Appendix 4E

for the year ended 30 June 2019

Appendix 4E

ClearView Wealth Limited ABN 83 106 248 248

Name of Entity	ClearView Wealth Limited
ACN:	106 248 248
Period ended (reporting period)	30 June 2019
Period ended (previous corresponding period)	30 June 2018

Results for announcement to the market

(Amount and percentage change up or down from the previous corresponding period)

	30 June 2019 $'000	30 June 2018 $'000	% Change
Operating revenue before net fair value gains on financial assets	385,755	372,207	4%
Net operating revenue from ordinary activities[1]	453,837	413,402	10%
Net operating profit from ordinary activities	3,959	26,596	(85%)
Net profit for the reporting period attributable to members	3,959	26,596	(85%)

Dividends

	Amount per security	Franked amount per security
Final dividend declared (cents)	nil	nil
Interim dividend (cents)	nil	nil

A final dividend for FY18 of $20.05 million (3.00 cents per share) was paid during the financial year.

The group net capital position as at 30 June 2019 is $5.0 million (in excess of internal benchmarks after taking into account the debt funding facility). Internal benchmarks include capital held for the protection of the ClearView's regulatory capital position in respect of risk outcomes where the regulatory capital cannot be easily accessed and to protect the various entities' regulatory licences.

The Board has decided not to declare a full year dividend in 2019. Given the illiquidity of the shares, the share price does not always reflect the Company's view of intrinsic value. In such circumstances, the Board believes that buying back shares below intrinsic value is in the best interests of ClearView shareholders. In December 2018, the Board determined to extend its on market buy-back within the 10/12 limit for a period up until December 2019. No shares were bought back under the scheme in the full year ended 30 June 2019. Effective Friday 30 August 2019, the Board has approved the recommencement of this 10/12 limit on market buy-back program and ClearView's appointed broker for the buy-back is Blue Ocean Equities Pty Limited. The ongoing operation of the buyback is subject to market conditions and ClearView's capital management requirements from time to time. See capital position risks outlined on page 47 of the Annual Report.

1 Net operating revenues from ordinary activities include amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of net premium revenue of $171.5 million (2018: $158.4 million), fee and other revenue of $123.1million (2018: $127.7 million), investment income of $91.1 million (2018: $86.0 million) and net fair value gains on financial assets of $68.1 million (2018: $41.2 million).

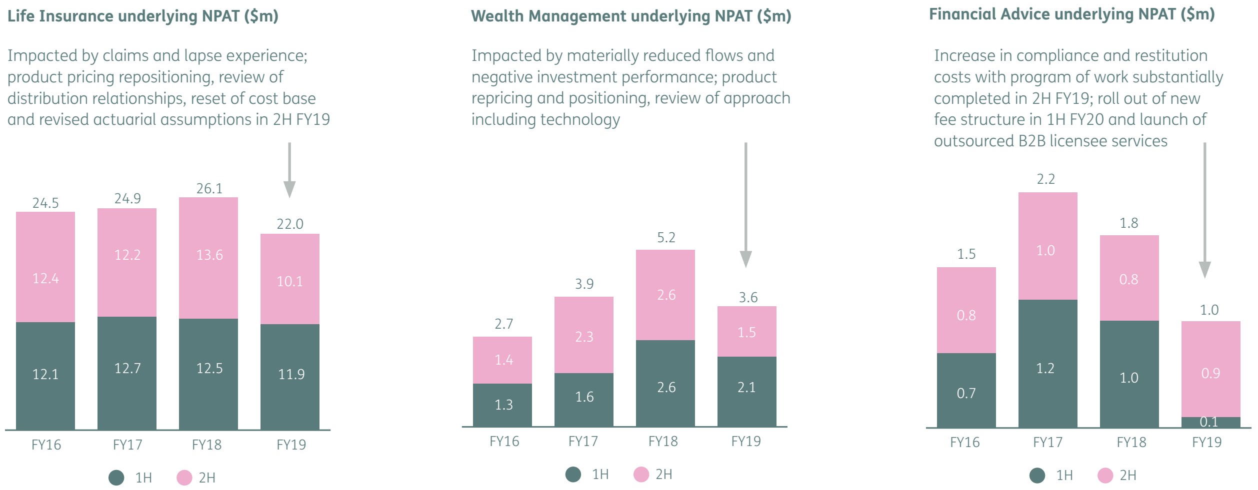
Review and results of operations

The ClearView Group achieved the following results for year ended 30 June 2019:

After tax profit by segment, $M	FY19 $M	FY18 $M	% change[1]
Life Insurance	22.0	26.1	(16%)
Wealth Management	3.6	5.2	(30%)
Financial Advice	1.0	1.8	(44%)
Listed entity and other	(1.5)	(0.7)	(98%)
Underlying NPAT[2]	**25.1**	**32.4**	**(22%)**
Policy liability discount rate effect	6.6	(0.9)	Large
Cost out program implementation costs	(3.8)	-	Large
Impairments	(18.9)	-	Large
Amortisation of acquired intangibles	(1.2)	(4.0)	Large
Direct Remediation Program and Royal Commission costs	(2.4)	-	Large
Other costs[6]	(1.4)	(0.8)	Large
Reported NPAT[4]	**4.0**	**26.6**	**(85%)**
Embedded Value[3]	672.7	670.4	0%
Net asset value[4]	439.1	444.3	(1%)
Reported diluted EPS (cps)[5]	0.62	4.14	(85%)
Underlying diluted EPS (cps)[5]	3.94	5.03	(22%)

1. % movement, FY18 to FY19 unless otherwise stated.
2. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
3. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans. Embedded Value as at 30 June 2018 restated to remove Financial Advice client book including franking credits. Embedded Value at 30 June 2019 includes various assumption changes from 30 June 2018 calculations.
4. Net Asset Value as at 30 June 2019 excluding ESP Loans.
5. Impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.
6. Considered unusual to the ordinary activities of the business.

Chart 1: Segment performance Underlying NPAT FY16-FY19



The FY19 result does not reflect the key strategic actions completed in 2H FY19 that are likely to have a positive longer term effect on the emergence of sustainable profit growth from the material increase in the life insurance in-force portfolio (+12% in FY19).

Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 22% to $25.1 million (FY18: $32.4 million) with fully diluted Underlying EPS decreasing by 22% to 3.94 cps (FY18: 5.03 cps). Reported NPAT, decreased 85% to $4 million (FY18: $26.6 million) with reported diluted EPS decreasing by 85% to 0.62 cps (FY18: 4.14 cps). This result reflected:

- A challenging market environment (increased market volatility, uncertainty and negative consumer sentiment);
- Poor lapse and claims experience (-$10.8 million negative experience; FY18 -$7.6 million). The claims experience includes a $1.8 million impact from the change in income protection claims assumptions in FY19; and
- Reducing interest rates and a lower discount rate in policy liability, offset by impairment write-offs of Goodwill, Intangibles and other costs considered unusual to the ordinary activities (see page that follows).

The business strategy and focus has been reset and ClearView remains positioned to take advantage of the structural changes in the market. Key initiatives in FY19 included:

- Completed a material cost transformation program, including IT strategic review. The business is now focused on effective cost management, coupled with a reinvigorated IT strategy and road map. Some reinvestment in the risk and compliance functions and the shift to new technology platforms is expected.
- Implemented the direct consumer remediation program and the life insurance advice remediation program.
- Terminated certain poor performing life insurance distribution relationships (lapse rates above acceptable norms) with the product pricing and repositioning of ClearView LifeSolutions implemented in the last quarter of FY19. These actions will result in some reduced 'head line' sales in the shorter term, but overall business quality and profitability is expected to improve going forward.
- Repricing and enhancement of contemporary wealth management products given competitor solutions and recent pricing changes – aimed at supporting net flows, with a shorter term profit impact as the price changes flow through the in-force portfolios.
- Reviewed our Financial Advice business strategy, dealer group pricing model and launched LaVista Licensee Solutions. LaVista is a new outsourced B2B licensee services offer which provides services to meet the needs of the growing number of self-licensed financial advisers and positions ClearView to capture opportunities arising from structural change.
- Reset of the expense, claims, lapse and discount rate assumptions for valuations and business management to take into account observed recent experience.
- Positioned the life insurance business to capitalise on opportunities arising from the breakdown of vertical integration and the opening up of APLs. ClearView is likely to be a beneficiary of disruption as more previously aligned advice businesses are able to access our products and services for the first time.

Other adjustments, impairment and amortisation

Items which are identified by the Board as not representing the underlying performance of the business are not included in Underlying NPAT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period. Items not included in Underlying NPAT primarily result from costs relating to major restructuring initiatives, impacts on policy liability from changes in discount rates, impairments of assets, amortisation of acquired intangibles and other transactions outside the ordinary course of business.

The following items impacted the reported NPAT and comprised the items outlined in the following table (with additional explanations provided below the table).

Reconciling items ($M) (Net of Tax)	FY19 $M	FY18 $M	% Change
Amortisation of acquired intangibles	(1.2)	(4.0)	(70%)
Policy liability discount rate effect	6.6	(0.9)	Large
Cost out program implementation costs	(3.8)	-	Large
Capitalised software impairment	(6.0)	-	-
Goodwill and client book impairment	(12.9)	-	-
Other costs	(3.8)	(0.8)	Large
Total	**(21.1)**	**(5.7)**	**Large**

Amortisation of acquired intangibles

Amortisation of intangibles is associated with the acquisition of wealth management and life insurance businesses from Bupa and financial advice businesses, that is, ComCorp and Matrix Planning Solutions. These are reported separately to remove the non-cash effect of the write-off of these acquired intangibles. The reduction in the amortisation between periods is related to the acquisition of businesses from Bupa given certain client books have now been written off in full. The $1.2 million amortisation relates to the financial advice client books in June 2019. The balance of the acquired intangibles held in the Financial Advice segment were fully impaired as part of the impairment testing completed in June 2019.

Policy liability discount rate effect

The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine 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. The reduction in long-term discount rates over FY19 caused an increase in after-tax reported profit of $6.6 million (FY18: -$0.9 million).

Cost out program implementation costs

These relate to the upfront implementation costs associated with the cost out program in 2H FY19 and includes redundancy costs, IT transformation costs and an onerous rent provision. These costs are associated with a major restructuring initiative and are considered unusual to the ordinary activities.

Capitalised software impairment

ClearView has previously capitalised its software development costs and amortised these costs over a four-year period. In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the FY19 IT strategy review, the carrying values of ClearView's capitalised software have been revised.

As a result, certain software development costs were impaired at 30 June 2019 for obsolete or reduced functionality, or had their useful life reduced due to changes in the direction of the information technology strategy. This resulted in a software impairment of $6.0 million (after tax) at 30 June 2019.

An additional amortisation expense of $1.5 million has also been recognised in FY19 due to the reduced useful life of the existing software intangibles and associated acceleration of amortisation (based on a revised intangible asset amortisation policy and the expected future benefits expected to be received).

The impairment of capitalised software at 30 June 2019 associated with the change in IT strategic direction has been reported as a cost considered unusual to the group. However, the acceleration of amortisation due to a change in useful life has been recognised as part of Underlying NPAT. This also ensures consistent treatment of the amortisation of capitalised software period to period.

This resulted in a reduction of the software carrying cost from $18.3 million at 31 December 2018 to $8.6 million as at 30 June 2019.

Impairment of acquired Financial Advice client books and goodwill

ClearView understands that operational efficiency and scale will become a key requirement of any future dealer group offering (including those offered to third party AFSLs), as grandfathered commissions and other “conflicted remunerations” are ultimately removed. The future state for dealer groups requires the removal of cross subsidisation between the manufacturer and advice businesses and the replacement of grandfathered revenue streams which have supported economic value across the industry.

Given the structural changes underway in the industry including the expected changes to grandfathered revenue streams and the implementation of a proposed new fee structure in our dealer groups (shift to a ‘flat membership fee’ model paid by practices as opposed to the historical industry practice of a client fee split), an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment.

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the dealer group review, the carrying values of goodwill and client books in this segment have been revised. Goodwill and the client books have been assessed and tested based on a discounted cash flow model (value-in use). This has been prepared assuming a set of assumptions including the repricing of dealer services fees and removal of grandfathered rebates and cross subsidies over time.

Based on the testing performed, the $7.9 million carrying value of goodwill and $4.9 million of client books in the Financial Advice cash generating unit was impaired at 30 June 2019. The total impairment of both these assets ($12.9 million) has been reported as a cost considered unusual to the group.

Based on impairment testing, the net assets of the Financial Advice segment will be included in the Embedded Value calculations, with an overall net reduction of $28.3 million (including previously reported value of franking credits of $7.7 million) in the Embedded Value at 30 June 2019.

Other costs considered unusual to the ordinary activities

Costs that are considered unusual to ClearView’s ordinary activities and therefore not reflected as part of Underlying NPAT predominantly include expenses incurred in relation to costs associated with the Direct Remediation Program ($0.9 million after tax), Royal Commission costs ($1.5 million after tax) and retention bonus payments paid to key individuals in September 2018 ($1.4 million after tax). In FY18, the strategic review costs of $0.8 million related to the costs associated with the Cooperation Agreement between ClearView and Sony Life. These costs ceased from 1 July 2018, being the effective date of termination of the Cooperation Agreement.

Net assets per share

	Reporting period	Previous corresponding period
Net assets per share (cents per share)*	69.2	71.3

*Adjusted for shares issued and corresponding loans granted ($29.1 million) (2018: $32.4 million) under the Executive Share Plan (ESP).

See Operating and Financial Review in accompanying Annual Report for details on the Statements of Financial Position, Capital Position and Embedded Value as at the 30 June 2019.

Control gained or lost over entities

ClearView formed LaVista Licensee Solutions Pty Limited (LaVista) on 19 November 2018 to provide outsourced B2B licensee services to third party Australian Financial Services Licensees (AFSLs). LaVista is a wholly owned subsidiary of ClearView.

Details of associates and joint venture entities

None.

Earnings per share

	Reporting period	Previous corresponding period
Basic earnings per share (cents per share)	0.63	4.33
Fully diluted earnings per share (cents per share)	0.62	4.14
Basic underlying earnings per share (cents per share)	3.99	5.27
Fully diluted underlying earnings per share (cents per share)	3.94	5.03

Underlying earnings per share is based on UNPAT which is the Board's key measure of group profitability and the basis on which dividends are determined.

Compliance statement

The information provided in this report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements or other standards acceptable to ASX.

The ClearView Wealth Limited Annual Report for the period ended 30 June 2019 has been subject to audit by our external auditors. A copy of the independent audit report to the members of ClearView Wealth Limited is included in the accompanying Annual Report.

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Company Secretary

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