3,378	3,378
<b>Total depreciation and amortisation</b>	<b>5,304</b>	<b>4,885</b>

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 5. Dividends Paid

During the period, ClearView made the following dividend payments:

	Consolidated			
	6 months to 31 December 2013		6 months to 31 December 2012	
Fully paid ordinary shares	Cents per share	\$'000	Cents per share	\$'000
Final dividend	1.8	8,155	1.8	8,019
Special Dividend	-	-	2.2	9,800
<b>Total</b>	<b>-</b>	<b>8,155</b>	<b>-</b>	<b>17,819</b>

No interim dividend has been declared.

A final fully franked dividend for FY13 of \$8.2m was declared. This equated to 1.8 cents per share and represented approximately 50% of the FY13 underlying net profit after tax and is in line with the Company's revised dividend policy.

The Board reinstated the dividend reinvestment plan (DRP) at the time of the FY13 Final Dividend which was fully underwritten and as such no cash dividend was paid during the half year, as can be seen in the Condensed Consolidated Statement of Cash Flows.

### 6. Issuances and Repurchase of Equity

	6 months to 31 December 2013 No of shares	6 months to 31 December 2013 \$'000	12 months to 30 June 2013 No of shares	12 months to 30 June 2013 \$'000
<b>Issued and fully paid ordinary shares</b>				
Balance at the beginning of the period	411,312,192	277,565	409,312,192	276,565
DRP Shares issued	14,064,082	8,155	-	-
DRP Costs	-	(119)	-	-
Shares issued during the year (ESP vested)	-	-	2,000,000	1,000
<b>Balance at the end of the period</b>	<b>425,376,274</b>	<b>285,601</b>	<b>411,312,192</b>	<b>277,565</b>
<b>Executive share plan</b>				
Executive share plan balance at the beginning of the period	41,867,333	-	31,125,000	-
Shares granted under executive share plan	2,200,000	-	12,742,333	-
ESP Shares vested during the year	-	-	(2,000,000)	-
<b>Executive share plan balance at the end of the period</b>	<b>44,067,333</b>	<b>-</b>	<b>41,867,333</b>	<b>-</b>

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

In accordance with the provisions of the ESP, during the half year period 2.5 million shares were issued to senior management and contractor participants with the following grant dates:

Series	Participant	Grant Date	Reallocated	No of Shares Issued	Total
<b>Opening Balance at 30 June 2013</b>					<b>41,867,333</b>
Series 31	Senior management	14 October 2013	75,000	1,100,000	1,100,000
Series 32	Senior management	14 October 2013	75,000	1,100,000	1,100,000
Series 33	Senior management	29 November 2013	75,000	-	-
Series 34	Senior management	29 November 2013	75,000	-	-
<b>Closing Balance at 31 December 2013</b>			<b>300,000</b>	<b>2,200,000</b>	<b>44,067,333</b>

Shares granted under the ESP carry rights to dividends and voting rights. For details of the ESP refer to the June 2013 Annual Report.

The above ESP balance reconciles to the outstanding shares granted under the ESP at the beginning and the end of each relevant period. In accordance with AASB 2 Share Based Payments, the shares issued under the employee share plan are treated as options and are accounted for as set out in note 1.

## 7. Goodwill

	Consolidated	
	31 December 2013 \$'000	30 June 2013 \$'000
<b>Gross carrying amount</b>		
Balance at the beginning of the financial period	4,858	4,858
Additional amount recognised through acquisition of business	-	-
<b>Balance at the end of the financial period</b>	<b>4,858</b>	<b>4,858</b>
<b>Net book value</b>		
At the beginning of the financial period	4,858	4,858
<b>At the end of the financial period</b>	<b>4,858</b>	<b>4,858</b>

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# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 8. Investments

	Consolidated	
	31 December 2013 \$'000	30 June 2013 \$'000
<b>Equity Securities</b>		
Held directly	236,994	259,278
Held indirectly via unit trust	263,394	223,336
	<b>500,388</b>	<b>482,614</b>
<b>Debt securities / fixed interest securities</b>		
Held directly	570,384	539,183
Held indirectly via unit trust	32,514	32,534
	<b>602,898</b>	<b>571,717</b>
<b>Property</b>		
Held indirectly via unit trust	184,438	162,119
	<b>184,438</b>	<b>162,119</b>
<b>Total investments</b>	<b>1,287,724</b>	<b>1,216,450</b>



# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 9. Policy Liabilities

	Consolidated	
	6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
<b>Reconciliation of movements in policy liabilities</b>		
<b>Life investment policy liabilities</b>		
Opening gross life investment policy liabilities	1,175,347	1,219,068
Net increase / (decrease) in life investment policy liabilities reflected in the income statement	79,279	81,820
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(12,914)	(13,157)
Life investment policy contributions recognised in policy liabilities	28,336	63,549
Life investment policy withdrawals recognised in policy liabilities	(104,539)	(160,508)
<b>Closing gross life investment policy liabilities</b>	<b>1,165,509</b>	<b>1,190,772</b>
<b>Life insurance policy liabilities</b>		
Opening gross life insurance policy liabilities	(99,736)	(83,687)
Movement in outstanding claims	(3,725)	3,338
Decrease in life insurance policy liabilities reflected in the income statement	(9,302)	(9,006)
Closing gross life insurance policy liabilities	(112,763)	(89,355)
<b>Total gross policy liabilities</b>	<b>1,052,746</b>	<b>1,101,417</b>
<b>Reinsurers' share of life insurance policy liabilities</b>		
Opening balance	930	(1,901)
Movement in outstanding reinsurance	2,189	(1,533)
Decrease / (increase) in reinsurance assets reflected in the income statement	3,277	1,788
Closing balance	6,396	(1,646)
<b>Net policy liabilities at balance date</b>	<b>1,059,142</b>	<b>1,099,771</b>

# ClearView Wealth Limited

## Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2013 (continued)

### 10. Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the June 2013 Annual Report issued in August 2013.

### 11. Financial Instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	31 December 2013 \$'000	30 June 2013 \$'000				
Financial Assets/ Financial Liabilities	Fair Value		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity securities	236,993	259,278	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	N/A	N/A
Fixed interest securities	602,898	571,717	Level 2	Inputs other than quoted prices included within level 2 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)	N/A	N/A
Unit Trusts	447,833	385,455	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities	N/A	N/A

There were no transfers between Level 1 and 2 in the financial period.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

### 12. Contingent Liabilities and Contingent Assets

There are no material changes to contingent liabilities and contingent assets that were disclosed in the 30 June 2013 Annual Report.

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# ClearView Wealth Limited

## Directors' Declaration

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors



Dr Gary Weiss  
Chairman  
Sydney, 26 February 2014

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# ClearView Wealth Limited

## Independent Auditor's Review Report

**Deloitte.**

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### Independent Auditor's Review Report to the members of ClearView Wealth Limited

We have reviewed the accompanying half year condensed consolidated financial report of ClearView Wealth Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 19 to 35.

#### *Directors' Responsibility for the Half Year Condensed Consolidated Financial Report*

The directors of the company are responsible for the preparation of the half year condensed consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year condensed consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year condensed consolidated financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year condensed consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ClearView Wealth Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year condensed consolidated financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited.

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# ClearView Wealth Limited

## Independent Auditor's Review Report

(continued)

# Deloitte.

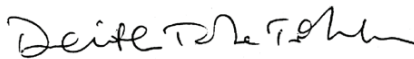
### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ClearView Wealth Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year condensed consolidated financial report of ClearView Wealth Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell  
Partner  
Chartered Accountants  
Melbourne, 26 February 2014



ClearView Wealth Limited  
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**ASX Code: CVW**

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