

**ClearView Annual Report 2014**



## Contents

- 2.....Financial Highlights
- 3.....Our Values
- 4.....Chairman's Letter
- 8.....Managing Director's Report
- 12.....Directors' Report
- 19.....Operating and Financial Review
- 43.....Remuneration Report
- 58.....Auditor's Independence Declaration
- 59.....Corporate Governance
- 66.....Financial Report
- 144...Directors' Declaration
- 145...Independent Auditor's Report
- 147...Shareholders' Information
- 152...Directory

## Financial Calendar

- Annual General Meeting  
6 November 2014
- Half Year End  
31 December 2014
- Half Year Result Announcement  
February 2015
- Year End  
30 June 2015
- Annual Report  
August 2015

**Dates are subject to change.**

# 2014 Financial Highlights

**\$19.7m**  
Underlying NPAT <sup>1</sup>

**4.41** cents  
per share  
Underlying NPAT <sup>1</sup>

**\$13.9m**  
Reported NPAT

**2.0** cents  
per share  
Fully Franked  
Dividend

**\$157m**  
Net Cash <sup>5,6</sup>

**\$25.5m**  
Surplus Capital <sup>2,5</sup>

**62.3** cents  
per share  
Net assets <sup>3,5</sup>

**71.2** cents  
per share <sup>3</sup>  
Embedded  
Value <sup>4,5</sup>

**\$359m**  
Embedded  
Value <sup>4,5</sup>

Year ended 30 June, \$ million	2014	2013	% Change
Life insurance	10.8	8.4	29%
Wealth management	5.9	6.6	(11%)
Financial advice	3.5	0.8	355%
Listed/Other	(0.5)	0.2	NM
<b>Underlying NPAT<sup>1</sup></b>	<b>19.7</b>	<b>16.0</b>	<b>23%</b>
Amortisation	(7.4)	(7.5)	(2%)
Other adjustments <sup>1</sup>	1.6	(6.6)	NM
<b>Reported NPAT</b>	<b>13.9</b>	<b>1.9</b>	<b>Large</b>

- Underlying net profit is the Board's key measure of group profitability and the basis on which dividend payments are determined. It consists of profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities, and costs which are considered unusual to the Group's ordinary activities.
- Surplus capital above the internal benchmarks at 30 June 2014. 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 licenses.
- Adjusted for Executive Share Plan (ESP) loans of \$28.7m (2013:\$23.6m) and 49.4m (2013: 41.9m) ESP shares.
- Embedded value represents the discounted present value of the future cash-flows (after tax) anticipated to arise from the in-force life insurance and investment client balances as at 30 June 2014. The Embedded value excludes any value for future growth, potential value of franking credits, costs associated with being listed on ASX and short term growth and development costs. Embedded value at 4% discount rate margin excluding the potential value of imputation credits.
- As at 30 June 2014.
- Represents shareholder cash position in the Statement of Financial Position as at 30 June 2014; adjusted for the deconsolidation of the wholesale unit trusts.

## Key Statistics

**\$88m**

In-force life  
insurance  
premiums <sup>5</sup>

**\$1.66b**

Funds Under  
Management and  
Advice (FUMA) <sup>5</sup>

**117**

Financial  
Advisers  
Across Australia <sup>5</sup>

## Our Values

# our Way



At ClearView we respond quicker, we care more and we try harder. Why? Because we focus only on building and protecting the financial futures of our customers and their families, which means we won't be distracted from this mission. So every time our exceptional people decide on something, it gets done really, really well.

We're never satisfied when it comes to doing better and we never give up on our people, our customers, our partners and the moments that matter. Nothing really good has ever come about because someone gave up. So if there's a better way to do it, we'll find it.

'Ambition is the path to success, **PERSISTENCE** is the vehicle you arrive in.'

We believe that working together benefits the customer and that two heads are better than one, and a lot more fun. Three are better still. We want more perspectives not less. We are a group of like-minded passionate people who turn up every day to share, help and be better than yesterday... together.

'As you navigate through the rest of your life, be open to **COLLABORATION**. Find a group of people who challenge and inspire you, spend a lot of time with them, and it will change your life.'

A handshake... giving your word... committing... promising... and then actually delivering! If these things come in shades of grey to you we're not going to get along very well. Only 3 colours matter here - right, wrong and the vibrant pink on our logo.

'If you have **INTEGRITY**, nothing else matters. If you don't have **INTEGRITY**, nothing else matters.'

We're also proud to never compromise when selecting our people and there's nothing we hate more than fake. Only positive, genuine people need apply. Honest people. Open. Able to say sorry and admit they were wrong. Tell it like it is. Argue their case but accept a decision. What you see is what you get.

'The **AUTHENTIC** self is the soul made visible.'

---

# Chairman's Letter

## Dear Shareholders

**For the financial year to 30 June 2014, ClearView continued strong growth momentum and delivered pleasing financial and operational results. This performance is reflective of the clear focus of both management and the Board on implementing our key strategic and operational initiatives.**

## Financial Results

- Underlying net profit after tax (UNPAT) of \$19.7 million (FY13: \$16.0 million) representing an increase of 23% over the prior year;
- Reported net profit after tax of \$13.9 million (FY13: \$1.9 million) representing a significant increase over the prior year. This net profit after tax was after charging \$7.4 million of non-cash amortisation (predominantly related to the amortisation of intangibles at the initial acquisition of ClearView), with the net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles being \$21.3 million (FY13: \$9.4 million);
- Growth in sales of LifeSolutions (our advice based life insurance product) has continued in the current financial year with new business premium increasing to \$23.6 million (an increase of 40% over FY13);
- The investment in our Direct Life insurance business has shown signs of early success and momentum through the financial year, with new business premiums increasing by 48% over the prior year. This reflects the significant investment made in people and sales capability over the past 12 months;
- Funds under management (FUM) in ClearView products has increased by 8% over the year to \$1.66 billion as at 30 June 2014, with ClearView broadly being net flow neutral for the period. This represents a significant improvement in net flows over the last two years when ClearView experienced net outflows of circa \$150 million per annum.
- The number of financial advisers in the ClearView dealer group (CFA) has increased to 117 as at 30 June 2014, representing an increase of 15% over the prior year; and
- As at 30 June 2014, CFA had funds under management and advice (FUMA) of \$4.1 billion and life insurance in-force premiums under advice (PUA) of \$94 million. The growth in FUMA (11% over the prior year) and PUA (30% over the prior year) was predominantly driven by the recruitment of aligned advisers into our dealer group.

Embedded Value (EV) calculations are used as key measures in our industry to assess the performance of the business from period to period. EV represents the discounted value of the future cash flows anticipated to arise from the in-force life insurance policies and investment client balances as at the valuation date.

We are pleased to report that the EV of ClearView (excluding the potential value of franking credits) increased to \$359 million at 30 June 2014 (at a 4% discount rate margin), an increase of 8% over the prior year (after removing the impacts of the successful capital raising completed in March 2014). This represents an EV per share of 71.2 cents per share (excluding the potential value of franking credits).

Further details on the financial results are provided in the Operating and Financial Review in the Directors' Report.

## Strategy – Investing for Growth

ClearView has adopted a strategy which is focused on growth through layered investment in life insurance and wealth management. We have adopted a concept of “Walk, Jog, Run” under our strategy, which applies both to our strategy by business segment, and to our development strategy within each segment. In terms of business segment, we started by building a strong foundation in the advised life insurance market (“Walk”), followed by supporting growth in direct life insurance (“Jog”) and now broadening our investment in the wealth management segment (“Run”). Within each of these segments, our approach is to establish a sound, quality initial product and capability, build out our capability, capacity and differentiation to achieve growth and eventually transition to innovation and scale.

Over the past 12 months, ClearView has made significant progress in executing on our “Walk” and “Jog” strategies. Based on the progress to date in these areas, the Board has now approved an increased investment into building out our wealth platform over the next 12 months with the focus now extending to include the “Run” strategy.

---

# Chairman's Letter

Continued

## Life Advice

At the base of ClearView's strategy is ensuring that we become a high quality supplier of advised life insurance products to the independent financial adviser (IFA) market. Since the launch of LifeSolutions in December 2011, ClearView has primarily focused on building out our distribution network, products and systems to enable us to be a provider of innovative advised life insurance products to IFAs.

Over the past 12 months, ClearView has focused on the continued development of the front and back end systems, processes and ongoing product innovation to support our growth platform and further improve adviser interaction. Over the medium term the business will continue to invest in increasing our service delivery and capacity. The Board is confident that the business has the capacity to further build out the distribution network in line with our growth strategy and the significant investment made to date.

The performance of LifeSolutions has been strong, with risk premium growing at 40% over the past 12 months. LifeSolutions in-force premium is \$45.2 million as at 30 June 2014 (growth of 115.2% over the prior year), representing 52% of the total life insurance in-force book (and is now larger than the in-force portfolio at the time of the acquisition of MBF Life in June 2010).

## Direct Life

During FY14, ClearView invested significantly in revitalising our Direct Life insurance business. This included recruiting a new Direct Life team and a refocused direct distribution approach. A new call centre has been established in Parramatta and capacity has been expanded to accommodate future expected growth.

A number of small unprofitable direct distribution partners were terminated during the period and this led to lapse losses being incurred on new direct business written via these channels. These particular losses should be mostly behind us now.

The Board has been encouraged by the improvement in the performance of direct life insurance sales throughout the year. The average monthly run rate over the last quarter of FY14 represented an annualised run rate of circa \$5.4 million per annum. To put this in context, as at 30 June 2014 the total in-force book for new direct life premiums was \$5.6 million. The near term strategy is to build on this success by reviewing the direct products suite, continuing to invest in technology to support the growth in products, further developing our people capability to increase sales production and to further expand distribution partnerships.

## Wealth Management

Most recently, ClearView has commenced work to build out our wealth product offering by launching a compelling, competitive mid-market product targeted at the pre-retirement market, which brings with it significant life insurance cross sell opportunities. The implementation of this product (to be called ClearView WealthFoundations) is underway with the launch targeted in the first half of FY15.

Once launched, ClearView will then have both a solid financial adviser life and wealth product suite to build on and expand in future. Importantly, we believe that there are attractive sales and growth opportunities across our existing distribution network for the new product, including the cross sell potential, through launching ClearView WealthFoundations. The investment in both a new platform and ClearView WealthFoundations will require a material investment in FY15 (around \$3.5 million UNPAT negative impact).

## Investment Ahead of Earnings

It should be noted that implementing a high growth strategy has required investment in a cost structure prior to the realisation of revenue benefits. In effect ClearView is investing in operating costs above what is required for the current scale of our business (expense overruns) to build capability for the future. The impact of these expense overruns is to depress initial reported profits but these overruns should unwind as scale is achieved. In the year to 30 June 2014, our estimate is that the non-deferred expense overruns across the business segments had a negative impact on UNPAT of \$7.7 million driven by:

- The significant investment made to date in LifeSolutions and the direct life insurance business as outlined above; and
- The shared service infrastructure costs supporting the business segments that require scale to be achieved across the business units over time.

The elimination of expense overruns, coupled with the growth ambitions of the business, remains a key focus of management and the Board over the medium term.



---

# Chairman's Letter

Continued

## Capital and Dividends

ClearView successfully completed a fully underwritten equity raising that raised \$45.5 million in March 2014 to support the growth of the business with proceeds predominantly being applied to fund our strong growth in life insurance in-force premiums.

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

- An Institutional Placement that raised approximately \$20 million (Placement); and
- A 1 for 12 pro rata accelerated non-renounceable Entitlement Offer at \$0.65 per shares that raised \$25.5 million (Entitlement Offer).

In total 69,961,956 new ClearView shares were issued under the equity raising, representing 14.9% of total issued capital. Both the Placement and Entitlement Offer were underwritten and we were pleased with the strong support shown by the existing ClearView shareholders as well as broadening ClearView's share register with the introduction of new institutional investors.

Subsequent to 30 June 2014, the Directors have declared a fully franked dividend in respect of 2014 of \$10.98 million (2013: \$8.2 million). This equates to 2.0 cents per share (2013: 1.8 cents per share) and represents approximately 55% of the 2014 UNPAT and is in line with the Company's dividend policy of a payout ratio between 40% and 60% of UNPAT. No interim dividend was paid during the year (2013: nil).

ClearView's financial position continues to be strong with net assets of \$310.2 million as at 30 June 2014 representing an increase of 24% over the prior year. The net asset value per share (including ESP loans) is 62.3 cents per share representing an increase of 3% over the prior year and is reflective of the impact of the new shares issued under the FY13 dividend reinvestment plan and the capital raising as outlined above.

Surplus capital above regulatory requirements and internal benchmarks at 30 June 2014 was \$25.5 million across the Group, an increase of \$13.3 million. Internal benchmarks include the establishment of an increased working capital reserve of \$46 million as at 30 June 2014 to fund anticipated new business growth over the medium term following the approval of the current three year business plan by the Board. In total this provides ClearView with \$71.5 million of capital to fund future growth.

At ClearView's Annual General Meeting held on 6 November 2013, we indicated that the share price does not always reflect 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 our shareholders. As at the date of this report, 510,252 shares or \$0.4 million (including costs) have been bought back by ClearView.

## Regulation and Adapting to Change

ClearView's FY14 results were achieved despite challenges in our operating environment as well as contending with significant regulatory changes.

The regulatory reforms mainly relate to the wealth management and financial advice segments of our businesses, namely the Future of Financial Advice (FoFA) and the Stronger Super reforms. There continues to be considerable regulatory change across the industry coupled with the uncertainty of changes in the FoFA reforms and the volatility of superannuation policy settings that makes these changes difficult to manage and implement.

The Financial Services Inquiry (FSI) has been initiated to review the framework of the financial system to determine how well suited it is to current conditions, taking into account lessons from the global financial crisis. The FSI's recently released Interim Report makes certain observations on Australia's financial system and puts forward several propositions and questions to stakeholders for further debate. Post the Wallis Inquiry, the financial system has been subject to an extensive amount of change, including growth in the superannuation sector, global regulatory reforms as an outcome of the global financial crisis and major technological developments impacting across the financial services sector. In the sectors in which we operate, key themes coming out of the Interim Report include the policy options available to address the retirement income and longevity issues for an ageing population, competition and efficiency of the superannuation system and consumer confidence in the financial advice industry.

ClearView continues to focus on ensuring we comply with all regulatory changes and that our business model continues to adapt to the ever changing environment while achieving our growth ambitions in the medium term.

---

# Chairman's Letter

Continued

## Outlook

ClearView believes the long term growth outlook for both life insurance and wealth management in Australia is sound. Over the past year, the profitability of the life insurance industry has generally improved with corrective price action taken by some industry participants in the group life market. There are also some early signs that a number of industry participants in the individual life market are increasing pricing at the potential expense of lower growth for these players. This will be positive for the long term sustainability of the industry. Likewise, the outlook for the wealth industry has also improved due to recent, more buoyant investment markets.

The larger life insurers often have legacy issues (partly driven by their historic acquisitions). As a non-bank aligned, Australian-listed life insurer with life insurance and wealth licences, ClearView is a differentiated business with limited legacy issues. This creates opportunities for a challenger such as ClearView.

ClearView has laid the foundations for growth and we continue to generate strong momentum through our organic growth strategy. The focus over the next 12 months will be continuing strong growth in both life advice and direct life (which over time will allow the business to continue to work towards a scale position and manage the expense overruns) and to launch our new platform and ClearView WealthFoundations. ClearView is in a strong position to continue to build on the foundations we have put in place so as to grow shareholder value.

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 significant experience in the life insurance, wealth management and other financial services sectors.

I thank our customers and shareholders for their continued support for ClearView. I would also of course like to thank all the staff and management at ClearView on whom we depend for our success.



Dr Gary Weiss

Chairman

26 August 2014



---

# Managing Director's Report

The 2014 financial year was a strong year for ClearView where the business achieved significant operational and financial growth. ClearView has focused on driving growth in our core life advice market and has achieved a 40% increase in life advice risk premiums over the past 12 months. In addition, the investment that ClearView has made in its direct life insurance operation is starting to pay off, with 48% growth in new premiums in FY14. In the next 12 months, management will increase our focus on wealth management and the launch of a new platform and mid-market product called WealthFoundations.

Overall FY14 was a strong transitional year for ClearView, with the start of earnings growth. In FY14 UNPAT grew by 23%, and the embedded value of the business grew by 8% (after removing the impacts of the successful capital raising completed in March 2014). These financial results are particularly pleasing given the significant investment that ClearView has been making in building a long term platform for market share and earnings growth.

Our expense overruns depress initial reported profits; these should unwind as scale is achieved, thereby increasing underlying profit margins through the in-force portfolio. The expense overruns had a significant negative UNPAT impact in FY14. ClearView will continue investing to accelerate growth and there will continue to be expense overruns in the medium term as ClearView builds to scale and improves its market position.

## Our Operating Environment

In my report last year I focused on our strategy of focusing on the profitable segments of the industry and I discussed the issues confronting the industry both from a profitability and a “cost of advice” perspective for customers across wealth management (superannuation and investments), life insurance and mortgage broking.

This year, I wish to continue the focus on the sustainability of the life insurance industry as well as discuss the broader superannuation industry and the inherent conflicts associated with “vertical integration”.

### Life Insurance

Over the past year, the outlook for the profitability of the life insurance industry has generally improved. With respect to life insurance there have been certain trends:

- Group life premiums, particularly for large schemes, have increased markedly, in certain circumstances by 50 percent or more;
  - Lapse rates appear to be improving, if only marginally, as companies start to raise “new business” premiums to better align back book and front book prices at the potential expense of lower growth for these players;
  - Improved profitability from individual income protection policies due to a combination of macro economic improvements, some increased premium rates and improved claims management (that is, getting claimants back into the work force). As a result, the income protection claim “spike” that occurred in the last few years seems to be somewhat abating; and
  - Improvements are starting to be seen in the non-advice insurance segments as recent product developments across the industry seem to be leading to more sustainable products from a customer perspective.
- Notwithstanding the above, there is still a way to go until the life insurance industry in aggregate achieves an appropriate return on capital for the risks undertaken in all segments. In particular:
- Further corrective price action is needed to be taken by industry participants in the individual life market to better align back book and front book prices. Whilst price increases in front books may be at the potential expense of lower growth in the short term, it should improve the structural lapse issue that is created through the current misalignment in pricing for the same risk. When healthy lives move out of a higher priced (that is, higher margin) in-force portfolios into a lower priced front book (with comparative benefits), it creates a spiral where further deteriorating claims experience remains in the in-force portfolios (only the healthy lives can leave). Prices are then required to be raised again on the in-force portfolios further exacerbating the price differential between the back book and the front book. Increasing front book pricing will be positive for the long term sustainability of the industry (improved lapse rates, retention of customers and a move away from the fact free adviser “churn” debate);
  - Whilst there have been some significant improvements in group life pricing and policy terms as the schemes move through their normal renewal cycles, further changes may still be needed to ensure that effectively a “wholesale” product is offered to scheme members at a “wholesale” rate. This is likely to include a significant reduction in schemes’ automatic acceptance limits and also include some further refinement to policy terms to better align risks between the insurer and the trustee of the schemes. Most of the pain to date in the group market has been

---

# Managing Director's Report

## Continued

experienced by the reinsurers and this is unsustainable for the industry; and

- While income protection tends to be the most cyclical segment of the industry there clearly needs to be a lot more work done to ensure long run sustainable profitability (claims management and pricing).

In summary, ClearView remains well positioned relative to the industry issues. ClearView has avoided the industry issues in group life by making a strategic decision at the outset not to participate in this segment and has very limited exposure to income protection policies from pre the global financial crisis period. ClearView does not believe that the improvements made in the group life segment over the past 12 months justify a change in our strategic positioning.

### Wealth Management and Financial Advice

The outlook for the wealth management industry has also improved due to more recent buoyant investment markets. The strong performance of investment markets does, however, mask two significant underlying adverse trends across the industry:

- The fee and margin compression across industry participants as the higher priced in-force back books run off. This is likely to continue across the industry given heightened consumer awareness of the costs inherent in historic fee structures, the increased price competition given the regulatory focus and super account consolidation leading to lower fee rates overall; and
- The time and cost of compliance coupled with significant regulatory change continues to adversely impact the industry. The lack of stability of superannuation policy settings is adding costs to funds, which are ultimately borne by members. Furthermore, constant regulatory and policy setting change can also reduce confidence in the superannuation system itself.

The reality is for the next couple of years there is likely to be a convergence of:

- **Retail Funds, Industry Funds and SMSFs from a "platform" perspective.** For example, My Super products offered by retail funds will share many of the characteristics of industry funds and platforms owned by retail funds are developing the ability to manage SMSFs; and
- **Superannuation and life insurance.** To put this assertion in some context it is important to remember that up until the early 1990s superannuation was effectively offered in life insurance policies. It was the advent of mandatory superannuation and the related tax benefits that drove

the breakaway of superannuation from life insurance. We now find that superannuation and life insurance working together is both tax effective and that they now, thanks to Stronger Super et al, have similar capital and governance requirements.

ClearView's response to these developments is to ensure that our platform is both cost efficient (a modern contemporary platform) and caters, over time, to the broader needs of our superannuation customers. Furthermore, we need to ensure that both our product and platform development occur in lock step to ensure both effective outcomes in after tax terms and service delivery for our customers. In FY15, ClearView intends to make additional investments in the wealth management space to position ourselves in the medium to long term for the increased convergence of superannuation and life insurance.

In financial advice, the FoFA reforms are one of the most significant regulatory changes to impact the financial services industry since the Financial Services Reform Act in 2001. The FoFA reforms became effective on 1 July 2013 and are focused on improving the quality of financial advice, particularly product recommendations to retail clients.

The Government has, subsequent to the implementation, announced a package of regulatory changes to FoFA to implement its election commitment to reduce compliance costs and regulatory burden on the financial services sector.

These changes appear sensible and we support their implementation. However, motions for the disallowance of the FoFA regulations to implement the changes have been tabled in the Senate on more than one occasion. The constant regulatory change created by the FoFA reforms has been continuous over a number of years (and in most cases on short notice). This is unsustainable for the industry and creates significant uncertainty when the main focus should be on creating a stronger industry for the benefit of the consumer.

An additional significant trend in the financial advice industry landscape has been the consolidation of independent dealer groups driven by merger and acquisition activity by vertically integrated players. The vertically integrated players have driven this consolidation to allow for:

- Ownership of advisers which in turn provides increased protection from wealth margin pressures;
- Increased distribution into the high net worth and SMSF segments which has traditionally been serviced by independent financial advisers; and
- Management of the costs of regulatory changes driven by the FoFA reforms.

---

# Managing Director's Report

Continued

This consolidation has led to the potential for increased “conflicts of interest” between advisers, manufacturers of product and consumers. As we are all too aware, there have been a number of failures in the financial advice industry over the past few years. Any conflict issues have typically arisen in the circumstance when a financial institution has run a “closed shop” or tied distribution channels. This means that their customers are potentially starved for both choice of product and by definition a lack of independent, holistic and effective personal advice.

ClearView's response to these potential conflicts is to champion individual quality advice and to provide a home to those financial advisers seeking an independent well resourced partner to work with for the benefit of their customers. Our response comprises a number of elements:

- First, is to provide high quality investment research so that our financial advisers have access to quality investment advice;
- Secondly, ClearView runs both implemented model portfolios and “fund of fund” structures which means, to the largest extent possible, that we are not influenced by where product is placed from an investment perspective. This is not the case with other institutions;
- Third, we maintain an open architecture Approved Product List (APL) for life insurers in our dealer group. For example, there are eleven life insurers who are all represented on our APL; and
- Lastly, with respect to platforms, where we intend to make a significant investment in the next financial year, we support our own platforms for two fundamental reasons:
  - The platforms are only administration and tax consolidation vehicles; and
  - It is the asset managers recommended rather than the platforms that we need to focus on.

The consequences for ClearView are that we need to ensure that our platform delivers the most effective service. Service and technology is a substantial part of the product offering. ClearView has demonstrated that it is possible for a vertical integrated company to achieve independent advice. It is as much a question of the company's attitude as to whether it supports independent advice.

ClearView will continue to focus on providing quality advice, will strive to develop and deliver sustainable products and services and manage our in-force portfolio as it grows to ensure that the terms and pricing provided are updated and remain current over the longer term. We must not fall into

the “trap” of allowing high margin or out of date legacy portfolios to build up to the point where they cannot be managed without incurring material short term adverse financial consequences.

## Operational Highlights

The past year has been a period of building on the momentum generated in FY13. I am pleased to advise we have delivered on the following:

- Continued to invest in technology and processes to support our LifeSolutions product growth including upgrading adviser interaction and to improve efficiency and service delivery. There has been a core focus on system spend in the life insurance business that is critical for material production increases and efficiency improvements. These include automation of online quotes, application tracking and automated underwriting rules engines. We have expanded our IT capacity to support our product development and growth ambitions;
- Strengthened and expanded our geographic footprint with the development of a national presence and expanded distribution team;
- Commenced material investment in our direct life insurance business including the build out of a call centre in Parramatta with a focus on establishing long term distribution partnerships. ClearView has recently entered into a new partnership and funding arrangement with Your Insure Pty Limited (Your Insure). Your Insure expands ClearView's market reach by its participation in the lower to mid-market demographic segment of the direct life insurance market;
- Identified an opportunity to further improve our wealth product offering by planning to launch a compelling price competitive mid-market product targeted at smaller account balances coupled with a life insurance cross sell opportunity. The new mid-market product is expected to be launched in the first half of the new financial year (ClearView WealthFoundations). A significant amount of effort in planning and build has taken place over the past six months;
- Continued growth in the aligned adviser model driven by the recruitment of advisers into the ClearView dealer group (based on relationships, service and a non-bank aligned vertically integrated model);
- Restructured the financial advice segment by rationalising our regional branch network and reorganising our service model. This had led to a reduction in the cost base of our

---

# Managing Director's Report

Continued

financial advice business, notwithstanding the further investment made to support a broader base of advisers across the dealer group;

- Completed a successful capital raising of \$45.5m in March 2014 to fund the next phase of growth in both the advised life and direct life segments of the life insurance markets;
- Maintained a strong financial position with no debt and \$25.5 million in surplus capital above our internal benchmarks. Internal benchmarks include a working capital reserve of \$46 million. In total this provides ClearView with \$71.5 million of capital to fund future growth; and
- Successfully implemented the governance framework associated with the Stronger Super reforms and FoFA.

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

- Upgrades to the existing LifeSolutions product and services (targeted for the first half of FY15);
- Expanding the distribution footprint further by servicing the ClearView dealer group and continuing to establish distribution agreements with third parties (third party dealer groups), including other financial services businesses and financial advisers, who are interested in quality, innovative and competitively priced life insurance and wealth management products and services;
- Continuing to refine our direct life insurance product offering;
- Focusing on the Your Insure opportunity;
- Continuing to build out our investment in infrastructure and technology;
- Implementing a new compliant and functional wealth platform to host both a competitive mid-market wealth product WealthFoundations and our existing Master Trust portfolio. The Board has approved an UNPAT impact of \$3.5m in FY15 to allow for the establishment of this new product and the migration of ClearView's existing Master Trust product onto this platform. This is expected to bring material long term strategic and financial benefits to ClearView;
- Continue to improve the effectiveness of the dealer group model; and
- Complete building high quality advice processes with a strong focus on compliance.

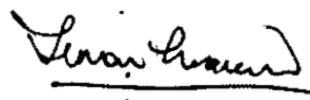
## The Coming Year

ClearView continues to execute on our strategy by:

- Focusing on profitable market segments and not being "all things to all people";
- Retaining our appeal to financial advisers with quality products and services;
- Leveraging off the material investment made to date in our direct life insurance business and gaining further traction through strategic partners and lead generation sources;
- Investing in a contemporary wealth platform to support our existing portfolio and new mid-market wealth product to expand our market reach in wealth management; and
- Focusing on execution of our strategy with the long term objective to capture 3%-5% of the life insurance profit pool, building a material wealth management business and a high quality financial advice business.

ClearView is currently in advanced negotiations with a dealer group that if successful is likely to accelerate the growth opportunity by materially expanding the distribution footprint of ClearView. The Board is supportive of the additional investment in expanding ClearView's distribution capabilities supported by the ongoing investment in the back end operational systems. ClearView cautions, however, that negotiations are ongoing and ClearView can give no assurances as to whether such a transaction will proceed, and, if so, on what terms. ClearView will immediately inform shareholders if these negotiations develop such that further disclosure is required.

Achievement of our objectives will be supported by the ClearView culture and values which guide and influence everything we do. I am proud of the ClearView team and what we have been able to accomplish in such a short space of time. We are well positioned for the future and I am encouraged by the opportunities to increase shareholder value.



Simon Swanson  
Managing Director  
26 August 2014

---

# Directors' Report

The Directors of ClearView Wealth Limited (ClearView or the Company) submit their report, together with the financial report of the consolidated entity (the Group) for the year ended 30 June 2014 (the financial year):

## Directors

The following persons were Directors of ClearView during the whole financial year and since the end of the financial year unless otherwise noted:

- **Dr Gary Weiss** (Chairman)
- **Andrew Sneddon** (resigned as Alternate to Mr Fallick and was appointed as Director on 3 December 2013)
- **Bruce Edwards**
- **David Brown**
- **Gary Burg**
- **Jennifer Newmarch** (née Weinstock)
- **John Fallick** (resigned as Director on 3 December 2013)
- **Michael Alscher**
- **Michael Lukin** (Alternate to Mrs Newmarch)
- **Nathanial Thomson**
- **Simon Swanson** (Managing Director)

The biographies for both the current and former Directors of ClearView are detailed below:

## Current Directors

### Dr Gary Weiss LLB (Hons), LLM and JSD

#### Independent Non-executive Chairman

Gary has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions. This includes an established track record in life insurance and wealth management businesses. He is Chairman of Secure Parking Pty Limited, Executive Director of Ariadne Australia Limited, and a Director of The Straits Trading Company Limited, Premier Investments Limited, Ridley Corporation Limited, Mercantile Investment Company Limited, Pro-Pac Packaging Limited, Tag Pacific Limited and Thorney Opportunities Limited. Gary's previous directorships include Guinness Peat Group plc, Westfield Group, Coats plc (Chairman), Tower Australia Limited, Australian Wealth Management Limited, Tyndall Australia Limited (Deputy Chairman), Joe White Maltings Limited (Chairman), CIC Limited, Whitlam Turnbull & Co Limited and Industrial Equity Limited.

Gary is a member of the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 22 October 2012 and appointed Chairman on 1 July 2013.

### Andrew Sneddon B.EC, CA

#### Independent Non-executive Director

Andrew was a Partner with PricewaterhouseCoopers for 18 years before retiring in 2008. He has worked across a broad range of industries and has extensive experience in mergers and acquisitions, business and strategic planning, audit, valuation and capital raising, with particular focus on fast growth and emerging technology companies. Andrew is the Chairman of InterAcct Solutions Pte, ServiceRocket Inc, ServiceRocket International Pty Limited, TGR BioSciences Pty Limited, Elastagen Pty Limited, a Non-Executive Director of Innate Immunotherapeutics Limited and a former director of Paftec Pty Limited and MIRtec Pty Limited. Andrew is also a member of the Audit and Compliance Committees of the Crescent Capital Private Equity Funds.

Andrew is a member of Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee. Andrew was appointed Alternate Director to John Fallick on 26 March 2013. His appointment as Alternate was revoked and he was appointed as a Director on 3 December 2013.

### Bruce Edwards BSc, MA, FIAA

#### Independent Non-executive Director

Bruce is a qualified actuary with over 25 years in actuarial consulting, including five years as Managing Director of KPMG Actuaries. In recent years, he has held directorships with a number of life and general insurance companies, life insurance distribution companies and superannuation fund trustees as well as lecturing in actuarial science at Macquarie University. He is a director of Munich Re in Australia (life and general reinsurance business and a direct general insurance company) and A.L.I. Group Pty Limited. He is a Past President and active member of the Rotary Club of Sydney.

Bruce is the Chairman of the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee. He was appointed to the Board on 22 October 2012.



---

# Directors' Report

Continued

**David Brown BCom, MSc, Dip Inv, Dip Mktg, ASIP, MAICD, F Fin**

## **Independent Non-executive Director**

David has significant experience in investment management and asset allocation of superannuation and insurance funds. He is the former Head of Private Markets for Victorian Funds Management Corporation and former Senior Funds Manager for Queensland Investment Corporation. David is a former director of LifeHealthcare Pty Limited and a former Council Member of the Australian Private Equity and Venture Capital Association Pty Limited.

David is a member of the Audit, Risk and Compliance Committee. He was appointed to the Board on 22 October 2012.

**Gary Burg B.ACC (Wits), MBA (Wits)**

## **Independent Non-executive Director**

Gary has significant experience in building life insurance businesses in South Africa and in Australia. Gary is a director of A.L.I. Group Pty Limited, Your Insure Pty Limited and Global Capital Holdings (Australia) Pty Limited, a company which manages Principal Investments on behalf of various investors. He is a former director of (and investor in) 3Q Holdings Limited and South African listed Capital Alliance Holdings Limited (which owned Capital Alliance Life Limited and Capital Alliance Bank Limited). Gary is also a former director and investor in a number of Australian based financial services businesses, including Prefsure Life Limited and Insurance Line Holdings Pty Limited.

Gary was appointed to the Board on 22 October 2012.

**Jennifer Newmarch (née Weinstock) BSc (Maths) (Hons), FIA**

## **Non-executive Director**

Jenny is an Investment Director with ROC Partners Pty Limited, a newly formed entity which was established following the successful management buy-out of Macquarie Group Limited's private equity fund of funds business by its senior executives. Previously, Jenny was a Senior Vice President based in Macquarie Funds Group's Private Markets team, responsible for managing Australian private equity programs on behalf of institutional investors. Prior to this, she spent two years as an Investment Analyst at Mercer Consulting in the UK where she completed her actuarial qualification and focussed on providing advice in asset liability modelling, investment strategy and manager selection to UK pension funds.

Jenny also worked for Watson Wyatt Worldwide in Madrid and Manchester.

Jenny serves on the advisory boards of six Australian private equity fund managers. Jenny received a Bachelor of Science majoring in mathematics with Honours from Imperial College London and is a Fellow of the UK Institute of Actuaries.

Jenny was appointed to the Board on 1 July 2013.

**Michael Alscher BCom**

## **Non-executive Director**

Michael is the Managing Partner and founder of Crescent Capital Partners. Prior to founding Crescent, Michael was a consultant at Bain International and the LEK Partnership where he spent considerable time working across banking and insurance clients. After leaving consulting, Michael was the Chief Operating Officer and a Director of Gowings Bros Limited. Michael is currently the Non-Executive Chairman of Cover-More Group Limited, National Dental Care Pty Limited and Crumpler Pty Limited; and a Non-Executive Director of LifeHealthcare Group Limited and GroundProbe HoldCo. Pty Limited. He is also Chairman of the Audit Committee for Cover-More Group Limited.

Michael was appointed Alternate Director to Nathaniel Thomson on 22 October 2012. His appointment as Alternate was revoked and he was appointed as a Director on 1 July 2013.

**Michael Lukin BSc (AdvMaths) (Hons), CFA, AIAA**

## **Alternate Non-executive Director**

Michael is a Partner and Director of ROC Partners Pty Limited. Prior to this Michael was the Managing Director of the Macquarie Investment Management Private Market business in Sydney. Michael has 15 years of private equities investment experience and serves on the advisory boards of five Australian private equity fund managers, and is a current AVCAL Council member. He is a Chartered Financial Analyst (CFA) and an Associate of the Institute of Actuaries of Australia. Before joining Macquarie, Michael was an asset consultant with Towers Perrin, providing advice on investment matters and manager selection to superannuation funds and master trust clients. Michael is also a Board Director of Baycorp Holdings Pty Limited, National Dental Care Pty Limited and Space-Time Research Pty Limited.

Michael was appointed Alternate Director to Jennifer Newmarch on 1 July 2013.



---

# Directors' Report

Continued

Nathanial Thomson BCom (Hons), LLB (Hons)

## **Non-executive Director**

Nathanial is a partner of Crescent Capital Partners Management Pty Limited. Nathanial has significant consulting experience for financial institutions at McKinsey & Co. He is the former deputy Chairman of Cover-More Group Limited prior to its listing on the ASX, a leading broker of travel insurance in Australia and former director of Metro Performance Glass Limited prior to its listing on the ASX.

Nathanial is a member of the Nomination and Remuneration Committee and was a member of the Audit, Risk and Compliance Committee up until 30 June 2014. He was appointed to the Board on 22 October 2012.

Simon Swanson B.EC, B.Bus, ANZIIF (Fellow), CIP, CPA

## **Managing Director**

Simon is an internationally experienced financial services executive having worked for over 30 years across life insurance, funds management, general insurance and health insurance. He has successfully led the largest life insurer (CommInsure, Sovereign and Colonial) in three countries and spent half of his career in the Asia Pacific region.

As Managing Director of ClearView, Simon was instrumental in buying Bupa Australia's life insurance and wealth management businesses and transforming them into the integrated life insurer and wealth manager that ClearView is today.

Simon is also a director of the Australian Literacy and Numeracy Foundation and was previously Chairman of ANZIIF's Life, Health and Retirement Income Faculty Advisory Board.

Simon was appointed as Managing Director on 26 March 2010.

## Former Directors

John Fallick MA and M.LITT (Economics), AICD (Fellow)

### **Former Independent Non-executive Director**

John has significant experience as a trustee and adviser to medium and large superannuation funds on asset allocation and strategy. He is the founder and Non-executive Chairman of Principle Advisory Services Pty Limited and is a former director of the Global Advisory Board of T Rowe Price, Gresham Partners and Legal and General Asset Management Australia, and has held various funds management roles at AMP.

John was appointed to the Board on 22 October 2012 and was a member of the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee until his resignation from the Board on 3 December 2013.

# Directors' Report

Continued

## Directorships of other Listed Companies

Directorships of other listed companies held by Directors in the three years preceding the end of the financial year are as follows:

Name	Company	Period of Directorship
Dr Gary Weiss	Ariadne Australia Limited	28 November 1989 - Ongoing
	Coats plc	4 February 2003 – 30 April 2012
	Mercantile Investment Company Limited	6 March 2012 - Ongoing
	Premier Investments Limited	11 March 1994 – Ongoing
	Pro-Pac Packaging Limited	28 May 2012 - Ongoing
	Ridley Corporation Limited	21 June 2010 - Ongoing
	Tag Pacific Limited	1 October 1988 – Ongoing
	Thorney Opportunities Limited	21 November 2013 – Ongoing
	The Straits Trading Company (Listed on the Singapore Exchange)	1 June 2014 - Ongoing
Andrew Sneddon	Innate Immunotherapeutics Limited	19 September 2013 - Ongoing
Gary Burg	3Q Holdings Limited (delisted 12/2/2013)	29 March 2012 – 11 September 2013
Michael Alscher	Cover-More Group Limited (Listed on ASX 19/12/2013)	14 November 2013 - Ongoing
	LifeHealthCare Group Limited (listed on ASX 5/12/13)	8 November 2013 - Ongoing

## Company Secretaries

**Chris Robson B.A, LLB (Hons), LLM** was appointed Company Secretary on 4 April 2011. He is also General Counsel at ClearView. Chris has over 20 years' experience in the financial services industry. Prior to joining ClearView, Chris was General Counsel and Group Company Secretary for Challenger Limited. Chris previously held legal roles in the financial services industry, as well as in the public sector and private practice. He is a member of the Law Society of NSW and the Society of Notaries of NSW.

**Athol Chiert, B.COM, B.ACC, CA** was appointed Company Secretary on 4 November 2008. He is also the Chief Financial Officer at ClearView. Athol has a life insurance and private equity background. He was previously the CFO of PrefSure Holdings Limited and PrefSure Life Limited and also served as a director and executive of the Global Capital Group both in Australia and South Africa. Athol has over 15 years' experience in the finance industry including holding directorships on investee and subsidiary entities. Athol commenced his professional career as an accountant with Arthur Andersen.

## Appointed Actuary of ClearView Life Assurance Limited

**Ashutosh Bhalerao B.Ec, FIAA** is the Appointed Actuary of ClearView Life Assurance Limited (ClearView Life). Ash joined ClearView as Deputy Appointed Actuary in January 2014 and

was appointed to his current role on 5 June 2014.

Ash has 20 years' experience in the financial services industry, specialising in life insurance. In the five years prior to joining ClearView, Ash was the Appointed Actuary for Swiss Re Life & Health Australia Limited. Ash has also held other senior actuarial roles with TAL Limited, Challenger Limited and AMP Limited and has a wide range of experience in, financial management and reporting, product pricing, capital management, asset-liability management, risk management and reinsurance.

## Former Appointed Actuary of ClearView Life Assurance Limited

**Greg Martin B.A, FIAA, FFIN, FAICD, CERA** was the Appointed Actuary of ClearView Life from 1 March 2011 until his resignation from the role on 5 June 2014. Greg remains the Chief Actuary and Risk Officer of ClearView. Greg has over 25 years' experience specialising in life insurance and funds management and has held a number of other Appointed Actuary roles during his career. Greg has fellowships with the Institute of Actuaries of Australia, FINSIA and the AICD, and is a Chartered Enterprise Risk Actuary. He was a member of the Life Insurance Actuarial Standards Board, a member of two advisory panels to the Australian Accounting Standards Board and a member of multiple committees of the Institute of Actuaries of Australia. Greg has a wealth of experience in the areas of risk and capital management, financial management and reporting, and product pricing and management.

# Directors' Report

Continued

## Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were as follows:

	Board		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
<b>Current Directors</b>						
Dr Gary Weiss	9	9	5	4	6	5
Andrew Sneddon	5	4	4	4	4	4
Bruce Edwards	9	9	5	5	6	6
David Brown	9	9	5	4	-	-
Gary Burg	9	9	-	-	-	-
Jennifer Newmarch <sup>1</sup>	9	9	-	-	-	-
Michael Alscher	9	8	-	-	-	-
Nathanial Thomson	9	9	5	2	6	4
Simon Swanson	9	9	-	-	-	-
<b>Former Directors</b>						
John Fallick <sup>2</sup>	4	4	1	1	2	2

1 Mrs Newmarch appointed Mr Michael Lukin as her alternate director on 1 July 2013. Mr Lukin attended 6 Board meetings on behalf of Mrs Newmarch and his attendance is included in the table above.

2 Mr Fallick appointed Mr Andrew Sneddon as his alternate director from 26 March 2013 until 3 December 2013. Mr Sneddon attended 4 Board meetings, 1 Audit, Risk and Compliance Committee meeting and 2 Nomination and Remuneration Committee meetings on behalf of Mr Fallick during the reporting period and his attendance is included in the table above.

## Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company or a related body corporate as at the date of this report.

Director	Fully paid ordinary shares	Executive share plan shares
Dr Gary Weiss <sup>2</sup>	-	-
Andrew Sneddon	108,333	-
Bruce Edwards	511,367	-
David Brown	-	-
Gary Burg	9,700,741	-
Jennifer Newmarch <sup>3</sup>	-	-
Michael Alscher <sup>1</sup>	-	-
Michael Lukin <sup>3</sup>	-	-
Nathanial Thomson <sup>1</sup>	-	-
Simon Swanson	3,108,334	10,000,000

1 Mr Alscher and Mr Thomson represent the interests of CCP Bidco Pty Limited and its Associates that non-beneficially holds 302,514,010 shares.

2 Dr Weiss represents the interests of Ariadne Australia Limited that beneficially holds 24,829,888 shares.

3 Mrs Newmarch (alternate Mr Lukin) represents the interests of Macquarie Investment Management Limited that non-beneficially holds 60,924,764 shares.

# Directors' Report

Continued

## Shares Issued Under the Executive Share Plan (ESP)

As at the date of this report, ClearView has a total of 53,942,426 ESP shares on issue of which 25,881,426 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 both the life insurance and wealth management segments. 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). From February 2013, the Board removed the previously stated cap on the issue of shares under the ESP. While there is now not a set limit on the number of shares that may be issued under the ESP, the Board or Board Authorised Delegates approve the issue of new ESP shares and monitors the overall quantum of ESP shares on issue, relative to the interests of existing shareholders and the overall objectives of the business.

In accordance with the provisions of the ESP, during the financial year 9,264,333 shares were granted to senior management and financial advisers with the grant dates set out below. Allowing for the exercise and reallocation of forfeited ESP, the net increase in ESP shares issued were 7,514,333.

Series	Participant	Grant Date	No of Shares issued	Reallocated	Total
<b>Opening Balance (1 July 2013)</b>					<b>41,867,333</b>
Series 31	Senior Management	14-Oct-13	1,100,000	75,000	1,175,000
Series 32	Senior Management	14-Oct-13	1,100,000	75,000	1,175,000
Series 33	Senior Management	29-Nov-13	-	75,000	75,000
Series 34	Senior Management	29-Nov-13	-	75,000	75,000
Series 35	Senior Management	31-Jan-14	-	75,000	75,000
Series 36	Senior Management	31-Jan-14	-	75,000	75,000
Series 38	Senior Management	30-May-14	737,000	-	737,000
Series 39	Senior Management	30-May-14	737,000	-	737,000
Series 40	Senior Management	30-May-14	737,000	-	737,000
<b>Total (Senior Management)</b>			<b>4,411,000</b>	<b>. 450,000</b>	<b>4,861,000</b>
Series 37	Contractor Participant	31-Jan-14	1,370,277	1,083,056	2,453,333
Series 41	Contractor Participant	30-May-14	1,950,000		1,950,000
<b>Total (Contractor Participant)</b>			<b>3,320,277</b>	<b>1,083,056</b>	<b>4,403,333</b>
Exercised	Senior Management	31-Jan-14		-	(216,944)
Reallocated				-	(1,533,056)
<b>Closing Balance (30 June 2014)</b>			<b>7,731,277</b>	<b>1,533,056</b>	<b>49,381,666</b>
Series 42	Contractor Participant	9-Jul-14	4,560,760		<b>4,560,760</b>
<b>Closing Balance (26 August 2014)</b>			<b>12,292,037</b>	<b>1,533,056</b>	<b>53,942,426</b>

For details of the Plan see Note 28 of the notes to the financial statements.

---

# Directors' Report

Continued

## Indemnification of Directors and Officers

During the period, the Company purchased Directors and Officers Liability Insurance to provide cover in respect of claims made against the Directors' and Officers' in office during the financial period and as at the date of this report, as far as is allowable by the Corporations Act 2001.

The total amount of insurance premium paid and the nature of the liability cover provided are not disclosed due to a confidentiality clause within the contract.

As at the date of this report, no amounts have been claimed or paid in respect of this indemnity and insurance, other than the premium referred to above. Directors' and Officers' Liability Insurance contributed a proportion of the total professional indemnity insurance premium.

The Company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as an auditor.

## Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars.

## Auditor independence and non audit services

The Directors have received an independence declaration from the auditors, a copy of which is on page 58.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 10 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 10 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk and Compliance Committee, for the following reasons:

- All non-audit services comply with the ClearView audit independence policy and have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

---

# Directors' Report

Continued

## Operating and Financial Review

### Principal activities

ClearView is an Australian financial services company with businesses that specialise in life insurance, wealth management and financial advice solutions.

### 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 financial year ended 30 June 2014.

#### The ClearView Story

ClearView in its current form was created by the acquisition and successful integration of the life insurance, wealth management and financial advice 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 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 insurance, wealth management and financial advice businesses;
- Development and launch of LifeSolutions (full suite of life insurance advice products) and WealthSolutions (ClearView Wrap platform) providing access to new market segments;
- Utilising the strong cash flow generation of the in-force portfolios acquired to fund the initial growth phase in the Advised Life market (given the capital intensity from strong new business growth);
- Expanding its adviser network with the further recruitment of aligned financial advisers into the ClearView dealer group;
- By expanding into the independent financial advice market, with LifeSolutions now being included on a number of Approved Product Lists of third party dealer groups;

- Reinvesting in its Non-Advice (Direct) life insurance business with the build out of a call centre capability in Parramatta and focusing on establishing long term distribution partnerships;
- Investing ahead of earnings in both the Advised and Non-Advice life insurance businesses including establishing a national distribution footprint, systems and processes to improve efficiency and service delivery;
- Building out and completing its wealth product offering with the development of a new mid-market wealth product, WealthFoundations, to be launched into the market in the first half of FY15; and
- Completing a successful capital raising of \$45.5 million in March 2014 to fund the next phase of growth in both the Advised and Non-Advice segments of the life insurance market.

ClearView continues to build momentum and intends leveraging further off this platform by:

- Focusing on profitable market segments and not being "all things to all people";
- Retaining its appeal to financial advisers with quality products and services;
- Leveraging off the material investment made to date in the Non-Advice life insurance business and gaining further traction through strategic partners and lead generation sources;
- Investing in a contemporary wealth platform to support its existing portfolio and new mid-market wealth product to expand its market reach in wealth management; and
- Focusing on execution of its strategy with the long-term objective to capture 3%-5% of the life insurance profit pool, building a material wealth management business and a high quality financial advice business.

#### ClearView Business

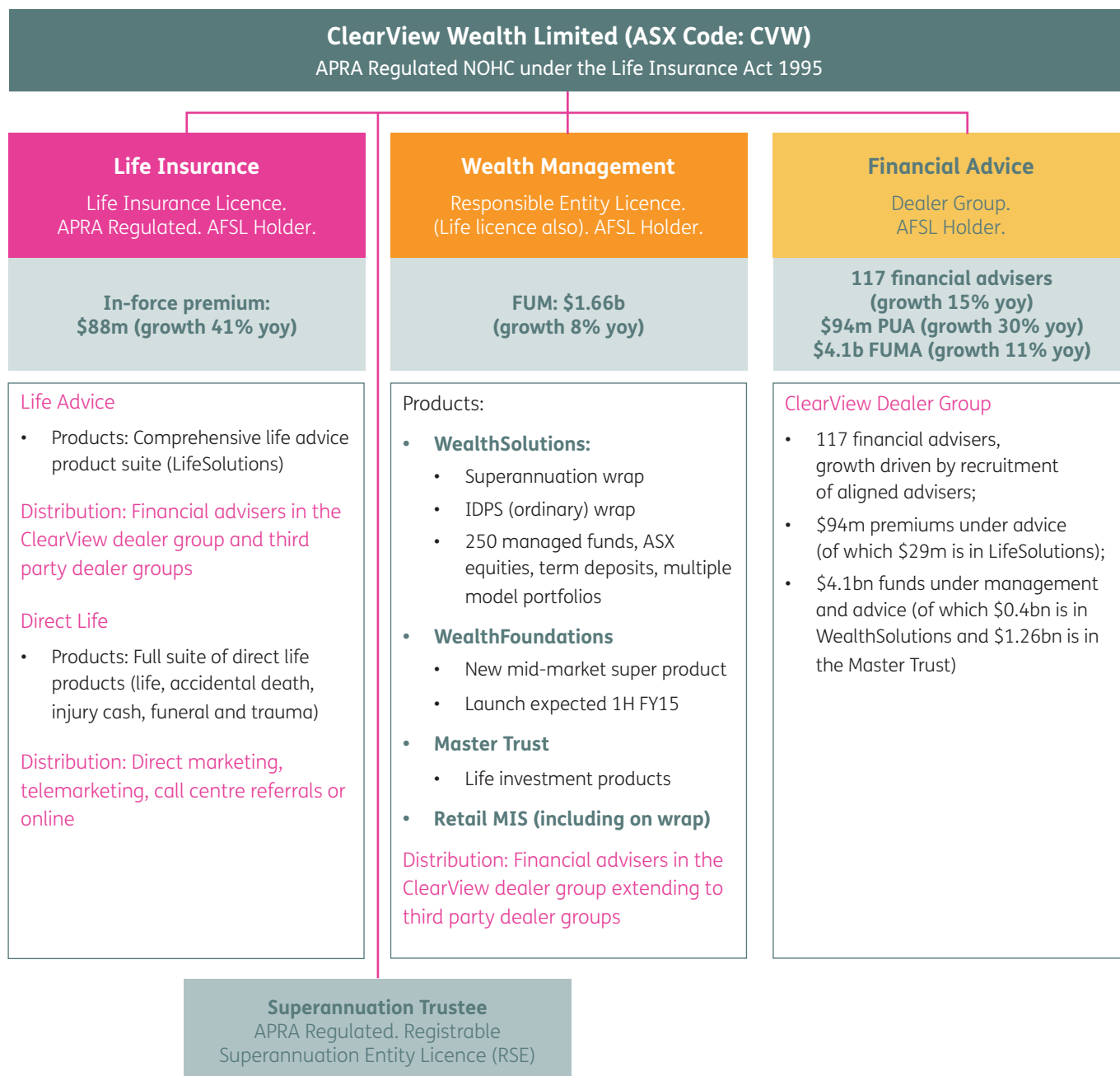
ClearView generates its revenue through the provision and distribution of life insurance, superannuation and investment products, and through the provisions of financial advice and support services to financial advisers. The markets in which ClearView competes are highly regulated. ClearView holds, via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



# Directors' Report

Continued

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



Note: Numbers stated as at 30 June 2014, percentage increase relative to 30 June 2013. FUMA is funds under management and advice; PUA is life insurance premiums under advice.

# Directors' Report

Continued

## Life Insurance

ClearView creates products that compete in both the Advised and Non-Advice (Direct) segments of the \$13.2 billion Australian life (risk) insurance market<sup>1</sup>. ClearView competes in a subset of this broader market and in particular in the individual risk market (excluding group life) that is \$8.3 billion or approximately 63% of the total market.

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 growth over the next 10 to 15 years<sup>2</sup>.

While life insurance risk in-force premiums have grown for some time, underlying industry profitability growth has been more subdued. This has been driven by issues related to group life, the income protection component of the Advised market and lapses. ClearView, as a focused niche operator, has generally avoided these issues to date as can be seen from its results.

More recently it appears that the premium growth in the group life market is reflective of the corrective price action taken by industry participants. Sustained price increases are starting to have a material impact on in-force premiums. In the individual market, there are also some early signs that some industry participants are increasing pricing to better align back book and front book prices at the potential expense of lower growth for these players. This will be positive for the

long term sustainability of the industry.

The Australian life (risk) insurance market is relatively consolidated with significant market shares with large institutions (particularly bank owned). The top five insurers control circa 69% of the individual life insurance market<sup>1</sup>.

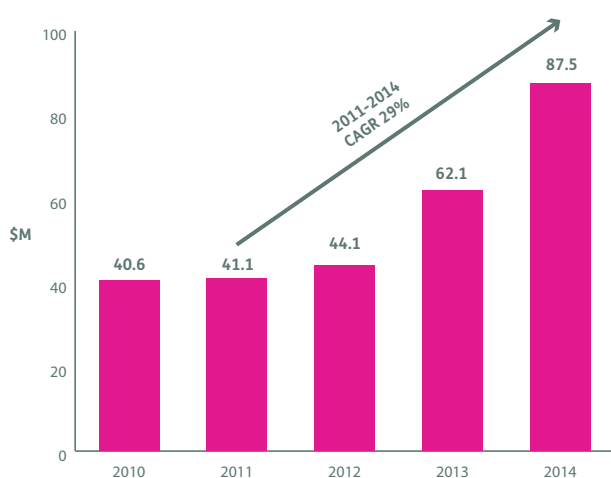
As at 30 June 2014, ClearView has total in-force life insurance premium of \$87.5 million (growth of 41%) and during the FY14 financial year generated new business premium of \$27.4 million (growth of 41%). These represent significant increases over the prior year. ClearView currently has a circa 1%<sup>1</sup> market share of in-force premium and a 1.3%<sup>1</sup> share of new business in the individual life insurance market but is growing substantially faster than system growth.

The larger insurers often have legacy issues (partly driven by their historic acquisitions). As a non-bank aligned, Australian-listed life insurer with life insurance and wealth licences, ClearView is a differentiated business with limited legacy issues having never acquired another life insurance or funds management business. This creates opportunities for a challenger such as ClearView. Furthermore, there are high barriers to entry with a strong regulator and high capital requirements.

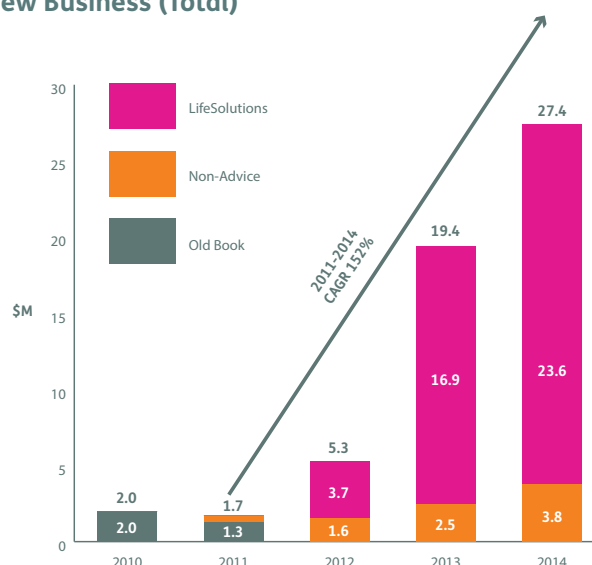
ClearView provides a flexible life and wealth offering to advisers and strategic partners, aiming for top tier products, strong service and relationships.

The following graphs reflect the step change in the growth profile of ClearView's life insurance business:

### In-Force Premium (Total)



### New Business (Total)



1 Plan for Life (March 2014); ClearView Management Information

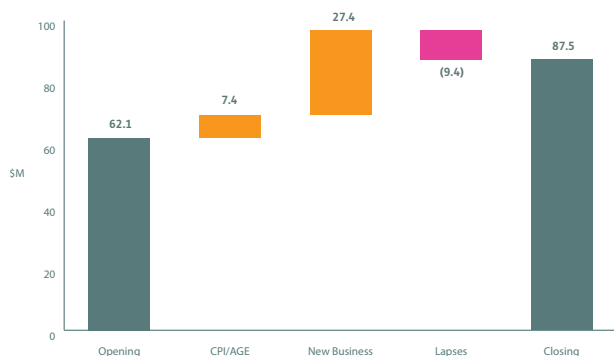
2 DEXX&R (June 2012)

# Directors' Report

Continued

The following graph reflects the movement in in-force premium from \$62.1 million to \$87.5 million over the financial year:

## YTD In-force movement



The growth in in-force premium has been driven by the strong new business growth (as noted earlier), with lapses for the most part offset by CPI age based premium increases and inflation increases on insurance benefits.

The key requirements that are needed to be successful as a challenger in this market 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).

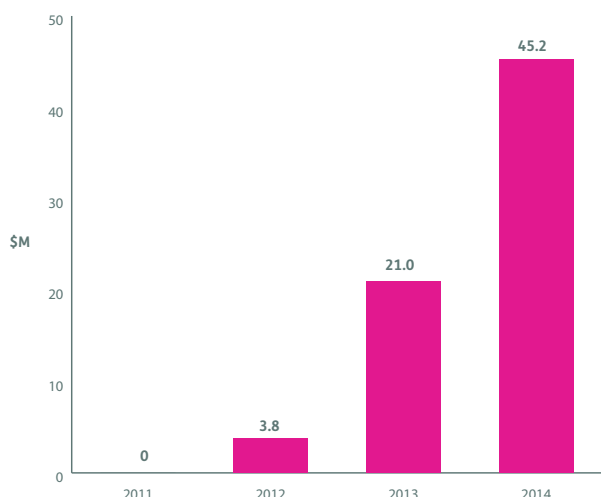
## (a) Advised Life Insurance

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

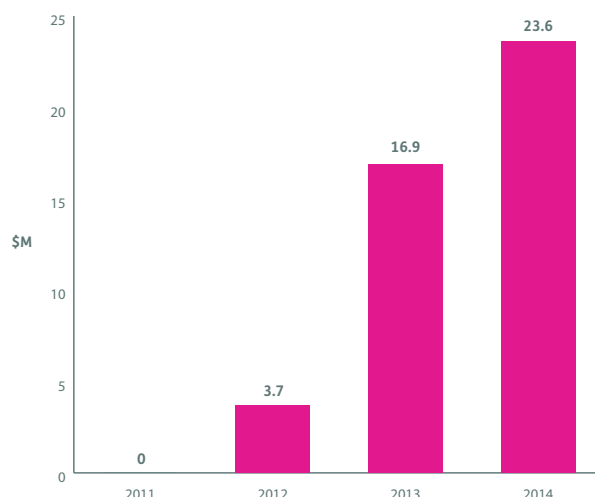
The ClearView product suite, branded LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business expense cover. Policies can be issued directly from ClearView Life or via the ClearView Retirement Plan (or superannuation fund).

The following graphs reflect the step change in the growth profile of LifeSolutions since launch in December 2011:

## In-Force: LifeSolutions



## New Business: LifeSolutions



The product's early success has continued into the current financial year with LifeSolutions new business increasing to \$23.6 million for the FY14 financial year (growth of 39.6% over FY13). LifeSolutions in-force premium is \$45.2 million

as at 30 June 2014 (growth of 115.2% over the prior year), representing 52% of the total life insurance in-force book (and is now larger than the acquired in-force portfolio). The near term strategy is to build on this success by

---

# Directors' Report

## Continued

continuing to invest in technology to support the portfolio's growth and drive back office efficiencies, upgrade adviser interaction and to introduce further product improvements and innovations.

Given the capital intensity of life insurance growth, and the high level of growth of LifeSolutions relative to the in-force portfolio (that release cash flows related to the profit margins generated as well as the recovery of the upfront acquisition costs incurred to acquire the new business), ClearView completed a successful capital raising in March 2014, with the intention of using a large component of the capital raised to fund its growth in life insurance. Capital is managed within the Group in accordance with the internal capital adequacy assessment process (ICAAP).

The ClearView dealer group has 117 financial advisers many of whom recommend life insurance products to their clients (including LifeSolutions). ClearView's life insurance products are also placed across Australia through third party dealer groups (providing ClearView access to a broad base of financial advisers), with LifeSolutions products being included on 120 Approved Product Lists as at 30 June 2014.

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

- Upgrades to existing LifeSolutions products and services (expected in the first half of the new financial year);
- Upgrade the supporting technology as outlined above; and
- Expand the distribution footprint further by servicing the ClearView dealer group and continuing to establish distribution agreements with third parties (third party dealer groups), including other financial services businesses and financial advisers, who are interested in quality, innovative and competitively priced 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, call centre referrals, 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 member base and remains a core component of the Non-Advice strategy. ClearView also has distribution agreements with a number of credit unions, as well as third party distribution partners under an outsourced model.

ClearView commenced investing in revitalising its Non-Advice insurance business in the current financial year. This included recruiting a new direct team and a refocused direct distribution approach. A new call centre has been established in Parramatta, and capacity has been expanded to accommodate future expected growth. 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.

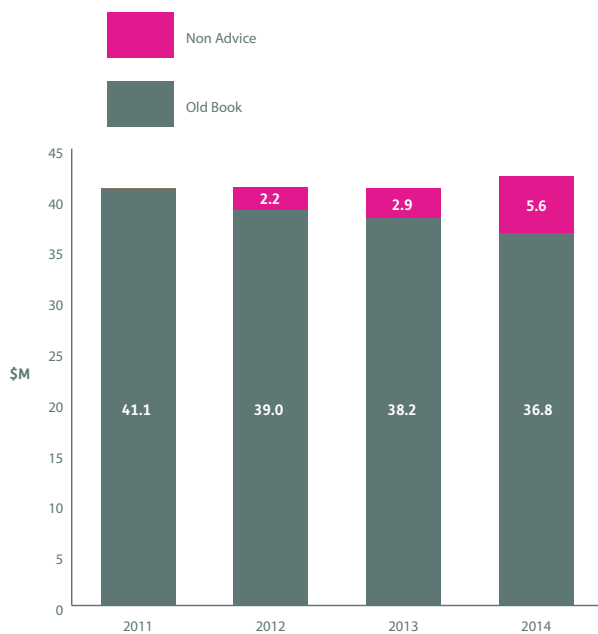
The investment in the Non-Advice business has shown signs of early success and momentum through the financial year with life sales increasing by 48% over FY13 (the average monthly run rate over the last quarter of the financial year was \$0.45 million new business written per month or an annualised run rate of circa \$5.4 million per annum). As at 30 June 2014 the new Non-Advice in-force book was \$5.6 million. The near term strategy is to build on this success by reviewing the direct product suite, continuing to invest in technology to support the product growth, further developing our people capability to increase sales production, and to further expand distribution partnerships.

# Directors' Report

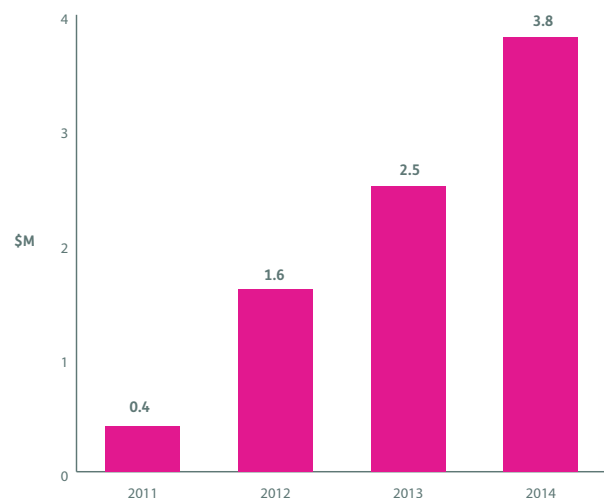
Continued

The following graphs reflect the change in the growth profile of the Non-Advice product suite, noting the refocusing of the business in the current financial year and the increased run rates achieved in the last quarter of the year as noted previously:

## In-Force: Non-Advice and Old Book



## New Business: Non-Advice



ClearView acquired a profitable in-force Non-Advice portfolio (circa \$40 million at the time of the Acquisition) with strong cash flow generation (from its predecessors of NRMA Life and MBF Life). The in-force portfolio had no intermediated business or exposure to group life or pre global financial crisis income protection policies. ClearView refers to this block of business as the “Old Book”. The Old Book is closed to new business and its strong cash flow generation (including the recovery of prior acquisition costs incurred to acquire the in-force book) is being invested in growth by partly funding the strong growth in life insurance new business premium being written. As at 30 June 2014, the Old Book’s in-force premium was \$36.8 million.

ClearView has recently entered into a new partnership and funding arrangement with Your Insure Pty Limited (Your Insure). Your Insure expands ClearView’s market reach by its participation in the mid to lower market demographic segment of the Non-Advice market. ClearView believes that by operating across the demographic scale in distribution models with minimal overlap provides maximum growth capability. This includes using multiple consumer brands selling life insurance products, with ClearView acting as the product manufacturer.

The Your Insure founders have deep expertise and a strong

sales track record in the direct life insurance market (the experience and skills are hard to acquire). It provides ClearView with an accelerated scale opportunity to gain market share, leveraging off the expertise of the founders. ClearView has committed funding by way of a Convertible Note (CN) of up to \$3 million on a draw down basis (based on the achievement of predetermined KPIs) to fund the Your Insure business that is start up in nature. ClearView has an option to convert the CN into 50% equity (by 30 June 2019) once the Your Insure business has become self funding. Your Insure commenced operations in August 2014.

Key focus areas as ClearView continues to invest for growth in Non-Advice include:

- Building on the success of the Bupa Australia strategic partnership and increasing member penetration of life insurance through Bupa’s proprietary distribution channels;
- Focusing on the Your Insure opportunity to gain market share, leveraging off the expertise of the founders;
- Enhancing sales capability through consultant training and development programs;
- Continuing to build out the investment in our infrastructure and technology;

# Directors' Report

Continued

- Continuing to refine the product offering; and
- Developing best practice customer life cycle and retention programs.

## Wealth Management

Total industry retail funds under management (FUM) increased to circa \$638 billion as at 31 December 2013<sup>3</sup>, up 19% over the prior year<sup>3</sup>, driven primarily by improved market conditions. Retail FUM has grown at circa 8% per annum over the past 10 years despite the impact of the global financial crisis<sup>4</sup>. The majority of the growth has come from superannuation due to the increase in the Superannuation Guarantee 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% per annum by 2021.

In the retail market, there has been a shift over time from bundled fee product arrangements to open architecture fee structures offered on Master Trust and Wrap Platforms. The unbundling of fee structures has predominantly related to the choice of investment manager, outsourcing of administrative functions (including white labelling) and distribution.

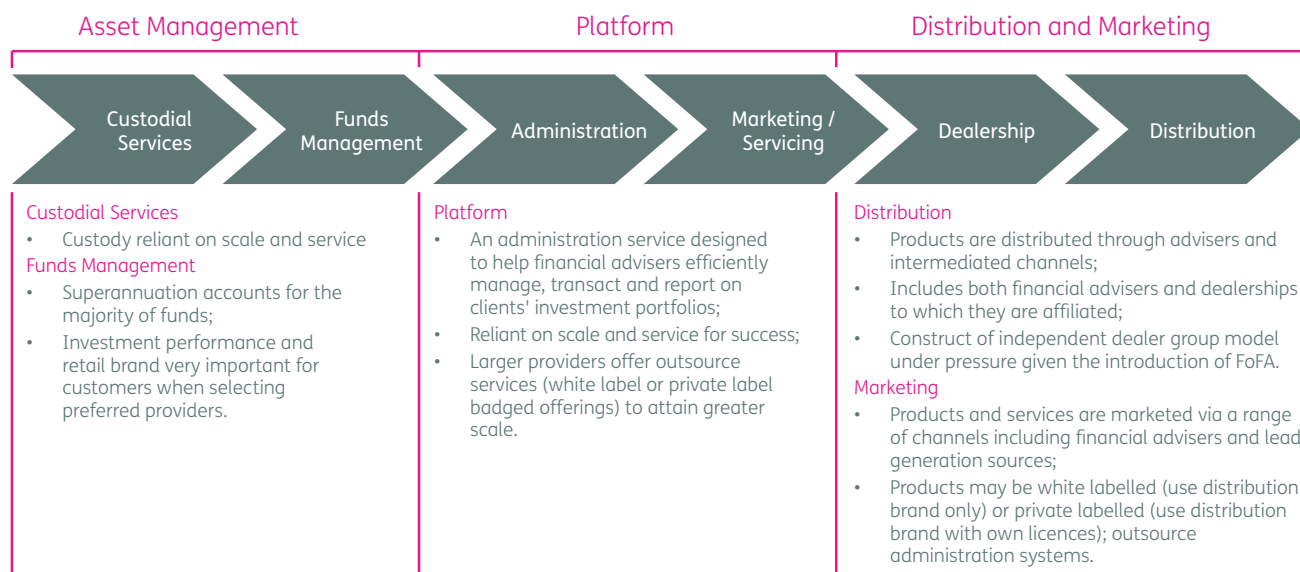
Following a period of consolidation in recent years, there is market concentration in that a small number of key participants control the majority of retail FUM, with the top five players (the four major banks and AMP) controlling just under two-thirds of the market<sup>3</sup>. Retail funds have ceded market share to both the industry funds and self-managed super funds (SMSFs), given the “choice of fund” legislation introduced in 2005 and an increased focus on costs.

Fee and margin pressure is likely to continue across the industry given the following:

- Heightened consumer awareness of the costs inherent in historic fee structures;
- Price competition across the whole wealth management sector;
- Regulatory changes including the introduction of MySuper products for all default balances and potential responses to the Financial Services Inquiry;
- Potential emergence of lower cost providers going direct to market;
- Lower margins associated with the search for yield and capital preservation by investors (cash and fixed interest securities); and
- Super account consolidation that will lead to the elimination of per account fees on multiple accounts and lower fee rates on the primary account.

ClearView's products have historically competed in the Master Trust and Wrap segments of the retail market. 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”.

The wealth management value chain in the retail market can be broadly summarised as operating across the following components:



<sup>3</sup> Plan for Life (December 2013)

<sup>4</sup> Deloitte, Dynamics of the Australian Superannuation System (September 2013)



# Directors' Report

Continued

ClearView currently provides wealth management products across the wealth management value chain 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. These continue to operate under a bundled fee structure. This business represents the majority of the in-force wealth business (referred to as the Master Trust product);
- 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 a number of model portfolios managed by ClearView for superannuation investors.

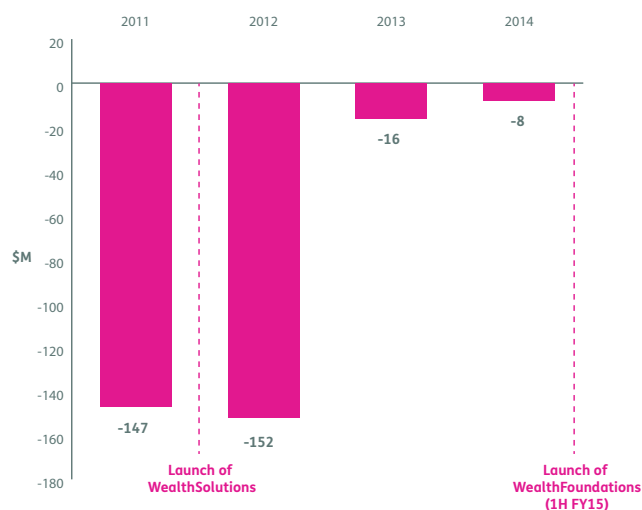
Given the potential margin compression and bundled fee structure, the ClearView Master Trust product fee arrangements are not considered sustainable on new flows in the future. These accounts are gradually rolling off given that the product is not actively marketed to new members and that there is a large component of the book in the pension phase. The WealthSolutions product is aimed at higher end wrap clients (>\$250K investable funds) and therefore addresses the higher end, wrap segment of the retail market.

Overall FUM has increased by 8% over the year to 30 June 2014, with ClearView broadly being net flow neutral in FY14 and FY13 representing a significant improvement in net flows (was circa in net outflow of \$150 million in prior periods). The overall FUM and net flows are reflected in the graphs below:

## FUM



## Net Flows



Performance of investment markets plays a key part in "holding up" the Master Trust FUM, given that this is effectively a closed book with a portion of the FUM in the pension phase (down 4% over FY14). The Master Trust FUM is being replaced by lower margin new business written in the WealthSolutions product due to the more competitive

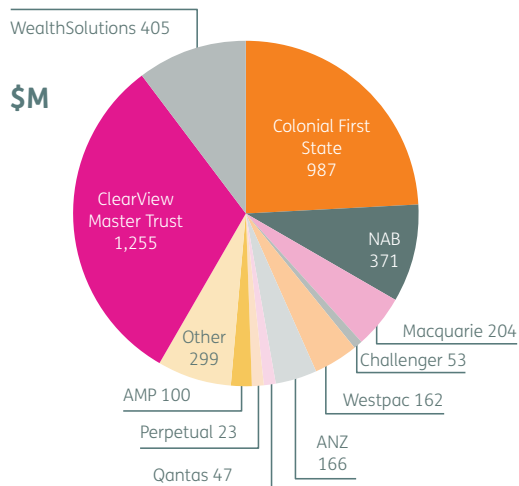
pricing of this contemporary platform. In the year to 30 June 2014, ClearView achieved further growth in WealthSolutions, with in-force FUM of \$405 million (growth of 79% over FY14). This has been achieved in circa two and a half years from its launch in December 2011.

# Directors' Report

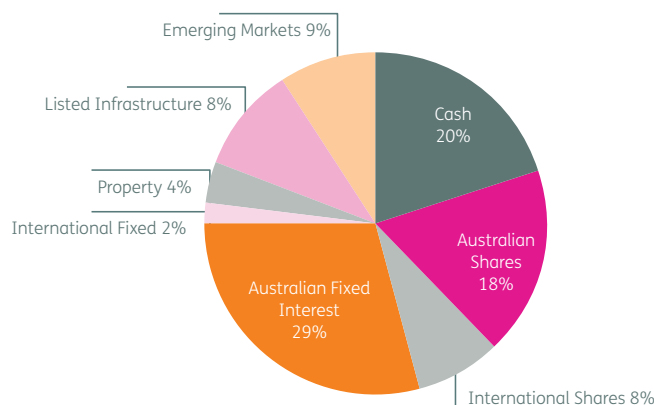
Continued

The graphs below highlight the FUM split by product as at 30 June 14:

## FUM under management advise



## Asset mix



ClearView has identified an opportunity to further improve its wealth product offering by launching a compelling, competitive mid-market product targeted at smaller account balances coupled with a life insurance cross sell opportunity. The new mid-market product is expected to be launched in the first half of the new financial year (ClearView WealthFoundations). Key principles of the product design of ClearView WealthFoundations have been the following:

- Manager branded, but non-complex, investment option building blocks;
- Some innovation and differentiation: positioning, pricing and adviser supporting features;
- Straightforward, easy to understand in-built fee structure;
- Competitive pricing;
- Leverage the LifeSolutions product (life insurance cross sell) and ClearView dealer group distribution; and
- Speed to market.

It is important to note that ClearView WealthFoundations will leverage off both the life insurance cross sell opportunity as well as the regulatory structure within ClearView. This allows the new proposed wealth product to include some innovation and differentiation.

Implementing a new compliant and functional wealth platform to host both a competitive mid-market product and the Master Trust product has therefore become a strategic priority with some investment in the overall ClearView business now shifting to wealth management. To date there

has been significant investment made in life insurance with the related growth that has followed. In order to operate off a single contemporary wealth platform and thereby ensure the long term profit sustainability and regulatory compliance, ClearView will be investing in a new platform solution. This will also include the migration of the Master Trust business onto the new platform in the second half of the FY15 financial year that is anticipated to create operational efficiencies once implemented.

The investment in both a new platform and ClearView WealthFoundations will require a material investment in FY15 (around a \$3.5 million UNPAT impact). The nature of a wealth management business is such that any upfront investment is made ahead of earnings and given that these short term costs are “non-deferrable” under the accounting standards this is likely to have a negative one-off impact on UNPAT in FY15 (as noted above). The investment in the new wealth platform and ClearView WealthFoundations will be separately reported in FY15 such that the market can understand the “normalised” UNPAT excluding this material investment. The benefits of the investment in wealth are expected to start flowing through in future financial reporting periods thereafter.

ClearView’s wealth management products are currently distributed primarily by the ClearView dealer group. As noted above, the ClearView dealer group has 117 financial advisers most of whom recommend wealth management products to their clients (including WealthSolutions). Following the launch of WealthFoundations, ClearView is expected to expand

# Directors' Report

Continued

its distribution reach by achieving recognition of the newly launched product on third party APLs (that is, expand the wealth distribution outside of the ClearView dealer group).

There has been significant regulatory change in the wealth management industry, most notably the Stronger Super and SuperStream reforms. Regulatory changes continue to have a short term impact on the wealth management industry given the focus required by management to ensure regulatory compliance. ClearView has successfully implemented the governance framework associated with the Stronger Super reforms and as previously outlined has decided not to apply for a MySuper licence.

Key focus areas over the next 12 months for wealth management are as follows:

- Building a new compliant, scalable and functional wealth platform to host the new competitive mid-market product and the existing Master Trust products;
- Launch of a competitive, mid-market product with relevant features and innovations (WealthFoundations);
- Migration of the Master Trust product onto the new single contemporary wealth platform;
- Build on our life insurance and wealth product cross sell opportunities; and
- Expanding wealth distribution.

## Financial Advice

ClearView provides financial advice services through its wholly owned subsidiary ClearView Financial Advice Pty Limited (CFA).

The distribution landscape has experienced consolidation in recent years, with the independent dealer groups now accounting for a smaller proportion of the market (given the recent merger and acquisition activity by vertically integrated players). The vertically integrated players have participated in the merger and acquisition activity given:

- Ownership of distribution allows greater protection from the wealth margin pressure (as distribution is closest to the consumer);
- Desire by players to enter the high net worth and self managed superfund segments which has traditionally been dealt with, at least in part, through independent financial advisers; and
- Impacts and costs of regulatory changes on the independent groups from the implementation of the Future of Financial Advice (FoFA) reforms.

CFA 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”. CFA also employs a number of salaried financial advisers with an expected shift over time for some of the employed planners (that self select) into a franchised model.

The following reflects the growth (by recruitment) in the number of financial advisers into CFA over time:

## Financial Advisers



The number of financial advisers in the CFA Dealer Group has increased to 117 as at 30 June 2014, representing an increase of 15% over the prior year. Financial advisers, where considered appropriate, have been able to participate in the overall performance of ClearView through share ownership in the Company via the ClearView ESP.

As at 30 June 2014, CFA has funds under management and advice (FUMA) of \$4.1 billion and life insurance in-force premiums under advice (PUA) of \$94 million. The growth in FUMA (11% over FY14) and PUA (30% over FY14) is predominantly driven by the recruitment of aligned advisers into the dealer group.

CFA has an approved product list (APL) that includes third party product providers, LifeSolutions, WealthSolutions and the Master Trust products. As at 30 June 2014, of the \$4.1 billion FUMA in-force, \$0.4 billion is in WealthSolutions and \$1.26 billion is in the Master Trust product. As at 30 June 2014, of the \$94 million PUA in-force, \$29 million is in LifeSolutions.

The FoFA reforms became effective on 1 July 2013 and focused on improving the quality of financial advice, particularly product recommendations to retail clients.

---

# Directors' Report

## Continued

The Government has subsequent to the implementation, announced a package of regulatory changes to FoFA, in the form of new Regulations, 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.

While the new regulations came into effect on 30 June 2014, motions to disallow the changes, tabled in the Senate by the opposition continue to bring into question whether the new Regulations will continue in their current form, be amended or repealed.

The Regulations in-force as at the date of this Report, brought about the following amendments to the previous FoFA law including:

- Fee disclosure statements - No requirement to provide an annual Fee Disclosure Statement to pre 1 July 2013 clients (at this stage this position will apply until 31 December 2015);
- Opt-in requirement - FoFA required that from 1 July 2015 advisers request that their clients opt-in to their ongoing fee arrangement. The new proposed regulations have postponed this requirement until 31 December 2015;
- Best interests duty - The proposed regulations have amended the "safe harbour" provision by removing the "catch all" requirement;
- Scaled Advice - In addition to the amendments to the best interest duty set out above, the Regulations also specifically addressed scaled advice and its interaction with the best interests duty;
- Moving between licencees - the FoFA legislation passed last year restricted advisers from moving from one licensee to another. The proposed regulations rectify this issue by allowing advisers to move from one licensee to another and continue to receive conflicted remuneration that has been grandfathered; and
- Conflicted remuneration exemptions - The proposed regulations provide for a number of new exemptions to the ban on conflicted remuneration, the most significant changes include an amendment to the education and training exemption, making it broader, and recognition that when a client moves from accumulation to pension phase in a superannuation product, that this will not result in grandfathering being lost.

The progress of the implementation 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.

ClearView has, during the year, restructured the financial advice business by rationalising its branch network and reorganising the service model. This had led to a reduction in the cost base of financial advice business, notwithstanding the further investment made to support a broader base of advisers across the dealer group.

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

- Continue to expand the adviser base through recruitment of aligned advisers. This includes focusing on the recruitment of high quality advisers who have the right cultural fit for ClearView;
- Continue to improve the effectiveness of the dealer group model;
- Complete building high quality advice processes for each practice with a strong focus on compliance; and
- Accelerate the growth opportunity by materially expanding the distribution footprint of ClearView potentially via acquisition. Please refer to Strategy section below for further details.

### 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 Annual Financial Statements on page 95.

### Strategy

The growth that ClearView's range of new life insurance and wealth management products and services is experiencing supports the view that the new products are attractive. These new products and services have enabled improved penetration of the broader financial adviser market, improved product and service offerings to financial advisers and has significantly broadened ClearView's exposure to the wealth management and life insurance markets.

ClearView has also focused on growing its financial advice and dealer group business through the recruitment of experienced and successful aligned advisers and investing in a broader dealer group support base for the growing number of advisers (with a focus on quality advice processes).

---

# Directors' Report

Continued

In 2010 ClearView acquired a profitable in-force business, with strong cash flow generation. Those cash flows are being invested in growth initiatives by ClearView, with the business investing in operating costs ahead of revenue to generate this growth. This includes 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 will 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. 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 continues to raise prices and modify terms, ClearView may benefit from these changes.

ClearView will continue to focus on the Life Advice segment of the market by continuing to refine its products and expand its distribution reach, and on the Non-Advice market where its strategic partnerships can be expanded and leveraged to reach more potential clients. As outlined above ClearView has entered into a funding and distribution arrangement with Your Insure which it considers an accelerated scale opportunity to gain market share, leveraging off the expertise and intellectual property of the founders.

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. This includes a material investment to build a new compliant and functional wealth platform to host WealthFoundations and the Master Trust product.

ClearView has laid the foundations for growth and continues to generate momentum through its organic growth strategy. The growth story is now expanding from the initial focus on life insurance (since the Acquisition) into the wealth management segment as outlined above.

ClearView does not consider acquisitions as a strategy per se, with any potential opportunity assessed on its merits. In the context of the growth trajectory of the ClearView business, acquisitions are likely to have the most positive impact by expanding the distribution reach to further accelerate the growth of the underlying manufacturing businesses (and the related elimination of expense overruns). Given the recent FoFA changes, constant regulatory reforms and impacts on the market construct through these changes

(shift to vertically integrated businesses such as ClearView), opportunities in the distribution space continue to present themselves. ClearView is currently in advanced negotiations with a dealer group that if successful is likely to accelerate the growth opportunity by materially expanding the distribution footprint of ClearView. The Board is supportive of the additional investment in expanding ClearView's distribution capabilities supported by the ongoing investment in the back end operational systems. ClearView cautions, however, that negotiations are ongoing and ClearView can give no assurances as to whether such a transaction will proceed, and, if so, on what terms. ClearView will immediately inform shareholders if these negotiations develop such that further disclosure is required.

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

# Directors' Report

Continued

## Financial Results

### Overview of Result

The Group has achieved the following results for the year ended 30 June 2014:

Reconciliation of Reporting net profit after tax to Underlying NPAT	2014	2013	Increase (Decrease)
<b>Reported net profit after tax</b>	<b>13.9</b>	<b>1.9</b>	<b>Large</b>
Adjusted for:			
Amortisation of intangibles	7.4	7.5	(2%)
Policy liability discount rate effect	(2.2)	2.3	NM
Take over bid related costs <sup>1</sup>	-	5.9	NM
Restructure costs <sup>1</sup>	-	0.9	NM
Income tax expense/ (benefit)	0.6	(2.5)	NM
<b>Underlying net profit after tax</b>	<b>19.7</b>	<b>16.0</b>	<b>23%</b>

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

- Statutory profit attributable to shareholders of ClearView for the year ended 30 June 2014 was \$13.9 million (FY13: \$1.9 million) representing a significant increase over the prior comparable period;
- Basic earnings per share for the year on a statutory basis of 3.13 cents per share (FY13: 0.46 cents per share) representing a significant increase over the prior comparable period;
- Fully diluted earnings per share on a statutory basis of 3.10 cents per share (FY13: 0.46 cents per share) representing a significant increase over the prior comparable period;
- Underlying net profit after tax (UNPAT) of \$19.7 million (FY13: \$16.0 million) representing an increase of 23% over the prior comparable period;
- Basic underlying earnings per share for the year of 4.46 cents per share (FY13: 3.89 cents per share) representing an increase of 15% over the prior comparable period; and
- Fully diluted underlying earnings per share of 4.41 cents per share (FY13: 3.65 cents per share) representing an increase of 21% over the prior comparable period.

UNPAT is the Board's key measure of 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).

UNPAT has increased by \$3.7 million (23%) compared with that for the year ended 30 June 2013, equivalent to an increase in fully diluted underlying earnings per share for the

year from 3.65 cents per share to 4.41 cents per share (21%). This result reflects:

- Strong growth in life insurance resulting from the emergence of profit off the increased average in-force premium over the year. Key experience items (other than expenses that are discussed in further detail below) are as follows:
  - The positive impact of a claims experience profit of \$1.1 million (after tax) relative to the expected claims cost. This positive claims experience variation follows the negative claims experience in FY13 of \$1.9 million; and
  - The negative impact of life insurance lapses being higher than the rate assumed in the life insurance policy liability (determined as at 30 June 2013) with an experience loss of \$0.9 million (after tax) (lapse experience loss of \$0.8 million in FY13).Further details on these experience items (including expenses) are provided in the life insurance segment analysis below.
- The negative impact from reduced investment earnings given the reduction in interest rates (and between periods dividends/capital management initiatives). This has reduced the contribution of investment earnings on ClearView's capital to UNPAT by \$0.7 million when compared to the FY13 result. Interest earnings should increase in FY15 given the annualised effect of the recent \$45.5 million capital raising;
- FUM has been positively impacted by favourable investment markets with net flows being broadly neutral (FUM is up 8%). Funds management fees however increased by 4% which reflects the run off of the higher



# Directors' Report

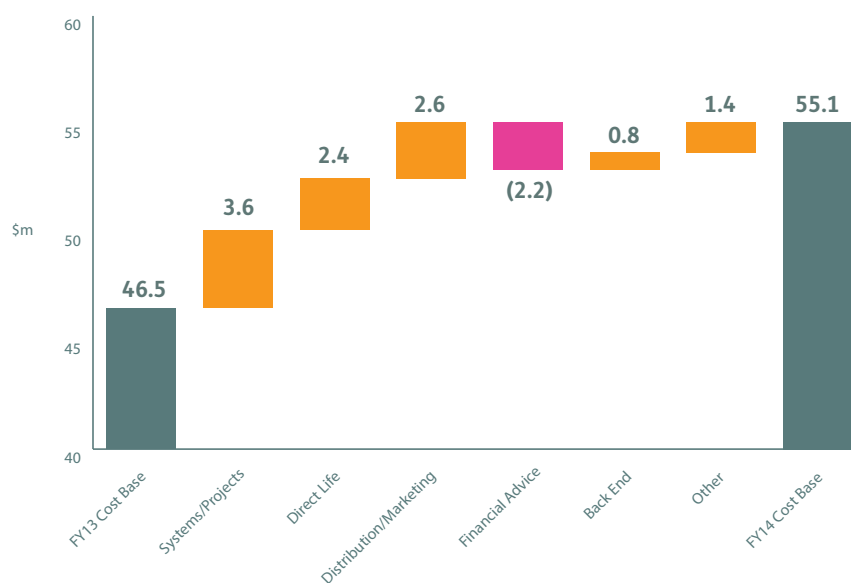
Continued

margin Master Trust product (albeit with improved net outflows over the prior year). WealthSolutions continues to build to scale coupled with the anticipated launch of WealthFoundations in FY15;

- Increases in the operating cost base over the year (+18%).

Given the growth profile of the business, the cost to income ratio has reduced from 46.5% to 44.6% with further reductions expected as the in-force portfolios grow. The drivers of the operating expense base increase from FY13 to FY14 is illustrated in the graph below:

## FY13 vs FY14 Cost Base



Key explanations of the movements follow:

- Systems/Projects - This relates to the investment in the business to further develop the front and back end systems and processes (+\$3.6 million) to support the growth strategy. These costs predominantly relate to the investment in life insurance and include the increased write off (amortisation) of prior capitalised software costs associated with the LifeSolutions systems. The investment in systems and processes to support the growth strategy is expected to continue, noting the significant investment in wealth management in FY15 as outlined earlier in the report;
- Direct Life - This relates to the Non-Advice business strategy implementation and ramp up costs (+\$2.4 million). The Group reinvested in the Direct Life insurance business in FY14 including the recruitment of a new team and set up of a call centre in Parramatta. This has led to additional costs (invested in the front end of the business ahead of earnings), which are anticipated to create shareholder value in the medium term. The investment in

the Non-Advice business has shown signs of early success and momentum through the financial year with life sales increasing by 48% over FY13, with an annualised run rate of circa \$5.4 million new premium per annum based on the last quarter of FY14;

- Distribution/Marketing - The distribution/ front end costs in life insurance include the development of a national presence and the related build out of the business development team (BDMs) (+\$1.7 million). The initial focus of the life insurance BDMs through the growth phase is on adviser recruitment and broadening out the representation of the LifeSolutions product on APLs, which will change the mix of adviser support over time as further critical mass in new business is achieved. The sales per unit of BDM cost should increase (unit costs reduce) over time but in the initial growth phase BDMs are necessarily recruited ahead of sales. Distribution also includes an initial investment in wealth management (+\$0.4 million) to broaden the base of WealthSolutions, with further investment expected following the launch of WealthFoundations in FY15. In FY14 there has also been

# Directors' Report

Continued

an increased investment in marketing (+\$0.4 million) to further support the growth of the business;

- Financial Advice – During the year ClearView restructured the financial advice business by rationalising the branch network and reorganizing the service model. This had led to a reduction in the cost base of the financial advice business (-\$2.2 million), notwithstanding the further investment made to support a broader base of advisers across the dealer group; and
- Back end/ Other – The back end relates to increases in the functional areas to support the growth in the front end of the business. These include administration, call centre and dealer group support costs. Other business support costs should reduce “per customer” as the scale of the business increases. This includes the “spreading” of the costs of the shared services functions as the business grows.

The current level of costs being incurred during the business's current growth phase significantly exceeds the long term expense assumptions adopted. The business is 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. 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. As ClearView grows, these expense overruns are likely to be absorbed and ClearView should achieve 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. In the year to 30 June 2014, the non deferred expense overruns across the business had a negative impact on UNPAT of \$7.7 million (of which \$4.5 million related to life insurance). Given the current size of the in-force business, these overruns are predominantly driven by:

- The significant investment made to date in LifeSolutions and the Non-Advice business; and
- The shared service infrastructure costs supporting the business segments that require scale to be achieved across the business units over time.

The elimination of expense overruns, coupled with the growth ambitions of the business, remains a key focus of management and the Board.

The following table reconciles the operating expenses analysed above to the Reported Operating Expenses line in the Annual Financial Statements:

Reconciliation of Operating Expenses to Reported Operating Expenses Per Annual Financial Statements	FY14 (\$Million)	FY13 (\$Million)
Operating Expenses Above	<b>55.1</b>	<b>46.5</b>
Custody and Investment Management Expenses	6.1	6.4
Takeover Bid Related Costs	-	6.8
Stamp Duty	2.1	1.0
Medical Costs	0.7	0.3
Depreciation and Software Amortisation	(3.3)	(2.4)
Operating Expenses Per Annual Financial Statements	<b>60.7</b>	<b>58.6</b>

The following additional items impact the statutory profit after tax, and comprise the reconciling items in the table on page 31:

- 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 UNPAT;
- 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 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 impact 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;

- Takeover bid related costs incurred in the first half of FY13. In response to the CCP Bidco takeover bid, the Board

# Directors' Report

Continued

engaged financial and legal advisers on commercial terms normal to a transaction of this nature. Furthermore, the Board implemented retention arrangements with the senior management 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 UNPAT; and

- A restructure provision was raised in FY13 in the financial advice business for costs to be incurred in regional office closures and lease termination costs, legal fees and other restructure related costs. No equivalent provision has been raised in the current financial year. There is a provision carried forward of \$0.16 million as at 30 June 2014 for onerous rent for the remaining regional offices that are in the process of being sub-leased. The costs associated with the aforementioned are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of UNPAT.

## Analysis of Result by Segment

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

Year Ended 30 June, \$ million	2014	2013	Change
Life Insurance	10.8	8.4	29%
Wealth Management	5.9	6.6	(11%)
Financial Advice	3.5	0.8	355%
Listed/Other	(0.5)	0.2	NM
<b>Underlying NPAT</b>	<b>19.7</b>	<b>16.0</b>	<b>23%</b>
Amortisation	(7.4)	(7.5)	(2%)
Other adjustments (Net of tax)	1.6	(6.6)	NM
<b>Reported NPAT</b>	<b>13.9</b>	<b>1.9</b>	<b>Large</b>

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

Year Ended 30 June 2014, \$ million	1H FY14 \$m	2H FY14 \$m	Change %	Change % 2H FY13 - 2H FY14
Life Insurance	4.7	6.1	29%	40%
Wealth Management	3.0	2.9	(4%)	1%
Financial Advice	1.8	1.7	(4%)	415%
Listed/Other	(0.4)	(0.1)	73%	101%
<b>Underlying NPAT</b>	<b>9.1</b>	<b>10.6</b>	<b>17%</b>	<b>41%</b>
Amortisation	(3.7)	(3.7)	-	(2%)
Other adjustments (Net of tax)	(1.7)	3.3	NM	NM
<b>Reported NPAT</b>	<b>3.7</b>	<b>10.2</b>	<b>Large</b>	<b>317%</b>

### Life Insurance

Life insurance risk premium is growing at just under an annualised run rate of \$30 million per annum (based on the second half of the financial year) due to the successful introduction of the LifeSolutions product and the reinvigoration of the Non-Advice business as noted above. This is likely to be the primary driver of growth in UNPAT in the medium term.

The Non-Advice 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 FY14 financial year, the Non-Advice business had underperformed. In particular, there had been limited new business growth coupled with adverse lapses under some channels (other than Bupa) which had an impact on results. ClearView has now discontinued sales activity with these channels and has commenced some material investment in the business. This includes recruiting a new

# Directors' Report

## Continued

direct team and a refocused direct distribution approach. There has been an improvement in the quality of new business written with run rates improving steadily over FY14.

Life Insurance UNPAT has increased by \$2.4 million (+29%) compared with that for the year ended 30 June 2013. This result reflects:

- Favourable claims experience profit (after tax) of \$1.1 million during the year compared to an adverse experience variation in FY13 of \$1.9 million (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 adverse relative to the rates assumed in the life insurance policy liability (determined at 30 June 2013) with an experience loss of \$0.9 million (after tax) in FY14 compared to experience loss of \$0.8 million (after tax) in the prior year. The adverse lapse experience predominantly offset the favourable claims experience in FY14.
- The adverse lapse experience was partly driven by lapse losses incurred on new direct business written via 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 was expected in FY14). 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 partially 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 Non-Advice life as noted above. 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 the IT related costs and the increased write off of capitalised software), increased call centre and administration costs as the in-force portfolios grows and increased costs associated with the Non-Advice business. Furthermore, there is an increased shared services cost allocation to life insurance as the business grows and absorbs more shared services functions;

- 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 create operating leverage. Expense overruns depress initial reported profits; these should eliminate as scale is achieved, thereby increasing underlying profit margins through the in-force portfolio. Given the investment phase of the business, this resulted in a maintenance expense experience loss of \$4.5 million for the 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).

The experience items for FY14 are detailed in the table below:

Life Insurance	FY14
	\$'000
<b>Actuarial Planned Profit After Tax</b>	<b>15,114</b>
Claims	1,070
Lapses	(899)
Non-Deferred Expense Overrun	(4,526)
Other	86
<b>Underlying Net Profit After Tax</b>	<b>10,845</b>

### Wealth Management

The profitability of Wealth Management is driven by the fees earned off FUM in ClearView product less expenses incurred. The Group was broadly FUM net flow neutral over FY14 and FY13, compared to significant outflow of circa \$150 million per annum in prior periods. This predominantly reflects the successful introduction of the WealthSolutions product, primarily sold to date via the ClearView dealer group.

---

# Directors' Report

Continued

The focus on servicing the ClearView dealer group to distribute the WealthSolutions product more broadly commenced in FY14. The focus is to continue to grow out distribution of this product. The development of WealthFoundations targeted at smaller account balances is also under way, as outlined earlier in the report.

UNPAT has decreased by \$0.7 million (11%) compared with that for the year ended 30 June 2013. This result reflects:

- Net increase in FUM levels over the year driven by the positive performance of investment markets (+8%). Given that new business is written into WealthSolutions at lower margins than the existing in-force Master Trust products, fee income increased by 4%. The margin compression and the run off of the Master Trust business is assumed in the Embedded Value calculations;
- Increased cost base (+17%) given the investment in wealth distribution and marketing costs in FY14, coupled with an increase in the allocation of shared service costs to the wealth segment. WealthSolutions continues to build to scale coupled with the anticipated launch of WealthFoundations in FY15 that should over time absorb the shared infrastructure;
- Notwithstanding the increased FUM levels, investment manager expenses remained broadly in line with the prior year;
- Given the growth in WealthSolutions FUM and the outsourced variable cost structure to the platform provider, platform fees increased in line with the average WealthSolutions FUM levels and average account balances; and
- Reduction in investment earnings given the reallocation of shareholder cash between segments.

## Financial Advice

As outlined above there has been growth in the aligned adviser model driven by the recruitment of advisers into the dealer group (relationships, service 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.

Financial planning fees include the internal advice fee of 50bps paid from the Master Trust product (given the bundled fee structure).

UNPAT has increased by \$2.7 million (355%) compared with that for the financial year ended 30 June 2013. 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.

## 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 UNPAT is predominantly driven by the reduced interest income from the payment of dividends in the first half of FY13 and the investment of capital in ClearView Life, the Group's life insurance subsidiary (reflective of the growth profile of this business), combined with reducing market interest rates over FY13.

The completion of the successful capital raising in March 2014 (\$45 million) and the related interest income led to the improvement of the performance of the segment in the second half of the financial year.

## Statement of Financial Position

The Statement of Financial Position of the Group as set out on page 68 reflects the following key metrics as at 30 June 2014:

- Net assets of \$310.2 million (June 2013: \$250.7 million) representing an increase of 24% over the prior comparable period;

# Directors' Report

Continued

- Net tangible assets of \$268.4 million (June 2013: \$203.3 million) (\$297.2 million including ESP loans) representing an increase of 32% over the prior comparable period;
- Net asset value per share (including ESP loans) of 62.3 cents per share (June 2013: 60.5 cents per share) representing an increase of 3% over the prior comparable period; and
- Net tangible asset value per share (including ESP loans) of 54.6 cents per share (June 2013: 50.1 cents per share) representing an increase of 9% over the prior comparable period.

Net assets increased during the year by \$59.5 million as follows:

- A reported profit of \$13.9 million outlined above;
- New capital raised net of share issue costs and buyback (+\$44.5 million)
- Net impacts of the FY13 final dividend (-\$7.8 million) and the fully underwritten dividend reinvestment plan (DRP) (+\$8.2 million). A further 14.1 million shares were issued under the DRP. The net positive impact of the dividend

declared (+\$0.4 million) relates to the repayment of ESP loans in accordance with the ESP Plan Rules; and

- Movements in the Executive Share Plan Reserve due to the treatment of the ESP expense in accordance with the accounting standards net of the recognition of interest related to ESP loans (+\$0.7 million).

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 30 June 2014 (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.

An analysis of reconciliation of the net assets in the Statement of Financial Position to Excess Assets over Internal Benchmarks as at 30 June 2014 is outlined in the table below:

Reconciliation of net assets to surplus capital:	Life \$m	Wealth \$m	Advice \$m	Net Consolidated/ Other \$m	FY14 Consolidated \$m	FY13 Consolidated \$m
<b>Net Assets (Balance Sheet)</b>	<b>201.7</b>	<b>20.9</b>	<b>16.1</b>	<b>71.5</b>	<b>310.2</b>	<b>250.7</b>
Goodwill & Intangibles	(5.5)	(1.3)	(8.2)	(26.8)	(41.8)	(47.5)
<b>Net Tangible Assets</b>	<b>196.2</b>	<b>19.6</b>	<b>7.9</b>	<b>44.7</b>	<b>268.4</b>	<b>203.2</b>
Deferred Acquisition Costs (DAC)	(146.8)	(0.1)	-	-	(146.9)	(117.5)
Other Adjustments to Capital Base	(0.4)	(0.1)	-	(3.6)	(4.1)	(3.7)
<b>Capital Base (APRA)</b>	<b>49.0</b>	<b>19.4</b>	<b>7.9</b>	<b>41.1</b>	<b>117.4</b>	<b>82.0</b>
Prescribed Capital Amount	(4.0)	(9.9)	-	(2.4)	(16.3)	(15.7)
Risk Capital	(19.1)	(4.5)	(2.5)	(3.5)	(29.6)	(26.1)
Working Capital	(22.0)	(3.5)	-	(20.5)	(46.0)	(28.0)
<b>Excess Assets over Internal Benchmarks</b>	<b>3.9</b>	<b>1.5</b>	<b>5.4</b>	<b>14.7</b>	<b>25.5</b>	<b>12.2</b>

Under the APRA capital standards, 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 \$25.5 million of net assets in excess of our internal benchmarks as at 30 June 2014. Internal benchmarks exceed regulatory capital requirements and include capital (Risk 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 also include a working capital reserve of \$46.0 million (Working Capital) as at 30 June 2014 to fund anticipated new business growth over the medium term.

Refer to the capital management section on page 40 for further detail.



# Directors' Report

Continued

## Embedded Value

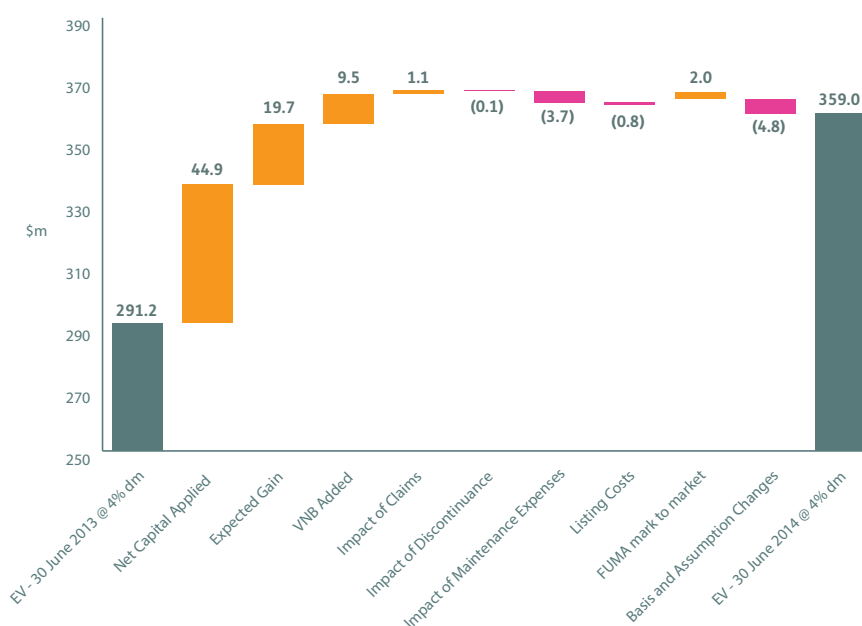
Life Insurance and Wealth Management are long term businesses that involve long term contracts with customers and complex accounting treatments. Embedded Value (EV) represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client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

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

Risk margin over risk free:	3% dm \$m	4% dm \$m	5% dm \$m
Life insurance	203.8	192.0	181.4
Wealth management	43.9	42.1	40.4
Advice	25.3	24.1	23.0
<b>Value of In-Force (VIF)</b>	<b>273.0</b>	<b>258.2</b>	<b>244.8</b>
Net worth	100.8	100.8	100.8
<b>Total EV</b>	<b>373.8</b>	<b>359.0</b>	<b>345.6</b>
ESP Loans	28.7	28.7	28.7
<b>Total EV Including ESP Loans</b>	<b>402.5</b>	<b>387.7</b>	<b>374.3</b>
<b>Imputation Credits:</b>			
Life	33.3	31.3	29.5
Wealth	11.1	10.7	10.4
Advice	7.4	7.1	6.9
<b>Total EV Including Imputation Credits and ESP Loans</b>	<b>454.3</b>	<b>436.8</b>	<b>421.1</b>
<b>EV Including ESP Loans (cents per share)</b>	<b>73.9</b>	<b>71.2</b>	<b>68.8</b>
<b>Total EV Including Imputation Credits and ESP Loans (cents per share)</b>	<b>83.4</b>	<b>80.2</b>	<b>77.3</b>

dm = discount rate margin above the risk free rate of 4%

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



---

# Directors' Report

Continued

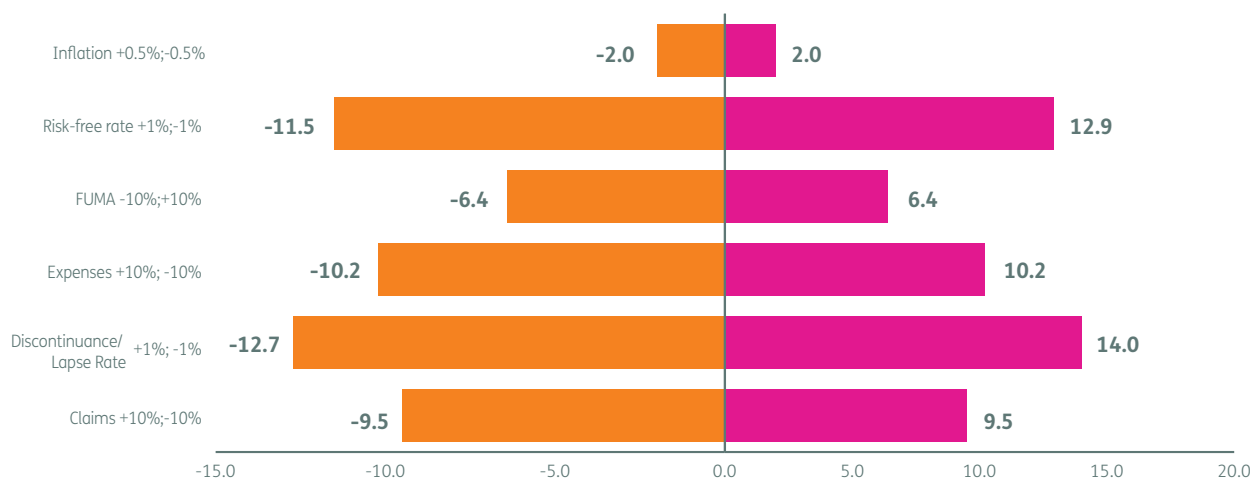
## EV Movement

- Net Capital Applied (\$44.9 million): The net impact of the following:
    - FY13 final dividend, DRP and related repayment of Executive Share Plan loans by participants given their ineligibility to participate in the DRP under the ESP Plan Rules (+\$0.4 million);
    - Completion of the successful capital raising in March 2014 (+\$45.4 million), less share issues costs incurred (-\$0.5 million net of tax); and
    - Shares bought back in the market through the on-market buyback program as previously announced to the market (-\$0.4 million).
  - Expected Gain (+\$19.7 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) (+\$9.5 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 Financial Advice business had a negative value of new business of \$1.4 million that was a drag on the VNB. This is as a result of the acquisition expenses incurred relative to new business generation but is offset by the positive maintenance expense impact outlined below;
  - The claims experience (relative to actuarial assumptions) (+\$1.1million): The claims experience across all product lines was favourable in FY14. Given the current small size of the insurance portfolio, some claims volatility on the old book from period to period is to be expected;
  - The impact of lapses on life insurance book and FUMA discontinuance (-\$0.1 million): The life insurance lapses impact (-\$1.6 million) was driven by lapse rates for the old book being higher than expected (noting lapse rates for the more recent LifeSolutions business have been better than expected and the tail of the run off of the terminated Non-Advice distribution relationships). This was predominantly offset by the positive impact from lower discontinuance rates for the Wealth Management and Financial Advice businesses (+\$1.5 million);
  - The adverse maintenance expense experience (-\$3.7 million). This relates to the maintenance expense overruns versus the long term unit costs assumed in the EV. Emerging life insurers and wealth managers 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 overruns 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. The Financial Advice business had a positive maintenance expense variance of \$2.7 million that reduced the overruns in the life insurance (-\$4.4 million) and wealth management (-\$2.0 million) businesses. This is as a result of the restructured service model and rationalisation of the branch network that was executed in the current year and offsets the negative impact on the value of new business as outlined above;
  - Expenses were impacted by the Group’s listed overhead costs which are not allowed for in the Embedded Value (-\$0.8 million).
  - FUMA Mark to Market (+\$2.0 million): The net investment performance on the funds under management and advice over the period resulted in higher fee income relative to expectations over the period and a higher present value of future fees at the end of the period.
  - Basis and Assumption Changes (-\$4.8 million): This includes the net effect of capital reallocations by segment, model enhancements, timing effects, actuarial assumption changes, capital base changes and the non-cash ESP expenses. The lapse rate assumptions were amended to reflect current experience. A modest improvement in the lapse rate assumption for LifeSolutions was adopted offset by a material strengthened lapse rate assumption on the old book, the net one-off impact of which reduced the EV by \$7.6 million.
- While the EV 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 EV measure uses assumptions related to future experience. A sensitivity analysis on the key assumptions in the EV is outlined on the following page:

# Directors' Report

Continued

## EV Sensitivity Analysis: Total @ 4% dm (\$ million)



\* Note: The interest rate sensitivities show the change to policy liabilities and profit from a change in the discount rate by adding or subtracting 1% from the yield curve adopted. The other sensitivities show how different the policy liabilities and reported profit would have been if the Company's experience in the current year in relation to those variables had been higher or lower by 10% of that experienced.

## Dividends

The Directors have declared a fully franked dividend in 2014 of \$10.98 million (2013: \$8.2 million). This equates to 2.0 cents per share (2013: 1.8 cent per share) and represents approximately 55% of the 2014 UNPAT and is in line with the Company's dividend policy (+11% increase in the dividend per share over the prior year). No interim dividend was paid during the year (2013: nil). For further details on the Company's dividend policy (and related fully underwritten Dividend Reinvestment Plan (DRP)) refer to Capital Management section below.

The Board seeks to pay dividends at sustainable levels and has a target payout ratio of between 40% and 60% of UNPAT. 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.

The FY14 Final Dividend will be fully underwritten in accordance with the DRP that:

- Provides shareholders the opportunity to reinvest into the Group's fast growing life insurance business, while at the same time retaining capital within the Group;
- Should, 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 30 June 2014 was \$25.5 million across the Group, an increase of \$13.3 million since 30 June 2013. The increase in surplus capital since 30 June 2013 reflects the following key items:

- The UNPAT for the year (+\$19.7 million);
- The net capital absorbed by the growth of the business over the period (-\$27.1 million);

---

# Directors' Report

Continued

- The increase in the working capital reserve (-\$18.0 million) reflecting capital set aside to fund anticipated new business growth over the medium term following the approval of the current three year business plan by the Board in July 2014;
- New capital raised net of share issue costs and buyback (+\$44.5 million);
- Net impact of the underwritten DRP and related issue of shares (+\$0.4 million);
- Increase in risk capital reserved due to increasing business volumes; (-\$3.7 million); and
- The net impacts of the tax effect on the change in policy liability discount rate and other movements in the capital base (-\$2.5 million).

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 30 June 2014 includes a working capital reserve of \$46 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 July 2014. ClearView therefore has \$71.5 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

ClearView successfully completed a fully underwritten equity raising of \$44.9 million (net of costs) in March 2014 to support the growth of the Company with proceeds predominantly being applied to fund ClearView's strong growth in life insurance in-force premiums.

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

- An Institutional Placement that raised \$20 million (Placement); and

- A 1 for 12 pro rata accelerated non-renounceable Entitlement Offer that raised \$25.5 million (Entitlement Offer).

In total 69,961,956 new ClearView shares were issued under the equity raising, representing 14.9% of total issued capital. Both the Placement and Entitlement Offer were fully underwritten.

The issue price of \$0.65 represented 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).

## 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.

As at the date of this report, \$0.4 million (including costs) representing 510,252 shares have been bought back by the Company.

## Outlook

ClearView believes the long term growth outlook for both life insurance and wealth management in Australia is sound. However, in the short term, the overall life insurance and wealth management industries could face continued pressure from uncertain economic conditions (lapses and claims) and potentially volatile investment markets and further significant regulatory changes.

ClearView remains well positioned relative to the industry issues given that the closed life insurance portfolio that was acquired had very limited income protection business (less than 1%) and that the LifeSolutions income protection new business is being written at more sustainable pricing coupled with stronger financial underwriting (salaries have reduced for white collar workers post the global financial crisis). Further, ClearView has no group life insurance business which has also been the cause of recent underperformance in the industry. Further details on the issues facing the industry are provided in the Managing Director's Report.

The nature of our life insurance and wealth management businesses is that they incur significant expenditure in acquiring customers ahead of the future multi-year revenues

---

# Directors' Report

Continued

those customers provide (with that revenue accruing in future accounting periods). ClearView continues to be in an investment phase that we expect will create material shareholder value in the medium term. The Board is supportive of this long term investment approach and is pleased with the growth and results that has been achieved to date.

ClearView is in a strong position to continue to build on the foundations we have put in place so as to grow shareholder value.

## 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 year ended 30 June 2014.

## Events subsequent to reporting date

### a) Dividends

On 26 August 2014, the Group proposed a final dividend of \$10.98 million representing 2.0 cents per share fully franked. The record date for determining entitlement to the dividend is 4 September 2014 and the dividend will be paid on 17 September 2014. Since the dividend has not been declared at year end it has not been recognised as payable in these accounts.

### b) Potential Acquisitions

ClearView is currently in advanced negotiations with a dealer group that if successful is likely to accelerate the growth opportunity by materially expanding the distribution footprint of ClearView. The Board is supportive of the additional investment in expanding ClearView's distribution capabilities supported by the ongoing investment in the back end operational systems. ClearView cautions, however, that negotiations are ongoing and ClearView can give no assurances as to whether such a transaction will proceed, and, if so, on what terms. ClearView will immediately inform shareholders if these negotiations develop such that further disclosure is required.

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.

---

# Directors' Report

Continued

## Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of ClearView's Directors and its Key Management Personnel (KMP) for the financial year ended 30 June 2014.

The term "KMP" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director of the consolidated entity.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Details of the Directors and KMP;
- Overview of Remuneration Strategy and Objectives;
- Remuneration Policy including the relationship between the Remuneration Policy and Company performance;
- Remuneration of Directors and KMP including share based payments granted as compensation; and
- Key terms of employment contracts.

### Details of the Directors and KMP

The Directors of the Group and Company during or since the end of the financial year were:

- **Dr Gary Weiss**  
(Chairman, Independent Non-executive Director)
- **Andrew Sneddon**  
(Independent Non-executive Director)  
(Alternate Director to Mr Fallick until 3 December 2013, appointed as Director on 3 December 2013)
- **Bruce Edwards**  
(Independent Non-executive Director)
- **David Brown**  
(Independent Non-executive Director)
- **Gary Burg**  
(Independent Non-executive Director)
- **Jennifer Newmarch (née Weinstock)**  
(Non-executive Director)
- **Michael Alscher**  
(Non-executive Director)
- **Michael Lukin**  
(Alternate Non-executive Director)
- **Nathaniel Thomson**  
(Non-executive Director)
- **Simon Swanson**  
(Managing Director)

- **John Fallick**  
(Former Independent Non-executive Director, resigned 3 December 2013)

The KMP of the Group and the Company in addition to the Directors during or since the end of the financial year were:

- **Athol Chiert**  
Chief Financial Officer and Company Secretary
- **Chris Robson**  
General Counsel and Company Secretary
- **David Charlton**  
General Manager, ClearView Direct  
(Appointed 1 May 2014)
- **Elliot Singfield**  
General Manager, ClearView Direct  
(Resigned 1 May 2014)
- **Greg Martin**  
Chief Actuary and Risk Officer
- **Justin McLaughlin**  
Chief Investment Officer
- **Todd Kardash**  
General Manager, Distribution
- **Tony Thomas**  
General Manager, Operations and Technology

### Overview of Remuneration Strategy and Objectives

ClearView's remuneration approach has the following objectives:

- Attract, retain and motivate skilled employees;
- Reward and recognise employees for strong performance;
- Reward employees in a way that aligns remuneration with prudent risk-taking and the long-term financial soundness of the business, and with gains to its shareholders;
- Maintain a competitive, yet financially-viable salary structure; and
- Clarify responsibilities and decision-making authority in relation to remuneration at ClearView.

### Remuneration Policy

ClearView's current remuneration policy was updated in July 2013 and is compliant with APRA Prudential Standard CPS510. The Board has approved this policy and retains overall responsibility for all remuneration decisions in respect to persons relevant to each entity. The policy is reviewed at least once every three years. Any changes to this policy must also be approved by the Board.



---

# Directors' Report

## Continued

ClearView has an established Group Nomination and Remuneration Committee (Remuneration Committee) which, among other things, is responsible for overseeing the remuneration and human resource practices for the ClearView group. Key responsibilities of the Remuneration Committee are as follows:

- Reviewing and recommending to the Board ClearView's Remuneration Policy, including its effectiveness and compliance with legal and regulatory requirements, on a regular basis;
- Identifying any material deviations of remuneration outcomes from the intent of the Remuneration Policy, including any unreasonable or undesirable outcomes that flow from existing remuneration arrangements;
- Reviewing and making annual recommendations to the Board on the remuneration of the Managing Director, Senior Management Team (SMT) members (all of whom are KMP listed above) and other persons whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of ClearView;
- Reviewing and making annual recommendations to the Board on the remuneration structures, including risk-adjusted performance targets, for those persons or categories of persons which, in the Board's opinion, could individually or collectively affect the financial soundness of the institution, ensuring that due regard is given to the balance between the achievement of business objectives and the associated risk;
- Reviewing and making annual recommendations to the Board on the remuneration structures of external persons retained directly by ClearView under contract whose activities, individually or collectively, may affect the financial soundness of the institution;
- Reviewing compliance with the relevant regulatory and prudential requirements;
- Ensuring it has the necessary experience and expertise in setting remuneration and sufficient industry knowledge and/or external advice to allow for effective alignment of remuneration with prudent risk-taking, supplementing its expertise with appropriate external expert advice;
- Reviewing and recommending to the Board any short-term and long-term incentive payments for the Chair, Managing Director and Senior Management Team (SMT); and
- Reviewing and providing recommendations to the Board in relation to any termination benefits for Non-executive directors, Managing Director, other SMT members and key

persons which exceed one year's average base salary as defined in the Corporations Act 2001.

ClearView's Remuneration Policy is in place to:

- Outline employee obligations and ClearView's obligations;
- Set out roles, responsibilities and accountabilities of the KMP;
- Set out clear reporting and controls;
- Define various terms to ensure a common understanding; and
- Clarify what happens if this policy or associated procedures are breached.

### **Relationship between Remuneration Policy and Company performance.**

The primary objectives of the remuneration policy are to ensure that remuneration is competitive, aligned with the Company's business objectives in both the short term and the long term, and appropriate for the results delivered by the individual. In accordance with this objective, the Company has structured remuneration packages to provide an appropriate mix of fixed and performance based pay components which are based on both the individual's performance and Group performance. By adopting a robust approach to remuneration, the Group aims to attract and retain top talent.

The remuneration framework is also designed to reward prudent risk-taking, support effective risk management and prioritise the long term financial soundness of the business and its shareholders.

Total KMP remuneration is made up of three components:

- Fixed Remuneration;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The design of remuneration structures and performance conditions will reflect ClearView's key risks, as relevant to particular roles by:

- Ensuring that the components of remuneration appropriately balance risk and business outcomes, having regard to the percentage of "at risk" to "not at risk" remuneration that is, variable to fixed remuneration;
- Using appropriate risk-adjusted objectives in ClearView's incentive awards for key persons and categories of persons;

---

# Directors' Report

Continued

- Appropriate use of long-term incentives to ensure performance can be suitably validated and the consequence of the risk to which ClearView has been exposed can be fully assessed; and
- Ensuring any sign-on and termination payments with respect to Directors, SMT members and other key personnel, comply with legislative requirements, are appropriate and prudent and contain suitable hurdles.

## Fixed Remuneration

Fixed Remuneration is made up of base remuneration and superannuation. Base salary includes cash salary and any salary sacrifice items. The Group provides employer superannuation contributions of 9.25% (increased to 10% effective 18 March 2014) of each KMP's superannuation salary, capped at the relevant concessional contribution limit.

The Fixed Remuneration is based on each employee's experience, qualifications, capability and responsibility and not to specific performance conditions. An employee's responsibility includes accountabilities, delegations, KPIs and risk profiles. To ensure an employee's Fixed Remuneration is competitive, it is benchmarked against median salary survey results from a group of comparable Australian financial service companies. Fixed Remuneration is reviewed annually, following the end of the 30 June performance year.

Independent market remuneration data was purchased from two independent sources and reviewed to benchmark the Fixed Remuneration for KMP for the 2014 financial year. The sources were the Financial Industry Remuneration Group (FIRG) and Aon Hewitt reports. Both are primary providers of data and the most appropriate for roles in the industry in which ClearView operates. ClearView also purchased additional data from Mercer for specialist roles. The benchmarking reports were used as a guide, and were not a substitute for thorough consideration of all the issues by the Remuneration Committee

No formal consulting advice was sought from independent external research houses and Remuneration Consultants in FY14.

## Short Term Incentive (STI) plan

The STI plan for KMP aims to provide a common motivation to act in the best interests of the Company to reach or exceed Company goals for the financial year. They are based on rewarding an individual with a bonus calculated as a percentage of Fixed Remuneration. Company performance targets are set for the KMP by the Remuneration Committee.

For FY14, the award of the STI component for KMP is based on the achievement of two company goals equally weighted, namely:

- Underlying Net Profit after Tax (UNPAT). UNPAT is the Board's key measure of group profitability and the basis on which dividend payments are determined. It consists of reported net profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities, and costs which are considered unusual to the Group's ordinary activities; and
- Embedded Value growth. Life insurance and wealth management are long term businesses that involve long term contracts with customers and complex accounting treatments. Embedded Value calculations are used as key measures to assess the performance of the business from period to period. An Embedded Value represents the discounted value of the future cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.

STI outcomes fall within a range of 0% to 120% of the Target STI with 100% pegged to achieving target performance (as set out in the Board approved Business Plan). The resultant potential maximum STI awards for KMP range from 0% to 60% of Fixed Remuneration (a reduction from FY13 where the upper limit was 79% of Fixed Remuneration). In 2014, KMP received an STI bonus of 33.9% of their Fixed Remuneration representing 23.1% of their total remuneration.

The Managing Director sets specific key individual objectives for the KMP which support the achievement of Company goals. The individual performance targets are linked to a KMP's position and/or team objectives and reflect the level of risk that ClearView is exposed to by the individual's actions.

Whilst the quantum of KMP STI is determined by company goals, the Managing Director is responsible for assessing the performance of KMP and for recommending the total STI to be paid. Therefore, the Managing Director may recommend STI payments below or over and above the specified company outcomes in the case of below target or exceptional performance respectively. The Managing Director's recommendations are presented to the Remuneration Committee for consideration and recommendations are made to the Board for approval. It is only when Board approval has been obtained that STI bonuses are payable.

# Directors' Report

Continued

## Long Term Incentive (LTI) Plan

ClearView has an ownership-based compensation scheme in place to assist in the recruitment, rewarding, retention and motivation of employees of the Company. This scheme is designed to recognise leaders and reward those decisions and actions which have a direct and positive impact on the results that ClearView delivers for shareholders, both now and in the future.

The Executive Share Plan (ESP) has been established to reflect ClearView's recognition of employees' contribution, by providing an opportunity to share in the future growth and profitability of ClearView. This also aligns the interests of participants more closely with the interests of shareholders. Only key managers, members of the SMT and the Managing

Director participate in this scheme. Non-executive Directors are not entitled to participate in the ESP under the Plan Rules.

Benchmarking of the LTI for the SMT was last performed by PricewaterhouseCoopers (PwC) an independent Remuneration Consultant in February 2013 and considered thorough and appropriate for FY14. This advice was used as a guide, and was not a substitute for thorough consideration of all the issues by the Remuneration Committee.

The use of derivatives over ClearView Securities could distort the proper functioning of performance and vesting conditions of the ESP. Accordingly, derivatives over ClearView shares are not permitted to be held in relation to any ClearView shares that are unvested or the subject of a holding lock under the ESP.

## Consequences of ClearView's performance on shareholder wealth

The following tables set out the summary information about the Group's earnings and movements in shareholder wealth for five years to 30 June 2014:

	30 Jun 14	30 Jun 13	30 Jun 12	30 Jun 11	30 Jun 10
Revenue <sup>1</sup> (\$'000)	190,301	172,278	143,182	136,019	45,368
Net profit before tax (\$'000)	21,483	11,813	36,946	14,658	7,102 <sup>3</sup>
Net profit after tax (\$'000)	13,880	1,876	22,336	8,665	2,408 <sup>3</sup>
Underlying Net Profit/(loss) after Tax	19,738	16,014	19,241	19,317	(1,040) <sup>3</sup>
Dividend (interim) (cents)	-	-	-	-	-
Dividend (Final) (cents)	2.0	1.8	1.8	1.8	-
Dividend (Special) (cents) <sup>2</sup>	-	2.2	-	-	-
Basic EPS (cents) <sup>3</sup>	3.13	0.46	5.46	2.12	1.33
Diluted EPS (cents)	3.10	0.46	5.24	2.10	1.33
Fully diluted Underlying EPS (cents)	4.41	3.65	4.53	4.59	-
Embedded Value <sup>4</sup>	359	291	269	n/a	n/a
Embedded Value per share (cents) <sup>4</sup>	71.2	69.4	65.0	n/a	n/a
Share Price at the beginning of the year (cents)	59.0	46.0	50.0	52.0	42.0
Share Price at the end of the year (cents)	80.0	59.0	46.0	50.0	52.0

1 Revenue from continuing operations excludes net fair value gains/losses in financial assets.

2 In accordance with the Implementation Agreement entered into between the Company and CCP Bidco, on 26 September 2012, ClearView declared an unfranked special dividend of 2.2 cents per share that was paid on 16 October 2012.

3 From continuing operations.

4 EV calculated at a 4% discount rate margin. Previously reported EV of \$265m at 30 June 2012 adjusted for dividends, net capital applied, cash takeover bid related costs and the estimated reduction in the discount rate margin to 4% (for comparative purposes). Prior period EVs have been excluded given changes to discount rates, dividends and net capital applied.

The EV at each reporting date excludes any value for future growth, potential value of franking credits, costs associated with being listed on the ASX, short term prospective growth and development costs and ESP loans outstanding at balance date. EV per share calculations has been adjusted to include ESP loans outstanding at balance date.

# Directors' Report

Continued

## Remuneration of Directors and KMP

### Non-executive Directors' Remuneration

Non-executive Directors (NED) are remunerated by fees within the aggregate limit approved by shareholders. The present limit on aggregate remuneration for Non-executive directors is \$1,000,000 including superannuation (2013: \$750,000). Directors' fees can be paid as superannuation contributions. The fee pool is the only source of remuneration for Non-executive Directors.

The compensation of each Non-executive Director for the year ended 30 June 2014 is set out below:

2014	Short term employee benefits				Post employment	Share based payments	Performance based	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan of total remuneration		
	\$	\$	\$	\$	\$	\$	%	\$
<b>Non-executive Directors</b>								
G Weiss <sup>1</sup>	183,066	-	-	-	16,934	-	-	200,000
B Edwards	95,000	-	-	-	-	-	-	95,000
D Brown	77,803	-	-	-	7,197	-	-	85,000
G Burg	73,227	-	-	-	6,773	-	-	80,000
J Newmarch <sup>2</sup>	40,000	-	-	-	-	-	-	40,000
J Fallick <sup>4</sup>	-	-	-	-	-	-	-	-
M Lukin <sup>2</sup>	40,000	-	-	-	-	-	-	40,000
N Thomson <sup>3</sup>	121,230	-	-	-	-	-	-	121,230
A Sneddon <sup>4</sup>	85,000	-	-	-	-	-	-	85,000
M Alscher <sup>5</sup>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>715,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,904</b>	<b>-</b>	<b>-</b>	<b>746,230</b>

1 Dr Weiss was appointed Chairman on 1 July 2013 and his fees were increased to \$200,000 per annum from that date.

2 Mr Lukin was paid fees as an alternate to Mrs Newmarch from 1 January 2014. Mr Lukin and Mrs Newmarch have agreed they will receive no fees as a Director although fees were paid to Macquarie Investment Management Limited of which they were employees until 6 June 2014 (from which date they are now paid to ROC Partners). Mrs Newmarch was paid fees until 31 December 2013.

3 Mr Thomson has agreed that he will receive no fees as a Director although fees are paid to Crescent Capital Partners Management Pty Limited of which he is an employee. Mr Thomson fees include an additional payment of \$36,230 for special duties in the year ended 30 June 2014.

4 Mr Sneddon was appointed Alternate Director to Mr Fallick on 26 March 2013. Mr Sneddon was paid fees as an alternate to Mr Fallick from 26 March 2013 until 3 December 2013. On the resignation of Mr Fallick on 3 December 2013, Mr Sneddon's appointment as Alternate was revoked and he was appointed as a Director on 3 December 2013 at which time he started receiving his own Non-executive Director fees.

5 Mr Alscher agreed that he would receive no fees for his services as a Director and Crescent Capital Partners Management Pty Limited agreed to receive no directors fees in respect of Mr Alscher's directorship for the year ended 30 June 2014 (until such time as ClearView generates an underlying net profit after tax greater than \$20 million per annum).

# Directors' Report

Continued

The compensation of each Non-executive Director for the year ended 30 June 2013 is set out below:

2013	Short term employee benefits				Post employment	Share based payments	Performance based	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan of total remuneration		
	\$	\$	\$	\$	\$	\$	%	\$
<b>Non-executive Directors</b>								
R Kellerman <sup>1</sup>	145,273	-	-	-	11,275	-	-	156,548
G Weiss	53,839	-	-	-	4,846	-	-	58,685
A Eisen <sup>2</sup>	-	-	-	-	-	-	-	-
A Keating <sup>5</sup>	42,544	-	-	-	3,829	-	-	46,373
A Sneddon <sup>7</sup>	22,589	-	-	-	-	-	-	22,589
B Edwards	65,589	-	-	-	-	-	-	65,589
D Brown	53,839	-	-	-	4,846	-	-	58,685
D Goodsall <sup>3</sup>	45,619	-	-	-	2,306	-	-	47,925
G Burg	50,672	-	-	-	4,561	-	-	55,233
J Fallick	27,957	-	-	-	2,516	-	-	30,473
J Murphy	21,349	-	-	-	1,921	-	-	23,270
N Thomson <sup>6</sup>	33,685	-	-	-	-	-	-	33,685
S Thomas <sup>4</sup>	105,000	-	-	-	-	-	-	105,000
<b>Total</b>	<b>667,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,100</b>	<b>-</b>	<b>-</b>	<b>704,055</b>

1 Mr Kellerman's Directors' fees decreased from \$140,000 to \$135,000 on 22 October 2012. Salary and fees include a \$20,000 fee for special duties associated with the takeover.

2 Mr Eisen agreed that he would receive no fee for his services as a director and GPG Limited agreed to receive no directors fees in respect of Mr Eisen's directorship. Mr Eisen resigned as a Director on 11 October 2012.

3 Mr Goodsall's fees include \$20,000 fee for special duties associated with the takeover. Mr Goodsall resigned as a Director on 22 October 2012.

4 Ms Thomas's fees include \$20,000 fee for special duties associated with the takeover. Ms Thomas resigned as a Director on 22 October 2012.

5 Ms Keating's fees include \$20,000 fee for special duties associated with the takeover. Ms Keating resigned as a Director on 22 October 2012.

6 Mr Thomson has agreed that he will receive no fees as a Director although fees are paid to Crescent Capital Partners Management Pty Limited of which he is an employee.

7 Mr Sneddon is paid fees as an alternate to Mr Fallick with effect from 26 March 2013.

Further to the take over offer in July 2012, given the increased time commitment and responsibilities in relation to the take over, Non-executive Directors (excluding Mr Eisen) were paid an additional base fee of \$20,000 each during the 2013 financial year. These payments are included under the heading "Salary & Fees" in the table above.

# Directors' Report

Continued

## Managing Director and Senior Management Team Remuneration

The compensation of each member of the KMP of the Group for the year ended 30 June 2014 is set out below:

2014	Short term employee benefits					Post em- ployment	Share based pay- ments	Perfor- mance based %	Total \$
	Salary & Fees \$	Bonus \$	Retention Bonus \$	Non- monetary \$	Termi- nation Payment \$	Superannu- ation \$	Execu- tive Share Plan <sup>1</sup> \$		
S Swanson	591,210	310,541	-	11,575	-	17,725	5,687	33.8%	936,738
A Chiert	347,500	109,526	-	6,534	-	17,725	48,300	29.8%	529,585
C Robson	299,980	94,590	-	-	-	17,725	-	22.9%	412,295
G Martin	364,992	115,049	-	11,575	-	25,327	48,300	28.9%	565,243
J McLaughlin	307,493	96,935	-	-	-	24,526	-	22.6%	428,954
T Kardash	269,887	85,255	-	8,635	-	17,725	24,150	27.0%	405,652
T Thomas	301,331	95,297	-	-	-	17,725	36,181	29.2%	450,534
D Charlton <sup>3</sup>	206,343	68,027	-	-	-	17,661	2,230	23.9%	294,261
E Singfield <sup>2</sup>	280,843	32,312	-	-	-	20,845	-	9.7%	334,000
<b>Total</b>	<b>2,969,579</b>	<b>1,007,532</b>	<b>-</b>	<b>38,319</b>	<b>-</b>	<b>176,984</b>	<b>164,848</b>	<b>26.9%</b>	<b>4,357,262</b>

1 Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued. This includes modification to the inputs due to the removal of interest on the ESP loans (if relation to S Swanson ESP shares).

2 Cessation of employment on 1 May 2014.

3 Appointed 1 May 2014.

The compensation of each member of the KMP of the Group for the year ended 30 June 2013 is set out below:

2013	Short term employee benefits					Post em- ployment	Share based pay- ments	Perfor- mance based %	Total \$
	Salary & Fees \$	Bonus \$	Retention Bonus \$	Non- monetary \$	Termi- nation Payment \$	Superannu- ation \$	Execu- tive Share Plan <sup>1</sup> \$		
S Swanson	579,887	186,729	141,818	11,025	-	20,113	79,317	40.0%	1,018,889
A Chiert	341,904	82,142	241,818	6,514	-	17,077	69,896	51.9%	759,351
C Robson	291,997	89,362	97,273	-	-	16,585	97,741	48.0%	592,958
G Martin	348,518	98,990	191,818	11,025	-	26,878	207,557	56.3%	884,786
J McLaughlin	294,464	75,929	47,273	-	-	23,390	38,547	33.7%	479,603
T Kardash	249,950	97,250	-	8,085	-	16,889	104,127	42.3%	476,301
T Thomas	68,750	-	-	-	-	3,801	-	0.0%	72,551
E Singfield	166,365	38,800	-	-	-	8,235	-	18.2%	213,400
C Levinthal <sup>2</sup>	202,593	-	94,545	6,064	155,942	17,077	49,335	27.4%	525,556
B Odes <sup>2</sup>	246,673	-	70,909	5,161	189,793	17,748	207,722	37.8%	738,006
<b>Total</b>	<b>2,791,101</b>	<b>669,202</b>	<b>885,454</b>	<b>47,874</b>	<b>345,735</b>	<b>167,793</b>	<b>854,242</b>	<b>41.8%</b>	<b>5,761,401</b>

1 Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued. This includes the accelerated vesting of shares (if applicable) and modification to the inputs due to the removal of interest on the ESP loans.

2 Cessation of employment on 19 February 2013.



---

# Directors' Report

Continued

## Share based payments granted as compensation

ClearView operates the ClearView Executive Share Plan (ESP or Plan). In accordance with the provisions of the Plan, as approved by shareholders at the 2012 Annual General Meeting, the ownership-based compensation scheme allows participation in the Plan of:

- Employee Participants - These participants are key managers, members of the Senior Management Team and the Managing Director; and
- Contractor Participants - These participants are financial advisers.

Eligible Employees under the Plan Rules therefore include both Employee Participants and Contractor Participants of the Company and its related bodies corporate. Non-executive Directors are ineligible to participate in the Plan in accordance with the Plan Rules.

## Offer and Consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView (Shares), subject to the terms of conditions of the ESP. Each Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees to participate in the ESP. This price may be the market price of a share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView Shares, the Board determined in February 2013 that it is appropriate and reasonable for ClearView to adopt the volume weighted average price (VWAP) over a 90 day period to determine the market value of the ClearView Shares for the purposes of ESP issues. This has been implemented for all ESP Share issues since that date. Prior to this, no ESP Shares were issued at a price below 50 cents per share, being the price at which the original capital raising was completed in June 2010.

## Restrictions on Offer

Shares may not be offered under the ESP to an Eligible Employee if that Eligible Employee would hold, after the issue of the Shares, an interest in more than 5% of the issued Shares or be able to control the right to vote of more than 5% of the votes that might be cast at a general meeting of ClearView.

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan.

## Financial Assistance

The Company may provide financial assistance to an Eligible Employee for the purposes of subscribing for Shares under the ESP. The financial assistance will be a limited recourse loan equal to the purchase value of the Shares and is repayable as follows:

- For share issues prior to 14 February 2013 - within 60 days (or a longer period determined by the Board in its discretion) after the 5th anniversary of the grant of the financial assistance (unless it is required to be repaid at an earlier date owing to the operation of the Rules); or
- For share issues after 14 February 2013 - within 60 days (or a longer period determined by the Board in its discretion) after all performance and vesting criteria have been met.

The financial assistance will become immediately repayable in the event of certain "disqualifying circumstances" including failure to meet performance or vesting conditions, cessation of the Employee Participant's employment in circumstances defined in the ESP Rules or termination of the Contractor Participant's contract with a Group Company for the provision of services. For Employee Participants, the financial assistance is secured over the shares and rights attached to the shares.

The Board has delegated authority to Mr Swanson and Mr Thomson to approve granting an extension to the loan term of all ESP participants who remain employees at the expiration of their loan term for a period until a Change in Control of the Company (as defined in the ESP Rules).

Until 14 February 2013, the interest rate on the loans was the Reserve Bank of Australia cash rate plus a margin of 25 basis points per annum, compounded semi annually. Interest until this date has been capitalised and treated as part of the limited recourse principal, except that after tax dividends on shares issued under the ESP is applied towards reduction of the loan balance.

In February 2013 the Board decided to remove the interest rate on the loans for all Participants (other than the Managing Director that required shareholder approval) given that the interest imposed was significantly diluting the efficacy of the ESP as an employee retention tool, in particular for those staff receiving the earlier grants of ESP shares. On 6 November 2013, at the 2013 AGM, the shareholders approved the removal of interest on the Managing Directors loan, so as to align with the interest rate which applies to equivalent loans made to other participants in the Plan.

# Directors' Report

Continued

The following tables outlines the ESP loans made to KMP or their related entities as at 30 June 2014 and June 2013:

2014	Balance at beginning	Loans Granted \$	Interest charged \$	Repay-ments \$	Loan Can-celled \$	Balance at end \$	Highest in period \$
S Swanson	6,431,753	-	-	96,300	-	6,335,453	6,431,753
A Chiert	1,392,362	-	-	24,075	-	1,368,287	1,392,362
G Martin	1,571,628	-	-	28,890	-	1,542,738	1,571,628
C Robson	500,814	-	-	9,630	-	491,184	500,814
J McLaughlin	838,642	-	-	14,445	-	824,197	838,642
T Kardash	792,474	-	-	14,445	-	778,029	792,474
T Thomas	-	915,000	-	-	-	915,000	915,000
D. Charlton	-	524,239	-	-	-	524,239	524,239
E Singfield	-	-	-	-	-	-	-
<b>Total</b>	<b>11,527,673</b>	<b>1,439,239</b>	<b>-</b>	<b>187,785</b>	<b>-</b>	<b>12,779,127</b>	

2013	Balance at beginning	Loans Granted \$	Interest charged \$	Repay-ments \$	Loan Can-celled \$	Balance at end \$	Highest in period \$
S Swanson	6,423,383	-	222,371	214,000	-	6,431,754	6,431,754
A Chiert	835,561	570,000	18,901	32,100	-	1,392,362	1,392,362
G Martin	1,021,369	570,000	23,059	42,800	-	1,571,628	1,571,628
C Robson	510,685	-	11,529	21,400	-	500,814	515,363
J McLaughlin	851,473	-	19,269	32,100	-	838,642	859,274
T Kardash	517,194	285,000	11,680	21,400	-	792,474	792,474
T Thomas	-	-	-	-	-	-	-
E Singfield	-	-	-	-	-	-	-
B. Odes <sup>1</sup>	1,014,877	-	22,909	1,037,786	-	-	1,024,175
C Levinthal <sup>1</sup>	531,453	-	12,009	21,400	-	522,062	536,322
<b>Total</b>	<b>11,705,995</b>	<b>1,425,000</b>	<b>341,727</b>	<b>1,422,986</b>	<b>-</b>	<b>12,049,736</b>	

<sup>1</sup> In accordance with the Plan Rules, on cessation of the employment of Mr Odes and Mr Levinthal, the Board determined to extend the repayment terms on the loans on issue from 60 days after cessation of employment until 31 August 2013. A further extension until 30 November 2013 was granted to Mr Levinthal in June 2013. As at the date of this report, Mr Odes has repaid his loan in full.

## Holding Lock

The shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares. Where all performance conditions and/or vesting conditions (if any) attaching to the shares have been satisfied (or waived) a holding lock will cease to have effect if:

- The Board accepts a disposal request (as defined in the ESP Rules) (Disposal Request); or
- 5 years have passed from the Acquisition Date; or
- If the Participant:
  - is an Employee Participant, their employment with the Group ceases, or
  - is a Contractor Participant, their contractor agreement is terminated; or

- The ESP is terminated, or
- The holding lock period otherwise ceases,

Provided that the Financial Assistance and any interest that has been accrued have been repaid.

The holding lock is imposed through the share registry and in accordance with the ASX Listing Rules. Participants will not be able to sell their shares on ASX or have an off-market transfer registered (and are also otherwise prohibited from dealing in the shares) while the holding lock is in place.

If the participant is a Contractor Participant, following the removal of the holding lock over the Shares of the participant, the participant may not sell, or otherwise deal with, any such Shares without the prior written consent of the Company, which consent the Company may give or withhold in its absolute discretion and which consent may be given subject to conditions.

---

# Directors' Report

Continued

Eligible Employees are entitled under the ESP Rules to make a Disposal Request provided the performance and vesting conditions have been met (or waived). The holding lock applicable to their ESP shares will cease to have effect upon the Board (in its absolute discretion) accepting the Disposal Request. ClearView may dispose of these ESP shares on behalf of the participant in one or more of the following ways (at the discretion of the Board):

- Reallocate the Shares to give effect to acquisitions by other Eligible Employees under the ESP;
- Sell to the Company in accordance with buy-back provisions of the Corporations Act; or
- Offer or sell to buyers on the ASX.

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds. There are no Disposal Requests outstanding as at the date of this report.

## Change of Control

Under the ESP Rules, all performance and vesting conditions in relation to Shares held by an Eligible Employee who is an Employee Participant are deemed to have been satisfied upon a Change of Control. A Change of Control is defined under the ESP Rules as being:

### (a) Until 14 February 2013:

- A person who did not Control the Company at the date of issue of the Plan Shares gains Control of the Company (but only if the person is not itself Controlled by another person who Controlled the Company at the date of issue); or
- Other circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions,
- "Control" is defined as where a person and its related bodies corporate holds more than 50% of the Shares in ClearView.

### (b) After 14 February 2013:

- 12 months after a Change of Control; or
- Circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions.
- "Control" is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

The above provisions concerning change of control apply only to Employee Participants and not Contractor Participants under the ESP.

# Directors' Report

Continued

## Total Shares Issued to Employee Participants under the ESP

Details of all shares issued by the Company to Employee Participants under the ESP as at the date of this report are:

Share series	Type of arrangement	Grant date	Issue price at grant date	Fair value at grant date (pre-modification <sup>1</sup> )	Fair value at grant date (post-modification <sup>1</sup> )	First vesting date	Expiry date
Series 6 <sup>3</sup>	Ordinary	30/06/2008	0.59	0.10	0.10	30/06/2008	Change in Control
Series 7 <sup>5</sup>	Ordinary	29/09/2009	0.49	0.07	0.10	01/07/2011	29/09/2014
Series 10 <sup>2</sup>	Ordinary	25/06/2010	0.50	0.11	0.11	26/03/2011	26/03/2015
Series 11 <sup>2</sup>	Ordinary	25/06/2010	0.58	0.08	0.08	26/03/2012	26/03/2015
Series 12 <sup>2,6</sup>	Ordinary	25/06/2010	0.65	0.06	0.06	26/03/2013	26/03/2015
Series 13 <sup>6</sup>	Ordinary	25/06/2010	0.53	0.10	0.15	1/06/2013	1/06/2015
Series 14 <sup>6</sup>	Ordinary	25/10/2010	0.50	0.07	0.09	1/10/2013	1/10/2015
Series 15 <sup>6</sup>	Ordinary	1/07/2011	0.50	0.10	0.13	1/07/2014	1/07/2016
Series 16 <sup>6</sup>	Ordinary	1/09/2011	0.50	0.10	0.13	1/09/2014	1/09/2016
Series 17 <sup>6</sup>	Ordinary	1/03/2012	0.50	0.09	0.11	1/03/2015	1/03/2017
Series 24 <sup>6</sup>	Ordinary	22/08/2012	0.55	0.16	0.19	22/08/2015	22/08/2017
Series 26 <sup>4</sup>	Ordinary	12/04/2013	0.57	n/a	0.29	50% Change in Control; 50% 1 year after	
Series 27	Ordinary	12/04/2013	0.57	n/a	0.27	1 year post Change in Control	
Series 31	Ordinary	14/10/2013	0.61	n/a	0.17	Change in control	
Series 32	Ordinary	14/10/2013	0.61	n/a	0.19	1 year post Change in Control	
Series 33	Ordinary	29/11/2013	0.61	n/a	0.17	Change in Control	
Series 34	Ordinary	29/11/2013	0.61	n/a	0.19	1 year post Change in Control	
Series 35	Ordinary	31/01/2014	0.65	n/a	0.17	Change in Control	
Series 36	Ordinary	31/01/2014	0.65	n/a	0.20	1 year post Change in Control	
Series 38	Ordinary	30/05/2014	0.75	n/a	0.17	30/05/2018	30/05/2018
Series 39	Ordinary	30/05/2014	0.75	n/a	0.19	30/05/2019	30/05/2019
Series 40	Ordinary	30/05/2014	0.75	n/a	0.22	30/05/2020	30/05/2020

1 On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.

2 On 6 November 2013, at the 2013 AGM, the shareholders approved the removal of interest on the Managing Directors loan, so as to align with the interest rate which applies to equivalent loans made to other participants in the Plan.

3 The Board approved granting an extension of the loan term until such time as there is a Change of Control in the Company.

4 Special Condition relating to shares issued to KMP in Series 26: 50% of the shares may be sold on change of control, 50% can be sold after employment for 1 year thereafter and are held in escrow.

5 Change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.

6 Change of Control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

# Directors' Report

Continued

The following table summarises the performance and vesting conditions for shares issued to Employee Participants under the ESP as at the date of this report are:

Series	Vesting Conditions	Performance Conditions
Series 6 - 30 June 2008 Issue	Nil	Nil
Series 7 - 29 September 2009 Issue	Nil <sup>1</sup>	Nil
Series 10 - 25 June 2010 Issue	Nil <sup>2</sup>	Nil
Series 11 - 25 June 2010 Issue	Nil <sup>2</sup>	Nil
Series 12 - 25 June 2010 Issue	Nil <sup>2,4</sup>	Nil
Series 13 - 25 June 2010 Issue	Nil <sup>4</sup>	Nil
Series 14 - 1 November 2010 Issue	Nil <sup>4</sup>	Nil
Series 15 - 18 August 2011 Issue	Nil <sup>4</sup>	Nil
Series 16 - 6 October 2011 Issue	Nil <sup>4</sup>	Nil
Series 17 - 1 March 2012	Nil <sup>4</sup>	Nil
Series 24 - 22 August 2012 Issue	Nil <sup>4</sup>	Nil
Series 26 - 16 April 2013 Issue	Upon a Change in Control of the company <sup>3</sup>	Nil
Series 27 - 16 April 2013 Issue	First year anniversary upon the Change in Control	Nil
Series 31 - 14 October 2013 Issue	Upon a Change in Control of the company	Nil
Series 32 - 14 October 2013 Issue	First year anniversary upon the Change in Control	Nil
Series 33 - 29 November 2013 Issue	Upon a Change in Control of the company	Nil
Series 34 - 29 November 2013 Issue	First year anniversary upon the Change in Control	Nil
Series 35 - 31 January 2014 Issue	Upon a Change in Control of the company	Nil
Series 36 - 31 January 2014 Issue	First year anniversary upon the Change in Control	Nil
Series 38 - 30 May 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 39 - 30 May 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 40 - 30 May 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil

1 Change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.

2 In accordance with Mr Swanson's employment contract, Mr Swanson is entitled to a long term incentive comprising 10 million Shares in accordance with the ESP, and vesting progressively over three years from the commencement date of his contract as follows:

Series 10: 2 million shares at an issue price of 50 cents vesting on 26 March 2011 (vested);

Series 11: 4 million shares at an issue price of 58 cents vesting on 26 March 2012 (vested); and

Series 12: 4 million shares at an issue price of 65 cents vesting on 26 September 2012 (vested) on Change of Control of ClearView.

The Shares issued to Mr Swanson have vested progressively each year as outlined above.

3 Special Condition relating to shares issued to KMP in Series 26: 50% of the shares may be sold on Change of Control, 50% can be sold after employment for 1 year thereafter and are held in escrow.

4 Change of Control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

On 26 September 2012, CCP Bidco's off-market takeover bid for all the ordinary shares in ClearView became unconditional which resulted in accelerating the vesting of the shares in the ESP at that time, including all Series 10 to 17 which had been issued to Employee Participants prior to the change of control. Series 7 were issued prior to 23 October 2009, where the Change of Control provision was triggered upon Guinness Peat Group Limited obtaining control of ClearView.

Any Series that are issued to Contractor Participants are not subject to the accelerated vesting conditions applicable on the change of control.

# Directors' Report

Continued

## Shares granted to KMP and equity holdings

During and since the end of the financial year an aggregate of 2,195,000 shares (2013: 2,500,000) were granted by the Company to KMP under the ESP.

The following table outlines the ESP shares issued to KMP or their related entities as at the date of this report:

Share series	Director, KMP, to which the series relates	Fair value at grant date (pre-modification <sup>1</sup> )	Fair value at grant date (post-modification <sup>1</sup> )	Exercise price per share (\$)	Aggregate value at grant date (\$)	Expiry date
Series 6 <sup>6</sup>	Justin McLaughlin	0.10	0.10	0.59	51,500	Change in Control
Series 7 <sup>2</sup>	Athol Chiert / Justin McLaughlin	0.07	0.10	0.49	98,057	29/09/2014
Series 10 <sup>3</sup>	Simon Swanson	0.11	0.11	0.50	224,074	26/03/2015
Series 11 <sup>4</sup>	Simon Swanson	0.08	0.08	0.58	323,295	26/03/2015
Series 12 <sup>5</sup>	Simon Swanson	0.06	0.06	0.65	241,927	26/03/2015
Series 15 <sup>5</sup>	Greg Martin / Chris Robson	0.10	0.13	0.50	294,000	1/07/2016
Series 16 <sup>5</sup>	Todd Kardash	0.10	0.13	0.50	105,799	1/09/2016
Series 26 <sup>7</sup>	Athol Chiert	n/a	0.29	0.57	289,798	50% Change in Control; 50% 1 year after
Series 26 <sup>7</sup>	Greg Martin	n/a	0.29	0.57	289,798	50% Change in Control; 50% 1 year after
Series 26 <sup>7</sup>	Todd Kardash	n/a	0.29	0.57	144,899	50% Change in Control; 50% 1 year after
Series 31	Tony Thomas	n/a	0.17	0.61	123,873	Change in Control
Series 32	Tony Thomas	n/a	0.19	0.61	140,797	1 year post Change in Control
Series 38	David Charlton	n/a	0.17	0.75	38,230	30/05/2018
Series 39	David Charlton	n/a	0.19	0.75	44,307	30/05/2019
Series 40	David Charlton	n/a	0.22	0.75	50,054	30/05/2020

- 1 On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.
- 2 A Change of Control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%. As a result, the vesting conditions for employees that were issued shares prior to the date of change of control were accelerated. As previously outlined to shareholders, the change of control only affects any performance or vesting conditions applicable to particular ESP Shares. It does not automatically release ESP Shares from the disposal restrictions and holding lock.
- 3 Shares vested 1 year from date of commencement of employment on 26 March 2011.
- 4 Shares vested 2 years from date of commencement of employment on 26 March 2012.
- 5 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.
- 6 The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.
- 7 Special condition relating to shares issued to KMP in Series 26: 50% of the shares may be sold on change of control, 50% can be sold after employment for 1 year thereafter and are held in escrow.



# Directors' Report

Continued

Limited recourse loans have been granted by the Company to the following KMP to fund the acquisition of shares under the ESP. As outlined above, on 14 February 2013 the Board decided to remove the interest rate on the loans for all Participants (other than the Managing Director that required shareholder approval, such approval was obtained at the 2013 AGM). Furthermore, Series 6 that was issued prior to the revised ESP Rules and to date this Series has accrued interest at the lower of the dividends paid on the shares and the statutory interest rate.

All unvested Shares will automatically vest in accordance with the rules of the Plan upon a change of control as outlined above. Shares issued under Series 6, 7, 10, 11, 12, 13, 14, 15, 16, 17 and 24 have met the vesting conditions up to the date of this report.

The following table outlines the fully paid ordinary shares of the Company (including those held under the ESP) owned by the KMP as at 30 June 2014:

2014	Shares subject to vesting conditions No.	Shares not subject to vesting conditions No.	Balance at beginning of financial year No.	Granted as compensation No.	Net other changes No.	Balance end of financial year No.	Balance held subject to vesting conditions No.	Balance vested at year end No.	Vested but not yet exercisable No.	Vested and exercisable No.
B Edwards	-	-	444,050	-	67,317	511,367	-	-	-	-
G Burg	-	-	8,643,792	-	1,056,949	9,700,741	-	-	-	-
A Sneddon	-	-	-	-	108,333	108,333	-	-	-	-
S Swanson	-	12,000,000	12,000,000	-	1,108,334	13,108,334	-	10,000,000	10,000,000	-
A Chiert	1,000,000	1,500,000	2,500,000	-	140,384	2,640,384	1,000,000	1,500,000	1,500,000	-
D Charlton	695,000	-	-	695,000	-	695,000	695,000	-	-	-
J McLaughlin	-	1,500,000	1,500,000	-	-	1,500,000	-	1,500,000	1,000,000	500,000
T Kardash	500,000	1,000,000	1,500,000	-	-	1,500,000	500,000	1,000,000	1,000,000	-
G Martin	1,000,000	2,000,000	3,075,000	-	258,772	3,333,772	1,000,000	2,000,000	2,000,000	-
T Thomas	1,500,000	-	-	1,500,000	188,556	1,688,556	1,500,000	-	-	-
C Robson	-	1,000,000	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000	-

All shares granted as compensation to Directors and KMP were made in accordance with the provisions of the Executive Share Plan.

# Directors' Report

Continued

## Key terms of employment contracts

The following contractual and other arrangements are in place in respect of the KMP as at the date of this report.

KMP	Term	Notice period by either the employee or the Company	Other	Maximum Incentive % of base salary
Simon Swanson	Ongoing	6 months notice	If, in the 6 months following a change of control, Mr Swanson's remuneration or his duties and responsibilities are reduced through no fault of his own, then Mr Swanson will have a right to terminate the contract with immediate effect. In this case, and in addition to vesting of Mr Swanson's ESP Shares, the Company will be obliged to pay Mr Swanson 6 months base salary plus the maximum short term incentive amount for that calendar year.	60%
Athol Chiert	Ongoing	6 months notice for the first 3 years of employment, 3 months notice after 3 years.	For all terminations after the first 3 years of employment an additional 26 week payment is payable.	36%
Todd Kardash	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	36%
Chris Robson	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	36%
Greg Martin	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	36%
Justin McLaughlin	Ongoing	12 months notice for the first 3 years of employment, 6 months notice after 3 years.	For all terminations after the first 3 years of employment an additional 26 week payment is payable.	36%
Tony Thomas	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	36%
David Charlton	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	36%

All current Directors are subject to re-election by shareholders at least every 3 years. All current KMP contracts provide for an annual review of Fixed Remuneration.

Signed in accordance with a resolution of the Board of Directors made pursuant to s298(2) of the Corporation Act 2001.

On behalf of the Directors



Dr Gary Weiss  
Chairman

Sydney, 26 August 2014

# Auditor's Independence Declaration

**Deloitte.**

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

550 Bourke Street  
GPO Box 78  
Melbourne 3000  
Australia

DX 10307SSE  
Tel: +61 (0) 3 9671 7000  
Fax: +61 (0) 3 9671 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

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

26 August 2014

Dear Directors

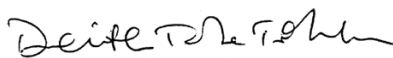
## ClearView Wealth Limited

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 audit of the financial statements of Clearview Wealth Limited for the financial year ended 30 June 2014, 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 audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

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.

---

# Corporate Governance

The Board of Directors and management of ClearView Wealth Limited (ClearView, the Company or the Group) recognise the importance of, and are committed to, achieving high corporate governance standards. The Company believes that achieving high corporate governance standards adds value to stakeholders and raises regulator and investor confidence.

The Board of Directors, in consultation with management, determines appropriate corporate governance practices, taking into consideration the ASX Principles and Recommendations, Australian standards, regulatory requirements of the Australian Securities and Investments Commission (ASIC) and Prudential Standards and Practice Guides of the Australian Prudential Regulation Authority (APRA). ClearView owns an APRA regulated Life Insurance company, ClearView Life Assurance Limited, and is a registered Non Operating Holding Company, both of which are subject to regulatory requirements prescribed under the Life Insurance Act 1995. ClearView also owns an APRA regulated Registrable Superannuation Entity Licensee, ClearView Life Nominees Pty Limited, which is subject to regulatory requirements prescribed under the Superannuation Industry Supervision Act 1993.

As part of the governance process, the Board and management regularly review the Group's policies and practices to ensure that they meet the interests of stakeholders and that the Group continues to maintain and improve its governance standards.

The key Group charters and policies are available on the ClearView website at [www.clearview.com.au](http://www.clearview.com.au) under the Shareholders section. These documents are updated and reviewed regularly by the Board recognising that corporate governance is about continual improvement.

This Corporate Governance statement reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations' 2nd Edition, as amended in 2010.

## Principle 1 – Lay solid foundations for management and oversight

### Role of the Board and delegations

The Board is responsible for and accountable to shareholders for the performance, risk management and overall governance of ClearView. In practice this is achieved through formal delegation to the Managing Director for day to day management of the Group and to its Board Committees for detailed consideration of matters and making recommendations. The Board currently has two committees

– the Board Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee.

### Key Responsibilities of the Board

The Board's key responsibilities are outlined in the Board Charter, available on the ClearView website. The primary functions of the Board include:

- Strategic and financial performance – determine strategic objectives, capital management and the Company's dividend policy, and approve all accounting policies, financial reports and material external communications by the Group;
- Executive management – approve the appointment and where appropriate the termination and remuneration of the Managing Director and senior executives;
- Audit and risk management – ensure effective audit, risk management and compliance systems are in place and manage its material business risks;
- Strategic planning – oversee the development, monitoring and the execution of ClearView's corporate strategy;
- Corporate governance – ensure the Company has effective corporate governance policies in place including continuous disclosure standards;
- Delegations – approve and monitor delegations of authority at the Board and management levels;
- Human resource and remuneration – actively oversee the design of the Group's remuneration system and monitoring its effectiveness; and
- Performance evaluation – review and evaluate the performance of the Board, each Board Committee and each individual director.

### Meetings of the Board

In accordance with the Board Charter, the Board meets at least six times a year and more frequently if required. During the financial year, the Board held nine Board meetings.

The number of meetings attended by each director is disclosed in the Directors' Report on page 16.

### Performance evaluation of the senior management team

At least once a year, the Board, assisted by the Nomination and Remuneration Committee, monitors the performance of senior executives and the implementation of their objectives against measurable and qualitative targets. The Board also reviews and approves the objectives and targets of senior executives set annually.

---

# Corporate Governance

Continued

## Principle 2 – Structure the Board to add value

### Board Size and Composition

The Board, with assistance from the Nomination and Remuneration Committee, determines the size and composition of the Board subject to the needs of the business, the Company's Constitution and regulatory requirements. Based on the current Board Charter, the Board must have a minimum of five directors at all times, a majority of independent directors (as defined by the ASX Corporate Governance Principles and Recommendations), and a majority of directors who are Australian residents.

The Board comprises of a mix of executive and non-executive directors, who possess a broad range of appropriate skills, expertise and experience. There are currently nine Directors on the Board, as outlined below:

- five independent Non-executive Directors
  - Dr Gary Weiss (Chairman)
  - Andrew Sneddon
  - Bruce Edwards
  - David Brown
  - Gary Burg; and
- three non-independent Non-executive Directors
  - Jennifer Newmarch (alternate Director Michael Lukin)
  - Michael Alscher; and
  - Nathaniel Thomson
- one Executive Director
  - Simon Swanson.

Information concerning each Director's qualifications and experience is disclosed on pages 12 to 14.

### Criteria for an Independent Director

An independent director is a non-executive director who is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

Circumstances in which a director will not be considered independent include if the director:

- i. is a substantial shareholder (as defined in the Corporations Act) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- ii. is employed, or has previously been employed in an executive capacity by the Company or another entity within the Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- iii. has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another entity within the Group, or an employee materially associated with the service provided;
- iv. is a material supplier or customer of the Company or another entity within the Group, or an officer of or otherwise materially associated directly or indirectly with a material supplier or customer; or
- v. has a material contractual relationship with the Company or another entity within the Group other than as a director.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence and should be disclosed by directors to the Board.

The Board regularly assesses whether a non-executive director is "independent" in accordance with the above criteria.

### Meeting the "Fit and Proper" Test

ClearView has put in place policies and comprehensive measures to ensure that individuals who are appointed to senior positions including Board positions, have the appropriate fitness and propriety to effectively discharge their responsibilities and duties.

### Conflicts of Interest

Directors must, where possible, avoid conflicts of interest except in those circumstances permitted by the Corporations Act 2001. Directors are required to disclose any material personal interest in matters considered by the Board and unless the Board resolves otherwise, must not participate in Board discussion or vote on the matter.

### The Chairman

The Chairman of the Board is an independent Non-executive Director appointed by the Directors. The role of the Chairman and the Managing Director are separate. The responsibilities of the Chairman include:

- Chair Board meetings;
- Establish the agenda for Board meetings, in consultation with the Managing Director and the Company Secretary;

# Corporate Governance

## Continued

- Chair meetings of shareholders, including the Annual General Meeting of the Company;
- Be the primary spokesperson for the Company at any Annual General Meeting;
- Represent the views of the Board to shareholders, the general public, governmental authorities, regulators and other stakeholders;
- Develop and maintain key strategic relationships; and
- Be available to meet with APRA on request.

### Board Appointments

Recommendations and nominations for new directors are made by the Nomination and Remuneration Committee and approved by the Board. When the Board considers that a suitable candidate has been found, that person is appointed by the Board but must stand for election by shareholders at the next Annual General Meeting. On appointment, new directors receive a Letter of Appointment, which sets out their duties, terms and conditions of appointment and their remuneration. The Company also enters into a Deed of Indemnity with each director and the Company Secretary.

In appointing directors, the Board considers:

- The size and composition of the Board;
- The strategic needs of ClearView and its subsidiaries;
- Regulatory requirements; and
- The skills, expertise, experience and independence of the potential director.

### Access to Information and Independent Advice

All Directors are given unrestricted access to all records and information relating to ClearView and are encouraged to speak with members of senior management at any time to request relevant information. Directors are also entitled to seek independent advice or information concerning any aspect of ClearView at the Company's expense. However, prior approval from the Chairman is required, which is not to be withheld unreasonably.

### Performance Evaluation

At least once a year the Board will, with the advice and assistance of the Nomination and Remuneration Committee, review and evaluate the performance of the Board, each Board Committee and each individual Director against the relevant charters and policies, corporate governance standards and agreed goals and objectives. Following each review and valuation, the Board will consider how to improve its performance. The Board will agree and set the goals and

objectives each year and, if necessary, amend the relevant charters and policies.

In 2014, a performance evaluation for the Board, its Committees and Directors, was undertaken in accordance with the process described in the previous paragraph.

### Succession

The Board, with assistance from the Nomination and Remuneration Committee, considers the succession of its members as required. Any Director who has been in office for more than three years since his or her last election, or who has been appointed to fill a casual vacancy, is required to retire at the next Annual General Meeting and may be eligible for re-election.

### Board Committees

The Board has established Committees to assist in the execution of its duties and responsibilities, and to allow matters to be discussed and considered in greater detail. The Board Committees structure also enables the Board to utilise the skills and experience of ClearView's Directors to its best advantage.

Current Committees of the Board are the Nomination and Remuneration Committee and the Board Audit, Risk and Compliance Committee. Management regularly attends the Committee meetings at the invitation of the relevant Committee. Each Committee has its own charter, which must be approved by the Board, outlining the composition, responsibilities and administration of the Committee. Minutes of Committee meetings are prepared by the Company Secretary and provided to the Board, and the Chair of each Committee reports on matters raised and outcomes of each Committee meeting to the Board.

Membership of each Committee as at the date of the report is set out in the table below:

Committee	Nomination & Remuneration	Board Audit, Risk & Compliance
Gary Weiss (Independent)	X	X
Andrew Sneddon (Independent)	X	X
Bruce Edwards (Independent)	Chair	Chair
David Brown (Independent)	-	X
Nathaniel Thomson	X	-*

\*Mr Thomson was a member of the Board Audit, Risk and Compliance Committee until his resignation from the Committee on 30 June 2014.



---

# Corporate Governance

## Continued

Details regarding the experience and tenure of the members and the attendance at Committee meetings are included in the Directors' Report starting on page 12.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board on matters related to the appointment, succession and remuneration of directors and senior executives, as well as the composition and performance of the Board. The Chairman of this Committee is an independent director and the Committee has a majority of independent directors. The Nomination and Remuneration Committee meets at least annually in accordance with the Board approved charter.

Specific responsibilities of the Nomination and Remuneration Committee include reviewing:

- The performance of the Board, each Board Committee and each individual director;
- The remuneration arrangements of the directors, the Managing Director and his direct reports;
- Remuneration by gender;
- Major changes and developments in the Company's recruitment, retention and termination policies and procedures for senior management;
- Major changes and development in the Company's remuneration policy with a formal review at least every three years; and
- Facilitating shareholder and other stakeholder engagements in relation to the Company's remuneration policies and practices.

The Nomination and Remuneration Committee has the authority, at any time, to conduct or direct any investigation it considers necessary to fulfil its responsibilities.

### Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee (BARCC) assists the Board in ensuring that effective internal controls, risk management and corporate governance exist within the Group. The Chairman of the BARCC is an independent director and the BARCC has a majority of independent directors. The Chairman of the BARCC is not Chair of the Board. The BARCC meets at least three times a year in accordance with the Board approved charter.

Specific responsibilities of BARCC include:

- Risk management – ensuring that the Group has the appropriate risk management framework to identify and deal with material business risks and maintain compliance with statutory and regulatory requirements

by the ClearView Companies. This framework includes a documented Risk Management Strategy and a formal whistleblower policy and procedure;

- Financial reporting – reviewing and overseeing the integrity of ClearView's accounting and financial reporting processes, the Group's financial statements and any other material regulatory documents before they are approved by the Board;
- Taxation – reviewing and approving significant taxation issues and taxation treatment policies;
- Internal controls – monitoring the effectiveness of the internal controls systems of the ClearView Group (including information technology security and control);
- Auditors – appointing and overseeing of the internal and external auditors, the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Compliance – monitoring the effectiveness of the Group's compliance with laws and regulations as well as internal Company policies and the results of any instances of non-compliance.

The BARCC has the authority, at any time, to conduct or direct any investigation it considers necessary to fulfill its responsibilities.

## Principle 3 – Promote ethical and responsible decision making

### Code of Conduct

ClearView has adopted a Code of Conduct (the Code) which articulates the standards of ethical, honest and law-abiding behaviour expected by ClearView's Directors and employees. The Code encourages Directors and employees to bring any issue or problem to the attention of management or if appropriate, to the Board directly. The Code provides protection for those who report non compliance with the Code, any ClearView policy or regulatory requirement. The Code undergoes an annual review by the Board and is available on ClearView's website under the Shareholders section.

### Securities Trading Policy

The Securities Trading Policy has been established to govern the trading in securities by its Directors, officers and employees. This policy is designed to raise awareness and minimise potential insider trading offences, either in substance or appearance. All Directors, officers and

# Corporate Governance

## Continued

employees are required to conduct their personal investment activity in a manner that is lawful and avoids conflicts of interest between the individual's personal interests and those of the Group and its clients.

All Directors, officers and employees are prohibited from trading in the Company's securities at any time if they are in possession of non-public price sensitive information regarding the Group and its securities or any other listed company and its securities which are included on an excluded list.

Directors, officers and employees may only trade in Group securities if all of the following requirements are met:

- A trading Prohibited Period is not in-force;
- they are not in possession of price sensitive information;
- they have followed the notice procedure set out in the policy; and
- the relevant approving officer has given consent to trade.

Directors and Employees are permitted to trade in ClearView Securities throughout the year with the exception of the two "Prohibited Periods", explained below:

- The first Prohibited Period is termed 'closed periods' (Closed Periods) which are fixed periods during the year in the lead up to half and full year financial reporting. The bi-annual Closed Periods generally commence from 30 June and 31 December until the announcement of interim/final results to the market which will generally be 6-8 weeks after the Closed Period commencement date. The Board of ClearView Wealth Limited reserves the right to vary the timing of the Closed Periods by notifying employees of changes to this Policy at any time.
- The second category of Prohibited Period comprises of 'additional closed periods' (Additional Closed Periods) when Directors and employees are prohibited from trading in ClearView Securities and which are imposed by the Board from time to time when it is considering matters which may include price sensitive information and/or matters which are subject to ASX Listing Rule 3.1A.

All Directors, officers and employees must give written notification of their intention to trade in ClearView securities, and gain approval in accordance with the table set out below:

Director/ Employee	Designated approving officer
Chairman	MD and CFO
Managing Director	Chairman
All other Directors	MD and CFO
All other employees	MD or CFO

The Securities Trading Policy undergoes an annual review by the Board and is available on ClearView's website under the Shareholders section.

## Diversity

ClearView aspires to develop and foster a strong culture of diversity to enable a workplace that is fair and inclusive in order to attract the best people to do the job and where every employee is respected for who they are. The diversity policy was updated on 4 December 2013 setting out measurable diversity targets and addresses the ASX Corporate Governance Principles and Recommendations in relation to diversity.

The policy has been communicated to employees of ClearView to promote awareness and proactive management practices regarding workplace diversity and inclusion. ClearView embraces diversity, including differences in ethnic background, gender, age, sexual orientation, religion and disability.

ClearView's approach to diversity is underpinned by key principles including:

- That a diverse Board, senior management team and workforce is critical to the delivery of ClearView's strategy;
- A commitment to the promotion of a culture of diversity is necessary to achieve success;
- The workforce selection processes are the foundation of achieving meaningful diversity;
- The development of structured programs and the implementation of such programs at appropriate career stages for employees will support ClearView's diversity aspirations; and
- Effective measurement and reporting in respect of diversity will allow the Board to actively recruit and manage a diverse workplace.

The Board has committed to measurable diversity targets which include:

- At least one female Director should be on the Board at all times;
- The proportion of women in leadership roles should be at least 33%; and
- Female representation of the total workforce should meet or exceed industry benchmarks to be obtained from the Workplace Gender Equality Agency (financial services sector) on an annual basis.

As at 30 June 2014, the proportion of women employed by ClearView was as follows:

---

# Corporate Governance

## Continued

- Board of Directors: One Director
- Leadership roles: 33%; and
- Total ClearView workforce: 52%

The Workplace Gender Equality Agency (WGEA) reported in February 2014 that the Financial Services industry average for female participation (total workforce) was 53%. Whilst the total representation of women fell below this as at 30 June 2014 it is expected that this will revert back to the average over time.

## Principle 4 – Safeguard integrity in financial reporting

### Board Audit, Risk and Compliance Committee (BARCC)

The BARCC is delegated authority to, and assists the Board with safeguarding the integrity in financial reporting, audit, risk management and ensuring that effective internal controls exist within the Group. More information on the BARCC, its responsibilities and members are outlined in Principle 2 on page 60.

### External Auditors

The BARCC invites the external auditors to attend all Committee meetings. The external auditors can also meet privately with the whole Committee, any individual Director or any ClearView employee at their request. The engagement partner of Deloitte Touche Tohmatsu was appointed as the external auditor of ClearView Wealth Limited in 2012. The partner managing the audit will be rotated after a maximum of five years in line with Deloitte's Touche Tohmatsu's rotation policy and the Corporations Act. The BARCC monitors the independence of the external auditors, who also provide an annual declaration of their independence to the BARCC and the Board.

## Principle 5 – Make timely and balanced disclosures

ClearView is committed to providing timely and relevant information about our business operations to all shareholders and potential investors to enable them to make informed decisions about their investments. ClearView strives to ensure that all disclosures are not only made in a timely manner but are factual, do not omit material information, and are expressed in a clear and objective manner to allow an investor to assess the impact of the information when making investment decisions.

ClearView's approach to communicating with shareholders

and the market is set out in its Continuous Disclosure and Market Communications Policy which reflects its obligations under the ASX Listing Rules and the Corporations Act. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and posting material information to the ASX. Any material information, once disclosed to the ASX, is then published on the ClearView website.

## Principle 6 – Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all material information necessary to assess the performance of the Group. Information is communicated to the shareholders through:

- ASX announcements and market releases;
- The Company's website, on which all investor documents are published;
- The annual and interim reports; and
- The Annual General Meeting (AGM) and any other shareholder meetings.

ClearView encourages all shareholders to attend, participate and vote at its Annual General Meeting (AGM). The Notice of AGM is accompanied by explanatory notes on the items of business to assist shareholders in understanding the business that will be considered at the meeting. As required by the Corporations Act, the Board also require the Company's external auditor to attend the meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit and financial reports.

## Principle 7 – Recognise and manage risk

### Risk management strategy, roles and responsibilities

Risk management is an integral part of the Company's management, procedures and processes. The Board has adopted a formal Risk Management Strategy (RMS) and structured risk management framework (RMF) to identify and manage the key risks that have the potential to significantly impact its business operations, capital, shareholder or client entitlements. The RMS and RMF are fundamental to the business decisions of the Company, including resource allocation decisions and prioritisation of activities, and undergo ongoing Board and management review with a formal review annually.

---

# Corporate Governance

## Continued

The BARCC, on behalf of the Board, monitors the operation of the RMF and facilitates review of the key processes and procedures underlying the RMF. Management is responsible for designing and implementing the risk management and internal control systems and reporting on the effectiveness of the risk management controls to the BARCC and the Board.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporation Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The internal auditors monitor key risks in accordance with the internal audit plan and report to the BARCC as part of the risk assessment process. KPMG Australia are retained to provide outsourced internal audit services.

The RMS and RMF consider the key stakeholders in the Company beyond the shareholders including:

- The benefit, security and expectations of policyholders and investment product and advice clients;
- Risk impacts on and from ClearView's staff, distribution partners, and suppliers and counterparties; and
- Requirements and objectives of the Company's regulators.

The RMS specifies the Board's risk appetite and tolerance standard which guides the Company in its decisions as to the acceptance, management and rejection of risks. A risk register is maintained that identifies the key risks of the Company by type, impact and likelihood, and indicates the key processes and mechanisms to control, mitigate or transfer those risks within the allowed tolerances. The RMS and RMF include appropriate monitoring mechanisms.

As part of the RMS and RMF, the Company has adopted an Internal Capital Adequacy Assessment Process (ICAAP) with respect to supporting the residual risk exposures and the ongoing capital needs of the Company.

## Key risks which may affect ClearView

The Company's activities expose it to a variety of risks, both financial and non-financial. Key risks include:

- Asset risks, including market risk (interest rate risk and price risk), credit risk and liquidity risk;
- Insurance risk;
- Asset-liability mismatch risks;
- Expense risks and client discontinuance (lapses, withdrawals and lost client) risks; and
- Compliance risk, operational risk and strategic risk.

A more detailed discussion on the Company's key risks and how they are monitored is found in Note 5 of the Financial Statements on pages 95 to 99.

## Principle 8 – Remunerate fairly and responsibly

The Board has established a Nomination and Remuneration Committee as set out under Principle 2 on page 61 to ensure the directors, management and employees are remunerated fairly and responsibly.

The Nomination and Remuneration Committee reviews the remuneration of senior executives and non-executive directors annually. ClearView employee remuneration is based on experience, capability and responsibility as well as performance targets on both a Company and individual level. Senior employees and executives of the Group participate in an ownership-based compensation scheme. The objective of the ownership-based compensation is to encourage participants to focus on the long term results of the Company. The total annual remuneration paid to Non-executive Directors may not exceed the limit set by shareholders at the AGM. For further details in relation to director and senior executive remuneration see the Remuneration Report on pages 47 to 49.

---

# 2014 Financial Report Contents

Statement of Profit or Loss and other Comprehensive Income	67	22 Payables	114
Statement of Financial Position	68	23 Provisions	115
Statement of Changes in Equity	69	24 Deferred tax balances	116
Statement of Cash Flows	70	25 Convertible note	117
		26 Policy liabilities	118
		27 Issued capital	119
<b>Notes to the financial statements</b>		28 Share-based payments	120
<b>1</b> General information	71	29 Shares granted under the employee share plans	126
<b>2</b> Adoption of new and revised Accounting Standards	71	30 Dividends	126
<b>3</b> Significant accounting policies	74	31 Reconciliation of net profit for the year to net cash flows from operating activities	127
<b>4</b> Critical accounting judgments and key sources of estimation uncertainty	88	32 Subsidiaries	128
<b>5</b> Risk management	95	33 Investment in associate	129
<b>6</b> Capital Adequacy	100	34 Related party transactions	130
<b>7</b> Segment information	102	35 Financial Instruments	132
<b>8</b> Fee and other revenue	103	36 Disaggregated information by fund	139
<b>9</b> Investment Income	104	37 Investment in controlled unit trusts	141
<b>10</b> Operating expenses	104	38 Leases	142
<b>11</b> Income tax	105	39 Contingent liabilities and contingent assets	143
<b>12</b> Movements in reserves	107	40 Capital commitments	143
<b>13</b> Sources of profit	108	41 Subsequent events	143
<b>14</b> Earnings per share	109	Directors' Declaration	144
<b>15</b> Cash and cash equivalents	109	Independent Auditor's Report	145
<b>16</b> Investments	110	Shareholders' Information	147
<b>17</b> Receivables	110	Directory	152
<b>18</b> Fixed interest deposits	111		
<b>19</b> Goodwill	111		
<b>20</b> Intangible assets	112		
<b>21</b> Property, plant and equipment	113		

The Financial Report was authorised for issue by the Directors on 26 August 2014.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	Consolidated		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Continuing operations</b>					
Revenue from continued operations					
Premium revenue from insurance contracts		76,785	55,175	-	-
Outward reinsurance expense		(10,344)	(4,388)	-	-
<b>Net life insurance premium revenue</b>		<b>66,441</b>	<b>50,787</b>	-	-
Fee and other revenue	8	59,098	52,663	-	-
Investment income	9	64,762	68,828	687	1,044
<b>Operating revenue before net fair value gains on financial assets</b>		<b>190,301</b>	<b>172,278</b>	<b>687</b>	<b>1,044</b>
Net fair value gains on financial assets		80,442	119,533	-	-
<b>Net operating revenue</b>		<b>270,743</b>	<b>291,811</b>	<b>687</b>	<b>1,044</b>
Claims expense		(25,929)	(19,887)	-	-
Reinsurance recoveries revenue		11,680	3,744	-	-
Commission and other variable expenses		(45,654)	(31,893)	-	-
Operating expenses	10	(60,732)	(58,625)	(1,145)	(6,896)
Depreciation and amortisation expense	10	(10,823)	(9,928)	-	-
Loss from disposal of property, plant and equipment		-	(82)	-	-
Change in life insurance policy liabilities	26	34,228	18,259	-	-
Change in reinsurers' share of life insurance liabilities	26	(9,994)	(4,532)	-	-
Change in life investment policy liabilities	26	(126,385)	(161,996)	-	-
Share of profit of associate	33	-	9	-	-
Loss from sale of associate	33	-	(4)	-	-
Movement in liability of non-controlling interest in controlled unit trusts		(15,651)	(15,063)	-	-
<b>Profit/ (loss) before income tax expense</b>		<b>21,483</b>	<b>11,813</b>	<b>(458)</b>	<b>(5,852)</b>
Income tax expense / (benefit)	11	7,603	9,937	(138)	(1,405)
<b>Total comprehensive income/ (loss) for the year</b>		<b>13,880</b>	<b>1,876</b>	<b>(320)</b>	<b>(4,447)</b>
Attributable to:					
Equity holders of the parent		13,880	1,876	(320)	(4,447)
<b>Earnings per share</b>					
	14				
Basic (cents per share)		3.13	0.46	-	-
Diluted (cents per share)		3.10	0.46	-	-
<b>Underlying earnings per share</b>					
Basic (cents per share)		4.46	3.89	-	-
Diluted (cents per share)		4.41	3.65	-	-

To be read in conjunction with the accompanying Notes.



# Consolidated statement of financial position

As at 30 June 2014

	Note	Consolidated		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Assets</b>					
Cash and cash equivalents	15	183,299	233,663	1,111	819
Investments	16	1,336,769	1,216,450	257,892	234,892
Receivables	17	11,876	9,665	16,353	8,072
Fixed interest deposits	18	88,759	53,284	25,179	10,181
Reinsurers' share of life insurance policy liabilities	26	(3,872)	1,072	-	-
Deferred tax asset	24	10,194	9,937	840	1,093
Property, plant and equipment	21	1,347	1,253	-	-
Convertible note	25	301	-	301	-
Goodwill	19	4,858	4,858	-	-
Intangible assets	20	36,899	42,544	-	-
<b>Total assets</b>		<b>1,670,430</b>	<b>1,572,726</b>	<b>301,676</b>	<b>255,057</b>
<b>Liabilities</b>					
Payables	22	25,069	16,288	349	42
Current tax liabilities		4,622	3,583	4,622	3,583
Provisions	23	3,588	3,474	19	64
Life insurance policy liabilities	26	(127,278)	(97,734)	-	-
Life investment policy liabilities	26	1,122,364	1,175,346	-	-
Liability to non-controlling interest in controlled unit trusts		330,607	219,907	-	-
Deferred tax liabilities	24	1,225	1,147	-	-
<b>Total liabilities</b>		<b>1,360,197</b>	<b>1,322,011</b>	<b>4,990</b>	<b>3,689</b>
<b>Net assets</b>		<b>310,233</b>	<b>250,715</b>	<b>296,686</b>	<b>251,368</b>
<b>Equity</b>					
Issued capital	27	330,172	277,565	330,172	277,565
Retained losses	12	(25,254)	(30,977)	(52,672)	(52,352)
Executive Share Plan Reserve	12	5,315	4,127	5,315	4,127
Profit reserve	12	-	-	13,871	22,028
<b>Total equity</b>		<b>310,233</b>	<b>250,715</b>	<b>296,686</b>	<b>251,368</b>

To be read in conjunction with the accompanying Notes.

# Consolidated statement of changes in equity

For the year ended 30 June 2014

	Share capital	Executive share plan reserve	Profit reserve	Retained losses	Attributable to the owners of the parent
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2012</b>	<b>276,565</b>	<b>1,750</b>	<b>-</b>	<b>(15,034)</b>	<b>263,281</b>
Profit for the year	-	-	-	1,876	1,876
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,876</b>	<b>1,876</b>
Recognition of share based payments	-	1,679	-	-	1,679
Shares issued during the year (ESP vested)	1,000	-	-	-	1,000
Dividend paid	-	-	-	(17,819)	(17,819)
ESP loans settled through dividend	-	698	-	-	698
<b>Balance at 30 June 2013</b>	<b>277,565</b>	<b>4,127</b>	<b>-</b>	<b>(30,977)</b>	<b>250,715</b>
Profit for the year	-	-	-	13,880	13,880
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,880</b>	<b>13,880</b>
Recognition of share based payments	-	905	-	-	905
Capital raised (net of costs)	44,889	-	-	-	44,889
Dividend Reinvestment Plan	8,157	-	-	-	8,157
Share buyback (inclusive of costs)	(439)	-	-	-	(439)
Dividend paid	-	-	-	(8,157)	(8,157)
ESP loans settled through dividend	-	403	-	-	403
ESP shares vested	-	(120)	-	-	(120)
<b>Balance at 30 June 2014</b>	<b>330,172</b>	<b>5,315</b>	<b>-</b>	<b>(25,254)</b>	<b>310,233</b>
<b>Company</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2012</b>	<b>276,565</b>	<b>1,750</b>	<b>39,847</b>	<b>(47,905)</b>	<b>270,257</b>
Loss for the year	-	-	-	(4,447)	(4,447)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,447)</b>	<b>(4,447)</b>
Recognition of share based payments	-	1,679	-	-	1,679
Shares issued during the year (ESP vested)	1,000	-	-	-	1,000
Dividend paid	-	-	(17,819)	-	(17,819)
ESP loans settled through dividend	-	698	-	-	698
<b>Balance at 30 June 2013</b>	<b>277,565</b>	<b>4,127</b>	<b>22,028</b>	<b>(52,352)</b>	<b>251,368</b>
Loss for the year	-	-	-	(320)	(320)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(320)</b>	<b>(320)</b>
Recognition of share based payments	-	905	-	-	905
Capital raised (net of costs)	44,889	-	-	-	44,889
Dividend Reinvestment Plan	8,157	-	-	-	8,157
Share buyback (inclusive of costs)	(439)	-	-	-	(439)
Dividend paid	-	-	(8,157)	-	(8,157)
ESP loans settled through dividend	-	403	-	-	403
ESP shares vested	-	(120)	-	-	(120)
<b>Balance at 30 June 2014</b>	<b>330,172</b>	<b>5,315</b>	<b>13,871</b>	<b>(52,672)</b>	<b>296,686</b>

# Consolidated statement of Cash Flows

For the year ended 30 June 2014

	Note	Consolidated		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>					
Receipts from client and debtors		215,189	153,284	-	-
Payments to suppliers and other creditors		(162,483)	(105,159)	(5,139)	(1,774)
Receipts from / (payments to) Group entities		-	-	3,704	7,687
Withdrawals paid to life investment clients		(222,073)	(250,545)	-	-
Dividends and trust distributions received		14,702	15,982	-	-
Interest received		31,831	32,043	414	375
Income taxes paid		(6,205)	(3,714)	3,090	(3,714)
<b>Net cash (utilised)/generated by operating activities</b>	<b>31</b>	<b>(129,039)</b>	<b>(158,109)</b>	<b>2,069</b>	<b>2,574</b>
<b>Cash flows from investing activities</b>					
Net cash movement due to investment in subsidiary		-	-	(23,000)	(9,350)
Payments for investment securities		(1,853,406)	(2,086,457)	-	335
Proceeds from sales of investment securities		1,831,488	2,187,487	-	-
Acquisition of property, plant and equipment		(570)	(133)	-	-
Acquisition of capitalised software		(4,702)	(2,720)	-	-
Fixed interest deposits (invested) / redeemed		(33,478)	41,970	(14,730)	11,489
Loans granted / (redeemed)		(360)	86	-	-
Convertible note drawn down		(300)	-	(300)	-
Settlements made against deferred consideration		-	(28)	-	-
Loans granted to Group entities		-	-	(8,499)	-
<b>Net cash (utilised)/generated by investing activities</b>		<b>(61,328)</b>	<b>140,205</b>	<b>(46,529)</b>	<b>2,474</b>
<b>Cash flows from financing activities</b>					
Net movement in liability of non-controlling interest in unit trusts		95,251	74,245	-	-
Proceeds from capital raising		44,889	996	44,889	996
Share buy back (net of costs)		(439)	-	(439)	-
Repayment of ESP loans		403	774	403	774
Payments for ESP shares vested		(101)	-	(101)	-
Dividends paid (net of shares issued as part of ClearView's Dividend Reinvestment Plan)		-	(17,819)	-	(17,819)
<b>Net cash (utilised)/generated in financing activities</b>		<b>140,003</b>	<b>58,196</b>	<b>44,752</b>	<b>(16,049)</b>
Net increase / (decrease) in cash and cash equivalents		(50,364)	40,292	292	(11,001)
Cash and cash equivalents at the beginning of the financial year	15	233,663	193,371	819	11,820
<b>Cash and cash equivalents at the end of the financial year</b>		<b>183,299</b>	<b>233,663</b>	<b>1,111</b>	<b>819</b>

To be read in conjunction with the accompanying Notes.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 1. General information

ClearView Wealth Limited (the Company or Consolidated Entity) is a limited company incorporated in Australia. The address of its registered office is disclosed in the Directory at the back of the Annual Report. The principal activities of the Company and its subsidiaries (the Group) are described in Note 7.

## 2. Application of new and revised accounting standards

The following new and revised Australian Accounting Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

### 2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current financial year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	<p>This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.</p> <p>In the current year the individual key management personnel disclosure previously required by AASB 124 (note 33 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.</p>
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	<p>The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.</p> <p>As the Group does not have any offsetting arrangements in place, the application of the amendments had not had any material impact on the disclosures or on the amounts recognised in the consolidated financial statements.</p>
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	<p>The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. The adoption of this amending standard does not have any material impact on the consolidated financial statements.</p>
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	<p>This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.</p>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 2. Application of new and revised accounting standards *continued*

AASB CF 2014-1 'Amendments to the Australian Conceptual Framework' and AASB 2014-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

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 percent of the voting rights in an investee has control over the investee is relevant to the Group.

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

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

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.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

**Other new and revised AASB Standards and amendments that are relevant to the Group are as follows:**

---

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	<p>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 Payment', 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 (for example, net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).</p> <p>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.</p> <p>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 2013 comparative period (please see note 35 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.</p>
---	---

---



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 2. Application of new and revised accounting standards *continued*

### 2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards <sup>1</sup>	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2014)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2014-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2014-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2014-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015

1 The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.
- In December 2014 the AASB issued AASB 2014-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 January 2014	30 June 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 January 2014	30 June 2015
Annual Improvements to IFRSs 2011-2014 Cycle	1 January 2014	30 June 2015
IFRS 14 Regulatory Deferral Accounts	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments	1 January 2018	30 June 2019

The potential effect of the revised Standards/ Interpretations on the Group's financial statements has not yet been determined.

## 3. Significant accounting policies

### (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and

Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 August 2014.

### (b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

# Notes to the Financial Statements

## For the year ended 30 June 2014

### Continued

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (that is, reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### (d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the

Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non current assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

### (e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of

cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group’s policy for goodwill arising on the acquisition of an associate is described at (f) below.

### (f) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group

---

# Notes to the Financial Statements

## For the year ended 30 June 2014

### Continued

discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on

the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### (g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Fee revenue is recognised when:

- The amount can be measured reliably;
- It is probable that the future economic benefit associated with transactions will flow to the entity; and
- The stage of completion can be measured reliably.

### Premium revenue

Premium revenue only arises in respect of life insurance contracts. Premiums with a regular due date are recognised as revenue on a due basis. Premiums with no due date are recognised as revenue on a cash received or receivable basis.

Unpaid premiums are only recognised as revenue during the days of grace and are included as Premiums Receivable (part of Receivables) in the statement of financial position. Premiums due after, but received before, the end of the financial year are shown as Life Insurance Premium in Advance (part of Payables) in the statement of financial position.

Premiums and contributions on life investment contracts are treated as deposits and are reported as a movement in life investment contract liabilities.



---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies continued

### Management fee revenue

Fee revenue comprising management fee revenue with respect to life investment contracts is recognised in the statement of profit or loss and other comprehensive income on an accrual basis as the services are provided. A single management fee is applied for each Investment Option, which is based on the value of the assets held in each Investment Option. The fee is calculated each time an Investment Option is valued, but before the unit price is declared. The fee is treated as a reduction in the investment contract liabilities.

Trustee and administration fee revenue earned on the Wrap platform is recognised on an accrual basis to the extent that it is probable that the income benefit will flow to the Group and the revenue can be reliably measured. Ongoing fee revenue is recorded over the effective period in which customers' funds are invested in products on the Wrap platform.

### Financial advice revenue

Financial advice revenue is recognised on an accrual basis to the extent that it is probable that the income benefit will flow to the Group and the revenue can be reliably measured. Ongoing trail revenue is recorded over the effective period in which customers' funds are invested in products.

### Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Investment Income

Income on investment units and shares is deemed to accrue on the date the distributions are declared to be effective.

### Distribution income

Distribution income from investments in unit trusts is recognised on a receivable basis as of the date the unit value is quoted ex-distribution.

### Rental Income

The Group's policy for recognition of revenue from operating leases is described in (h) below.

#### (h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.



---

# Notes to the Financial Statements

## For the year ended 30 June 2014

### Continued

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### (j) Principles underlying the conduct of life insurance business

The life insurance operations of the Group are conducted within separate statutory funds as required by the Life Insurance Act 1995 (Life Act) and are reported in aggregate with the shareholders' funds in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows. The life insurance operations consist of the provision of life insurance and life investment contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant benefits in any scenario, excluding scenarios that lack commercial substance. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is not linked to the market value of the investments held by the Group, and the financial risks are substantially borne by the Group.

Any contracts issued by the Group and regulated under the Life Act that do not meet the definition of a life insurance contract are classified as life investment contracts. Life investment contracts include investment-linked contracts where the benefit is directly linked to the market value of the investments held in the particular investment linked fund. While the underlying assets are registered in the name of ClearView Life Assurance Limited (ClearView Life) and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owner bears the risks and rewards of the fund's investment performance.

A component of the life investment contracts includes a minimum unit price guarantee. ClearView Life derives fee income from the administration of investment linked funds. Life investment contracts do not contain any discretionary participation features (i.e. those where the amount or timing of allocation of the profit from the underlying investments is at the discretion of the insurer).

In accordance with AASB 1038 "Life Insurance Contracts", financial assets backing policy liabilities are designated at fair value through profit and loss. ClearView Life has determined that all assets held within the statutory funds back policy liabilities. Financial assets backing policy liabilities consist of high quality investments such as cash, equities, fixed income securities, property trusts and infrastructure assets. The management of financial assets and policy liabilities is closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from the policy liabilities.

### (k) Claims

#### Life insurance contracts

Claims incurred relate to life insurance contracts and are treated as expenses. Claims are recognised upon notification of the insured event. The liability in respect of claims includes an allowance (estimate) for incurred but not reported claims and an allowance (estimate) for expected declinature of notified claims. Claims are shown gross of reinsurance recoverable. Any reinsurance recoveries applicable to the claims are included in receivables.

#### Life investment contracts

There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders and withdrawals are recognised as at the date of redemption of policy units, which occurs once all documentation has been provided and completed.

### (l) Reinsurance

Amounts paid to reinsurers under life insurance contracts held by the Company are recorded as an outward reinsurance expense and are recognised in the statement of profit or loss and other comprehensive income from the reinsurance premium payment due date. Reinsurance recoveries receivable on claims incurred are recognised as revenue. Recoveries are assessed in a manner similar to the assessment of life insurance contract liabilities. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the life insurance contract liabilities.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

### (m) Policy acquisition costs

The policy acquisition costs incurred are recorded in the statement of profit or loss and other comprehensive income and represent the fixed and variable costs of acquiring new business. The policy acquisition costs include commission, policy issue and underwriting costs, and related costs. The acquisition costs incurred in relation to life insurance contracts are capitalised in the valuation of policy liabilities.

### (n) Basis of expense apportionment

All expenses of the life insurance business incurred by ClearView Life and charged to the statement of profit or loss and other comprehensive income have been apportioned in accordance with Part 6, Division 2 of the Life Act.

The basis is as follows:

- Expenses relating specifically to either the ClearView Life shareholder's fund or a particular statutory fund are allocated directly to the respective funds. Such expenses are apportioned between policy acquisition costs and policy maintenance costs with reference to the objective when each expense is incurred and the outcome achieved.
- Other expenses are subject to apportionment under section 80 of the Life Act and are allocated between the funds in proportion to the activities to which they relate. They are apportioned between policy acquisition costs and policy maintenance costs in relation to their nature as either acquisition or maintenance activities. Activities are based on direct measures such as time, head counts and business volumes.
- Life investment contracts are held within statutory funds No.2 and No.4. Life insurance contracts are principally held within statutory fund No.1, except for a small, closed book of rider insurance covers held in statutory fund No.2. The allocation of expenses between the primary life investment or life insurance contracts is inherent in the allocation to the statutory funds, as described above. The apportionment basis is in line with the principles set in the Life Insurance Prudential Standard valuation standard (Prudential Standard LPS340 Valuation of Policy Liabilities). All expenses relate to non-participating business as the Company only writes this category of business.

### (o) Policy liabilities

Policy liabilities consist of life insurance policy liabilities and life investment policy liabilities.

### Life insurance contracts

The value of life insurance policy liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group, with future cash flows determined using best estimate assumptions and discounted to the reporting date. Profit margins are systemically released over the term of the policies in line with the pattern of services to be provided. The future planned profit margins are deferred and recognised over time by including the value of the future planned profit margins within the value of the policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in Note 4.

### Life investment contracts

Life investment policy liabilities are valued at fair value, which is based on the valuation of the assets held within the unitised investment linked policy investment pools.

### (p) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

### (q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

## Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

## (r) Share based payment arrangements

### Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

## (s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### (t) Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are

expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### (u) Intangible assets - Software

#### Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is

# Notes to the Financial Statements

## For the year ended 30 June 2014

### Continued

recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over periods generally ranging from 3 to 5 years. Management reviews the appropriateness of the amortisation period on an annual basis.

### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

### (v) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

### (x) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for

debt instruments other than those financial assets classified as at FVTPL.

### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net fair value gains and losses" line item in the statement of profit or loss and other comprehensive income. Fair value is determined based on the bid price determined at 7:00pm in accordance with the policy adapted by the custodian on the reporting date.

### Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as



---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

held-to maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

## Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 5. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

## Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the

estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 3. Significant accounting policies *continued*

### Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as equal to the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

#### Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated at FVTPL.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the “other gains and losses” line item in the statement of profit or loss. Fair value is determined in the manner described in note 5.

## Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

## Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments that the Directors have made in the process of applying the Group's accounting policies and in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates include:

- Life insurance policy liabilities, including the actuarial methods and assumptions and allocation of expenses between acquisition and maintenance costs;
- Assets arising from reinsurance contracts;
- Recoverability of intangible assets;
- Impairment of goodwill; and
- Deferred tax assets.

### Life insurance policy liabilities

Life insurance policy liabilities are, in the majority of cases, determined using an individual policy-by-policy calculation. Where material liabilities are not determined by individual policy valuation, they are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability were calculated for each contract. The calculations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 4. Critical accounting judgments and key sources of estimation uncertainty continued

The key factors that affect the estimation of these liabilities and related assets are:

- The cost of providing benefits and administering these insurance contracts;
- The costs incurred in acquiring the policies, including commissions, underwriting and policy issue costs;
- Mortality and morbidity experience on life insurance products; and
- Discontinuance experience, which affects ClearView Life's ability to recover the cost of acquiring new business over the term of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods are set out further below.

### Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are computed using the same methods as used for insurance policy liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as reinsurer counterparty and credit risk.

Impairment is recognised where there is objective evidence that the Company may not receive amounts due to it and these amounts can be reliably measured.

### Recoverability of acquired intangible assets

The carrying amount of acquired intangible assets at the financial position date was \$30.1 million (2013: \$37.4 million).

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

At each reporting date ClearView is required to assess whether there is any indication that the intangibles may be impaired. Triggers for impairment have historically been identified and approved for each cash generating unit (CGU). Further details have been provided in each relevant section below.

### Cornerstone Software System (CWT)

The intangible assets arose on the acquisition of ComCorp Financial Advice Pty Limited (CCFA) and primarily represent the value of the acquired CWT system. The acquired CWT system at the financial position date has been fully amortised (2013: \$0.2 million).

The CWT system is a customised version of X Plan and is integral in integrating aligned adviser businesses into the ClearView dealer group. The CWT system is the planning software system used by the underlying adviser practices that join the dealer group.

The value of the CWT system has been amortised on a straight line basis over a five year period which the Directors assessed as the intangible asset's useful life.

### Client Book – Intangible

The intangible assets arose on the acquisition of ClearView Group Holdings Pty Limited (CVGH) and CCFA. The intangibles represent the value of the in-force insurance and investment contracts, and value of the existing financial advice and funds management revenues (the Client Books). Each Client Book has its own assessment of useful life depending on the nature of the clients in each segment and their relative characteristics, based on age, demographics and type of product to which it relates. The policy adopted to write-off the Client Books resembles the anticipated ageing profile of the revenue stream. ClearView has historically identified its CGUs at the segment reporting level (lowest level of cash generating units). The CGUs identified are as follows:

- Life Insurance;
- Wealth Management; and
- Financial Advice.

The life insurance Client Book is written off on a straight line basis over 12 years. Triggers that need to be considered in testing for annual impairment for the life insurance contracts are as follows:

- Mortality and morbidity (claims);
- Maintenance costs;
- Persistency (lapse); and
- Discount rates.

The wealth management Client Book is written off at 15% per annum on a straight line basis.

Triggers that need to be considered in testing for annual impairment for the wealth Client Book are as follows:

---

# Notes to the Financial Statements

## For the year ended 30 June 2014

### Continued

- Investment returns;
- Outflows;
- Discount rates; and
- Maintenance costs.

The financial advice client book is written off on a straight line basis over 10 years.

Triggers that need to be considered in testing for annual impairment for the financial advice Client Book are as follows:

- Investment returns;
- Outflows;
- Discount rates; and
- Maintenance costs.

ClearView prepares an Embedded Value for the Group at each reporting period. The Embedded Value is prepared at a reportable segment level (CGUs). The Embedded Value measure is used as a proxy for the value in use. The Embedded Value methodology is used to test the acquired intangibles for any impairment triggers. As at 30 June 2014, based on the EV calculations, no impairment was required to the carrying value of the intangible assets.

Further information about the Embedded Value (and the movement over the year) is provided in the “Operating and Financial Review” in the Directors Report and further details on intangible assets is detailed in Note 20.

### Recoverability of internally generated software intangibles

The carrying amount of internally generated capitalised software at the financial position date was \$6.8 million (2013: \$4.9 million)

At each reporting period the internally generated software is assessed for any impairment triggers. If any such indication exists, the recoverable amount of the asset shall be estimated. The impairment indicators for the software intangible are defined as:

- The ability of the software to provide the functionality required from the business to use the asset;
- The software is being utilised for the purposes that it was designed;
- The availability of alternative software that the business has available; and
- Product mix - The entity no longer sells the products that are administered on the policy administration system or utilises the provided functionality.

The Group has identified an opportunity to further improve its wealth product offering by launching a compelling mid-market product (WealthFoundations) in the first half of FY15. The Group is implementing a new complaint and functional wealth platform to host both WealthFoundations and the Master Trust product. As at the date of the report, \$1.3 million has been capitalised as internally generated software with the balance of the costs capitalised to date predominantly relating to LifeSolutions products.

No impairment was required to the carrying values of internally generated software as at 30 June 2014.

### Impairment of Goodwill

The carrying amount of goodwill at the reporting date was \$4.9 million (2013: \$4.9 million).

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which the goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to determine the present value of those cash flows.

### Goodwill

CFA acquired the business of CCFA on 9 April 2009.

Goodwill arose in respect of the amount of consideration paid that related to the expected cost synergies, revenue growth, improved referral source penetration, future market development and the assembled work force and ingrained experience of personnel. These assets are not recognised separately from goodwill as the future economic benefits arising from them are not capable of being measured separately.

CCFA was acquired as the first major step of the Group in developing a presence in the wealth management and financial advice industry. The goodwill that arose on the acquisition has at the reporting date been allocated to the financial advice cash generating unit. The Group tests for impairment at each reporting date. The Board believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The FoFA reforms became effective on 1 July 2013 and focused on improving the quality of financial advice, particularly product recommendations to retail clients. The Government has subsequent to the implementation,



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 4. Critical accounting judgments and key sources of estimation uncertainty continued

announced a package of regulatory changes to FoFA, in the form of new Regulations, 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.

While the new Regulations came into effect on 30 June 2014, motions to disallow the changes, tabled in the Senate by the opposition continue to bring into question whether the new Regulations will continue in their current form, be amended or repealed. The Regulations in-force as at the date of this Report, brought about the following amendments to the previous FoFA law including:

- Fee disclosure statements - No requirement to provide an annual Fee Disclosure Statement to pre 1 July 2013 clients (at this stage this position will apply until 31 December 2015);
- Opt-in requirement - FoFA required that from 1 July 2015 advisers request that their clients opt-in to their ongoing fee arrangement. The new proposed regulations have postponed this requirement until 31 December 2015;
- Best interests duty - The proposed regulations have amended the 'safe harbour' provision by removing the 'catch all' requirement;
- Scaled Advice - In addition to the amendments to the best interest duty set out above, the Regulations also specifically addressed scaled advice and its interaction with the best interests duty;
- Moving between licencees - the FoFA legislation passed last year restricted advisers from moving from one licensee to another. The proposed regulations rectify this issue by allow advisers to move from one licensee to another and continue to receive conflicted remuneration that has been grandfathered; and
- Conflicted remuneration exemptions - The proposed regulations provide for a number of new exemptions to the ban on conflicted remuneration, the most significant changes include an amendment to the education and training exemption, making it broader, and recognition that when a client moves from accumulation to pension phase in a superannuation product, that this will not result in grandfathering being lost.

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

ClearView retained \$0.5 million in revenue from volume based rebates from platform operators in the current financial year.

ClearView prepares an Embedded Value for the Group at each reporting period. The Embedded Value is prepared at a reportable segment level (CGUs). The Embedded Value methodology is used to test the Goodwill for any impairment triggers. As at 30 June 2014, no impairment was required to the carrying value of the Goodwill.

Further information about Goodwill is detailed in Note 19.

### Deferred tax asset – Timing Differences

The Board has considered that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised.

### Deferred tax asset – Capital Losses

ClearView Life has amounts of realised and unrealised capital losses within its superannuation business in its No. 2 and No.4 Statutory Funds. The Board has considered the likelihood of the recovery of these losses and their fair value, and has concluded that it is appropriate to reduce the deferred tax asset (DTA) held in respect of those capital losses below the nominal full recovery amount. This has been implemented via placing a cap on the recognised DTA. The DTA relating to capital losses are estimated to be utilised in the foreseeable future and is expressed as a percentage of the value of investments held. The same methodology has been adopted for unit pricing purposes and this financial report.

In addition to the above, the Group has accumulated capital losses that arose within the parent entity related to the losses realised on the historic disposal of a subsidiary entity. At the current time, no DTA is recognised in respect of these losses. This is discussed further in Note 24.

### Actuarial methods and assumptions

The effective date of the actuarial report on life insurance policy liabilities and life investment policy liabilities is 30 June 2014. The actuarial report was prepared by the ClearView Life Appointed Actuary, Ashutosh Bhalerao. The actuarial report indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## (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”.

The methods used for the major product groups are as follows:

Related Product Group	Method	Profit carrier
Fund 1 Old Book Lump Sum	Projection	Premiums
Fund 1 Old Book Income Protection	Projection	Premiums
Fund 1 Non-Advice Lump Sum	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Ordinary	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Super	Projection	Premiums
Fund 1 LifeSolutions Income Protection Ordinary	Projection	Premiums
Fund 1 LifeSolutions Income Protection Super	Projection	Premiums
Fund 2 Old Book Lump Sum	Projection	Premiums
Fund 2 Investments	Accumulation	n/a
Fund 4 Investments	Accumulation	n/a

The projection method uses the discounted value of future policy cash flows (premiums, expenses and claims) plus a reserve for expected future profits. The policy liabilities for life investment contracts are determined as the fair value of the policyholders’ accounts under the accumulation method with no future profit reserve.

## (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 4.1% (2013: 4.4%).

Acquisition expenses: Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 12 months to 30 June 2014.

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 policyholders and premiums are received.

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

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.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 4. Critical accounting judgments and key sources of estimation uncertainty continued

### (c) Effects of changes in actuarial assumptions (over 12 months to 30 June 2014)

	Effect on profit margins Increase/ (decrease) \$'000	Effect on policy liabilities Increase/ (decrease) \$'000
<b>Assumption category</b>		
Discount rates and inflation	16,846	(13,100)
Maintenance expenses	(949)	-
Lapses	(9,077)	-
Mortality and morbidity	-	-
<b>Total</b>	<b>6,820</b>	<b>(13,100)</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 for the value of the illiquidity of the policy liability. 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 the 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.

# Notes to the Financial Statements

For the year ended 30 June 2014

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.

The table below illustrates how outcomes during the financial year ended 30 June 2014 in respect of the key actuarial variables, would have impacted the reported life insurance policy liabilities, profit and equity for that financial year.

Variable	Change in variable	Impact on policy liabilities		Impact on net profit and shareholder equity	
		Gross of reinsurance \$'000	Net of reinsurance \$'000	Gross of reinsurance \$'000	Net of reinsurance \$'000
Interest rates	+100 bp	10,712	9,882	(7,498)	(6,918)
	-100 bp	(12,310)	(11,351)	8,617	7,945
Mortality and morbidity	110.0%	-	-	(1,815)	(997)
	90.0%	-	-	1,815	997
Lapses	110.0%	-	-	(1,926)	(1,713)
	90.0%	-	-	1,926	1,713
Maintenance expenses	110.0%	-	-	(1,099)	(1,099)
	90.0%	-	-	1,099	1,099

\* Note: The interest rate sensitivities show the change to policy liabilities and profit from a change in the discount rate by adding or subtracting 1% from the yield curve adopted. The other sensitivities show how different the policy liabilities and reported profit would have been if the Company's experience in the current year in relation to those variables had been higher or lower by 10% of that experienced.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 5. Risk Management

The Group's activities expose it to a variety of risks, both financial and non-financial. Key risks include:

- Asset risks, including market risk (interest rate risk and equity price risk), credit risk and liquidity risk;
- Insurance risk;
- Asset-liability mismatch risks;
- Expense risks; and client discontinuance (lapses, withdrawals and lost client) risks; and
- Operational risk, compliance risk and strategic risk.

### Risk management strategy, roles and responsibilities

Risk management is an integral part of the Group's management process. The Group's Board has adopted a formal Risk Management Strategy (RMS) and structured risk management framework (RMF) to assist it in identifying and managing the key risks to achieving the Group's objectives. The RMS and RMF are fundamental to the business decisions of the Group, including resource allocation decisions and prioritisation of activities.

The Audit, Risk and Compliance Committee, on behalf of the Board, monitors the operation of the RMF and facilitates review of the key process and procedures underlying the RMF. Internal audit activities are focused on key risks and on the key risk controls identified as part of the risk assessment process. KPMG is retained to provide outsourced internal audit services.

The RMS and RMF considers the key stakeholders in the Group, beyond the shareholders, including:

- The benefit, security and expectations of policyholders, members of the ClearView Retirement Plan and investment product and advice clients.
- Risk impacts on and from our staff, our distribution partners and suppliers and counterparties.
- Requirements and objectives of our regulators.

The RMS specifies the Board's risk appetite and tolerance standard which guides the Group in its decisions as to the acceptance, management and rejection of risks. A risk register is maintained that identifies the key risks of the Group by type, impact and likelihood, and indicates the key process and mechanisms to control, mitigate or transfer those risks within the allowed tolerances. The RMS and RMF includes suitable monitoring mechanisms.

As part of the RMS and RMF, the Group has adopted an

Internal Capital Adequacy Assessment Process (ICAAP) with respect to supporting the residual risk exposures retained by the Group and the ongoing capital needs of the Group.

The key risks are discussed in more detail below:

### Asset risks

The primary asset risks borne by the Group relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets). The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Group which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure.

#### (a) Market risk

Market risk is the risk that financial assets will be affected by changes in interest rates, foreign exchange rates and equity prices.

#### Interest rate risk

Interest rate risk arises on ClearView's assets which are invested in fixed interest funds and cash. Interest rate risk is managed by the Group through:

- Maintaining the level of interest rate exposure within the tolerances set by the Board in the RMS;
- Investing ClearView's assets in accordance with the Board approved Investment Policy and Guidelines; and
- By holding capital reserves in accordance with the Company's ICAAP with respect to the residual interest rate risk exposure retained, in addition to the regulatory capital reserves held within ClearView Life in respect of interest rate risk.

#### Foreign Exchange risk

Foreign exchange risk is the risk that investments held in currencies other than Australian dollars increase or decrease due to the currency appreciating or depreciating against the dollar and not because the underlying investment value has changed.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## Equity Price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market.

The Policyholder assets and other client funds under management and under administration, involve significant investment in equities. As noted above, the Policyholder asset risks are borne by the policyholders. The Group is exposed to secondary risks on its management and advice fees that are driven by the total funds under management and administration, as well as reputational risks from poor investment returns.

The investment of the Policyholder assets and client monies controlled by ClearView is undertaken in accordance with the Investment Policy and Guidelines approved by the Board, which inter alia stipulates the investment allocation mix, the portfolio's risk characteristics, management response plans and the use of derivatives. To the extent required, capital reserves are held in accordance with the ICAAP with respect to the Company's residual fee risk exposure.

## (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk exposures arising from investment activities are assessed by the Group's internal investment management committee (the ClearView Investment Committee (CIC) appointed by the Board) prior to investing ClearView assets into any significant financial asset. The ongoing credit standing of material investments are monitored by the CIC, with the CIC charged to maintain the credit quality of ClearView assets within the Board's investment guidelines.

The large majority of debt assets invested in by the Company on behalf of policyholders and clients (including Policyholder assets) are managed under mandates with appointed funds managers. Those mandates include credit rating, diversification and maximum counterparty exposure rules and standards that are to be met. The funds managers adherence to those requirements are subject to ongoing monitoring by the fund managers, and are separately monitored by the Group's custodian. Formal compliance reporting is monitored monthly by the CIC.

Credit risk arising from other third party transactions, such as reinsurance recovery exposures and exposure to outsource service providers, are assessed prior to entering

into financial transactions with those parties, are approved by the Board where material, and are monitored by appropriate mechanisms on an ongoing basis (for example, a quarterly monitoring and compliance reporting process in respect of the Group's outsourced custodian).

The Group does not expect any of its material counterparties to fail to meet their obligations and does not require collateral or other security to support these credit risk exposures.

Specific capital reserves are held against credit risk under the regulatory capital requirements of ClearView Life (LAGIC) and credit risk is considered within the Group's ICAAP.

## (c) Liquidity risk

Liquidity risk is primarily the risk that the Group will encounter difficulty in meeting its obligations due to an inability to realise some or all of its assets in order to fund its cash flow needs, including the payment of amounts to its policyholders, members and clients. A secondary risk relates to the risk of the illiquidity of the external (including off balance sheet) funds its clients invest in, which may result in restricted fee flows to the Group and/or reputational damage via association.

The primary risk is controlled through focusing the Group's assets, as well as policyholder and member assets and the investment of client funds controlled by the Group, into assets which are highly marketable and readily convertible into cash. In addition, the Group maintains suitable cash holdings at call and an appropriate overdraft facility.

The Group's cash flow requirements are reviewed and forecast daily for a one week forward period. This assessment takes into account the timing of expected cash flows, the likelihood of significant benefit outflows over the short term and known significant one-off payments.

Under the terms of the Group's products (issued via ClearView Life and ClearView Financial Management) the payment of unit fund redemptions to policyholders and unit trust investors may be delayed, if necessary, until funds are available. To date no such delays have been imposed.

The risks in respect of external (third party) funds are controlled via the ClearView dealer group's Approved Product List, which restricts the external funds available for use by its advisers and planners to investment platform providers that are assessed to be reputable and financially sound.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 5. Risk Management *continued*

### Fair Value Hierarchy

The table below summarises financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Assets	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
Equity securities	233,817	-	-	233,817
Fixed interest securities	-	641,410	-	641,410
Unit trusts	461,542	-	-	461,542
<b>Total</b>	<b>695,359</b>	<b>641,410</b>	<b>-</b>	<b>1,336,769</b>
<b>2013</b>				
Equity securities	259,278	-	-	259,278
Fixed interest securities	-	571,717	-	571,717
Unit trusts	385,455	-	-	385,455
<b>Total</b>	<b>644,733</b>	<b>571,717</b>	<b>-</b>	<b>1,216,450</b>

Financial Liabilities	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
Life investment policy liability	1,122,364	-	-	1,122,364
<b>Total</b>	<b>1,122,364</b>	<b>-</b>	<b>-</b>	<b>1,122,364</b>
<b>2013</b>				
Life investment policy liability	1,175,346	-	-	1,175,346
<b>Total</b>	<b>1,175,346</b>	<b>-</b>	<b>-</b>	<b>1,175,346</b>

### Insurance risk

The risks under the life insurance contracts written by the Company are exposed to various key variables. The table below provides an overview of the key insurance contract types and exposure variables.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death or ill health that are fixed and not at the discretion of the issuer	Benefits defined by the insurance contract are determined by the contract obligation of the issuer and are not directly affected by the performance of the underlying assets or the performance of the contracts as a whole	Mortality Morbidity Discontinuance rates Expenses Policy Terms Premium Rates



---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

Insurance risks are controlled through the use of underwriting procedures, appropriate premium rating methods and approaches, appropriate reinsurance arrangements, effective claims management procedures and sound product terms and conditions due diligence.

## (a) Risk management objectives and policies for mitigating insurance risk

ClearView Life issues term life insurance contracts and disability insurance contracts. The performance of the Company and its continuing ability to write business depends on its ability to manage insurance risk. The Company's RMS summarises its approach to insurance risk management.

## (b) Methods to limit, manage or transfer insurance risk exposures

### Reinsurance

ClearView Life purchases reinsurance to limit its exposure to accepted insurance risk. ClearView Life cedes to specialist reinsurance companies a proportion of its portfolio for certain types of insurance risk. This serves primarily to reduce the net liability on large individual risks and provide protection against large losses. The reinsurers used are regulated by the Australian Prudential Regulation Authority (APRA) and are members of large international groups with sound credit ratings.

ClearView Life periodically reviews its reinsurance arrangements and retention levels.

### Underwriting procedures

Underwriting decisions are made using the underwriting procedures reflected in ClearView Life's underwriting systems and detailed in ClearView Life's underwriting manual. Such procedures include limits as to delegated authorities and signing powers. The underwriting process is subject to ClearView Life's internal control processes and is subject to review by the reinsurers from time to time.

### Claims management

Strict claims management procedures help ensure the timely and correct payment of claims in accordance with policy conditions, as well as limiting exposure to inappropriate and fraudulent claims.

## (c) Concentration of insurance risk

The insurance business of the Company is principally written on individual lives (not group business). Individual business is not expected to provide significant exposure to

risk concentration. Nonetheless, the residual risk exposure is reduced through the use of reinsurance.

## (d) Pricing risk, and terms and conditions of insurance contracts

The key risk controls in respect of pricing and policy terms and conditions include:

- Review of product pricing by the Appointed Actuary of ClearView Life, including annual analysis of experience and product line profitability in the annual ClearView Life Financial Condition Report;
- Formal Appointed Actuary Board reporting on new product pricing, reinsurance and terms and conditions;
- Assessment by the Company's reinsurers of the pricing adopted, including the offer of corresponding reinsurance terms;
- Formal internal policy document and Product Disclosure Statement due diligence review and sign-off processes; and
- The ability to re-price products (change premium rates and fees) on most products in the event of adverse claims and/or other product experience.

It is noted that similar processes and controls apply to the pricing and terms and conditions applicable to the investment products issued by the Company.

### Asset-Liability Mismatch Risk

Asset-liability mismatch risk arises to the extent to which the assets held by the Group to back its liabilities (especially its policy liabilities and investment contract liabilities) do not closely match the nature and term of those liabilities. In practice, the market risk and credit risk exposures of the Group primarily relate to the extent that the Group retains a net exposure with respect to these risks – that is the extent to which the liabilities and their values do not mirror the variation in asset values. In this context it is noted:

- The investment linked liabilities of the ClearView Life directly link the underlying assets held to support those liabilities, with the primary market risks and credit risks passed on to the policyholder and unit trust investors (as discussed above).
- The assets held to support the capital guaranteed units in the ClearView Life No.2 and No.4 statutory funds are maintained, in accordance with the Board's investment Policy and Guidelines, in high quality, short dated fixed interest assets and cash. Asset-liability risk is substantially reduced via this means.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 5. Risk Management *continued*

- Similarly, assets held to support the policy liabilities and risk capital of the ClearView Life No.1 statutory fund are maintained, in accordance with the Board's investment Policy and Guidelines, in high quality, short dated fixed interest assets and cash that closely match those policy liabilities and capital reserves.

### Expense and Discontinuance Risks

Expense risks and discontinuance risks involve:

- The extent to which the expenses of the business are not maintained at a level commensurate with premium and fee flows of the business, including the level of business growth and new business and client acquisition; and
- The extent to which the rate of loss of policyholders, investment clients and other customers exceed benchmark standards and pricing targets, result in the loss of future profit margins, current period expense support, and loss of opportunity to recover historic acquisition costs incurred. The risks are principally managed via the Group's:
  - Budgeting and expense management reporting and management processes;
  - Modelling of anticipated client loss rates and ongoing monitoring of discontinuance rates;
  - Adoption of appropriate business retention strategies; and
  - Maintaining strong distribution partner relationships.

### Non-Financial Risks – Compliance, Operational & Strategic Risks

The Company has exposure to a number of operational, compliance and strategic risks. The management of these risks forms a substantial part of the focus of the RMS and RMF. Key elements of the RMF include:

- Formal internal executive compliance and risk management functions within the Group;
- A specific focus area of the Board Audit, Risk and Compliance Committee;
- A risk and control self assessment process undertaken by each business unit.
- Detailed compliance registers, reporting timetables, breach and incident reporting and due diligence processes;
- Internal audit, whistleblowing policy and facilities, detailed financial reconciliations and unit pricing

checking processes, detail IT development and implementation processes;

- Maintain sound process documentation and process automations, and monitoring of outsource service provider service performance and standards;
- Comprehensive internal management information reporting and monitoring, emerging risk exposures reporting, staff training programs, staff recruitment standards (including fit and proper standards); and
- Maintaining an appropriate risk culture within the business, including executive focus, and including risk management as a formal part of all key business decisions, and appropriate risk management supporting remuneration structures. Within this content the business operates a Risk Management and Compliance Committee and a Risk Management Forum with representatives from across the business.

### Capital management and reserving

In terms of regulatory requirements:

- ClearView Life is subject to minimum regulatory capital requirements, as determined by the Appointed Actuary in accordance with APRA Life Insurance Prudential Standards, in respect of the principal financial risks exposures retained by ClearView Life.
- ClearView Financial Management and ClearView Financial Advice are also required to maintain minimum regulatory capital as required by ASIC.
- ClearView Life Nominees is required to maintain an Operational Risk Financial Requirement (ORFR) as determined in accordance with Superannuation Prudential Standard 114. SPS 114 requires that the trustee maintains adequate financial resources to address losses arising from the operational risks that may affect the ClearView Retirement Plan.

Nonetheless, the Group maintains additional capital reserves in accordance with its Board adopted ICAAP that retains capital reserves to support its retained risk exposures, ensures there is a low likelihood that the Group (and its regulated) subsidiaries will breach their regulatory requirements, and has sufficient capital to manage its near term business plans and provide a buffer (capital and time) to take action to deal with reasonably foreseeable adverse events that may impact the businesses. These additional reserves are partly held within the subsidiaries where the key risks reside, and partly in a central reserve within the parent entity.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 6. Capital adequacy

ClearView Life Assurance is subject to minimum capital regulatory capital requirements in accordance with Australian Prudential Regulation Authority (APRA) Life Insurance Prudential Standards. ClearView Life is required to maintain adequate capital against the risks associated with its business activities and measure its capital to the “Prudential Capital Requirement” (PCR).

ClearView Life has in place an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Directors, to ensure it maintains required levels of capital within each of its statutory and general funds. The capital adequacy position at balance date for ClearView Life, in accordance with the APRA requirements, is as follows:

### Capital position

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Net Assets (Common Equity Tier 1 Capital)	4,649	201,713	2,455	9,848	218,665
Goodwill and intangibles	-	(5,480)	-	(1,241)	(6,721)
<b>Net tangible assets</b>	<b>4,649</b>	<b>196,233</b>	<b>2,455</b>	<b>8,607</b>	<b>211,944</b>
<b>Capital base adjustments</b>					
Deferred tax assets	-	(382)	(2)	(59)	(443)
Investment in subsidiaries	(1,450)	-	-	-	(1,450)
Policy liability	-	(146,767)	(84)	-	(146,851)
<b>Regulatory capital base</b>	<b>3,199</b>	<b>49,084</b>	<b>2,369</b>	<b>8,548</b>	<b>63,200</b>
Prescribed Capital Amount (PCA)	(2,363)	(4,088)	(626)	(2,923)	(10,000)
<b>Available Enterprise Capital (AEC)</b>	<b>836</b>	<b>44,996</b>	<b>1,743</b>	<b>5,625</b>	<b>53,200</b>
<b>Capital Adequacy Multiple</b>	<b>1.4</b>	<b>12.0</b>	<b>3.8</b>	<b>2.9</b>	<b>6.3</b>
<b>Prescribed capital amount comprises of:</b>					
Insurance risk	-	(1,247)	-	-	(1,247)
Asset Risk	(77)	(576)	(440)	(267)	(1,360)
Asset Concentration Risk	-	-	-	-	-
Operational Risk	-	(2,614)	(186)	(2,656)	(5,456)
Aggregation benefit	-	349	-	-	349
LPS 110 CLAL Minimum	(2,286)	-	-	-	(2,286)
<b>Prescribed Capital Amount</b>	<b>(2,363)</b>	<b>(4,088)</b>	<b>(626)</b>	<b>(2,923)</b>	<b>(10,000)</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 6. Capital adequacy continued

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Net Assets (Common Equity Tier 1 Capital)	4,527	162,542	2,244	10,552	179,865
Goodwill and intangibles	-	(4,839)	-	-	(4,839)
<b>Net tangible assets</b>	<b>4,527</b>	<b>157,703</b>	<b>2,244</b>	<b>10,552</b>	<b>175,026</b>
<b>Capital base adjustments</b>					
Deferred tax assets	-	(171)	(3)	(82)	(256)
Investment in subsidiaries	(804)	-	-	-	(804)
Fair value adjustments	-	-	-	-	-
Policy liability	-	(117,501)	(90)	-	(117,591)
Tax adjustments and offsets	-	-	-	-	-
<b>Regulatory capital base</b>	<b>3,723</b>	<b>40,031</b>	<b>2,151</b>	<b>10,470</b>	<b>56,375</b>
Prescribed Capital Amount (PCA)	(3,036)	(2,932)	(813)	(3,219)	(10,000)
<b>Available Enterprise Capital (AEC)</b>	<b>687</b>	<b>37,099</b>	<b>1,338</b>	<b>7,251</b>	<b>46,375</b>
<b>Capital Adequacy Multiple</b>	<b>1.2</b>	<b>13.7</b>	<b>2.6</b>	<b>3.3</b>	<b>5.6</b>
<b>Prescribed capital amount comprises of:</b>					
Insurance risk	-	(908)	-	-	(908)
Asset Risk	(23)	(467)	(549)	(352)	(1,391)
Asset Concentration Risk	-	-	-	-	-
Operational Risk	-	(1,831)	(264)	(2,867)	(4,963)
Aggregation benefit	-	274	-	-	274
LPS 110 CLAL Minimum	(3,012)	-	-	-	(3,012)
<b>Prescribed Capital Amount</b>	<b>(3,035)</b>	<b>(2,932)</b>	<b>(813)</b>	<b>(3,219)</b>	<b>(10,000)</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 7. 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 sold through direct marketing, telemarketing, call centre referrals, or online. 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 a number of model portfolios managed by ClearView for superannuation investors.

During the first half of FY15, ClearView intends to launch a new mid-market wealth product, ClearView WealthFoundations, to complement its existing WealthSolutions platform.

### (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 Group 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 on the following page.

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 model excludes the allocation of investment revenue and profit from associates as these are directly recorded against the relevant segments. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 7. Segment information continued

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

	External Revenue		Inter-Segment		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Segment revenue</b>						
Life Insurance	68,744	52,873	-	-	68,744	52,873
Wealth Management	91,717	94,926	1,778	-	93,494	94,926
Financial Advice	28,733	22,727	17,174	17,490	45,907	40,217
Listed entity / Other	1,107	1,752	-	-	1,107	1,752
<b>Consolidated segment revenue</b>	<b>190,301</b>	<b>172,278</b>	<b>18,952</b>	<b>17,490</b>	<b>209,252</b>	<b>189,768</b>

2014	Life Insurance	Wealth Management	Financial Advice	Listed Entity/ Other	Total
Underlying net profit / (loss) after tax	10,845	5,873	3,466	(446)	19,738
Amortisation of acquired intangibles	(1,417)	(5,256)	(796)	-	(7,469)
AIFRS policy liability adjustment <sup>1</sup>	2,202	-	-	-	2,202
Income tax effect	(661)	-	70	-	(591)
<b>Reported profit / (loss)</b>	<b>10,969</b>	<b>617</b>	<b>2,740</b>	<b>(446)</b>	<b>13,880</b>

2013	Life Insurance	Wealth Management	Financial Advice	Listed Entity/ Other	Total
Underlying net profit / (loss) after tax	8,403	6,616	762	233	16,014
Amortisation of acquired intangibles	(1,417)	(5,256)	(863)	-	(7,536)
Takeover bid related costs	-	-	-	(6,790)	(6,790)
AIFRS policy liability adjustment <sup>1</sup>	(2,278)	-	-	-	(2,278)
Income tax effect	683	-	90	1,694	2,467
<b>Reported profit / (loss)</b>	<b>5,391</b>	<b>1,360</b>	<b>(11)</b>	<b>(4,863)</b>	<b>1,877</b>

<sup>1</sup> 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 insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and consequently earnings. 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 creates a cash flow tax effect.

## 8 Fee and other revenue

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial advice fees	28,514	22,473	-	-
Funds management fees	30,445	29,935	-	-
Other income	139	255	-	-
<b>Total fee and other revenue</b>	<b>59,098</b>	<b>52,663</b>	<b>-</b>	<b>-</b>



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 9. Investment income

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest income	34,159	35,671	687	1,044
Dividend income	14,702	16,039	-	-
Distribution income	15,901	17,118	-	-
<b>Total investment income</b>	<b>64,762</b>	<b>68,828</b>	<b>687</b>	<b>1,044</b>

## 10. Operating expenses

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Administration expenses</b>				
Administration and other operational costs	19,510	15,003	186	304
Custody and investment management expenses	6,115	6,375	-	-
<b>Total administration expenses</b>	<b>25,625</b>	<b>21,378</b>	<b>186</b>	<b>304</b>
<b>Employee costs and directors' fees</b>				
Employee expenses	32,514	29,363	20	1,048
Share based payments	905	1,679	-	1,144
Employee termination payments	152	307	-	-
Directors' fees	884	827	784	727
<b>Total employee costs and directors' fees</b>	<b>34,455</b>	<b>32,176</b>	<b>804</b>	<b>2,919</b>
<b>Other expenses</b>				
Restructuring and transition expenses	-	782	-	-
Takeover bid related costs	-	3,673	-	3,673
Professional fees	652	616	155	-
<b>Total other expenses</b>	<b>652</b>	<b>5,071</b>	<b>155</b>	<b>3,673</b>
<b>Total operating expenses</b>	<b>60,732</b>	<b>58,625</b>	<b>1,145</b>	<b>6,896</b>
<b>Depreciation and amortisation expenses</b>				
Depreciation expenses	475	583	-	-
Software amortisation	2,880	1,809	-	-
Amortisation of Acquired Intangibles	7,468	7,536	-	-
<b>Total amortisation and depreciation expenses</b>	<b>10,823</b>	<b>9,928</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 10. Operating expenses *continued*

	Consolidated		Company	
	2014	2013	2014	2013
<b>Remuneration of auditors</b>				
<b>Auditor of the parent entity</b>				
Audit and review of financial reports	265,700	290,750	95,000	92,500
Audit of APRA and ASIC regulatory returns	86,100	94,150	-	-
Audit of Managed Investment Schemes	98,200	107,600	-	-
<b>Total remuneration for audit services</b>	<b>450,000</b>	<b>492,500</b>	<b>95,000</b>	<b>92,500</b>
Preparation and lodgement of tax returns	103,500	87,500	-	-
Other non-audit services - taxation advice	-	80,620	-	-
Other non-audit services - compliance	20,000	-	-	-
Other non-audit services - other	130,000	-	-	-
Total remuneration for non-audit services	253,500	168,120	-	-
<b>Total remuneration</b>	<b>703,500</b>	<b>660,620</b>	<b>95,000</b>	<b>92,500</b>

## 11. Income tax

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>a) Income tax recognised in profit or loss</b>				
<b>Income Tax (benefit) / expense comprises:</b>				
Current tax expense	8,961	5,684	(391)	(1,174)
Deferred tax expense	(144)	5,044	253	(238)
Over provided in prior years – Current tax expense	(1,178)	(968)	-	(15)
Under provided in prior years – Deferred tax expense	(36)	177	-	22
<b>Income tax expense / (benefit)</b>	<b>7,603</b>	<b>9,937</b>	<b>(138)</b>	<b>(1,405)</b>
<b>Deferred income tax expense / (benefit) included in income tax expense comprises:</b>				
(Increase)/decrease in deferred tax asset	(258)	4,481	253	(231)
Increase in deferred tax liability	78	739	-	-
	<b>(180)</b>	<b>5,220</b>	<b>253</b>	<b>(231)</b>
<b>b) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	104,156	140,599	32,635	32,671
Potential tax benefit	16,959	20,603	9,790	9,807

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

The prima facie income tax expense/(benefit) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>c) Reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	21,483	11,813	(458)	(5,852)
Prima facie tax calculated at 30%	6,446	3,544	(138)	(1,756)
<b>Tax effect of amounts which are non deductible / assessable in calculating taxable income:</b>				
Differences in tax rate for the life company policyholders	522	(464)	-	-
Franking credits on dividends and distributions received	(2,461)	(2,725)	-	-
Realised (losses)/ gains between book and tax value	(4,873)	(3,406)	-	-
Non assessable income	(1,271)	(331)	-	-
Non deductible expenses	2,491	2,720	-	344
Policyholder non assessable income	7,580	10,099	-	-
Under provision in prior years	(1,215)	(792)	-	7
Net taxable contributions	385	1,329	-	-
Other	(1)	(37)	-	-
<b>Income tax expense / (benefit)</b>	<b>7,603</b>	<b>9,937</b>	<b>(138)</b>	<b>(1,405)</b>

The ability of the Company to continue to pay franked dividends is dependent upon the receipt of franked dividends from its investment assets and the group itself paying tax.

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Franking account</b>				
The balance of the franking account after allowing for tax payable in respect of the current year's profit, the receipt of franked dividends recognised as receivables and the payment of any dividends recognised as a liability at the reporting date.	10,562	4,813	10,562	4,813

## Relevance of tax consolidation to the Group

ClearView Wealth Limited and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 February 2007 and are therefore taxed as a single entity from that date. The members in the ClearView tax consolidated group are identified in Note 32.

Under the Tax Act, ClearView Wealth Limited being the head company of the tax consolidated group is treated as a life insurance company for income tax purposes as one of the subsidiary members of the tax consolidated group is a life insurance company.

Entities within the tax consolidated group have entered into a tax sharing and funding agreement with the head entity. This agreement has been amended to reflect the changes in the structure of the tax consolidated group and a life insurer becoming part of the group. These amendments were executed on 20 August 2010.

Under the terms of the tax funding arrangement, ClearView Wealth Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 11. Income tax continued

The tax funding agreement also provides for the head entity to make payments for tax losses of a group member that is determined in accordance with the provisions of the agreement. Settlement for these amounts is based on the extent to which the losses are utilised.

The tax sharing arrangement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## 12. Movements in reserves

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Retained losses</b>				
Balance at the beginning of the financial year	(30,977)	(15,034)	(52,352)	(47,905)
Net profit/(loss) attributable to members of the parent entity	13,880	1,876	(320)	(4,447)
Dividend paid during the year	(8,157)	(17,819)	-	-
<b>Balance at the end of the financial year</b>	<b>(25,254)</b>	<b>(30,977)</b>	<b>(52,672)</b>	<b>(52,352)</b>
<b>Executive share plan reserve</b>				
Balance at the beginning of the financial year	4,127	1,750	4,127	1,750
Recognition of share based payments	905	1,679	905	1,679
ESP loans settled through dividend	403	698	403	698
ESP shares vested	(120)	-	(120)	-
<b>Balance at end of the financial year</b>	<b>5,315</b>	<b>4,127</b>	<b>5,315</b>	<b>4,127</b>
<b>Profit Reserve</b>				
Balance at the beginning of the financial year	-	-	22,028	39,847
Net profit attributable to the parent entity	-	-	-	-
Dividend paid during the year	-	-	(8,157)	(17,819)
<b>Balance at end of the financial year</b>	<b>-</b>	<b>-</b>	<b>13,871</b>	<b>22,028</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 13. Sources of profit

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Components of profit related to movements in life insurance liabilities</b>				
Planned profit margins released	15,114	12,861	-	-
Profit arising from difference between actual and expected experience	(4,268)	(4,459)	-	-
Impact of IFRS change in economic assumptions	1,541	(1,595)	-	-
<b>Life insurance</b>	<b>12,387</b>	<b>6,807</b>	-	-
<b>Components of profit related to movements in life investment liabilities</b>				
Expected profit margin	6,291	6,571	-	-
<b>Life investment</b>	<b>6,291</b>	<b>6,571</b>	-	-
Profit for the statutory funds	<b>18,678</b>	<b>13,377</b>	-	-
Profit for the shareholders fund	122	330	-	-
<b>Profit for ClearView Life Assurance Limited</b>	<b>18,800</b>	<b>13,707</b>	-	-

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 14. Earnings per share

	Consolidated	
	2014	2013
<b>Earnings per share</b>		
Basic earnings (cents)	3.13	0.46
Diluted earnings (cents)	3.10	0.46

### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit for the year attributable to owners of the Company (\$'000)	13,880	1,877
Earnings used in the calculation of basic earnings per share (\$'000)	13,880	1,877
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000's)	442,878	409,597

### Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

Profit for the year attributable to owners of the Company (\$'000)	13,880	1,877
Interest on ESP loans after tax (\$'000)	-	299
Earnings used in the calculation of total diluted earnings per share (\$'000)	<b>13,880</b>	<b>2,176</b>

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic earnings per share ('000's)	442,878	409,597
Shares deemed to be dilutive in respect of the employee share plan ('000's)	5,088	36,722
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures) ('000's)	<b>447,966</b>	<b>446,319</b>

## 15. Cash and cash equivalents

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank	183,299	233,663	1,111	819
<b>Total cash and cash equivalents</b>	<b>183,299</b>	<b>233,663</b>	<b>1,111</b>	<b>819</b>



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 16. Investments

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Equity securities</b>				
Investment in Group Companies	-	-	257,892	234,892
Held directly	233,817	259,278	-	-
Held indirectly via unit trust	266,685	223,336	-	-
	<b>500,502</b>	<b>482,614</b>	<b>257,892</b>	<b>234,892</b>
<b>Debt securities / fixed interest securities</b>				
Held directly	609,402	539,183	-	-
Held indirectly via unit trust	32,008	32,534	-	-
	<b>641,410</b>	<b>571,717</b>	-	-
<b>Property / Infrastructure</b>				
Held directly	-	-	-	-
Held indirectly via unit trust	194,857	162,119	-	-
	<b>194,857</b>	<b>162,119</b>	-	-
<b>Total investments</b>	<b>1,336,769</b>	<b>1,216,450</b>	<b>257,892</b>	<b>234,892</b>

## 17. Receivables

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables	436	120	-	-
Outstanding life insurance premium receivable	2,140	2,109	-	-
Provision for outstanding life insurance premiums	(656)	(528)	-	-
Accrued dividends	1,851	2,122	-	-
Investment income receivable	1,014	827	-	-
Outstanding settlements	3,057	1,886	-	-
Prepayments	2,294	1,731	7	2
Receivables from controlled entities	-	-	16,346	8,050
Other debtors	891	952	-	20
Loans receivable	1,119	716	-	-
Provision for doubtful debts	(270)	(270)	-	-
<b>Total receivables</b>	<b>11,876</b>	<b>9,665</b>	<b>16,353</b>	<b>8,072</b>

Trade receivables relate to accrued financial planning income and trustee fees due on the WealthSolutions platform. Outstanding life insurance premiums receivable have a 65 day grace period before the policy is lapsed and therefore a provision for outstanding life insurance premiums is maintained. Outstanding settlements usually require payment within three days of the date of the transaction. Loans receivable bear interest and have fixed terms of repayment in accordance with loan agreements.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 18. Fixed interest deposits

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fixed interest bank term deposits	88,759	53,284	25,179	10,181

Fixed interest term deposits, held at year end, yield an average fixed interest rate of 3.55% (2013: 3.95%).

## 19. Goodwill

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Gross carrying amount</b>				
Balance at the beginning of the financial year	4,858	4,858	-	-
<b>Balance at the end of the financial year</b>	<b>4,858</b>	<b>4,858</b>	-	-
<b>Net book value</b>				
Balance at the beginning of the financial year	4,858	4,858	-	-
<b>Balance at the end of the financial year</b>	<b>4,858</b>	<b>4,858</b>	-	-

As required under accounting standards at each reporting date the Company assesses whether there is an indication of impairment. Further details have been provided in Note 4.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 20. Intangible assets

2014	Consolidated			
	Capitalised software \$'000	CWT software \$'000	Client book \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at the beginning of the financial year	7,024	1,500	58,596	67,120
Acquired directly during the year	4,703	-	-	4,703
<b>Balance at the end of the financial year</b>	<b>11,727</b>	<b>1,500</b>	<b>58,596</b>	<b>71,823</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance at the beginning of the year	2,077	1,268	21,231	24,576
Amortisation expense in the current year	2,880	232	7,236	10,348
<b>Balance at the end of the financial year</b>	<b>4,957</b>	<b>1,500</b>	<b>28,467</b>	<b>34,924</b>
<b>Net book value</b>				
Balance at the beginning of the financial year	4,947	232	37,365	42,544
<b>Balance at the end of the financial year</b>	<b>6,770</b>	<b>-</b>	<b>30,129</b>	<b>36,899</b>
<b>2013</b>				
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at the beginning of the financial year	4,312	1,500	58,596	64,408
Acquired directly during the year	2,712	-	-	2,712
<b>Balance at the end of the financial year</b>	<b>7,024</b>	<b>1,500</b>	<b>58,596</b>	<b>67,120</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance at the beginning of the year	269	968	13,994	15,231
Amortisation expense in the current year	1,808	300	7,237	9,345
<b>Balance at the end of the financial year</b>	<b>2,077</b>	<b>1,268</b>	<b>21,231</b>	<b>24,576</b>
<b>Net book value</b>				
Balance at the beginning of the financial year	4,043	532	44,602	49,177
<b>Balance at the end of the financial year</b>	<b>4,947</b>	<b>232</b>	<b>37,365</b>	<b>42,544</b>

The intangible assets include \$1.24 million capitalised at 30 June 2014 in relation to WealthFoundations. The intangible assets are amortised over their expected useful lives. As required under accounting standards at each reporting date the Company assesses whether there is an indication of impairment. Further details have been provided in note 4.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 21. Property, plant and equipment

2014	Consolidated				
	Office furniture \$'000	Office equipment \$'000	Computer hardware \$'000	Leasehold improvements \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at the beginning of the financial year	474	23	676	1,974	3,147
Additions	28	5	350	186	569
<b>Balance at the end of the financial year</b>	<b>502</b>	<b>28</b>	<b>1,026</b>	<b>2,160</b>	<b>3,716</b>
<b>Accumulated depreciation / amortisation and impairment</b>					
Balance at the beginning of the financial year	182	21	569	1,122	1,894
Depreciation expense	92	1	100	282	475
<b>Balance at the end of the financial year</b>	<b>274</b>	<b>22</b>	<b>669</b>	<b>1,404</b>	<b>2,369</b>
<b>Net book value</b>					
<b>Balance at the end of the financial year</b>	<b>228</b>	<b>6</b>	<b>357</b>	<b>756</b>	<b>1,347</b>
<b>2013</b>					
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>					
Balance at the beginning of the financial year	462	22	607	1,996	3,087
Additions	12	1	70	59	142
Written off	-	-	(1)	(81)	(82)
<b>Balance at the end of the financial year</b>	<b>474</b>	<b>23</b>	<b>676</b>	<b>1,974</b>	<b>3,147</b>
<b>Accumulated depreciation / amortisation and impairment</b>					
Balance at the beginning of the financial year	95	20	418	778	1,311
Depreciation expense	87	1	151	344	583
<b>Balance at the end of the financial year</b>	<b>182</b>	<b>21</b>	<b>569</b>	<b>1,122</b>	<b>1,894</b>
<b>Net book value</b>					
<b>Balance at the end of the financial year</b>	<b>292</b>	<b>2</b>	<b>107</b>	<b>852</b>	<b>1,253</b>

No property, plant and equipment is held in the Company.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 22. Payables

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables	4,700	4,029	67	23
Reinsurance premium payable	3,749	1,914	-	-
Employee entitlements	4,902	3,827	18	19
Life insurance premiums in advance	641	649	-	-
Life investment premium deposits	2,544	750	-	-
Lease incentive in advance	1,135	1,279	-	-
Outstanding investment settlements	7,233	3,739	-	-
Amounts due to controlled entities	-	-	264	-
Other creditors	165	101	-	-
<b>Total payables</b>	<b>25,069</b>	<b>16,288</b>	<b>349</b>	<b>42</b>

Payables are non-interest bearing and unsecured. Trade payables relate to accrued expenses, management fees, financial advice payables and accrued commission payable to financial advisers.

Other creditors usually require payment within 10 to 30 days. The Group has policies and procedures in place to ensure that all payables are paid within the credit time frame.

Outstanding investment settlements usually require payment within three days of the date of the transaction.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 23. Provisions

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current and non current</b>				
Make good provision	316	310	-	-
Provision for restructuring	155	768	-	-
Employee leave provisions	2,772	2,303	-	-
Other provisions	345	93	19	64
<b>Total</b>	<b>3,588</b>	<b>3,474</b>	<b>19</b>	<b>64</b>
<b>Make good provision <sup>1</sup></b>				
Balance at the beginning of the financial year	310	227	-	-
Non-utilised provisions transferred	(97)	106	-	-
Additional provisions raised	119	-	-	-
Utilised during the period	(16)	(23)	-	-
<b>Balance at the end of the financial year</b>	<b>316</b>	<b>310</b>	<b>-</b>	<b>-</b>
<b>Provision for restructuring <sup>2</sup></b>				
Balance at the beginning of the financial year	768	-	-	-
Additional provisions raised	-	768	-	-
Utilised during the period	(613)	-	-	-
<b>Balance at the end of the financial year</b>	<b>155</b>	<b>768</b>	<b>-</b>	<b>-</b>
<b>Employee leave provision <sup>3</sup></b>				
Balance at the beginning of the financial year	2,303	2,063	-	-
Additional provisions raised	804	573	-	-
Utilised during the period	(335)	(333)	-	-
<b>Balance at the end of the financial year</b>	<b>2,772</b>	<b>2,303</b>	<b>-</b>	<b>-</b>
<b>Other provisions <sup>4</sup></b>				
Balance at the beginning of the financial year	93	462	64	81
Additional provisions raised	327	116	27	116
Utilised during the period	(95)	(485)	(72)	(133)
Unutilised provisions reversed during the period	20	-	-	-
<b>Balance at the end of the financial year</b>	<b>345</b>	<b>93</b>	<b>19</b>	<b>64</b>

1 The provision for make good represents the accrued liability for expected costs in relation to the restoration of leased premises on the termination of the lease. The provisions are expected to be settled on vacating the leased premises on expiration of the relevant lease.

2 Provision for restructuring relates to the residual provision raised in June 2013 as a result of an approved restructuring plan for the financial advice business. The restructuring was designed to improve the profitability of the financial advice business by rationalising our branch network and reorganising our service model. The balance of the provision is expected to be settled over the remaining term of the leased premises to which the provision relates.

3 The provision for employee leave represents annual leave and long service leave entitlements accrued by employees. The provisions are expected to be utilised in accordance with the pattern of consumption of employees utilising their leave entitlements.

4 Other provisions relate to provision for future project work that has been commissioned and for which the work is yet to commence.



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 24. Deferred tax balances

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Deferred tax assets</b>				
Non-current	10,194	9,937	840	1,093
<b>Deferred tax assets</b>	<b>10,194</b>	<b>9,937</b>	<b>840</b>	<b>1,093</b>
<b>Deferred tax liabilities</b>				
Non-current	1,225	1,147	-	-
<b>Deferred tax liabilities</b>	<b>1,225</b>	<b>1,147</b>	-	-
<b>Deferred tax assets</b>				
<b>Amounts recognised in profit or loss</b>				
Accruals not currently deductible	597	256	15	21
Depreciable and amortisable assets	202	181	-	-
Provisions not currently deductible	2,258	2,027	-	-
Unrealised losses	6,119	6,203	-	-
Capital business expense	858	1,120	825	1,072
Rental lease incentives	161	150	-	-
<b>Deferred tax asset</b>	<b>10,194</b>	<b>9,937</b>	<b>840</b>	<b>1,093</b>
<b>Deferred tax liabilities</b>				
<b>Amounts recognised in profit or loss</b>				
Unrealised gains on investments	877	793	-	-
Prepaid expenses	348	354	-	-
<b>Deferred tax liability</b>	<b>1,225</b>	<b>1,147</b>	-	-

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 24. Deferred tax balances *continued*

	Consolidated			
	Opening balance \$'000	Transfers from subsidiaries \$'000	(Charge) / Credit to income \$'000	Closing balance \$'000
<b>2014</b>				
Gross deferred tax liabilities	(1,147)	-	(78)	(1,225)
Gross deferred tax assets	9,937	-	257	10,194
<b>Total</b>	<b>8,790</b>	<b>-</b>	<b>179</b>	<b>8,969</b>
<b>2013</b>				
Gross deferred tax liabilities	(408)	-	(739)	(1,147)
Gross deferred tax assets	14,418	-	(4,481)	9,937
<b>Total</b>	<b>14,010</b>	<b>-</b>	<b>(5,220)</b>	<b>8,790</b>

	Company			
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Gross deferred tax liabilities	-	-	-	-
Gross deferred tax assets	1,093	-	(253)	840
<b>Total</b>	<b>1,093</b>	<b>-</b>	<b>(253)</b>	<b>840</b>
<b>2013</b>				
Gross deferred tax assets	877	(15)	231	1,093
<b>Total</b>	<b>8,542</b>	<b>(7,524)</b>	<b>(141)</b>	<b>877</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses of a capital nature of \$104.1 million (tax effected \$16.9 million) consolidated and \$32.6 million (tax effected \$9.79 million) for the Company. Refer to note 4 for further details.

## 25. Convertible note

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Convertible note	301	-	301	-
<b>Convertible note</b>	<b>301</b>	<b>-</b>	<b>301</b>	<b>-</b>

The Company has entered into a Convertible Note (CN) agreement with Your Insure Pty Limited (Your Insure) to provide funding by way of a convertible note up to an amount of \$3 million. The funding is provided on a draw down basis based on the achievement of pre determined milestones. The CN allows for the Company to convert into a shareholding of 50% in Your Insure at the discretion of the Company, but not before the business of Your Insure becomes self funding for a period of 6 months. The CN has an expiry date of 30 June 2019.

The CN is accounted for as a debt instrument with an embedded equity derivative. As the business of Your Insure has just commenced (start up operation) no value has been attributed to the embedded equity derivative as the equity value of the business does not exceed the face value of the debt instrument.

Refer note 40 for the funding commitment profile and for further details.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 26. Policy liabilities

### (a) Reconciliation of movements in policy liabilities

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Life investment policy liabilities</b>				
Opening gross life investment policy liabilities	1,175,346	1,219,068	-	-
Net increase in life investment policy liabilities reflected in the income statement	126,385	161,996	-	-
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(25,154)	(25,842)	-	-
Life investment policy contributions recognised in policy liabilities	67,859	74,667	-	-
Life investment policy withdrawals recognised in policy liabilities	(222,072)	(254,543)	-	-
<b>Closing gross life investment policy liabilities</b>	<b>1,122,364</b>	<b>1,175,346</b>	-	-
<b>Life insurance policy liabilities</b>				
Opening gross life insurance policy liabilities	(97,734)	(83,687)	-	-
Movement in outstanding claims reserves	4,684	4,212	-	-
Decrease in life insurance policy liabilities reflected in the income statement	(34,228)	(18,259)	-	-
<b>Closing gross life insurance policy liabilities</b>	<b>(127,278)</b>	<b>(97,734)</b>	-	-
<b>Total gross policy liabilities</b>	<b>995,086</b>	<b>1,077,612</b>	-	-
<b>Reinsurers' share of life insurance policy liabilities</b>				
Opening balance	(1,072)	(1,901)	-	-
Movement in outstanding reinsurance	(5,050)	(3,703)	-	-
Decrease/(increase) in reinsurance assets reflected in the income statement	9,994	4,532	-	-
<b>Closing balance</b>	<b>3,872</b>	<b>(1,072)</b>	-	-
<b>Net policy liabilities at balance date</b>	<b>998,958</b>	<b>1,076,540</b>	-	-
Current	1,110,035	1,170,141	-	-
Non-current	(111,076)	(93,601)	-	-

Included in life investment policy liabilities are contracts for which there is a guarantee that the unit price will not fall. The amount of the gross policy liabilities for such contracts is \$87.7 million (2013: \$114.8 million).

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 26. Policy liabilities continued

### (b) Components of net life insurance policy liabilities

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Future policy benefits	190,442	159,947	-	-
Future expenses and commissions	119,872	75,709	-	-
Less future revenues	(588,548)	(468,217)	-	-
<b>Best estimate liability</b>	<b>(278,234)</b>	<b>(232,561)</b>	-	-
Present value of future planned profit margins	154,827	133,755	-	-
<b>Net life insurance policy liabilities</b>	<b>(123,407)</b>	<b>(98,806)</b>	-	-

### (c) Disclosures on asset restrictions, managed assets and trustee activities

#### Restrictions on assets

Investments held in the life statutory funds (Funds) can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a Fund can only be used to meet the liabilities and expenses of that Fund, to acquire investments to further the business of the Fund or as a distribution when solvency and capital adequacy requirements are met for that Fund. The shareholder can only receive a distribution from a Fund if the capital adequacy requirements continue to be met after the distribution.

## 27. Issued capital

			Company	
	2014 No of Shares	2014 \$'000	2013 No of Shares	2013 \$'000
<b>Issued and fully paid ordinary shares</b>				
Balance at the beginning of the financial year	411,312,192	277,565	409,312,192	276,565
Dividend Reinvestment Plan	14,064,082	8,157	-	-
Share buy back (inclusive of costs)	(510,252)	(439)	-	-
Share Placement	30,769,232	20,000	-	-
Entitlement Offer	39,192,724	25,475	-	-
Capital raising costs (net of tax)	-	(586)	-	-
Shares issued during the year (ESP vested)	216,944	-	2,000,000	1,000
<b>Balance at the end of the financial year</b>	<b>495,044,922</b>	<b>330,172</b>	<b>411,312,192</b>	<b>277,565</b>
<b>Executive share plan</b>				
Balance at the beginning of the year	41,867,333	-	31,125,000	-
Shares granted under employee share plan (Note 28)	7,731,277	-	12,742,333	-
Shares exercised during the year	(216,944)	-	(2,000,000)	-
<b>Executive balance at the end of the year</b>	<b>49,381,666</b>	<b>-</b>	<b>41,867,333</b>	<b>-</b>

During the financial year, the Company executed a Private Placement for \$20 million and a 1 for 12 Entitlement Offer for \$25.5 million in order to raise \$45.5 million to support the growth of the Company.

In accordance with AASB 2, Share-Based Payments the shares issued under the Executive Share Plan are treated as options and are accounted for as set out in note 28.

During the year, the Company engaged in an on market buy back which was suspended on the 28 January 2014. Subsequent to year end, ClearView has announced that it intends to re-commence that on market buy back.

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 28. Share-based payments

ClearView operates the ClearView Executive Share Plan (ESP or Plan). In accordance with the provisions of the Plan, as approved by shareholders ownership-based compensation scheme allows participation of key managers, members of the senior management team and the Managing Director of the Group. In November 2011, the ESP rules were extended to allow further financial advisers (as contractor participants) to participate in the Plan and to make Non-executive Directors ineligible to participate. Eligible Employees include employee participants and contractor participants of the Company and its related bodies corporate.

### Offer and consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView (Shares), subject to the terms of conditions of the ESP. Each Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees to participate in the ESP. This price may be the market price of a share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView shares, the Board determined in February 2014 that it is appropriate and reasonable for ClearView to adopt the volume weighted average price (VWAP) over a 90 day period to determine the market value of the ClearView shares for the purposes of ESP issues. This has been implemented for all ESP share issues since that date. Prior to this, no ESP shares were issued at a price below 50 cents per share, being the price at which the capital raising was completed in June 2010.

### Restrictions on Offer

Shares may not be offered under the ESP to an Eligible Employee if that Eligible Employee would hold, after the issue of the Shares, an interest in more than 5% of the issued Shares or be able to control the right to vote of more than 5% of the votes that might be cast at a general meeting of ClearView.

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates approve the issue of new ESP Shares and monitors the overall quantum of ESP Shares on issue, relative to the interests of existing shareholders and the overall objectives of the business.

### Financial Assistance

The Company may provide financial assistance to an Eligible Employee for the purposes of subscribing for Shares under the ESP. The financial assistance will be a limited recourse loan equal to the purchase value of the Shares and is repayable as follows:

- For share issues prior to 14 February 2014 - within 60 days (or a longer period determined by the Board in its discretion) after the 5th anniversary of the grant of the financial assistance (unless it is required to be repaid at an earlier date owing to the operation of the Rules); or
- For share issues after 14 February 2014 - within 60 days (or a longer period determined by the Board in its discretion) after all performance and vesting criteria have been met.

The financial assistance will become immediately repayable in the event of certain “disqualifying circumstances” including failure to meet performance or vesting conditions, cessation of the employee participant’s employment in circumstances defined in the ESP Rules or termination of the contractor participant’s contract with a Group Company for the provision of services. For employee participants, the financial assistance is secured over the Shares and rights attached to the Shares.

The Board has delegated authority to Mr Swanson and Mr Thomson to approve granting an extensions to the loan term of all ESP participants who remain employees at the expiration of their loan term for a period until a change in control of the Company (as defined in the ESP Rules).

In February 2013 the Board decided to remove the interest rate on the loans (Reserve Bank of Australia cash rate plus a margin of 25 basis points) for all Participants (other than the Managing Director that required shareholder approval) given that the interest imposed was significantly diluting the efficacy of the ESP as an employee retention tool, in particular for those staff receiving the earlier grants of ESP shares. On 6 November 2013, at the 2013 AGM, the shareholders approved the removal of interest on the Managing Directors loan, so as to align with the interest rate which applies to equivalent loans made to other participants in the Plan.

### Rights

Shares issued under the ESP will rank equally with all other issued Shares even if subject to a holding lock.

### Quotation

The Company will apply to the ASX for official quotation of shares issued under the ESP.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 28. Share-based payments *continued*

### Restrictions

The Shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares. Where all Performance Conditions and/or Vesting Conditions (if any) attaching to the Shares have been satisfied (or waived) a holding lock will cease to have effect if:

- The Board accepts a disposal request (as defined in the ESP Rules) (Disposal Request); or
- 5 years have passed from the Acquisition Date; or
- If the participant:
  - is an employee participant, their employment with the Group ceases, or
  - is a contractor participant, their contractor agreement is terminated; or
- The ESP is terminated, or
- The holding lock period otherwise ceases

provided that the financial assistance and any interest that has accrued has been repaid.

The holding lock is imposed through the share registry and in accordance with the ASX Listing Rules. Participants will not be able to sell their shares on ASX or have an off-market transfer registered (and are also otherwise prohibited from dealing in the shares) while the holding lock is in place.

If the participant is a Contractor Participant, following the removal of the holding lock over the Shares of the participant, the participant may not sell, or otherwise deal with, any such Shares without the prior written consent of the Company, which consent the Company may give or withhold in its absolute discretion and which consent may be given subject to conditions.

Eligible Employees are entitled under the ESP Rules to make a Disposal Request provided the performance and vesting conditions have been met (or waived). The holding lock applicable to their ESP shares will cease to have effect upon the Board (in its absolute discretion) accepting the Disposal Request. ClearView must then dispose of these ESP shares on behalf of the participant in one or more of the following ways (at the discretion of the Board):

- Reallocate the Shares to give effect to acquisitions by other Eligible Employees under the ESP;
- Sell to the Company in accordance with buy-back provisions of the Corporations Act; or
- Offer or sell to buyers on the ASX.

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds. There are no Disposal Requests outstanding as at the date of this report.

### Change of control

A change of control is defined under the ESP Rules as being:

#### (a) Until 14 February 2014:

- A person who did not Control the Company at the date of issue of the Plan Shares gains Control of the Company (but only if the person is not itself Controlled by another person who Controlled the Company at the date of issue); or
- Other circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions,
- “Control” is defined as where a person and its related bodies corporate holds more than 50% of the Shares in ClearView.

#### (b) After 14 February 2014:

- 12 months after a Change of Control; or
- Circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions,
- “Control” is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

The above provisions concerning change of control apply only to Employee Participants and not Contractor Participants under the ESP.



# Notes to the Financial Statements

## For the year ended 30 June 2014

Continued

### Administration of the ESP

The ESP is administered by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the ESP. The Company pays all costs and expenses of operating the ESP. Employees are liable for any brokerage and tax payable associated with their participation in the ESP.

### Termination of the ESP

The Board may resolve at any time to terminate, suspend or reinstate the operation of the ESP for the issue of shares in future.

### Share-based payment arrangements

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Series	Issue Date	Type of Arrangement <sup>9</sup>	Number	Grant date	Expiry date	Issue price at grant date \$	Fair value at grant date (pre modification <sup>1</sup> ) \$	Fair value at grant date (post modification <sup>1</sup> ) \$
6 <sup>6</sup>	30/06/2008	KMP	500,000	30/06/2008	Change in Control	0.59	0.10	0.10
7 <sup>2</sup>	29/09/2009	KMP and SM	3,500,000	29/09/2009	29/09/2014	0.49	0.07	0.10
10 <sup>3,10</sup>	25/06/2010	MD	2,000,000	25/06/2010	26/03/2015	0.50	0.11	0.11
11 <sup>4,10</sup>	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.58	0.08	0.08
12 <sup>5,10</sup>	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.65	0.06	0.06
13 <sup>5</sup>	25/06/2010	SM	400,000	25/06/2010	1/06/2015	0.53	0.10	0.15
14 <sup>8</sup>	1/11/2010	SM	3,000,000	25/10/2010	1/10/2015	0.50	0.07	0.09
15 <sup>5</sup>	18/08/2011	SM	3,000,000	1/07/2011	1/07/2016	0.50	0.10	0.13
16 <sup>5</sup>	6/10/2011	SM	3,950,000	1/09/2011	1/09/2016	0.50	0.10	0.13
17 <sup>5</sup>	1/03/2012	SM	2,150,000	1/03/2012	1/03/2017	0.50	0.09	0.11
18	1/03/2012	CP	2,500,000	10/02/2012	10/02/2017	0.50	0.12	0.15
19	3/04/2012	CP	600,000	15/03/2012	15/03/2017	0.50	0.12	0.16
20	3/04/2012	CP	700,000	3/04/2012	3/04/2017	0.50	0.13	0.17
21	25/05/2012	CP	2,325,000	7/05/2012	7/05/2017	0.50	0.13	0.17
22	29/06/2012	CP	1,000,000	29/06/2012	29/06/2017	0.50	0.13	0.16
23	6/08/2012	CP	4,600,000	6/08/2012	6/08/2017	0.54	0.17	0.21
24 <sup>5</sup>	22/08/2012	SM	450,000	22/08/2012	22/08/2017	0.55	0.16	0.19
25	21/12/2012	CP	1,300,000	21/12/2012	21/01/2017	0.58	0.16	0.20
26 <sup>7</sup>	16/04/2013	SM	2,650,000	12/04/2013	50% Change in Control; 50% 1 year after	0.57	n/a	0.29
27	16/04/2013	SM	150,000	12/04/2013	1 year post Change in Control	0.57	n/a	0.27
28	16/04/2013	CP	566,667	12/04/2013	12/04/2018	0.69	n/a	0.22
29	31/05/2013	CP	1,700,000	31/05/2013	31/05/2018	0.68	n/a	0.22
30	27/06/2013	CP	750,666	27/06/2013	27/06/2018	0.64	n/a	0.21

See foot notes on the following page.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 28. Share-based payments *continued*

Series	Issue Date	Type of Arrangement <sup>9</sup>	Number	Grant date	Expiry date	Issue price at grant date \$	Fair value at grant date (pre modification <sup>1</sup> ) \$	Fair value at grant date (post modification <sup>1</sup> ) \$
31	14/10/2013	SM	1,175,000	14/10/2013	Change in Control	0.61	n/a	0.17
32	14/10/2013	SM	1,175,000	14/10/2013	1 year post Change in Control	0.61	n/a	0.19
33	29/11/2013	SM	75,000	29/11/2013	Change in Control	0.61	n/a	0.17
34	29/11/2013	SM	75,000	29/11/2013	1 year post Change in Control	0.61	n/a	0.19
35	31/01/2014	SM	75,000	31/01/2014	Change in Control	0.65	n/a	0.17
36	31/01/2014	SM	75,000	31/01/2014	1 year post Change in Control	0.65	n/a	0.20
37	31/01/2014	CP	2,453,333	31/01/2014	31/01/2019	0.65	n/a	0.17
38	30/05/2014	SM	737,000	30/05/2014	30/05/2018	0.75	n/a	0.17
39	30/05/2014	SM	737,000	30/05/2014	30/05/2019	0.75	n/a	0.19
40	30/05/2014	SM	737,000	30/05/2014	30/05/2020	0.75	n/a	0.22
41	30/05/2014	CP	1,950,000	30/05/2014	30/05/2019	0.75	n/a	0.19

- On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.
- A change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%. As a result, the vesting conditions for employees that were issued shares prior to the date of change of control were accelerated. As previously outlined to shareholders, the change of control only affects any performance or vesting conditions applicable to particular ESP Shares. It does not automatically release ESP Shares from the disposal restrictions and holding lock.
- Shares vested 1 year from date of commencement of employment on 26 March 2011.
- Shares vested 2 years from date of commencement of employment on 26 March 2012.
- Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.
- The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.
- Special condition relating to shares issued to KMP in Series 26: 50% of the shares may be sold on change of control, 50% can be sold after employment for 1 year thereafter and are held in escrow.
- 2,000,000 shares were reallocated to senior management and formed part of Series 17 and Series 22.
- KMP = Key Management Personnel, SM = Senior Management, MD = Managing Director, CP = Contractor Participant
- On 6 November 2013, at the 2013 AGM, the shareholders approved the removal of interest on the Managing Directors loan, so as to align with the interest rate which applies to equivalent loans made to other participants in the Plan, being zero percent.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

Inputs into the model	Series 6	Series 7	Series 10	Series 11	Series 12
Grant date share price (\$)	0.59	0.49	0.50	0.58	0.65
Anticipated vesting price (\$)	0.58	0.55	0.54	0.63	0.71
Expected volatility (%)	25.26	30.24	28.78	28.78	28.78
Anticipated option life (years)	3.00	1.75	2.75	2.75	2.75
Inputs into the model	Series 13	Series 14	Series 15	Series 16	Series 17
Grant date share price (\$)	0.53	0.50	0.50	0.50	0.50
Anticipated vesting price (\$)	0.57	0.52	0.50	0.51	0.50
Expected volatility (%)	28.78	29.71	31.49	35.35	36.70
Anticipated option life (years)	2.94	2.94	3.00	3.00	3.00
Inputs into the model	Series 18	Series 19	Series 20	Series 21	Series 22
Grant date share price (\$)	0.50	0.50	0.50	0.50	0.50
Anticipated vesting price (\$)	0.50	0.50	0.50	0.49	0.49
Expected volatility (%)	37.06	36.47	36.61	36.94	37.33
Anticipated option life (years)	4.95	4.95	5.00	4.95	5.00
Inputs into the model	Series 23	Series 24	Series 25	Series 26	Series 27
Grant date share price (\$)	0.54	0.55	0.58	0.57	0.57
Anticipated vesting price (\$)	0.53	0.54	0.58	0.57	0.57
Expected volatility (%)	37.85	37.99	35.21	35.92	35.92
Anticipated option life (years)	5.00	3.00	5.00	5.99	4.99
Inputs into the model	Series 28	Series 29	Series 30	Series 31	Series 32
Grant date share price (\$)	0.69	0.68	0.64	0.61	0.61
Anticipated vesting price (\$)	0.69	0.68	0.64	0.61	0.61
Expected volatility (%)	35.92	36.81	36.90	22.20	22.20
Anticipated option life (years)	4.99	5.00	5.00	5.00	6.00
Inputs into the model	Series 33	Series 34	Series 35	Series 36	Series 37
Grant date share price (\$)	0.61	0.61	0.65	0.65	0.65
Anticipated vesting price (\$)	0.61	0.61	0.65	0.65	0.65
Expected volatility (%)	22.11	22.11	22.01	22.01	22.01
Anticipated option life (years)	5.00	6.00	5.00	6.00	5.00
Inputs into the model	Series 38	Series 39	Series 40	Series 41	
Grant date share price (\$)	0.75	0.75	0.75	0.75	
Anticipated vesting price (\$)	0.75	0.75	0.75	0.75	
Expected volatility (%)	21.12	21.12	21.12	21.12	
Anticipated option life (years)	4.00	5.00	6.00	5.00	

The shares were priced using a binomial option pricing model with volatility based on the historical volatility of the share price.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 28. Share-based payments *continued*

	2014		2013	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance at the beginning of the financial year	41,867,333	0.54	31,125,000	0.53
Issued during the financial year	7,731,277	0.70	12,742,333	0.59
Exercised during the year	(216,944)	0.65	(2,000,000)	0.50
<b>Balance at the end of the financial year</b>	<b>49,381,666</b>	<b>0.56</b>	<b>41,867,333</b>	<b>0.54</b>

The above reconciles the outstanding shares granted under the executive share plan at the beginning and end of the financial year.

### Shares that were granted in the current year

9,264,333 shares granted issued during the year of which 1,533,056 were reallocated from other series existing at the beginning of the year and 216,944 were exercised during the year. The net shares issued on the ASX were therefore 7,514,333 ESP shares.

Series	Vesting conditions <sup>1</sup>	Performance conditions
Series 18 - 1 March 2012 Issue	4 years and 346 days from the date of issue and achievement of specific sales target	No
Series 19 - 3 April 2012 Issue	4 years and 346 days from the date of issue and achievement of specific sales target	No
Series 20 - 3 April 2012 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 21 - 25 May 2012 Issue	4 years and 347 days from the date of issue and achievement of specific sales target	No
Series 22 - 29 June 2012 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 23 - 6 August 2012 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 25 - 21 December 2012 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 28 - 16 April 2013 Issue	4 years and 361 days from the date of issue and achievement of specific sales target	No
Series 29 - 31 May 2013 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 30 - 27 June 2013 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 37 - 31 January 2014 Issue	5 years from the date of issue and achievement of specific sales target	No
Series 41 - 30 May 2014 Issue	5 years from the date of issue and achievement of specific sales target	No

<sup>1</sup> Subject to qualifying circumstances as outlined in the ESP Plan Rules.

The vesting conditions in the ESP stipulate that shares issued in terms of the Plan to employees participants will automatically vest with a change of control of the Company. The change of control provisions do not apply to shares issued in terms of the plan to contractor participants.

On 26 September 2012, CCP Bidco's off-market takeover bid for all the ordinary shares in ClearView became unconditional which resulted in accelerating the vesting of the shares in the ESP at that time, including all Series 10 to 24 which had been issued to employee participants prior to the change of control. Series 7 was issued prior to 23 October 2009, where the change of control provision was triggered upon GPG obtaining control of ClearView.

# Notes to the Financial Statements

## For the year ended 30 June 2014

Continued

### Shares that were cancelled during the year

No shares were cancelled during the year.

The following table shows the shares that were reallocated due to the cessation of the employment of a participant of the plan.

Date	Number of shares reallocated	Reallocated from	Reallocated to
14/10/2013	75,000	Series 16	Series 31
14/10/2013	75,000	Series 16	Series 32
29/11/2013	75,000	Series 16	Series 33
29/11/2013	75,000	Series 16	Series 34
31/01/2014	75,000	Series 16	Series 35
31/01/2014	75,000	Series 16	Series 36
31/01/2014	783,056	Series 14	Series 37
31/01/2014	150,000	Series 16	Series 37
31/01/2014	150,000	Series 24	Series 37
	<b>1,533,056</b>		

## 29. Shares granted under the executive share plans

In accordance with the provisions of the ESP, as at 30 June 2014, key management, members of the senior management team, the managing director and contractor participants have acquired 49,381,666 (2013: 41,867,333) ordinary shares. Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to \$28,744,723 (2013: 23,617,722) was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP. For details of the ESP refer to Note 28.

## 30. Dividends

	Consolidated and Company			
	2014		2013	
	Per share	\$'000	Per share	\$'000
<b>Dividend payments on Ordinary shares</b>				
Final dividend (2013: 2012 final dividend)	1.8	8,157	1.8	8,019
Special dividend	-	-	2.2	9,800
Interim dividend (2013: 2013 interim dividend)	-	-	-	-
<b>Total dividends on ordinary shares paid to owners of the Company</b>	<b>1.8</b>	<b>8,157</b>	<b>4.0</b>	<b>17,819</b>
<b>Dividends not recognised in the consolidated statement of financial position<sup>1</sup></b>				
Dividends declared since balance date				
2014 final dividend (2013: 2013 final dividend) <sup>2</sup>	2.0	10,980	1.8	8,157
<b>Dividend franking account</b>				
Amount of franking credit available for use in subsequent financial years	-	10,562	-	4,813

1 The impact on the dividend franking account for the final dividend declared is expected to reduce the franking account by \$4.7 million (2013: \$3.5 million). There are no other income tax consequences for dividends not recognised in the statement of financial position.

2 The total 2014 final dividend declared but not recognised in the statement of financial position is estimated based on the total number of ordinary shares on issue as at the date of this report. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2015 will be based on the actual number of ordinary shares on issue on the record date.

The Directors declared that there will be a final fully franked dividend paid for the year ended 30 June 2014 of \$10.98 million (2013 : \$8.2 million).

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 31. Reconciliation of net profit for the year to net cash flows from operating activities

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Net profit for the year</b>	13,880	1,876	(320)	(4,447)
Fair value gains on financial assets at fair value through profit and loss	(80,442)	(119,533)	-	-
Loss on disposal of property, plant and equipment	-	82	-	-
Amortisation and depreciation	10,823	9,928	-	-
Employee share plan expense	905	1,679	905	1,679
Other non cash items	130	378	-	-
Reinvested trust distribution income / interest income	(17,863)	(20,488)	(269)	(649)
Gain from associate	-	(6)	-	-
Movements in liabilities to non-controlling interest in controlled unit trust	15,651	15,063	-	-
Decrease / (increase) in receivables	1,695	(480)	202	3,604
(Increase) / decrease in deferred tax asset	(179)	4,481	253	(216)
Decrease / (increase) in payables	1,071	2,073	259	(436)
Decrease in policy liabilities	(75,749)	(56,940)	-	-
Increase in current tax liability	1,039	3,778	1,039	3,039
<b>Net cash (utilised)/generated by operating activities</b>	<b>(129,039)</b>	<b>(158,109)</b>	<b>2,069</b>	<b>2,574</b>



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 32. Subsidiaries

Name of Entity	Principal Activity	Parent Entity	Country of incorporation	Ownership interest	
				2014 %	2013 %
<b>Parent entity</b>					
ClearView Wealth Limited (CWL)	Holding Company	-	Australia		
<b>Subsidiaries</b>					
ClearView Group Holdings Pty Limited (CGHPL)	Holding Company	CWL	Australia	100	100
ClearView Life Assurance Limited (CLAL)	Life Company	CGHPL	Australia	100	100
ClearView Financial Management Limited (CFML)	Responsible Entity	CGHPL	Australia	100	100
ClearView Life Nominees Pty Limited (CLNPL)	Trustee	CLAL	Australia	100	100
ClearView Administration Services Pty Limited (CASPL)	Administration Service Entity	CWL	Australia	100	100
ClearView Financial Advice Pty Limited (CFAPL)	Advice Company	CWL	Australia	100	100
Affiliate Financial Planning Pty Limited	Non operating	CFA	Australia	100	100
<b>Controlled unit trusts</b>					
International Fixed Interest Fund	Wholesale Fund	CLAL	Australia	95	96
Fund of Funds Australian Equity Fund	Wholesale Fund	CLAL	Australia	67	75
Bond Fund	Wholesale Fund	CLAL	Australia	73	82
Fund of Funds International Equity Fund	Wholesale Fund	CLAL	Australia	90	93
Property Fund	Wholesale Fund	CLAL	Australia	86	89
Money Market Fund	Wholesale Fund	CLAL	Australia	84	89
Infrastructure Fund	Wholesale Fund	CLAL	Australia	76	84
Emerging Markets Fund	Wholesale Fund	CLAL	Australia	77	80

ClearView Administration Services Pty Limited was incorporated to centralise the administrative responsibilities of the group which include salary disbursements and settling all non-directly attributable overhead expenditure. ClearView Administration Services Pty Limited recoups all expenditure by virtue of a management fee from the various group companies and operates on a cost recovery basis (in accordance with an inter group agreement).

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 33. Investment in associate

During the prior financial year the Group held a 40% interest in Berry Financial Services Pty Limited and accounted for the investment as an associate.

On the 28th June 2013, the Group sold its 40% investment in Berry Financial Services to Berry Investment Company Pty Limited for \$168,000. The sale was vendor financed and resulted in the Group advancing the proceeds to Berry Investment Company for the purposes of the acquisition. The carrying value of the Investment in Associate at the date of sale was \$171,751. This transaction resulted in the recognition of a loss on sale of associate of \$3,751 calculated as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Proceeds from sale of associate	-	168
Carrying value of investment at date of sale	-	(172)
Loss on sale of associate	-	(4)

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Investment in associate	-	-	-	-

### Reconciliation of investment in associate:

Balance at the beginning of the financial year	-	163	-	-
Share of profit / (loss) for the year	-	9	-	-
Disposal of associate	-	(172)	-	-
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Name of Entity	County of incorporation	Principal activity	Ownership interest	
			2014 \$'000	2013 \$'000

### Associates

Berry Financial Services Pty Limited	Australia	Financial Advice	-	-
--------------------------------------	-----------	------------------	---	---

Summarised financial information in respect of the Group's associate is set out below:

	Consolidated	
	2014 \$'000	2013 \$'000

### Financial position

Total assets	-	-
Total liabilities	-	-
Net assets	-	-
<b>Group's share of associate's net assets</b>	<b>-</b>	<b>-</b>

### Financial performance

Total revenue	-	265
Total profit for the year	-	23
<b>Group's share of associate's profit</b>	<b>-</b>	<b>9</b>

### Dividends received from associate

Nil

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## Contingent liabilities and capital commitments

There are no capital commitments and other expenditure commitments of associates and jointly controlled entities.

## 34. Related party transactions

### (a) Equity interests in related parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 32 to the financial statements.

### (b) Transactions with KMP

#### Key management personnel compensation

Details of Key Management Personnel compensation are disclosed in the Directors' Report on pages 47 to 49 of the Annual Report.

The aggregate compensation made to Key Management Personnel (KMP) of the Company and the Group is set out below:

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	4,730,756	5,061,586
Post-employment benefits	207,888	549,628
Share based payments	164,848	854,242
<b>Total</b>	<b>5,103,492</b>	<b>6,465,456</b>

### (c) Transactions between the Group and its related parties

Other related parties include:

- Entities with significant influence over the Group
- Associates, and
- Subsidiaries

Balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties during the financial year ended 30 June 2014 are disclosed below:

- Directors fees were paid to Crescent Capital Partners Pty Limited the manager of the parent entity's majority shareholder CCP Bidco Pty Limited.

The ultimate parent entity in the Group is ClearView Wealth Limited which is incorporated in Australia.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 34. Related party transactions continued

Outstanding balances between the Group and its related parties

	ClearView Wealth Limited	ClearView Life Assurance Limited	ClearView Financial Management Limited	ClearView Financial Advice Pty Limited	ClearView Admin Services Pty Limited	ClearView Life Nominees Pty Limited	Total
2014	\$	\$	\$	\$	\$	\$	\$
ClearView Wealth Limited	-	3,607,064	(204,676)	1,482,662	2,692,043	5,607	7,582,700
ClearView Life Assurance Limited	(3,607,064)	-	(142,272)	(439,841)	(4,760,145)	-	(8,949,322)
ClearView Financial Management Limited	204,676	142,272	-	(54,282)	(1,703,004)	282,628	(1,127,710)
ClearView Financial Advice Pty Limited	(1,482,662)	439,841	54,282	-	(657,702)	-	(1,646,241)
ClearView Admin Services Pty Limited	(2,692,043)	4,760,145	1,703,004	657,702	-	-	4,428,808
ClearView Life Nominees Pty Limited	(5,607)	-	(282,628)	-	-	-	(288,235)
	<b>(7,582,700)</b>	<b>8,949,322</b>	<b>1,127,710</b>	<b>1,646,241</b>	<b>(4,428,808)</b>	<b>288,235</b>	<b>-</b>
2013	\$	\$	\$	\$	\$	\$	\$
ClearView Wealth Limited	-	6,396,388	21,013	82,198	1,549,815	1,047	8,050,461
ClearView Life Assurance Limited	(6,396,388)	-	(23,920)	(486,586)	(2,574,485)	-	(9,481,379)
ClearView Financial Management Limited	(21,013)	23,920	-	(40,617)	(104,667)	25,714	(116,663)
ClearView Financial Advice Pty Limited	(82,198)	486,586	40,617	-	(962,594)	-	(517,589)
ClearView Admin Services Pty Limited	(1,549,815)	2,574,485	104,667	962,594	-	-	2,091,931
ClearView Life Nominees Pty Limited	(1,047)	-	(25,714)	-	-	-	(26,761)
	<b>(8,050,461)</b>	<b>9,481,379</b>	<b>116,663</b>	<b>517,589</b>	<b>(2,091,931)</b>	<b>26,761</b>	<b>-</b>

### (d) Transactions other than financial instrument transactions

No Director has entered into a material contract with the Company or the ClearView Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end. Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, life insurance policies and superannuation.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 35. Financial instruments

### (a) Management of financial Instruments

The financial assets of the Group (other than shareholder cash holdings) are managed by specialist investment managers who are required to invest the assets allocated in accordance with directions from the Board. BNP Paribas acts as master custodian on behalf of the Group and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions. Daily operating bank accounts and shareholder cash are managed within the Group by the internal management and finance department.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3(x).

### (c) Capital risk management

The Group maintains capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the Group's risk appetite. The Group's capital structure consists of ordinary equity comprising issued capital, retained earnings and reserves (as detailed in Notes 12 and 27). The capital structure remains unchanged from the previous financial period.

### (d) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with the fair value hierarchy detailed in Note 5.

### (e) Categories of financial instruments

The Company has investments in the following categories of financial assets and liabilities:

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial assets</b>				
Investment in group companies	-	-	257,892	234,892
Cash and cash equivalents	183,299	233,663	1,111	819
Fixed interest deposits	88,759	53,284	25,179	10,181
Life insurance investment assets	1,336,769	1,216,450	-	-
Reinsurers' share of life insurance Policy liabilities	(3,872)	1,072	-	-
Loans and receivables	11,876	9,665	16,353	8,072
<b>Total</b>	<b>1,616,831</b>	<b>1,514,134</b>	<b>300,535</b>	<b>253,964</b>
<b>Financial liabilities</b>				
Policyholder liabilities	998,958	1,076,540	-	-
Payables	25,069	16,288	349	42
Current tax liabilities	4,622	3,583	4,622	3,583
Provisions	3,588	3,474	19	64
<b>Total</b>	<b>1,032,237</b>	<b>1,099,885</b>	<b>4,990</b>	<b>3,689</b>

### (f) Financial risk management objectives

The primary asset risks borne by the Company relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets). The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those

assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Company which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure.

---

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 35. Financial instruments continued

### (g) Market risk

Market risk is the risk that financial assets will be affected by changes in interest rates, foreign exchange rates and equity prices.

#### Interest rate risk

Interest rate risk arises on ClearView's assets which are invested in fixed interest funds and cash. Interest rate risk is managed by the Company through:

- Maintaining the level of interest rate exposure within the tolerances set by the Board in the RMS;
- Investing ClearView's assets in accordance with the Board approved Investment Policy and Guidelines; and
- By holding capital reserves in accordance with the Company's ICAAP with respect to the residual interest rate risk exposure retained, in addition to the regulatory capital reserves held within ClearView Life in respect of interest rate risk.

#### Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. As at 30 June 2014, ClearView's assets were not exposed to equity price risk.

In contrast to this, the Policyholder assets and other client funds under management and under administration, involve significant investment in equities. As noted above, the Policyholder asset risks are borne by the policyholders. The Company is exposed to secondary risks on its management and advice fees that are driven by the total funds under management and administration, as well as reputational risks from poor investment returns.

The investment of the Policyholder assets and client moneys controlled by ClearView is undertaken in accordance with the Investment Policy and Guidelines approved by the Board, which inter alia stipulates the investment allocation mix, the portfolio's risk characteristics, management response plans and the use of derivatives.

To the extent required, capital reserve are held in accordance with the ICAAP with respect to the Company's residual fee risk exposure.

### (h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk exposures arising from investment activities are assessed by the Company's internal investment management committee (the ClearView Investment Committee (CIC) appointed by the Board) prior to investing ClearView assets into any significant financial asset. The ongoing credit standing of material investments are monitored by the CIC, with the CIC charged to maintain the credit quality of ClearView assets within the Board's investment guidelines.

The large majority of debt assets invested in by the Company on behalf of policyholders and clients (including Policyholder assets) are managed under mandates with appointed funds managers. Those mandates include credit rating, diversification and maximum counterparty exposure rules and standards that are to be met. The funds managers adherence to those requirements are subject to ongoing monitoring by the funds managers, and are separately monitored by the Company's custodian. Formal compliance reporting is monitored monthly by the CIC.

Credit risk arising from other third party transactions, such as reinsurance recovery exposures and exposure to outsource service providers, are assessed prior to entering into financial transactions with those parties, are approved by the Board where material, and are monitored by appropriate mechanisms on an ongoing basis (for example, a quarterly monitoring and compliance reporting process in respect of the Company's outsourced custodian).

The Company does not expect any of its material counterparties to fail to meet their obligations and does not require collateral or other security to support these credit risk exposures.

Specific capital reserves are held against credit risk under the regulatory capital requirements of ClearView Life (LAGIC) and credit risk is considered within the Company's ICAAP.

The Group does have significant credit risk exposure to counterparties but these counterparties have a high credit rating. The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Board that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date. The table reflects the credit risk exposure facing the Group.



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash and cash equivalents and debt securities / fixed interest securities</b>				
Rating				
AAA to AA-	806,992	762,609	23,272	11,000
A+ to A-	73,420	76,458	-	-
BBB+ to BBB-	20,723	12,852	-	-
BB+ and below	3,138	2,165	301	-
Unrated <sup>1</sup>	9,195	4,579	3,018	-
	<b>913,468</b>	<b>858,663</b>	<b>26,591</b>	<b>11,000</b>

1 Unrated relate to term deposits invested in Australian Credit Union Institutions which are APRA Regulated ADIs.

Credit risk associated with receivables is considered minimal. The main receivables balance is in relation to receivables from premiums receivable, accrued dividends, loans receivable, prepayments and outstanding settlements. Other receivables balances relate predominantly to management fees from external unit trusts. The concentration is spread across the various debtors with no single significant debtor.

## (i) Liquidity risk

Liquidity risk is primarily the risk that the Company will encounter difficulty in meeting its obligations due to an inability to realise some or all of its assets in order to fund its cash flow needs, including the payment of amounts to its policyholders, members and clients. A secondary risk relates to the risk of the illiquidity of the external (including off balance sheet) funds its clients invest in, which may result in restricted fee flows to the Company and/or reputational damage via association.

The primary risk is controlled through focusing the Company's assets, as well as policyholder and member assets and the investment of client funds controlled by the Company, into assets which are highly marketable and readily convertible into cash. In addition, the Company maintains suitable cash holdings at call and an appropriate overdraft facility.

The Company's cash flow requirements are reviewed and forecast daily for a one week forward period. This assessment takes into account the timing of expected cash flows, the likelihood of significant benefit outflows over the short term and known significant one-off payments.

Under the terms of the Company's products (issued via ClearView Life and ClearView Financial Management) the payment of unit fund redemptions to policyholders and unit trust investors may be delayed, if necessary, until funds are available. To date no such delays have been imposed.

The risks in respect of external (third party) funds are controlled via the Company's Approved Product List, which restricts the external funds available for use by the Company's advisers and planners to investment platform providers that are assessed to be reputable and financially sound.

The following tables summarise the realisation profile of financial assets at the reporting date. There were no financial assets past due or impaired at the reporting date other than those provided for.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 35. Financial instruments continued

	Consolidated					
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	4,354	-	26	3	-	4,383
Outstanding life insurance premiums net of provision	1,485	-	-	-	-	1,485
Accrued dividends	1,851	-	-	-	-	1,851
Investment income and distribution income	1,014	-	-	-	-	1,014
Reinsurance receivable <sup>1</sup>	4,342	3,477	4,726	(16,417)	-	(3,872)
Loans	143	82	119	307	198	849
Prepayments	1,679	528	4	83	-	2,294
<b>Total</b>	<b>14,868</b>	<b>4,087</b>	<b>4,875</b>	<b>(16,024)</b>	<b>198</b>	<b>8,004</b>
2013						
Receivables	2,537	263.00	52.00	106.00	-	2,958
Amounts from controlled / associated entities	-	-	-	-	-	-
Outstanding life insurance premiums net of provision	1,581	-	-	-	-	1,581
Accrued dividends	2,122	-	-	-	-	2,122
Investment income and distribution income	827	-	-	-	-	827
Reinsurance receivable <sup>1</sup>	5,860	(177)	(355)	(4,256)	-	1,072
Loans	50	42	85	269	-	446
Prepayments	1,486	238	7	-	-	1,731
<b>Total</b>	<b>14,463</b>	<b>366</b>	<b>(211)</b>	<b>(3,881)</b>		<b>10,737</b>

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).

	Company					
	Less than 3 months	3 to 6 months	6 months to a year	1 to 5 years	Over 5 years	Total
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	2	2	3	-	-	7
Amounts from controlled / associated entities	7,847	-	8,499	-	-	16,346
<b>Total</b>	<b>7,849</b>	<b>2</b>	<b>8,502</b>	<b>-</b>	<b>-</b>	<b>16,353</b>
2013						
Trade receivables	22	-	-	-	-	22
Amounts from controlled / associated entities	8,050	-	-	-	-	8,050
<b>Total</b>	<b>8,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,072</b>

<sup>1</sup> Reinsurance share of life insurance receivables are reflected in accordance with the likely settlement of the underlying claims to which they relate.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

The following tables summarise the maturity profile of the Group and the Company's financial liabilities all of which are non-interest bearing. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principle cash flows.

	Consolidated					
	Less than 3 months	3 to 6 months	6 months to a year	1 to 5 years	Over 5 years	Total
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	20,101	53	233	933	-	21,320
Current tax liabilities	-	4,622	-	-	-	4,622
Provisions	320	25	3,243	-	-	3,588
Reinsurance payable <sup>1</sup>	3,749	-	-	-	-	3,749
<b>Total</b>	<b>24,170</b>	<b>4,700</b>	<b>3,476</b>	<b>933</b>	<b>-</b>	<b>33,279</b>
2013						
Payables	13,089	79	244	962	-	14,374
Current tax liabilities	-	3,583	-	-	-	3,583
Provisions	148	711	311	1,272	1,031	3,473
Reinsurance payable <sup>1</sup>	1,061	853	-	-	-	1,914
<b>Total</b>	<b>14,298</b>	<b>5,226</b>	<b>555</b>	<b>2,234</b>	<b>1,031</b>	<b>23,344</b>

	Company					
	Less than 3 months	3 to 6 months	6 months to a year	1 to 5 years	Over 5 years	Total
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	-	349	-	-	-	349
Current tax liabilities	-	4,622	-	-	-	4,622
Provisions	-	19	-	-	-	19
<b>Total</b>	<b>-</b>	<b>4,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,990</b>
2013						
Payables	42	-	-	-	-	42
Current tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
<b>Total</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>

1 Reinsurance payable represents reinsurance premium payable on reinsurance due in respect of life insurance premium.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 35. Financial instruments *continued*

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2014 \$'000	2013 \$'000				
Equity Securities	233,817	259,278	Level 1	Quoted bid prices in an active market	n/a	n/a
Fixed Interest Securities	641,411	571,717	Level 2	The fair value of Fixed Interest Securities are based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the investment.	n/a	n/a
Unit Trusts	461,544	385,455	Level 1	Quoted bid prices in an active market	n/a	n/a
<b>Total</b>	<b>1,336,772</b>	<b>1,216,450</b>				

### (j) Financing facilities

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

#### The Group has access to the following facilities:

##### Bank Guarantees

- amount used	1,084	827	-	-
---------------	-------	-----	---	---

##### Overdraft and credit

- amount used	-	-	-	-
- amount unused	2,250	2,250	-	-

ClearView Life Assurance Limited has a \$2 million overdraft facility with National Australia Bank at a benchmark interest rate of 10.76% p.a calculated daily. Any overdrawn balance in excess of the overdraft will incur an additional margin of 1.5% p.a above the benchmark interest rate. The bank overdraft is short-term in nature and was unutilised at 30 June 2014. There is an additional \$0.25 million credit card facility with National Australia Bank in the name of ClearView Administration Services Pty Limited.

#### Interest rate risk management

The Group's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Group to cash flow risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Board monitors the Group's exposures to interest rate risk.

The tables below detail the Group's exposure to interest rate risk at the balance sheet date by the earlier of contractual maturities or re-pricing.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

	Consolidated		Company	
	Weighted average interest rate	Less than 6 months	Weighted average interest rate	Less than 6 months
2014	%	\$'000	%	\$'000
<b>Financial assets</b>				
Variable interest rate instruments:				
Cash and cash equivalents	3.33	64,959	2.50	1,111
Fixed interest securities	3.55	88,759	3.43	25,179
<b>Total</b>		<b>153,718</b>		<b>26,290</b>
<b>2013</b>				
<b>Financial assets</b>				
Variable interest rate instruments:				
Cash and cash equivalents	3.50	59,046	2.87	819
Fixed interest securities	3.95	53,284	4.17	10,187
<b>Total</b>		<b>112,330</b>		<b>11,006</b>

## Interest rate sensitivity analysis for floating rate financial instruments

The sensitivity analysis below have been determined based on the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 1% (2012: 1%) increase or decrease is used when reporting interest risk internally to key management personal and represents management's assessment of the reasonably possible change in interest rates.

The following table illustrates the effect for the Group from possible changes in market risk that are reasonably possible based on the risk the Group was exposed to at reporting date:

	Effect on operating profit		Effect on securities		Effect on operating profit		Effect on securities	
	Consolidated		Consolidated		Company		Company	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
±0.5% (2013: ±1.0%)	±379	±692	±379	±692	±43	±62	±43	±62

The method used to prepare the sensitivity analysis has not changed in the year. Based on the market exposure management believe that the interest rate variation above is considered appropriate in the current environment

## Fair value sensitivity analysis for fixed rate financial instruments

The Group does account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in long term interest rates at reporting date would affect profit and loss.

### (k) Foreign currency risk management

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group undertakes certain investments denominated in foreign currencies, hence is exposed to the effects of exchange rate fluctuations. However, the foreign currency risk is borne by the policyholder and the shareholder has no direct exposure to foreign currency.

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 35. Financial instruments continued

	Change in AUD relative to foreign currency	Effect on net assets/ INV return (\$)'000
USD	2%	-
GBP	(9%)	-
EUR	(3%)	-
YEN	4%	-

### Forward foreign exchange contracts

The Group currently does not make use of forward foreign exchange contracts.

## 36. Disaggregated information by fund

### Abbreviated income statement

	ClearView Life Assurance Limited (Company)				
	Shareholders fund	Statutory fund no.1	Statutory fund no.2	Statutory fund no.4	Total
	Australian Non-Participating				
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	76,440	360	-	76,800
Outwards reinsurance expense	-	(10,313)	(46)	-	(10,359)
Fee revenue	-	-	1,157	23,997	25,154
Investment revenue	484	2,304	2,056	61,737	66,581
Other revenue	-	-	(6)	(131)	(137)
Net fair gains / (losses) on financial assets at fair value	-	-	(84)	61,646	61,562
<b>Net revenue and income</b>	<b>484</b>	<b>68,431</b>	<b>3,437</b>	<b>147,249</b>	<b>219,601</b>
Claims expense	-	(25,929)	-	-	(25,929)
Reinsurance recoveries	-	11,680	-	-	11,680
Interest on loan	(310)	-	-	-	(310)
Change in life insurance policy liabilities	-	34,234	(6)	-	34,228
Change in life investment policy liabilities	-	-	(2,837)	(123,547)	(126,384)
Change in reinsurers' share of life insurance liabilities	-	(9,994)	-	-	(9,994)
Other expenses	-	(61,034)	(1,293)	(15,617)	(77,944)
<b>Profit for the year before income tax</b>	<b>174</b>	<b>17,388</b>	<b>(699)</b>	<b>8,085</b>	<b>24,948</b>
Income tax expense	(52)	(5,217)	910	(1,789)	(6,148)
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>122</b>	<b>12,171</b>	<b>211</b>	<b>6,296</b>	<b>18,800</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## Abbreviated statement of financial position

	ClearView Life Assurance Limited (Company)				
	Shareholders fund	Statutory fund no.1	Statutory fund no.2	Statutory fund no.4	Total
	Australian Non-Participating				
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Investments in controlled unit trusts	1,450	-	60,646	1,062,781	1,124,877
Policy liabilities ceded under reinsurance	-	(3,991)	119	-	(3,872)
Other assets	12,881	88,314	2,152	17,711	121,058
<b>Total assets</b>	<b>14,331</b>	<b>84,323</b>	<b>62,917</b>	<b>1,080,492</b>	<b>1,242,063</b>
Gross policy liabilities – Life insurance contracts	-	(127,328)	49	-	(127,279)
Gross policy liabilities – Investment insurance contracts	-	-	60,159	1,062,204	1,122,363
Other liabilities	9,682	9,938	254	8,440	28,314
<b>Total liabilities</b>	<b>9,682</b>	<b>(117,390)</b>	<b>60,462</b>	<b>1,070,644</b>	<b>1,023,398</b>
<b>Net assets</b>	<b>4,649</b>	<b>201,713</b>	<b>2,455</b>	<b>9,848</b>	<b>218,665</b>
<b>Shareholder's retained profits</b>					
Opening retained profits	(6,598)	98,342	2,044	9,452	103,240
Operating profit	122	12,171	211	6,296	18,800
Capital transfer between funds	-	7,000	-	(7,000)	-
Dividend paid	-	-	-	-	-
Shareholder's retained profits	(6,476)	117,513	2,255	8,748	122,040
Shareholder's capital	11,125	84,200	200	1,100	96,625
<b>Total equity</b>	<b>4,649</b>	<b>201,713</b>	<b>2,455</b>	<b>9,848</b>	<b>218,665</b>

## Abbreviated income statement

	Australian Non-Participating				
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	54,804	371	-	55,175
Outwards reinsurance expense	-	(4,341)	(47)	-	(4,388)
Fee revenue	-	-	1,448	24,394	25,842
Investment revenue	473	2,086	3,016	59,259	64,834
Net fair gains / (losses) on financial assets at fair value	-	-	127	106,119	106,246
<b>Net revenue and income</b>	<b>473</b>	<b>52,549</b>	<b>4,915</b>	<b>189,772</b>	<b>247,709</b>
Claims expense	-	(19,708)	(180)	-	(19,888)
Reinsurance recoveries	-	3,665	77	-	3,742
Total administration expenses	(1)	(40,729)	(1,368)	(16,322)	(58,420)
Change in life insurance policy liabilities	-	13,734	(7)	-	13,727
Change in life investment policy liabilities	-	-	(3,001)	(158,995)	(161,996)
<b>Profit for the year before income tax</b>	<b>472</b>	<b>9,511</b>	<b>436</b>	<b>14,455</b>	<b>24,874</b>
Income tax expense	(142)	(2,853)	(143)	(8,029)	(11,167)
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>330</b>	<b>6,658</b>	<b>293</b>	<b>6,426</b>	<b>13,707</b>



# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 36. Disaggregated information by fund continued

Abbreviated statement of financial position

	ClearView Life Assurance Limited (Company)				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Clearview Life
	Australian Non-Participating				
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Investments in controlled unit trusts	800	-	75,376	1,099,669	1,175,845
Policy liabilities ceded under reinsurance	-	950	122	-	1,072
Other assets	3,869	71,180	2,408	18,494	95,951
<b>Total assets</b>	<b>4,669</b>	<b>72,130</b>	<b>77,906</b>	<b>1,118,163</b>	<b>1,272,868</b>
Gross policy liabilities – Life insurance contracts	-	(97,780)	46	-	(97,734)
Gross policy liabilities – Investment insurance contracts	-	-	74,768	1,100,579	1,175,347
Other liabilities	142	7,368	848	7,032	15,390
<b>Total liabilities</b>	<b>142</b>	<b>(90,412)</b>	<b>75,662</b>	<b>1,107,611</b>	<b>1,093,003</b>
<b>Net assets</b>	<b>4,527</b>	<b>162,542</b>	<b>2,244</b>	<b>10,552</b>	<b>179,865</b>
<b>Shareholder's retained profits</b>					
Opening retained profits	(6,928)	84,684	2,251	9,526	89,533
Operating profit	330	6,658	293	6,426	13,707
Capital transfer between funds	-	7,000	(500)	(6,500)	-
Dividend paid	-	-	-	-	-
<b>Shareholder's retained profits</b>	<b>(6,598)</b>	<b>98,342</b>	<b>2,044</b>	<b>9,452</b>	<b>103,240</b>
Shareholder's capital	11,125	64,200	200	1,100	76,625
<b>Total equity</b>	<b>4,527</b>	<b>162,542</b>	<b>2,244</b>	<b>10,552</b>	<b>179,865</b>

## 37. Investment in controlled unit trusts

Name	Type	Consolidated 2014		Company 2013	
		\$'000	%	\$'000	%
Money Market Fund	Debt	242,107	22	332,781	28
Bond Fund	Debt	305,020	28	265,439	23
International Fixed Interest Fund	Debt	28,058	3	30,935	3
Fund of Funds Australian Equity Fund	Equities	169,552	16	215,239	18
Fund of Funds International Equity Fund	Equities	99,545	9	122,548	10
Emerging Markets Fund	Equities	101,600	9	64,632	6
Infrastructure Fund	Property	95,788	9	97,107	8
Property Fund	Property	41,534	4	46,364	4
<b>Total</b>		<b>1,083,204</b>	<b>100</b>	<b>1,175,045</b>	<b>100</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 38. Leases

### Leasing arrangements

Operating leases relate to:

- Premises leases (for financial advice offices) with lease terms that extend to 31 March 2017. The Group does not have an option to purchase the leased asset at expiry of the lease.
- ClearView Administration Services Pty Limited entered into a lease agreement to lease premises for its Sydney head office at 20 Bond Street with effect from 1 December 2011 with a lease term that extends to 30 November 2016.
- ClearView Administration Services Pty Limited has entered into a lease agreement subsequent to year end to lease premises for its Parramatta office with effect from 1 July 2014 with a lease term that extends to 30 June 2019.
- Tools of trade cars utilised by employees in the performance of their work responsibilities. The Group does not have an option to purchase the leased assets at expiry of the leases.
- Printers and copiers utilised in the business. The Group does not have an option to purchase the leased assets at expiry of the leases.

### Non-cancellable operating lease commitments

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Not longer than 1 year	1,897	2,113	-	-
Longer than 1 year and not longer than 5 years	2,650	3,627	-	-
<b>Total</b>	<b>4,547</b>	<b>5,740</b>	-	-

In respect of non-cancellable operating leases the following liabilities have been recognised:

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Make good provision (note 23)</b>				
Current	46	215	-	-
Non-current	270	95	-	-
<b>Total</b>	<b>316</b>	<b>310</b>	-	-

## 39. Contingent liabilities and contingent assets

There are outstanding claims and potential claims against the ClearView Group in the ordinary course of business. The ClearView group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate is likely to have a material effect on its operations or financial position. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust's assets for all liabilities incurred on behalf of the trusts.

In the ordinary course of business, certain ClearView subsidiaries enter into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposure.

The Group has contractual agreements with a limited number of advisers to purchase the adviser's business should the adviser want to sell their business and on the satisfaction of certain criteria. The terms and conditions provide that on the satisfaction of specific requirements, the adviser's book of business will be purchased for a price based on the adviser's recurring income stream from the Group. It is possible that the market value or resale value of such a business purchased may be less than the cost to the Group. Due to the

# Notes to the Financial Statements

For the year ended 30 June 2014

Continued

## 39. Contingent liabilities and contingent assets *continued*

uncertainty of these circumstances arising no value can be reliably placed on the contingent liability.

The Group has term deposits that back financial guarantees issued by National Australia Bank in favour of landlords for leased premises in relation to rental deposits of \$303,329 (2013: \$163,648).

The Group has term deposits to back financial guarantees issued by Westpac Bank in favour of landlords for leased premises in relation to rental deposits of \$780,946 (2013: \$663,491).

The Company in the ordinary course of business has guaranteed the obligations of one of its subsidiaries in respect of its obligations for leasehold premises.

The Company has guaranteed the obligations of one of its subsidiaries in respect of employee entitlements of employees who were previously employed by MBF Holdings Pty Limited (Bupa Australia)

Other than the above, the Directors are not aware of any other contingent liabilities in the Group at year end.

## 40. Capital commitments

The Group has committed to the following capital commitments subsequent to the year end.

	Consolidated		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Technology projects	300	880	-	420
Your Insure	2,700	-	2,700	-
<b>Total</b>	<b>3,000</b>	<b>880</b>	<b>2,700</b>	<b>420</b>

During the financial year, ClearView Wealth Limited entered into a Shareholders Deed and Convertible Note agreement in relation to Your Insure Pty Limited (Your Insure).

ClearView Wealth Limited will provide funding to Your Insure up to a maximum limit of \$3 million on a draw down basis, subject to the achievement of set performance hurdles.

ClearView's capital funding commitment with respect to Your Insure for the next three years is as follows:

	FY15 \$'000	FY16 \$'000	FY17 \$'000
Funding commitment	1,404	761	535

## 41. Subsequent events

### a) Dividends

On 26 August 2014, the Group proposed a final dividend of \$10.98 million representing 2.0 cents per share fully franked. The record date for determining entitlement to the dividend is 4 September 2014 and the dividend will be paid on 17 September 2014. Since the dividend has not been declared at year end it has not been recognised as payable in these accounts.

### b) Potential Acquisitions

ClearView is currently in advanced negotiations with a dealer group that if successful is likely to accelerate the growth opportunity by materially expanding the distribution footprint of ClearView. The Board is supportive of the

additional investment in expanding ClearView's distribution capabilities supported by the ongoing investment in the back end operational systems. ClearView cautions, however, that negotiations are ongoing and ClearView can give no assurances as to whether such a transaction will proceed, and, if so, on what terms. ClearView will immediately inform shareholders if these negotiations develop such that further disclosure is required.

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.

---

## Directors' Declaration

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including the compliance with accounting standards and giving a true and fair view of the financial position and the performance of the Company and the consolidated entity;
- (c) In the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 3; and
- (d) The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Dr Gary Weiss

Chairman

26 August 2014



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

550 Bourke Street  
GPO Box 78  
Melbourne 3000  
Australia

Tel: +61 (0) 3 9671 7000  
Fax: +61 (0) 3 9671 7001  
www.deloitte.com.au

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

### Report on the Financial Report

We have audited the accompanying financial report of ClearView Wealth Limited, which comprises the consolidated statement of financial position as at 30 June, 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on page 67 to 144.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of a 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 a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

## Deloitte.

### *Auditor's Independence Declaration*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

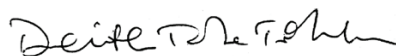
- (a) the financial report of ClearView Wealth Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 43 to 57 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of ClearView Wealth Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



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

# Shareholders' Information

As at 5 August 2014

## Substantial shareholders

As at the date of this Annual Report, the following entities have notified ClearView that they hold a substantial holding in shares.

Rank	Name	No of shares as per notice	% of issued capital
1	CCP Bidco Pty Limited and Associates <sup>1</sup>	302,514,010	55.10
2	Macquarie Investment Management Limited	60,924,764	11.10

<sup>1</sup> Crescent Capital Partners Management Pty Limited represent the interests of CCP Bidco Pty Limited (CCP Bidco) and Macquarie Investment Management Limited (MIML) as manager. MIML's 11.10% is therefore included in the 55.10% holding of CCP Bidco in the table above.

## Twenty largest shareholders (as at 5 August 2014)

Rank	Name	No of shares as per notice	% of issued capital
1	CCP Bidco Pty Limited	90,043,173	16.40
2	Macquarie Investment Management Limited	60,924,764	11.10
3	Citicorp Nominees Pty Limited	44,855,419	8.17
4	CCP Trusco 4 Pty Limited	39,659,866	7.22
5	CCP Bidco Pty Limited	30,745,523	5.60
6	CCP Trusco 5 Pty Limited	28,112,877	5.12
7	CCP Trusco 1 Pty Limited	25,897,302	4.72
8	Portfolio Services Pty Limited	24,829,888	4.52
9	CCP Trusco 3 Pty Limited	14,798,457	2.70
10	CCP Trusco 2 Pty Limited	12,332,048	2.25
11	JP Morgan Nominees Australia Limited	10,904,290	1.99
12	Mr Simon Swanson	10,000,000	1.82
13	Investec Trust (Switzerland) SA	9,929,536	1.81
14	National Nominees Limited	9,071,594	1.65
15	Addis Superannuation Pty Limited	7,146,536	1.30
16	HSBC Custody Nominees (Australia) Limited	7,143,640	1.30
17	Wintol Pty Limited	6,999,349	1.27
18	BNP Paribas Noms Pty Limited	6,848,043	1.25
19	Wintol Pty Limited	5,600,072	1.02
20	AMP Life Limited	4,496,982	0.82



---

## Shareholders' Information

As at 31 July 2013

### Ordinary Share Capital

There are 548,987,348 fully paid ordinary shares held by 1,778 shareholders. All the shares carry one vote per share.

### Distribution of shareholders

The distribution of Shareholders as at 31 July 2014 is as follows:

Range	Total holders	Units	% of issued capital
1 - 1,000	265	87,441	0.02
1,001 - 5,000	508	1,538,150	0.28
5,001 - 10,000	293	2,222,665	0.40
10,001 - 100,000	527	14,725,480	2.68
100,001 and over	185	530,413,612	96.62
<b>Total</b>	<b>1778</b>	<b>548,987,348</b>	<b>100.00</b>

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$0.80 per unit	625	189	21,367

### Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2014.

---



This page has been left blank intentionally.

---

This page has been left blank intentionally.

---



This page has been left blank intentionally.

---

# Directory

## Directors

Dr Gary Weiss (Chairman)  
Andrew Sneddon  
Bruce Edwards  
David Brown  
Gary Burg  
Jennifer Newmarch (née Weinstock)  
Michael Alscher  
Michael Lukin  
(Alternate to Mrs Newmarch)  
Nathaniel Thomson  
Simon Swanson

## Former Directors

John Fallick

## Managing Director

Simon Swanson

## Company Secretaries

Chris Robson  
Athol Chiert

## Appointed Actuary

Ashutosh Bhalerao

## Chief Actuary and Risk Officer

Greg Martin

## Registered Office and Contact Details

Level 12, 20 Bond Street  
Sydney NSW 2000  
GPO Box 4232  
Sydney NSW 2001  
Telephone: 02 8095 1300  
Facsimile: 02 9233 1960  
Email: [ir@clearview.com.au](mailto:ir@clearview.com.au)  
Website: [www.clearview.com.au](http://www.clearview.com.au)

## Share Registry

For all enquiries relating to  
shareholdings, dividends and related  
matters, please contact the share  
registry:

Computershare Investor  
Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

GPO Box 2975  
Melbourne VIC 3001

Telephone: 1300 855 080  
03 9415 4000

Facsimile: 03 9473 2500  
[www.computershare.com.au](http://www.computershare.com.au)

## Auditors

Deloitte Touche Tohmatsu

## Stock Listing

ClearView Wealth Limited is listed on  
the Australian Securities Exchange (ASX)  
under the ASX code "CVW".

ClearView Wealth Limited

ABN 83 106 248 248

[www.clearview.com.au](http://www.clearview.com.au)

ASX code CVW

