

# Track to Growth

ClearView **2011 ANNUAL REPORT**

## TRACK TO GROWTH

ClearView is on a track to growth. During 2011, we successfully integrated the life insurance and wealth management businesses purchased from Bupa Australia in June 2010. We also commenced growth initiatives to enhance our product offering, enter the advice market, and expand and leverage our strategic partner member base which totals over 3 million Australians.

We believe our focused growth strategy, experienced management team and strong capital position will continue to steer us towards becoming a significant player in Australia's life insurance and wealth management markets.

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## FINANCIAL CALENDAR

### ANNUAL GENERAL MEETING

27 October 2011, at 10am

### HALF YEAR END

31 December 2011

### HALF YEAR RESULT ANNOUNCEMENT

February 2012

### YEAR END

30 June 2012

### ANNUAL REPORT

August 2012

*Dates are subject to change.*

## OUR PURPOSE

To be a trusted partner in providing financial solutions that protect and improve the lifestyles of Australians throughout their lifetime.

## OUR VALUES

### COLLABORATION

**WE BRING TOGETHER EXTENSIVE INDUSTRY EXPERIENCE WITH THE AGILITY OF AN INDEPENDENT SPIRIT.**

Our strengths allow us to behave in our customers' best interest. We have a strong sense of community and mutual support that reflects how we do business.

### INTEGRITY

**TO DELIVER A STRAIGHT FORWARD, FRIENDLY AND ACCESSIBLE SERVICE WE HAVE TO BE TRANSPARENT AND SINCERE IN OUR ACTIONS.**

Mutual trust and respect are central to our purpose and underlie our belief in open and truthful relationships.

### PERSISTENCE

**PROVIDING A HIGH TOUCH, HIGH QUALITY RANGE OF PRODUCTS AND SERVICES MEANS WE CONSTANTLY STRIVE TO OUTPERFORM THE BEST IN THE WORLD.**

Our size and experience allow us to search all solutions until we find the exact fit and optimum result for our customers, partners and staff.

### AUTHENTICITY

**WE ARE WARM AND APPROACHABLE AND ABSOLUTELY CLEAR ABOUT WHO WE ARE AND WHY WE GENUINELY CARE ABOUT YOUR FINANCIAL SECURITY.**

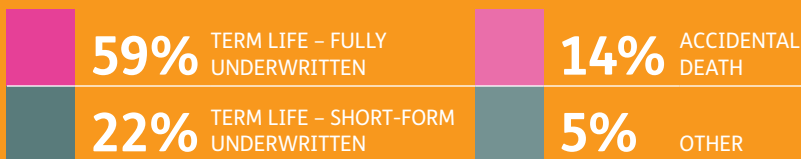
We are invited into people's lives because we are good people, offering really good advice, with extremely valuable products and clear service benefits.

ClearView specialises in providing Australians with integrated financial solutions which include life insurance, investment and superannuation products, and financial advice.

IN FORCE LIFE INSURANCE PREMIUMS

\$41.0 million

IN FORCE PREMIUM MIX

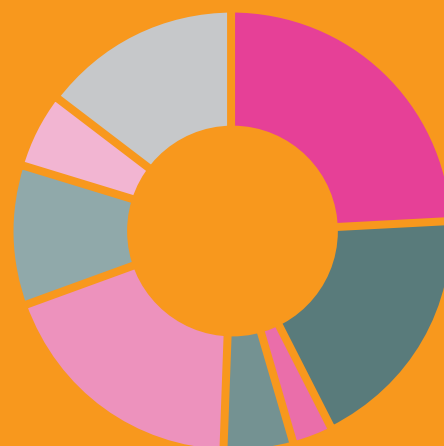


## FUNDS UNDER MANAGEMENT AND ADVICE

# \$3.0 billion

### FUMA MIX (\$M)

<b>714</b>	PENSIONS	<b>554</b>	COLONIAL FIRST STATE FUA
<b>570</b>	SUPER	<b>301</b>	NAVIGATOR FUA
<b>92</b>	ROLLOVER AND SAVINGS	<b>165</b>	MACQUARIE FUA
<b>147</b>	RETAIL UNIT TRUSTS	<b>426</b>	OTHER FUA



## INVESTMENT PERFORMANCE

### TOTAL 1 YEAR RETURN (FUNDS UNDER MANAGEMENT)

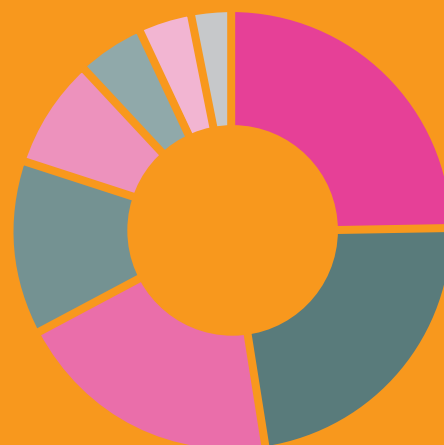
CLEARVIEW WHOLESALE FUNDS	%	%	INDEX
MONEY MARKET	5.10	4.99	UBS BANK BILL
BOND	6.31	5.55	UBS COMPOSITE BOND ALL MKTS
INTERNATIONAL FIXED INTEREST	7.52	5.38	CITIGROUP WORLD GOV'T BOND
PROPERTY	5.90	5.84	S&P ASX 200 PROPERTY
AUSTRALIAN EQUITY	14.33	11.73	S&P ASX 200
INTERNATIONAL EQUITY	8.77	2.66	MSCI WORLD EX AUSTRALIA

# \$1.5 billion

FUNDS UNDER MANAGEMENT

### ASSET MIX

<b>25%</b>	AUSTRALIAN SHARES	<b>7%</b>	LISTED INFRASTRUTURE
<b>23%</b>	AUSTRALIAN FIXED INTEREST	<b>5%</b>	EMERGING MARKETS
<b>20%</b>	CASH	<b>4%</b>	PROPERTY
<b>13%</b>	INTERNATIONAL SHARES	<b>3%</b>	INTERNATIONAL FIXED INTEREST



## Chairman's Report Ray Kellerman

ClearView Wealth Limited (ClearView) is a profitable, cash generating business with significant potential for growth and value creation. The current business has been created by the successful integration of the life insurance and wealth management businesses acquired from Bupa Australia on 9 June 2010. The potential for growth stems from our industry expertise, our exclusive distribution agreements with strategic partners and ClearView's unique position in the market.

### INTRODUCTION

The 2011 financial year (2011) reflects 12 months of ownership of the life insurance and wealth management businesses acquired and the transformation of ClearView into a vertically integrated life insurance and wealth management company. This compares with the 2010 financial year (2010) which reflected only three weeks of change and preliminary integration. The success of the acquisition and transformation is revealed in 2011 with a significant increase in profitability and generation of cash. By the end of the next financial year, we expect to be able to show you evidence of our planned growth.

### FINANCIAL RESULTS

For the year ended 30 June 2011, we reported an underlying net profit after tax of \$19.3 million compared to an underlying loss after tax of \$1.0 million in the prior year. Underlying profit is the Board's key measure of profitability and the basis on which the dividend payment is determined. It consists of the reported profit after tax adjusted for amortisation charges, one-off costs associated with the integration, restructure and upgrade of the acquired businesses and systems, and volatile interest rate effects

on the insurance policy liabilities (tax affected). The underlying loss after tax for 2010 also excludes an adjusted profit on acquisition of \$11.8 million due to the accounting for business combinations under the accounting standards.

### SURPLUS CAPITAL

At 30 June 2011, the surplus capital above internal target requirements (prior to the 2011 dividend and capital benefit of the utilisation of tax losses) was \$53 million. Our surplus capital and its increase over the year demonstrates ClearView's capital generation capacity and our strong capital position. The year end position allows the Company to pay its shareholders a dividend and to fund its growth initiatives over the medium term.

### DIVIDENDS

The Directors have declared a fully franked dividend of 1.8 cents per share which will be paid on 22 September 2011. This dividend represents 40% of underlying profit which is at the top of our policy range (outlined on page 15 of the Directors' Report) and reflects our strong capital position at the end of the financial year. No dividends were paid in the prior year.

### POTENTIAL FOR GROWTH

We are in a unique position to grow in the life insurance and wealth management industry. Although Clearview's individual businesses have been around for more than 20 years, ClearView is a newly vertically integrated financial services company. We have a new senior management team with deep and broad industry experience and the flexibility to focus on profitable, scalable segments of the market. We also have exclusive distribution agreements with strategic partners – currently Bupa Australia, 7 credit unions and 2 affinity groups – which provide us with access to over 3 million Australians. Ensuring we have the range of products, a suitable administration platform and multiple distribution channels will be crucial to maximising growth and shareholder value over the next few years.

### SIGNIFICANT SHAREHOLDER

ClearView's largest shareholder is Guinness Peat Group (GPG) whose shareholding in the Company is 49%. On 11 February 2011, GPG announced that it was undertaking an orderly value realisation of its investment portfolio and would seek to exit individual investments at an appropriate timeframe for each investment which optimises value for GPG shareholders. Since this announcement, the support from our largest shareholder remains strong. They continue to work closely with ClearView and its Board to enhance and create shareholder value. GPG currently has one Director and one alternate Director on the ClearView Board and we continue to value their strategic insights and expertise.

### OUR PEOPLE

ClearView has recruited a highly skilled and talented management team and Board to maximise value for our shareholders.

Simon Swanson, who joined as Managing Director in March 2010, has assembled a team with the energy and experience not only to run the existing business but to transform ClearView into a growth business. My thanks go to Simon, his management team and to all the staff for their efforts during the year.

I would also like to extend a sincere thank you to my Board colleagues. Anne Keating and Susan Thomas joined the Board in November 2010 and have provided valuable expertise and input into preparing ClearView for growth. Peter Wade and Michael Jefferies both resigned as Directors

in July 2011 and I would like to thank them for their help with the transformation of ClearView over their four and three years, respectively. Mike will continue to play an active role as an alternate director to Anthony Eisen. The Board currently consists of seven directors, of whom four are Independent as per the ASX Corporate Governance Principles and Recommendations.

### OUTLOOK

Market uncertainty as well as pending regulatory reforms are creating challenges for all financial services companies in Australia, and ClearView is no exception. Negative consumer sentiment in the economy has manifested itself in our net fund flow results. Vertically integrated companies like ClearView are in a strong position to adapt to an uncertain economic environment and potential regulatory reforms.

We have the flexibility around products, pricing and distribution that puts us in a good position to deal with proposed reforms. We also have a strong capital position at 30 June 2011 which supports our sustainability and ability to pursue opportunities. Furthermore, the long term outlook for the life insurance and wealth management industries remains robust driven by an underinsurance gap, government mandated superannuation and an increasingly complex investment environment.

### CONCLUSION

ClearView is well positioned to continue its transformation into a growth company despite short term uncertainty in the markets and associated execution risk. We now have a solid business from which to grow, strong leadership and direction from the Board and management team, a focused growth strategy and a strong capital position. I would finally like to thank our shareholders and strategic partners for supporting our initiatives to become a significant player in life insurance and wealth management in Australia.



**Ray Kellerman**  
Chairman

Sydney, 24 August 2011

## Managing Director's Report Simon Swanson

We are on a track to growth and to becoming a fully integrated life insurance and wealth management company. The purchase of the ClearView businesses from Bupa Australia and their integration with our existing businesses has transformed the Company. ClearView is now a standalone ASX listed company. This independence allows a more focused, nimble and specialised approach to creating opportunities in the life insurance and wealth management industries. Importantly, ClearView retains the distribution capability of a large company which can be used to maximise the value of exclusive distribution agreements with its strategic partners.

### OPERATIONAL HIGHLIGHTS

Operational highlights during the financial year include:

- Establishing ClearView as a standalone life insurance and wealth management business following the successful acquisition of the Bupa businesses;
- Upgrading our life insurance and wealth management administration platform;
- Launching a suite of direct life insurance products through direct marketing, telemarketing and the Internet;
- Integrating our financial planning businesses by merging ComCorp with ClearView to form ClearView Financial Advice;
- Winner of the Money Management non-aligned 'Dealer Group of the Year' for 2011; and

- Commencement of growth initiatives which include the launch of a life advice product and a "private label" wealth management platform.

### FINANCIAL RESULTS

The results for the year ended 30 June 2011 reflect how much the Company has changed post the acquisition and integration of the Bupa businesses. The underlying net profit after tax was \$19.3 million, up from an underlying net loss of \$1.0 million in the 2010 financial year. Reported net profit from continuing operations after tax increased by 260% to \$8.7 million from \$2.4 million in the previous year (adjusted for the reported profit on acquisition). The Board re-instated a dividend in 2011 of 1.8 cents per share on a fully franked basis. The embedded value of the group rose by 16% to \$259 million at 30 June 2011, from \$223 million at 30 June 2010.



We ended the year with a strong capital position that included no debt and surplus capital above internal requirements of \$53 million. Whilst our surplus capital was securely invested in cash and earned 4% post tax in 2011, more importantly, the balance of our capital employed in the life insurance and wealth management businesses returned a healthy 14% after tax over the period.

### **ECONOMIC CONDITIONS**

The Australian economy faced an unusual year in the second half of the 2011 financial year – it was neither booming nor collapsing. However, the prospect of increasing interest rates, poor equity performance, a stronger Australian dollar and inflation coupled with debt concerns in Europe and the United States led to lower consumer confidence in Australia which in turn has led to negative fund flows.

We believe that this relatively low period of economic confidence may well continue for a number of years and we have decided to reposition our business accordingly. This is reflected in the restructuring of our financial planning business to further improve performance and reduce costs.

### **MARKET OUTLOOK**

#### **LIFE INSURANCE**

Our life insurance business, like the overall industry in Australia, has been stable. However, it has been impacted by recent trends that reflect an increase in lapse rates. We suspect this increase is due to our relative greater exposure to the New South Wales and Queensland economies which have been harder hit than the other States over the past twelve months, as well as credit card billing issues which have now been resolved. Nevertheless, we expect to benefit from long term industry growth which remains strong as annual in force premiums are forecast to grow at slightly above 9% per annum over the next 10 years (Source: DEXX&R).

#### **WEALTH MANAGEMENT**

The Australian retail wealth management industry continues to experience net fund outflows and this will be reflected in the upcoming industry statistics. The superannuation industry remains a growth industry, however, supported by regulated inflows. What is clear

today is that the age of retirement is far more variable than many had thought. The Global Financial Crisis adversely impacted super balances and expectations around sustainable returns from investments. In these circumstances we believe that there has been a widespread deferral of retirement as people stay within the accumulator stage of the super system for another few years to rebuild super balances. The retail industry that ClearView has historically participated in is overwhelmingly focused on the retiree market, and as such has seen much lower fund inflows. This deferral of retirement can only delay the timing of the anticipated flow of funds into the retirement phase.

### **REGULATIONS**

The Australian financial services industry is facing a relatively complex set of regulatory changes in the near term that consist of:

- Advice based reforms – the Future of Financial Advice (FOFA) reforms;
- Capital based reforms – APRA's proposed changes to capital standards; and
- International accounting standards – IASB and FASB proposed changes.

ClearView is well positioned to manage these reforms due to its strong capital position and its vertically integrated financial services business model, which provides it with flexibility in terms of its products, pricing and distribution methods.

Changes to the international accounting standards will impact the industry as a whole, and future developments will continue to be monitored closely.

### **STRATEGIC PARTNERSHIPS**

Our largest strategic partner is Bupa Australia with whom we have a 10 year exclusive distribution agreement to sell life insurance and wealth management products to its member base of over 3 million people. The Bupa relationship is proceeding in a measured fashion and there is much work to do from both sides to make the partnership a success. It will take time to penetrate the Bupa member base although we believe the long term rewards will eventuate as we expand the quality and depth of the relationship.

## Managing Director's Report Continued...

Our relationships with credit unions continue to be strong and we look forward to increasing and expanding our distribution agreements with them going forward. The merging of Phoenix Credit Union and Maitland Mutual Building Society in March 2011 reduced our credit union relationships to seven but had a minimal impact on our member base. All of our distribution agreements with credit unions involve us selling their members wealth management products. However, starting in October 2011, we will be selling life insurance products to the members of the Queensland Country Credit Union.

### **TRACK TO GROWTH**

Our track to growth in the next financial year will focus on the following:

- Upgrading and expanding products and processes with an initial focus on Life Insurance;
- Leveraging alliances with strategic partners;
- Penetrating the Independent Financial Adviser (IFA) market; and
- Increasing our strategic partners through additional alliances.

### **SPECIFIC INITIATIVES INCLUDE:**

- Launching a life insurance product tailored to the IFA market;
- Rolling out our products to the Bupa member base via telemarketing/direct marketing, member centres, call centres, the Internet and the HBA/Mutual Community;
- Creating a private label platform on which to launch new wealth management products; and
- Expanding our life insurance offering to credit unions.

We expect these initiatives will start to materialise in the second half of the 2012 financial year and provide a strong platform for growth in the ensuing years.

### **THANK YOU**

I would like to thank the Board, staff and financial planners for their commitment to our goal of providing value for money products, and good, consistent service and advice in the last financial year. The challenge for us in the next year is to continue to improve so that we can make a strong contribution to our customers, strategic partners, employees and shareholders. Finally, I would like to thank our strategic partners, namely Bupa and our credit union partners, for their support during the year.

### **SUMMARY**

2011 has been a transformational year for ClearView which is profitable, generating strong capital returns and paying dividends. This solid financial performance together with our clearly articulated strategy and our determined team, positions us well in an industry with strong growth prospects.



**Simon Swanson**  
Managing Director

Sydney, 24 August 2011

# 2011 RESULTS

## \$19.3m

4.6 CENTS PER SHARE (FULLY DILUTED)

### UNDERLYING NPAT<sup>1</sup>

## 1.8

CENTS PER SHARE

### FULLY FRANKED DIVIDEND

## \$53m

12.2 CENTS PER SHARE (FULLY DILUTED)

### SURPLUS CAPITAL<sup>2</sup>

## 61

CENTS PER SHARE<sup>3</sup>

### NET ASSETS

## \$259

MILLION

### EMBEDDED VALUE

<sup>1</sup> Underlying profit is the Board's key measure of profitability and the basis on which the dividend payment is determined. It consists of profit after tax adjusted for amortisation, restructure and transition costs, one-off system upgrade costs and AIFRS insurance liability adjustment (tax effected).

<sup>2</sup> Surplus capital above internal target requirements prior to the FY11 dividend and capital benefit of utilisation of tax losses.

<sup>3</sup> Net assets per share is adjusted for an Employee Share Plan (ESP) loan of \$12.0 million and 20.7 million ESP shares.

## PROFIT & LOSS

YEAR ENDED 30 JUNE 2011	\$ million
Life insurance	9.0
Wealth management	10.2
Financial planning	(0.4)
Listed Entity / Other	0.5
<b>Underlying NPAT</b>	<b>19.3</b>
Amortisation	(7.4)
One-off adjustments	(3.2)
<b>Reported NPAT</b>	<b>8.7</b>

**RESULTS REFLECT A SOLID, PROFITABLE BUSINESS AT THE BEGINNING OF A GROWTH PHASE.**

## HIGHLIGHTS

**Successfully integrated Bupa Australia's life insurance and wealth management businesses**

**Extracted annual cost savings of \$6.5 million**

**Successful recruitment of experienced and skilled key executives and Board members**

**Rolled out referral management system to planners and strategic partners**

**Introduced 5 new direct life insurance products and upgraded life insurance client facing websites**

**Winner of the 2011 Money Management non-aligned 'Dealer Group of the Year'**

# 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 2011 (the financial year).

## DIRECTORS

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

- Ray Kellerman (Chairman)
- Anne Keating (appointed 29 November 2010)
- Anthony Eisen
- David Goodsall
- John Murphy
- Michael Jefferies (resigned 27 July 2011)
- Peter Wade (resigned 27 July 2011)
- Simon Swanson
- Susan Thomas (appointed 29 November 2010)

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

## CURRENT DIRECTORS

### Ray Kellerman B.EC, LLB, MBA, ACIA Independent Non-executive Chairman

Ray has a legal background and was head of compliance services at the Corporate Trust division of Perpetual Trustees Australia where he spent 10 years before establishing his own compliance consulting and advisory business in 2001. Ray currently acts as a director and audit, risk and compliance committee member for a number of major fund managers and financial institutions including Goodman Funds Management Australia, Certitude Global Investments, Macquarie Bank, Deutsche Asset Management, Aberdeen Asset Management and Alliance Bernstein Investment Management Australia. He is an owner and director of Quentin Ayers Pty Limited, an independent asset consultant firm in the alternative assets sector.

Ray is the Chairman of the Nomination and Remuneration Committee and a member of the Audit, Risk and Compliance Committee. He was appointed a Director on 5 April 2007 and Chairman on 4 November 2008. Age 47.

### Anne Keating Independent Non-executive Director

Anne has 18 years' experience as a director including seven on the NRMA Insurance Board along with significant marketing and governance experience. She is currently a director of Ardent Leisure Group Limited, GI Dynamics Inc, Goodman Group, the Garvan Institute of Medical Research and REVA Medical Inc. Anne is also a member of the Advisory Council of the Royal Bank of Scotland Australia, a Governor of Cerebral Palsy Foundation and a Trustee of Centennial Park and Moore Park Trust. Her former directorships were at Insurance Australia Group (formerly NRMA Insurance), STW Communications Group, WorkCover Authority of NSW, Spencer Street Station Redevelopment Holdings, Radio 2CH, Easy FM China and Victor Chang Cardiac Research Institute. From 1993 to 2001, Anne was the General Manager of Australia for United Airlines.

Anne is a member of the Nomination and Remuneration Committee. She was appointed to the Board on 29 November 2010. Age 57.

### Anthony Eisen B.COM, CA Non-executive Director

Anthony has 17 years' experience in finance and investment. He is currently an executive of GPG. As GPG is a substantial shareholder of ClearView shares, Anthony is not considered independent by the Board. Prior to joining GPG, Anthony was an investment banker in Australia and the United States. Anthony commenced his professional career as an accountant and is a member of the Institute of Chartered Accountants in Australia. Anthony currently represents the interests of GPG on the boards of Capral Limited, eServGlobal Limited, Tower Limited and Turners & Growers Limited. Anthony was previously a director of GPG on the board of Tower Australia Group Limited.

Anthony is a member of the Audit, Risk and Compliance Committee. He was appointed a Director on 12 November 2007. Age 39.

### David Goodsall BA, FIAA, ASA, CERA, MAICD Independent Non-executive Director

David has in-depth knowledge and experience in life insurance and funds management. He has held a number of Appointed Actuary positions and led the Actuarial practice of Ernst & Young where he was also a partner until he retired from the firm in 2009. In 2009, David established a new consulting firm, Synge & Noble, where he is a director. He is also the Senior Vice President of the Institute of Actuaries of Australia.

David is Chairman of the Audit, Risk and Compliance Committee. He was appointed a Director on 9 June 2010. Age 56.

**John Murphy** B.COM, M.COM, CA, FCPA  
**Non-executive Director**

John is the founder and Managing Director of Investec Wentworth Private Equity. As Investec is a substantial shareholder of ClearView shares, John is not considered independent by the Board. John has over 30 years experience in private equity, turnarounds, corporate finance and accounting. Prior to entering private equity in 1998, John spent over 25 years, including 14 as a senior partner, in the corporate finance and recovery division of a global accounting firm. John is a director of Investec Bank (Australia) Limited and Chairman of the bank's Investment Committee. He sits on the boards of many of Investec Wentworth Private Equity's portfolio companies and has extensive public company board experience.

John is a member of the Audit, Risk and Compliance Committee. He was appointed to the Board on 9 June 2010. Age 58.

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

Simon is one of Australia's most skilled and experienced insurance executives having worked for over 30 years across life, general and health insurance as well as funds management. He has successfully led the largest life insurer (CommInsure, Sovereign and Colonial) in three countries and has spent half of his career in the Asia Pacific region. Apart from running large insurance companies, he has successfully started a broad range of businesses covering life insurance, health insurance and funds management.

Simon was appointed as Managing Director on 26 March 2010. Age 53.

**Susan Thomas** B.Com, LLB  
**Independent Non-executive Director**

Susan has expertise in technology and law in the financial services industry. She is currently a director of Landgate and Grant Thornton Australia Limited and a former director of IWL Limited. Susan founded and was the Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC and now operating under the MLC/NAB banner as MasterKey Custom.

Susan is a member of the Nomination and Remuneration Committee and the Audit, Risk and Compliance Committee. She was appointed to the Board on 29 November 2010. Age 53.

**Michael Jefferies** B.COM, CA  
**Alternate Director**

Mike has been an executive of GPG for the past 19 years. As GPG is a substantial shareholder of ClearView shares, Mike is not considered independent by the Board. He currently represents the interests of GPG as Chairman of Touch Holdings Limited and a non-executive director of Tower Limited, Capral Limited, Metals X Limited and an alternate Director of eServGlobal Limited. He is also a director of Ozgrowth Limited. Mike was previously a director of Tower Australia Group Limited and Australian Wealth Management Limited.

Mike was appointed a Director on 4 November 2008. On 27 July 2011 he resigned and was appointed an alternate Director to Anthony Eisen on the same day. Age 55.

## FORMER DIRECTORS

**Peter Wade** B.EC, ASIA, MSDIA  
**Independent Non-executive Director**

Peter has worked in the Australian and international equity markets for 30 years. His most recent role was as a consultant to the Commonwealth Bank. Prior to that he worked for Goldman Sachs JBWere (GSJBW, previously known as JBWere) in Melbourne, London, New York and Sydney and at JP Morgan. He sat on the Board and Management Committee of both JBWere and GSJBW and was on the management committee at JP Morgan. Peter has served on the boards and committees of a number of security industry related organisations.

Peter was a member of the Board from 31 October 2007 until his resignation on 27 July 2011. Age 54.

# 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
Anne Keating	Ardent Leisure Group Limited	30 March 1998 – Ongoing
	Goodman Group	23 January 2004 – Ongoing
	REVA Medical Inc.	1 October 2010 – Ongoing
	STW Communications Group	17 May 1995 – 10 February 2011
Anthony Eisen	Capral Limited <sup>(1)</sup>	29 August 2008 – Ongoing
	eServGlobal Limited	20 March 2009 – Ongoing
	TAL Limited (formerly Tower Australia Group Limited) <sup>(2)</sup>	19 December 2006 – 8 August 2008
	Tower Limited	12 December 2006 – Ongoing
	Turners & Growers Limited	24 February 2011– Ongoing
John Murphy	Ariadne Australia Limited	6 December 2006 – Ongoing
	Gale Pacific Limited	24 August 2007 – Ongoing
	Specialty Fashion Group Limited	20 February 2005 – 28 October 2010
	Staging Connections Group Limited	7 March 2003 – Ongoing
	Vocus Communications Limited	7 March 2003 – Ongoing
Michael Jefferies <sup>(2)</sup>	Capral Limited	6 November 2008 – Ongoing
	eServGlobal Limited <sup>(2)</sup>	13 March 2009 – Ongoing
	Metals X Limited	14 June 2004 – Ongoing
	OzGrowth Limited	31 October 2007 – Ongoing
	TAL Limited (formerly Tower Australia Group Limited)	8 August 2006 – 8 August 2008
	Tower Limited	19 December 2006 – Ongoing

(1) Alternate director from 19 October 2006 to 29 August 2008.

(2) Alternate director.

## COMPANY SECRETARIES

**Chris Robson BA (Hons), LLB, 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. For the previous seven years, Chris was General Counsel and Group Company Secretary for Challenger Limited (formerly Challenger Financial Services Group Limited). Before that, he was Head of Legal, Risk Management and Compliance at Barclays Global Investors Australia Limited. Chris has also held legal roles at the Commonwealth Bank of Australia, the Australian Securities and Investment Commission and the Commonwealth Attorney General's Department. 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. Athol was previously the CFO of PrefSure Holdings Limited and PrefSure Life Limited (formerly Lumley Life Limited). Athol also served as part of the Global Capital Group both in Australia and South Africa and has over 15 years' experience in the finance industry. Athol commenced his professional career as an accountant with Arthur Andersen.

## APPOINTED ACTUARY OF CLEARVIEW LIFE ASSURANCE LIMITED

**Greg Martin (BA, FIAA, FFin, FAICD)** was hired as Appointed Actuary of ClearView Life Assurance Limited on 5 July 2010, and became an employee of ClearView on 1 March 2011 in the role of Chief Actuary and Risk Officer. 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 been 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.

## PRINCIPAL ACTIVITIES

The consolidated entity's principal activities in the course of the financial year were that of a vertically integrated financial services company, with a focus on the life insurance and wealth management industry. ClearView generates its revenue through the manufacture and distribution of life insurance, superannuation, investment products and financial advice. The Group operates in three segments: life insurance, wealth management and financial planning.

As at 30 June 2011, ClearView had in force premiums of \$41.0 million and funds under management and advice of \$3.0 billion.

## REVIEW OF OPERATIONS AND ACTIVITIES

On 9 June 2010, the Group acquired Bupa's life insurance and wealth management businesses ClearView Group Holdings Pty Limited (CVGH). Consequently, the results for the current financial year include 12 months of CVGH compared with three weeks in the prior financial year.

Post the CVGH acquisition, the key focus was to integrate, transform, and align the businesses for future growth. The integration of the former Bupa businesses was completed in the first half of the financial year. During the financial year, ClearView's financial advice business operated under two separate brands – ClearView Financial Management (which targets the retail base) and ComCorp Financial Advice (which targets the credit union and enterprise markets). On 1 July 2011, ComCorp Financial Advice Pty Limited was renamed ClearView Financial Advice Pty Limited. This move better aligns the Group for future growth as it allows the financial advice businesses to operate under one brand and one license.

ClearView has commenced pilot telemarketing campaigns to direct market life insurance products to Bupa's member base. In addition, ClearView has rolled out its customised client and referral management system to 65 Bupa member centres (out of 110). This customised client and referral management system is expected to drive planner productivity as well as facilitate the penetration of the Bupa member base. ClearView is in the initial phase of its rollout through Bupa with the remaining distribution channels, call centres, web and HBA/ Mutual Community expected to be completed in the second half of the 2012 financial year.

As part of the Group's transformation from a listed investment company, ClearView was assigned a new GICS code by Standard & Poors and was also included in the ASX All Ordinaries index. On 1 October 2010, the Group moved from Diversified Financials to the Insurance Sector. On 7 December 2010, ClearView was licensed as an APRA regulated non-operating holding company (NOHC).

# DIRECTORS' REPORT CONTINUED

## ClearView Group Holdings (CVGH) Acquisition

On 7 January 2011, ClearView and Bupa finalised the adjustment amount relating to the CVGH acquisition. The final amount was \$9.7 million and represented the increase in the net assets acquired between 31 December 2009 and 9 June 2010. This resulted in a total acquisition purchase price of \$204.7 million, which was \$3.9 million higher than that estimated as at 30 June 2010. This led to a \$3.5 million reduction to the profit on acquisition reported at 30 June 2010.

## Other Acquisitions

On 13 July 2010, ClearView Financial Advice acquired the business of one of its franchised planners, Suntrip Financial Services Pty Limited for \$0.8 million. The purchase price consisted of \$0.4 million in cash with the balance to be settled over a period of 18 months if certain warranties are achieved.

These acquisitions are consistent with ClearView's strategy of developing its presence in the wealth management industry.

## Employee Share Plan

In accordance with the provisions of the ClearView Wealth Employee Share Plan (ESP), during the year 3,000,000 shares were issued in accordance with the ESP rules with the following grant dates:

SERIES	DATE	NO OF SHARES
Series 14 (Senior Management)	1 November 2010	3,000,000

On 18 August 2011, 3 million shares were reallocated from Series 5 and 8 to Series 15 (Senior Management) due to the departure of the CEO Wealth Management and Advice. Series 15 has a grant date of 1 July 2011.

## Operating Results for the year ended 30 June 2011 from continuing operations

The Directors report a consolidated profit from continuing operations for the year as follows:

	30 JUNE 2011 \$'000	30 JUNE 2010 \$'000	CHANGE FROM PREVIOUS YEAR
Underlying net profit / (loss) after tax	19,317	(1,040)	1957%
Eliminations	-	(341)	n/a
Amortisation of intangibles	(7,401)	(665)	(1013%)
Systems Upgrade	(660)	-	n/a
Profit on acquisition	-	11,812	n/a
Transaction costs	-	(4,843)	n/a
Transition and restructure costs	(3,705)	(3,292)	13%
AIFRS policy liability adjustment	(568)	886	(164%)
Income tax effect	1,682	(109)	(1643%)
<b>Reported profit</b>	<b>8,665</b>	<b>2,408</b>	<b>260%</b>

The profit on acquisition reported at 30 June 2010 was reduced by \$3.5 million to \$11.8 million as a result of completion adjustments. The prior period results include the profit realised on the acquisition as a result of the fair value of the acquisition net assets being higher than the acquisition price.

The amortisation of the intangibles is associated with the acquisition of CVGH and ClearView Financial Advice. The transition and restructure costs predominantly relate to the transition off the Bupa IT Infrastructure and the termination and related salary costs associated with the organisational restructure and termination of employees. A provision of

\$1.4 million was raised at 30 June 2011 as a result of a review of the planning business unit to further improve performance and reduce costs. The system upgrade costs relate to the upgrade of the life administration platform. The AIFRS policy liability adjustment is as a result of the movement in long-term interest rates over the period and is a non cash item.



## Dividends

The Directors have declared a final fully franked dividend in 2011 of \$7.727 million (2010: nil). This represents 40% of the 2011 underlying profit and is in line with the Company's dividend policy (see below). No interim dividend was paid during the year (2010: nil).

## Dividend Policy

Subject to available profits and financial position, the Board's expectation is to pay an annual dividend representing 20% to 40% of underlying profit, subject to regulatory requirements and available capital. ClearView's ability to pay a dividend will depend upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading, general economic conditions, business growth and regulation. Accordingly, no assurance can be given as to the timing, extent and payment of dividends.

## Capital Management

Each entity in the Group has a benchmark level of capitalisation based on the individual risk characteristics of that entity, any regulatory capital requirements it may be subject to, and the entity's risk tolerance.

Surplus capital above the internal capital management plan at 30 June 2011 was \$53 million across the Group. As at 30 June 2010, capital in excess of regulatory requirements was \$45 million (the basis of reporting surplus capital has changed since the prior year).

ClearView's dividend policy and factors which will impact on the ability to pay a dividend have been outlined above.

## 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 2011, 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
Ray Kellerman	9	9	6	6	5	5
Anne Keating	4	4	–	–	1	1
Anthony Eisen	9	9	–	–	4	3
David Goodsall	9	8	6	6	–	–
John Murphy	9	9	6	6	–	–
Michael Jefferies	9	8	6	5	–	–
Peter Wade	9	8	5	5	5	4
Simon Swanson	9	9	–	–	–	–
Susan Thomas <sup>(1)</sup>	4	4	2	2	–	–
<b>Total number of meetings</b>	9		6		5	

(1) Susan Thomas became a member of the Nomination and Remuneration Committee upon the resignation of Peter Wade.

The Dividend Reinvestment Plan has been suspended since 26 February 2008. The Board will continue to evaluate the Group's capital position on a regular basis.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 24 August 2011, the Group proposed a final dividend of \$7.727 million representing 1.8 cents per share fully franked. The record date for determining entitlement to the dividend is 9 September 2011 and the dividend will be paid on 22 September 2011. Since the dividend has not been declared at year end it has not been recognised as payable in these accounts.

The Directors are not aware of any 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 consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

# DIRECTORS' REPORT CONTINUED

## DIRECTORS' SHAREHOLDINGS

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

DIRECTORS	FULLY PAID ORDINARY SHARES INCLUDING EMPLOYEE SHARE PLAN	EMPLOYEE SHARE PLAN
	NUMBER	NUMBER
Ray Kellerman	550,000	250,000 <sup>(3)</sup>
Anne Keating	–	–
Anthony Eisen <sup>(1)</sup>	–	–
David Goodsall	100,000	–
John Murphy <sup>(2)</sup>	315,000	–
Michael Jefferies <sup>(1)</sup>	–	–
Simon Swanson	12,000,000	10,000,000
Susan Thomas	800,000	–

(1) Anthony Eisen and Mike Jefferies represent the interests of GPG that holds 210,699,272 shares.

(2) John Murphy is a director of Investec Wentworth Private Equity that holds 39,688,239 shares.

(3) There is an intention to reallocate these shares to Senior Management.

## 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 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 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 27.

## 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 11 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 11 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.

## REMUNERATION REPORT

This report sets out information about the remuneration of ClearView's Directors and its Key Management Personnel for the financial year ended 30 June 2011 and includes the following:

- details of the Directors and Key Management Personnel
- a discussion of ClearView's Remuneration Policy
- relationship between the Remuneration Policy and company performance
- Non-executive Directors' remuneration
- Key Management Personnel remuneration
- Key terms of employment contracts

### DETAILS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

**Ray Kellerman**

Chairman, Independent Non-executive Director

**Anne Keating**

Independent Non-executive Director  
(appointed 29 November 2010)

**Anthony Eisen**

Non-executive Director

**David Goodsall**

Independent Non-executive Director

**John Murphy**

Non-executive Director

**Michael Jefferies**

Alternate Director  
(resigned and appointed Alternate Director 27 July 2011)

**Peter Wade**

Former Independent Non-executive Director  
(resigned 27 July 2011)

**Simon Swanson**

Managing Director

**Susan Thomas**

Independent Non-executive Director  
(appointed 29 November 2010)

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

**Simon Swanson**

Managing Director

**Alex Hutchison**

CEO of Wealth Management and Advice (resigned 1 July 2011)

**Athol Chiert**

Chief Financial Officer

**Chris Robson**

General Counsel and Company Secretary (appointed 4 April 2011)

**Clive Levinthal**

Head of Life Insurance

**Greg Martin**

Chief Actuary and Risk Officer (appointed 1 March 2011)

**Justin McLaughlin**

Chief Investment Officer

### REMUNERATION POLICY

ClearView's current remuneration policy was updated in June 2011. The Board has approved this policy and retains overall responsibility for all remuneration decisions in respect to persons relevant to each entity. Any changes to this policy must also be approved by the Board.

ClearView has established a Group Nomination and Remuneration Committee, which among other things, is responsible for overseeing the remuneration and human resources and practices for the ClearView group.

ClearView's remuneration policy is in place to:

- outline employee obligations and ClearView's obligations;
- set out roles, responsibilities and accountabilities of the management team;
- set out clear reporting requirements and controls; and
- define various terms to ensure a common understanding.

#### The 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 Company performance. By adopting a robust approach to remuneration, the Company 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 Key Management Personnel remuneration is made up of three components:

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

# DIRECTORS' REPORT CONTINUED

## Fixed remuneration

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 profile. 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. Benchmarking of Fixed Remuneration for Key Management Personnel for the 2011 financial year was also provided by an external consultant.

## Short term incentive (STI) plan

The STI plan aims to motivate the employee to reach or exceed individual as well as company goals for the financial year. It is based on rewarding an employee with a bonus calculated as a percentage of fixed remuneration. Individual performance targets are set for each Key Management Personnel by the Managing Director and in the case of the Managing Director by the Nomination and Remuneration Committee. The STI bonus is set to a minimum of zero and a maximum of 50% of fixed remuneration and includes both an individual and a company performance bonus.

The individual performance bonus is set to a maximum of 25% of fixed remuneration, is linked to an employee's position and/or team objectives and reflects the level of risk that ClearView is exposed to by the individual's actions. The

company performance bonus is based on achieving a set underlying profit after tax for the financial year. The underlying profit represents ClearView's consolidated net profit after tax adjusted for amortisation, transition and restructure costs, one-off adjustments and the AIFRS policy liability adjustment (tax adjusted). This is the Board's key measure of profitability and the basis on which the Board determines the dividend.

The Managing Director is responsible for assessing the performance of Key Management Personnel and for recommending the total STI to be paid. The Managing Director may also recommend STI payments over and above target bonus amounts for exceptional performance. The Managing Director's recommendations are presented to the Nomination and 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. In 2011, Key Management Personnel received an STI bonus of 43.1% of their fixed remuneration representing 34.4% of their total remuneration.

## Long term incentive (LTI) plan

ClearView has an ownership-based compensation scheme for directors, executives and senior employees of the Group to assist in the recruitment, rewarding, retention and motivation of employees of the Company. The employee share plan (ESP) is designed to encourage a focus on the long term results of the Company. Shares issued under the ESP will only vest provided the performance and vesting conditions are achieved. Further details of the ESP are on page 21.

## Consequences of ClearView's performance on shareholder wealth

The table below sets out the summary information about the consolidated entity's earnings and movements in shareholder wealth for five years to June 2011.

	30 JUNE 2011	30 JUNE 2010	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007
Revenue (\$'000)	136,019	45,368 <sup>(1)</sup>	3,865 <sup>(1)</sup>	17,662	34,196
Net profit / (loss) before tax (\$'000)	14,658	7,102 <sup>(2)</sup>	(3,092) <sup>(2)</sup>	(48,639)	29,422
Net profit / (loss) after tax (\$'000)	8,665	2,408 <sup>(2)</sup>	(2,269) <sup>(2)</sup>	(42,767)	20,325
Dividend (interim) (cents)	–	–	–	4.0	4.0
Dividend (final) (cents)	1.8	–	–	–	4.0
Basic EPS (cents) <sup>(2)</sup>	2.12	1.33	(2.70)	(17.24)	8.87
Diluted EPS (cents)	2.10	1.33	(2.68)	(17.24)	8.86
Share Price at the beginning of the year	\$0.52	\$0.42	\$0.58	\$0.92	\$0.79
Share Price at the end of the year	\$0.50	\$0.52	\$0.42	\$0.58	\$0.92

(1) Revenue from continuing operations excludes net fair value gains / losses in financial assets in the current and prior year.

(2) From continuing operations.

The LTI performance and vesting criteria include a service component as well as an in built performance hurdle through an interest rate that has been set at the RBA rate plus a margin of 0.25%.

## NON-EXECUTIVE DIRECTORS REMUNERATION

Non-executive Directors are remunerated by fees within the aggregate limit approved by shareholders. The present limit on aggregate remuneration for non-executive directors is \$750,000 including superannuation (2010: \$450,000). Directors' fees can be paid as superannuation contributions and may also be directed to the dividend share plan (DSP).

The Board intends to amend the rules of the Company's ESP so as to make Non-executive Directors ineligible to participate in the plan. This has to date been implemented for new directorship appointments since acquisition. It is further the intention that the shares currently allocated to the Chairman under the ESP are to be reallocated to Senior Management in due course. This leaves the fee pool as the only source of remuneration for Non-executive Directors.

The remuneration of each Non-executive Director for the year ended 30 June 2011 is set out below:

2011	SHORT TERM EMPLOYEE BENEFITS				POST	SHARE BASED PAYMENTS		TOTAL
	SALARY & FEES	BONUS	NON-MONETARY	TERMINATION PAYMENT	EMPLOYMENT	EXECUTIVE SHARE PLAN <sup>(9)</sup> OF TOTAL REMUNERATION	PERFORMANCE BASED	
	\$	\$	\$	\$	\$	\$	%	\$
<b>Non-Executive Directors</b>								
R Kellerman <sup>(1)</sup>	113,150	–	–	–	10,183	5,807	4.5	129,140
A Eisen <sup>(2)</sup>	73,750	–	–	–	–	–	–	73,750
D Goodsall <sup>(3)</sup>	73,012	–	–	–	6,571	–	–	79,583
J Murphy <sup>(4)</sup>	70,833	–	–	–	–	–	–	70,833
M Jefferies <sup>(5)</sup>	76,667	–	–	–	–	–	–	76,667
P Wade <sup>(6)</sup>	74,159	–	–	–	6,674	–	–	80,833
S Thomas <sup>(7)</sup>	–	–	–	–	41,328	–	–	41,328
A Keating <sup>(8)</sup>	37,916	–	–	–	3,412	–	–	41,328
<b>Total</b>	<b>519,487</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>68,168</b>	<b>5,807</b>		<b>593,462</b>

- (1) R Kellerman's directors' fees increased from \$100,000 to \$140,000 from 1 December 2010.
- (2) A Eisen has agreed that he will receive no fee for his services as a director although fees are paid to GPG Limited of which he is an employee. Directors' fees increased from \$65,000 to \$80,000 from 1 December 2010.
- (3) D Goodsall's directors' fees increased from \$65,000 to \$90,000 from 1 December 2010.
- (4) J Murphy has agreed that he will receive no fee for his service as a director although fees are paid to Investec Wentworth Private Equity Limited of which he is a director. Directors' fees increased from \$65,000 to \$75,000 from 1 December 2010.
- (5) M Jefferies has agreed that he will receive no fee for his services as a director although fees are paid to GPG Limited of which he is an employee. Directors' fees increased from \$65,000 to \$85,000 from 1 December 2010. M Jefferies resigned as a director on 27 July 2011 and was appointed an alternate director to A Eisen on the same date.
- (6) P Wade's directors' fees increased from \$75,000 to \$85,000 from 1 December 2010. P Wade resigned as a director on 27 July 2011.
- (7) S Thomas was appointed as a director on 29 November 2010.
- (8) A Keating was appointed as a director on 29 November 2010.
- (9) Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.

The remuneration of each Non-executive Director for the year ended 30 June 2010 is set out below:

2010	SHORT TERM EMPLOYEE BENEFITS		POST	SHARE BASED PAYMENTS		TOTAL
	SALARY & FEES	BONUS	EMPLOYMENT	EMPLOYEE SHARE PLAN <sup>(9)</sup> OF TOTAL REMUNERATION	PERFORMANCE BASED	
	\$	\$	\$	\$	%	\$
<b>Non-Executive Directors</b>						
R Kellerman <sup>(2)</sup>	96,743	–	–	8,257	3,898	108,898
A Eisen <sup>(3)</sup>	65,000	–	–	–	–	65,000
D Goodsall	3,479	–	–	313	–	3,792
J Murphy <sup>(4)</sup>	3,740	–	–	–	–	3,740
M Jefferies <sup>(5)</sup>	65,000	–	–	–	–	65,000
P Wade	68,807	–	–	6,193	–	75,000
<b>Total</b>	<b>302,769</b>	<b>–</b>	<b>–</b>	<b>14,763</b>	<b>3,898</b>	<b>321,430</b>

- (1) Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.
- (2) R Kellerman was until the date of sale on 31 July 2009, an independent member of the MMC Asset Management Compliance Committee for which a fee of \$5,000 was paid to Kellerman & Co Consulting Pty Limited of which he is the sole director and shareholder.
- (3) A Eisen has agreed that he will receive no fee for his services as a director although a fee of \$65,000 was paid to GPG of which he is an employee.
- (4) J Murphy has agreed that he will receive no fee for his services as a director although a fee of \$3,740 was paid to Investec of which he is a director.
- (5) M Jefferies has agreed that he will receive no fee for his services as a director although a fee of \$65,000 was paid to GPG of which he is an employee.

# DIRECTORS' REPORT CONTINUED

## KEY MANAGEMENT PERSONNEL REMUNERATION

The compensation of each member of the Key Management Personnel of the Group for the year ended 30 June 2011 is set out below:

	SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	SHARE BASED PAYMENTS	PERFORMANCE BASED %	TOTAL	
	SALARY & FEES \$	BONUS \$	NON- MONETARY \$	TERMINATION PAYMENT \$	SUPER- ANNUATION \$			EMPLOYEE SHARE PLAN <sup>(1)</sup>
<b>2011</b>								\$
S Swanson	557,063	390,514	11,628	-	42,937	466,364	58.4%	1,468,506
A Hutchison <sup>(2)</sup>	402,642	138,975	109,861 <sup>(4)</sup>	396,881	37,943	-	12.8%	1,086,302
A Chiert	285,470	113,196	-	-	23,530	-	26.8%	422,196
C Robson	69,010	27,923	-	-	3,507	-	27.8%	100,440
C Levinthal	264,367	97,519	11,144	-	21,787	14,836	27.4%	409,653
G Martin <sup>(3)</sup>	102,654	40,035	3,876	-	6,765	-	26.1%	153,330
J McLaughlin	285,470	108,521	-	-	23,530	-	26.0%	417,521
<b>Total</b>	<b>1,966,676</b>	<b>916,683</b>	<b>136,509</b>	<b>396,881</b>	<b>159,999</b>	<b>481,200</b>	<b>34.4%</b>	<b>4,057,948</b>

(1) Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.

(2) Resigned as an employee on 1 July 2011.

(3) Prior to Greg Martin being employed by ClearView as Chief Actuary, Greg was a partner of KPMG. During the period until Greg was employed by ClearView, ClearView paid KPMG fees totalling \$818,046.

(4) Non-monetary fee for Alex Hutchison includes \$98,211 of annual leave entitlements paid out on resignation.

The compensation of each member of the Key Management Personnel of the Group for the year ended 30 June 2010 is set out below:

	SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	SHARE BASED PAYMENTS	PERFORMANCE BASED %	TOTAL	
	SALARY & FEES \$	BONUS \$	NON- MONETARY \$	TERMINATION PAYMENT \$	SUPER- ANNUATION \$			EMPLOYEE SHARE PLAN <sup>(1)</sup>
<b>2010</b>								\$
S Swanson	146,286	-	-	-	13,166	6,388	3.9	165,840
A Hutchinson	395,008	115,596	7,532	-	24,992	133,172	36.8	676,300
A Chiert	250,000	125,000	-	-	22,500	98,057	45.0	495,557
D McKell	206,422	61,927	-	-	18,578	32,685	29.6	319,612
J McLaughlin	275,229	82,569	-	-	24,771	65,371	33.0	447,940
<b>Total</b>	<b>1,272,945</b>	<b>385,092</b>	<b>7,532</b>	<b>-</b>	<b>104,007</b>	<b>335,673</b>	<b>29.8</b>	<b>2,105,249</b>

(1) Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.

## SHARE-BASED PAYMENTS GRANTED AS COMPENSATION

### Employee Share Plan (ESP)

ClearView operates an employee share plan for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at the Annual General Meeting held on 7 October 2009, directors, executives and senior employees may be issued parcels of ordinary shares at an issue price as defined under the plan, which will generally be at or around the market price of ClearView shares ('Shares') at the time of issue.

### Limited recourse loan

The Company may provide financial assistance to an 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, repayable within 5 years. The financial assistance will become immediately repayable in the event of "disqualifying circumstances" including failure to meet performance or vesting conditions, or upon cessation of the employee's employment in circumstances defined in the ESP Rules. The employee will only be entitled to repay the loan and obtain the benefit of the shares if the applicable vesting conditions and performance conditions are met.

The following tables outline the ESP loans above \$100,000 made to Directors and KMP or to their related entities as at 30 June 2011 and 2010:

2011	BALANCE AT BEGINNING	LOANS GRANTED	INTEREST CHARGED	REPAYMENTS	LOAN CANCELLED	BALANCE AT END	HIGHEST IN PERIOD
	\$	\$	\$	\$	\$	\$	\$
R Kellerman	131,066	-	6,553	-	-	137,619	137,619
S Swanson	5,926,569	-	296,328	-	-	6,222,897	6,222,897
A Hutchison	1,628,735	-	51,094	-	-	1,679,829	1,679,829
A Chiert	772,647	-	38,632	-	-	811,279	811,279
C Levinthal	-	500,000	16,507	-	-	516,507	516,507
G Martin	-	-	-	-	-	-	-
C Robson	-	-	-	-	-	-	-
J McLaughlin	809,598	-	25,755	-	-	835,353	835,353
<b>Total</b>	<b>9,268,615</b>	<b>500,000</b>	<b>434,869</b>	<b>-</b>	<b>-</b>	<b>10,203,484</b>	<b>-</b>

2010	BALANCE AT BEGINNING	LOANS GRANTED	INTEREST CHARGED	REPAYMENTS	LOAN CANCELLED	BALANCE AT END	HIGHEST IN PERIOD
	\$	\$	\$	\$	\$	\$	\$
R Kellerman	236,975	125,000	6,066	-	236,975	131,066	236,975
S Swanson	-	5,920,000	6,569	-	-	5,926,569	5,926,569
A Hutchison	606,848	970,400	51,487	-	-	1,628,735	1,628,735
J McLaughlin	294,500	488,200	26,898	-	-	809,598	809,598
A Chiert	-	732,300	40,347	-	-	772,647	772,647
D McKell	-	244,100	13,449	-	-	257,549	257,549
<b>Total</b>	<b>1,138,323</b>	<b>8,480,000</b>	<b>144,816</b>	<b>-</b>	<b>236,975</b>	<b>9,526,164</b>	<b>-</b>

For shares issued, it is a term of the loan that interest accrues at the Reserve Bank of Australia official cash rate (RBA Rate) plus a margin of 0.25% (reset each year in December and June). This is intended to act as an in-built performance hurdle. For this reason, additional performance hurdles are not imposed. The interest rate (excluding series 6) was revised and approved by shareholders at the Extraordinary General Meeting (EGM) on 30 April 2010. Prior to this approval interest was charged on the loans at 8% per annum (as approved at the 2009 AGM). The Board considers that a market based interest rate is more appropriate for the new circumstances of the Company.

Any after tax equivalent of dividends paid on the Plan Shares will be applied to repayment of any outstanding loan.

The ESP provides for Shares to be bought back by the Company in full satisfaction of outstanding loans (including accrued interest) in circumstances where an employee does not wish to, or is not entitled to, repay the loan and obtain unencumbered title to the Shares.

# DIRECTORS' REPORT CONTINUED

## Restrictions and holding lock

The Shares granted under the ESP are subject to a holding lock restricting the holder from dealing with the Shares without the consent of the Board until the earlier of:

- the 5th anniversary of the issue date;
- the date the employee ceases employment; or
- termination of the ESP.

Executives may make a disposal request to the Board that their Shares be sold on their behalf, and that the excess sale proceeds (if any) over the amount of the loan be paid to them. However, an executive can only make a disposal request for their Shares when the performance and vesting conditions are satisfied for those Shares, and approval of the disposal request is always subject to the approval of the Board.

## Change in Control provisions

The ESP Rules include an accelerated vesting provision on a change in control. Unless the terms of a particular grant provide otherwise, all performance conditions and vesting conditions in relation to particular ESP Shares will be deemed to have been satisfied if:

- a person who did not control ClearView at the date of issue of the 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 (as defined in the Corporations Act) together hold more than 50% of the ClearView Shares then on issue.

## Restrictions on Offer

Shares may not be offered under the ESP to an employee if that employee would hold, after 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 may be cast at a general meeting of the Company.

Shares issued under the ESP will only vest provided the performance and vesting conditions are achieved (unless there is a change in control provision event as previously outlined).

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

SERIES	VESTING CONDITIONS	PERFORMANCE CONDITIONS
Series 6 – 30 June 2008 Issue	Nil*	Nil
Series 7 – 29 September 2009 Issue	Nil*	Nil
Series 9 – 28 October 2009 Issue	2 years and 345 days from date of issue***	Nil
Series 10 – 25 June 2010 Issue	Nil**	Nil
Series 11 – 25 June 2010 Issue	2 years from date of commencement of employment	Nil
Series 12 – 25 June 2010 Issue	3 years from date of commencement of employment	Nil
Series 13 – 25 June 2010 Issue	2 years and 341 days from date of issue	Nil
Series 14 – 1 November 2010 Issue	2 years and 343 days from date of issue	Nil
Series 15 – 1 July 2011 Issue	2 years and 317 years from date of issue	Nil

\* Change in control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.

\*\* Shares vested 1 year from date of commencement of employment on 26 March 2011.

\*\*\* Intention to reallocate these shares to Senior Management.



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; and

**Series 12:** 4 million shares at an issue price of 65 cents vesting on 26 March 2013.

The Shares issued to Mr Swanson will vest progressively each year as outlined above. Unvested Shares will be immediately forfeited in accordance with the terms of the Plan if Mr Swanson terminates his employment (other than because of a breach by the Company of its obligations, or because of a reduction in remuneration or status following a change of control). If Mr Swanson's employment is terminated by the

Company for any other reason then the Shares in the next unvested tranche will vest automatically, and the remaining unvested Shares will be forfeited.

The Board understands that there is limited liquidity in derivatives for the Company shares. The Directors believe that there is no risk in Key Management Personnel limiting their exposure in relation to shares issued under the plan and accordingly there is no specific policy in relation to Key Management Personnel hedging their exposure to the Company's shares.

The Company also has a Deferred Share Plan (DSP) in place. Under the DSP, employees, including directors, may choose to receive part of their remuneration (including bonuses) in the form of shares. Shares in respect of the DSP are purchased on the market and are held in the employee's name, but are generally subject to a holding lock until he or she leaves the employment of the Company. No shares have been acquired under the DSP as at the date of this report.

### Total Shares Issued under the Employee Share Plan

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

NUMBER OF SHARES	CLASS OF SHARES	GRANT DATE	ISSUE AND EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$	FIRST VESTING DATE	FINAL EXERCISE DATE
Series 6	Ordinary	30/06/2008	0.589	0.103	30/06/2008	30/06/2013
Series 7	Ordinary	29/09/2009	0.488	0.065	23/10/2009	29/09/2014
Series 9	Ordinary	28/10/2009	0.500	0.070	28/10/2013	28/10/2014
Series 10	Ordinary	25/06/2010	0.500	0.112	26/03/2011	26/03/2015
Series 11	Ordinary	25/06/2010	0.580	0.081	26/03/2012	26/03/2015
Series 12	Ordinary	25/06/2010	0.650	0.060	26/03/2013	26/03/2015
Series 13	Ordinary	25/06/2010	0.533	0.101	01/06/2013	01/06/2015
Series 14	Ordinary	25/10/2010	0.500	0.067	01/10/2013	01/10/2015
Series 15	Ordinary	01/07/2011	0.500	0.098	01/07/2014	01/07/2016

### Shares granted to Directors and Key Management Personnel

During and since the end of the financial year an aggregate 3,000,000 shares (2010: 15,000,000) were granted by the Company to Key Management Personnel of the Company under the ESP. A further 3,000,000 shares (Series 15) were reallocated from Series 5 and 8 to Senior Management in accordance with the rules of the ESP on 18 August 2011.

Interest-bearing loans have been granted by the Company to the following Directors and Key Management Personnel to fund the acquisition of shares under the ESP. The loans bear interest at the RBA rate plus a margin of 0.25% other than Series 6 that was issued prior to the revised ESP Rules and this Series accrues interest at the lower of the dividends paid on the shares and the statutory interest rate.

Until vesting and performance conditions are achieved, the shares are subject to a holding lock. If the conditions are met, the loans must be repaid before the holding lock is released.

# DIRECTORS' REPORT CONTINUED

SERIES	DIRECTOR, KMP, TO WHICH THE SERIES RELATES	FAIR VALUE AT GRANT DATE \$	EXERCISE PRICE PER SHARE \$	AGGREGATE VALUE AT GRANT DATE \$	EXPIRY DATE
Series 6*	Justin McLaughlin	0.103	0.589	51,500	30/06/2013
Series 7*	Athol Chiert / Justin McLaughlin	0.065	0.488	98,057	29/09/2014
Series 9**	Ray Kellerman	0.070	0.500	17,422	28/10/2014
Series 10***	Simon Swanson	0.112	0.500	224,074	26/03/2015
Series 11	Simon Swanson	0.081	0.580	323,295	26/03/2015
Series 12	Simon Swanson	0.060	0.650	241,927	26/03/2015
Series 14	Clive Levinthal	0.067	0.500	67,000	1/10/2015
Series 15	Greg Martin / Chris Robson	0.098	0.500	294,000	01/07/2016

\* A change in 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 in control only affects any performance or vesting conditions applicable to particular ESP Shares. It does not affect the in-built performance condition in the form of the annual RBA interest rate plus a margin of 0.25%, nor does it automatically release ESP Shares from the disposal restrictions and holding lock.

\*\* Intention to reallocate shares to Senior Management.

\*\*\* Shares vested 1 year from date of commencement of employment on 26 March 2011.

All unvested Shares will automatically vest in accordance with the rules of the Plan upon a change in control, subject to the definition of change in control for this purpose being that in the Employment Agreement entered into with Mr Swanson on 26 March 2010.

Accordingly shares issued under Series 6, 7 and 10 have met the vesting conditions up to the date of this report.

Full details on the ESP are available from the Company's website in the investor section under 'Charters & Policies'.

## DIRECTORS AND KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully paid ordinary shares of the Company (including those held under the Employee Share Plan) owned by the Directors and the Key Management Personnel as at 30 June are outlined below and in Note 36.

2011	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.
R Kellerman	250,000	201,600	451,600	-	98,400	550,000	250,000	-	-	-
D Goodsall	-	-	100,000	-	-	100,000	-	-	-	-
J Murphy	-	-	-	-	315,000	315,000	-	-	-	-
P Wade	-	139,682	139,682	-	100,000	239,682	-	-	-	-
S Thomas	-	-	-	-	800,000	800,000	-	-	-	-
S Swanson	8,000,000	4,000,000	12,000,000	-	-	12,000,000	8,000,000	2,000,000	2,000,000	-
A Hutchison	-	3,000,000	3,000,000	-	-	3,000,000	-	3,000,000	3,000,000	-
A Chiert	-	1,500,000	1,500,000	-	-	1,500,000	-	1,500,000	1,500,000	-
C Levinthal	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000	-	-	-
J McLaughlin	-	1,500,000	1,500,000	-	-	1,500,000	-	1,500,000	1,500,000	-
G Martin	-	-	-	-	-	-	-	-	-	-
C Robson	-	-	-	-	-	-	-	-	-	-

2010	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.
R Kellerman	250,000	100,800	350,800	-	100,800	451,600	250,000	-	-	-
P Wade	-	19,841	19,841	-	119,841	139,682	-	-	-	-
D Goodsall	-	-	-	-	100,000	100,000	-	-	-	-
S Swanson	-	-	-	10,000,000	2,000,000	12,000,000	10,000,000	-	-	-
A Hutchison	1,000,000	-	1,000,000	2,000,000	-	3,000,000	3,000,000	3,000,000	3,000,000	-
J McLaughlin	500,000	-	500,000	1,000,000	-	1,500,000	1,500,000	1,500,000	1,500,000	-
A Chiert	-	-	-	1,500,000	-	1,500,000	1,500,000	1,500,000	1,500,000	-
D McKell	-	-	-	500,000	-	500,000	500,000	500,000	500,000	-
P Constable	-	1,499,503	1,499,503	-	(1,499,503)	-	-	-	-	-

# DIRECTORS' REPORT CONTINUED

## KEY TERMS OF EMPLOYMENT CONTRACTS

The following contractual and other arrangements are in place in respect of the Directors and Key Management Personnel as at the date of this report.

All current Directors are subject to re-election by shareholders at least every three years.

KEY MANAGEMENT	TERM	NOTICE PERIOD BY EITHER THE EMPLOYEE OR THE COMPANY	OTHER
Simon Swanson	Ongoing	6 months notice	If, in the 6 months following a change in 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.
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.
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).
Clive Levinthal	Ongoing	4 weeks	In the case of redundancy, entitlements provided for in the National Employment Standards apply.
Greg Martin	Ongoing	13 weeks	In the case of redundancy, a severance payment of three months' base salary (or any greater payment required under the National Employment Standards).
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.

All current Key Management Personnel 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 Corporations Act 2001.

On behalf of the Directors



**Ray Kellerman**  
Chairman

Sydney, 24 August 2011

# AUDITOR'S INDEPENDENCE DECLARATION

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## Deloitte.

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The Board of Directors  
ClearView Wealth Limited  
Level 4, 50 Bridge Street  
Sydney, NSW 2000

24 August 2011

Dear Board Members

### ClearView Wealth Limited

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

As lead audit partner for the audit of the financial statements of ClearView Wealth Limited for the financial year ended 30 June 2011, 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 faithfully

  
DELOITTE TOUCHE TOHMATSU

  
Philip Hardy  
Partner  
Chartered Accountants

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

# CORPORATE GOVERNANCE

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The Board and management of ClearView Wealth Limited (ClearView, the Company or the Group) are committed to achieving high corporate governance standards and to following the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2007.

The Board and management are likewise committed to following the Australian Prudential Regulation Authority (APRA) standards that relate to the Group. ClearView owns an APRA regulated Life Insurance company, ClearView Life Assurance Limited, which is subject to a regulatory regime prescribed under the Life Insurance Act 1995. ClearView has also been registered as a Non Operating Holding Company under that regime and as such is subject to the Life Prudential Standards issued by APRA.

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 significant transformation of the Group from a listed investment company to a life insurance and wealth management company has resulted in updates to the majority of ClearView's charters and policies over the past 12 months. The Board has reviewed and published an updated Board Charter, Code of Conduct, Audit, Risk and Compliance Charter, Risk Management Policy, Continuous Disclosure Policy, Nomination and Remuneration Committee Charter and Share Trading Policy. In response to the new ASX Corporate Governance Recommendations on Diversity, the Board has introduced a Diversity Policy that relates to both the Board and senior management.

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

A description of the Group's main corporate governance practices is set out below under the eight principles that the ASX Corporate Governance Council believes underlie good corporate governance.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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### Role of the Board

As representatives of the shareholders, the Board is responsible for the performance 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 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. The primary functions of the Board include:

- Strategic and financial performance – determining strategic objectives, capital management and the Company's dividend policy, and approving 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, and monitoring 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 overseeing 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 15.

### 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.

## 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 should also comprise a mix of executive and non-executive directors as well as directors with a broad range of appropriate skills, expertise and experience.

As at 30 June 2011, the Board consisted of:

- five independent Non-executive Directors
  - Ray Kellerman (Chairman)
  - Anne Keating
  - David Goodsall
  - Peter Wade (resigned 27 July 2011)
  - Susan Thomas
- three non-independent Non-executive Directors; and
  - Anthony Eisen
  - John Murphy
  - Mike Jefferies (resigned and appointed as an alternate director on 27 July 2011)
- one Executive Director
  - Simon Swanson.

Information concerning each Director's qualifications and experience is disclosed on pages 10 to 12 of the Directors' Report.

### 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
- ii. otherwise associated directly with, a substantial shareholder of the Company;
- iii. 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;
- iv. 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;
- v. 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
- vi. 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 a policy 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 conflicts of interest in matters considered by the Board and unless the Board resolves otherwise, must not participate in Board discussion or vote on the matter.

# CORPORATE GOVERNANCE CONTINUED

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## 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:

- (a) chair Board meetings;
- (b) establish the agenda for Board meetings, in consultation with the Managing Director and the Company Secretary;
- (c) chair meetings of shareholders, including the Annual General Meeting of the Company;
- (d) be the primary spokesperson for the Company at any Annual General Meeting;
- (f) represent the views of the Board to shareholders, the general public, governmental authorities, regulators and other stakeholders;
- (g) develop and maintain key strategic relationships; and
- (h) 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 received 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, corporate governance policies, and agreed goals and objectives. Following each review and evaluation, 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 June 2011, a performance evaluation for the Board, its committees and Directors took place and was 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 Committee 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 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 appointed secretary and the Chair of each Committee reports back on the Committee meeting to the Board at the next full Board meeting.



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

COMMITTEE	NOMINATION & REMUNERATION	AUDIT, RISK & COMPLIANCE
Ray Kellerman (Chairman, Independent)	Chair	X
Anne Keating (Independent)	X	
Anthony Eisen		X
David Goodsall (Independent)		Chair
John Murphy		X
Susan Thomas (Independent)	X	X

Details regarding the experience and tenure of the members and the attendance at Committee meetings are included in the Directors' Report starting on page 10.

### 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 relations 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.

### Investment Committee

The Investment Committee was disbanded with effect from 27 July 2011 and no meetings were held during the year.

### Audit, Risk and Compliance Committee

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

Specific responsibilities of Audit, Risk and Compliance Committee 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 Companies (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.

# CORPORATE GOVERNANCE CONTINUED

## PRINCIPLE 3: COMPANIES SHOULD ACTIVELY PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Code of Conduct

ClearView has established a Code of Conduct (the Code) which sets out the standards of ethical, honest and law-abiding behaviour expected by ClearView's Directors and employees. The Code requires its Directors and employees to conduct themselves in an ethical, honest and legal manner in accordance with both the Code and ClearView's policies and values. It also encourages employees and directors to report breaches of the Code to management or the Board and provides protection for those who report breaches.

### Share Trading Policy

The ClearView Employee Trading Policy has been established to govern the trading in shares and securities by its directors, officers and employees. This policy is designed to raise awareness and minimise any potential for breach of insider trading, either in substance or appearance. All directors, officers and 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:

- the trading window is open;
- 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.

There are two types of trading windows that may be open:

- Automatic trading window – the six week period commencing on the business day after any of the following:
  - the date of release of the half year announcement to the ASX.
  - the date of release of the preliminary final results to the ASX.
  - the date of the Annual General Meeting.
- Board-discretionary trading window – any trading period opened by the Board by notice. This would generally occur only if there had been some disclosure document released to the market, such as a prospectus.

All directors, officers and employees must give written notification, in accordance with the table set out below:

EMPLOYEE	DESIGNATED APPROVING OFFICER
Chairman	MD & CFO/Company Secretary
MD	Chairman
All other Directors	MD & CFO/Company Secretary
All other employees	MD & CFO/Company Secretary

### Diversity

The ClearView Board regards achieving diversity at Board and senior management level as a high priority. The Board has developed a Diversity Policy which addresses the 2010 ASX Corporate Governance Principles and Recommendations in relation to diversity. In the past 12 months, ClearView has implemented the following diversity initiatives:

- appointed two female directors to the Board;
- appointed one additional female to the senior management team.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is in place to assist the Board with safeguarding the integrity in financial reporting, risk management and ensuring that effective internal controls exist within the Group. More information on this Committee and its responsibilities is outlined in Principle 2 on page 31.

### External Auditors

The Audit, Risk and Compliance Committee invite the external auditors to attend committee meetings. The external auditors can also meet privately with the Audit, Risk and Compliance Committee. The engagement partner of Deloitte Touche Tohmatsu was appointed as the external auditor of ClearView Wealth Limited in 2009. The partner managing the audit will be rotated after a maximum of five years in line with Deloitte's policy and the Corporations Act requirements. The Audit, Risk and Compliance Committee ensures the independence of the external auditors who also provide an annual declaration of their independence to the Committee.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURES

ClearView is committed to providing timely and relevant information about its 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 Obligation 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 posted to 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 media releases;
- the Company's website, on which all investor documents are posted;
- 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 to understand the business that will be considered at the meeting. The Board also requests that the Company's external auditor attends the meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk management strategy, roles and responsibilities

Risk management is an integral part of the Company's management process. 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 or customer entitlements. The RMS and RMF are fundamental to the business decisions of the Company, including resource allocation decisions and prioritisation of activities, and are reviewed annually.

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. 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 Audit, Risk and Compliance Committee and the Board. The internal auditors monitor key risks in accordance with the internal audit plan and report to the Audit, Risk and Compliance Committee as part of the risk assessment process. KPMG 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 process and mechanisms to control, mitigate or transfer those risks within the allowed tolerances. The RMS and RMF include suitable monitoring mechanisms.

As part of the RMS and RMF, the Company has adopted a Capital Management Plan (CMP) 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.

One of the Company's most significant risks is insurance risk. To limit its exposure to accepted insurance risk, ClearView Life purchases reinsurance. 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 Regulatory Authority (APRA) and are members of large international groups with sound credit ratings.

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 57 to 61.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Nomination and Remuneration Committee as set out under Principle 2 on page 31 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, executives and directors 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-executives 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 17 to 26.

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## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED		COMPANY	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CONTINUING OPERATIONS</b>					
<b>Revenue from continued operations</b>					
Premium revenue from insurance contracts		40,303	2,624	-	-
Outward reinsurance expense		(3,759)	(238)	-	-
<b>Net life insurance premium revenue</b>		<b>36,544</b>	<b>2,386</b>	<b>-</b>	<b>-</b>
Fee and other revenue	9	45,670	11,617	-	-
Investment income	10	53,805	31,365	44,521	564
<b>Operating revenue before net fair value gains on financial assets</b>		<b>136,019</b>	<b>45,368</b>	<b>44,521</b>	<b>564</b>
Net fair value gains / (losses) on financial assets		89,123	(49,492)	30	-
<b>Net operating revenue</b>		<b>225,142</b>	<b>(4,124)</b>	<b>44,551</b>	<b>564</b>
Claims expense		(17,575)	(912)	-	-
Reinsurance recoveries revenue		3,021	115	-	-
Change in life insurance policy liabilities		563	1,001	-	-
Change in reinsurers' share of life insurance liabilities		(232)	29	-	-
Change in life investment policy liabilities	27	(121,986)	19,778	-	-
Depreciation and amortisation expense	11	(7,834)	(745)	-	-
Commission expense		(5,430)	(5,309)	-	-
Other operating expenses	11	(48,420)	(20,634)	(2,684)	(9,238)
Profit on acquisition of subsidiary	23	-	11,812	-	-
Share of profit / (loss) of associate	34	21	(59)	-	-
Reversal of impairments		-	20	-	361
Movement in liability of non-controlling interest in controlled unit trusts		(12,612)	2,617	-	-
<b>Profit / (loss) before income tax expense</b>		<b>14,658</b>	<b>3,589</b>	<b>41,867</b>	<b>(8,313)</b>
Income tax expense / (benefit)	12	5,993	1,181	(647)	(954)
<b>Net profit / (loss) for the year from continuing operations</b>		<b>8,665</b>	<b>2,408</b>	<b>42,514</b>	<b>(7,359)</b>
Profit from discontinued operations	8	-	2,110	-	2,110
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>8,665</b>	<b>4,518</b>	<b>42,514</b>	<b>(5,249)</b>
<b>Attributable to:</b>					
Equity holders of the parent		8,665	4,518	42,514	(5,249)
<b>Earnings per share</b>					
15					
From continuing and discontinued operations					
Basic (cents per share)		2.12	2.49	-	-
Diluted (cents per share)		2.10	2.46	-	-
From continuing operations					
Basic (cents per share)		2.12	1.33	-	-
Diluted (cents per share)		2.10	1.33	-	-

To be read in conjunction with the accompanying notes.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED		COMPANY	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Profit / (loss) for the year</b>		8,665	4,518	42,514	(5,249)
<b>OTHER COMPREHENSIVE INCOME</b>					
Available-for-sale financial assets					
Net losses arising on revaluation of available-for-sale financial assets during the year		-	(569)	-	(569)
		8,665	3,949	42,514	(5,818)
Income tax relating to components of other comprehensive income		-	170	-	170
<b>Total comprehensive income / (loss) for the year</b>		<b>8,665</b>	<b>4,119</b>	<b>42,514</b>	<b>(5,648)</b>
Total comprehensive income / (loss) attributable to:					
Equity holders of the parent		8,665	4,119	42,514	(5,648)

To be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTE	CONSOLIDATED		COMPANY	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>ASSETS</b>					
Cash and cash equivalents	16	185,822	197,142	16,240	10,713
Investments	17	1,417,658	1,469,999	220,336	215,569
Receivables	18	7,205	4,742	6,851	4,089
Fixed interest deposits	19	22,021	359	21,392	359
Reinsurers' share of life insurance policy liabilities	27	2,447	2,015	-	-
Deferred tax asset	26	24,297	29,652	8,542	12,282
Property, plant and equipment	22	1,288	1,282	-	-
Investment in associate	34	163	142	-	-
Goodwill	20	4,858	4,187	-	-
Other intangible assets	21	51,883	59,155	-	-
<b>Total assets</b>		<b>1,717,642</b>	<b>1,768,675</b>	<b>273,361</b>	<b>243,012</b>
<b>LIABILITIES</b>					
Payables	24	11,569	25,249	1,038	10,034
Current tax liabilities		-	1,713	-	1,713
Provisions	25	5,070	6,365	100	2,087
Provision for deferred consideration	29	686	1,392	-	-
Life insurance policy liabilities	27	(62,728)	(62,918)	-	-
Life investment policy liabilities	27	1,367,887	1,405,415	-	-
Liability to non-controlling interest in controlled unit trusts		147,018	152,672	-	-
Deferred tax liabilities	26	157	-	-	-
<b>Total liabilities</b>		<b>1,469,659</b>	<b>1,529,888</b>	<b>1,138</b>	<b>13,834</b>
<b>Net assets</b>		<b>247,983</b>	<b>238,787</b>	<b>272,223</b>	<b>229,178</b>
<b>EQUITY</b>					
Issued capital	28	276,565	276,565	276,565	276,565
Retained losses	13	(29,631)	(38,296)	(5,391)	(47,905)
Reserves	13	1,049	518	1,049	518
Equity attributable to equity holders of the parent		247,983	238,787	272,223	229,178
<b>Total equity</b>		<b>247,983</b>	<b>238,787</b>	<b>272,223</b>	<b>229,178</b>

To be read in conjunction with the accompanying notes.



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	SHARE CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	ASSET REVALUATION RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2009</b>	<b>144,816</b>	<b>154</b>	<b>399</b>	<b>(42,814)</b>	<b>102,555</b>
Profit for the year	-	-	-	4,518	4,518
Other comprehensive income for the year	-	-	(399)	-	(399)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(399)</b>	<b>4,518</b>	<b>4,119</b>
Issue of shares	135,000	-	-	-	135,000
Share issue costs, net of tax	(3,251)	-	-	-	(3,251)
Recognition of share based payments	-	364	-	-	364
<b>Balance at 30 June 2010</b>	<b>276,565</b>	<b>518</b>	<b>-</b>	<b>(38,296)</b>	<b>238,787</b>
Profit for the year	-	-	-	8,665	8,665
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,665</b>	<b>8,665</b>
Recognition of share based payments	-	531	-	-	531
<b>Balance at 30 June 2011</b>	<b>276,565</b>	<b>1,049</b>	<b>-</b>	<b>(29,631)</b>	<b>247,983</b>

	SHARE CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	ASSET REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
COMPANY	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2009</b>	<b>144,816</b>	<b>154</b>	<b>399</b>	<b>(42,656)</b>	<b>102,713</b>
Profit for the year	-	-	-	(5,249)	(5,249)
Other comprehensive income for the year	-	-	(399)	-	(399)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(399)</b>	<b>(5,249)</b>	<b>(5,648)</b>
Issue of shares	135,000	-	-	-	135,000
Share issue costs, net of tax	(3,251)	-	-	-	(3,251)
Recognition of share based payments	-	364	-	-	364
<b>Balance at 30 June 2010</b>	<b>276,565</b>	<b>518</b>	<b>-</b>	<b>(47,905)</b>	<b>229,178</b>
Profit for the year	-	-	-	42,514	42,514
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,514</b>	<b>42,514</b>
Recognition of share based payments	-	531	-	-	531
<b>Balance at 30 June 2011</b>	<b>276,565</b>	<b>1,049</b>	<b>-</b>	<b>(5,391)</b>	<b>272,223</b>

To be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED		COMPANY	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from client and debtors		353,094	68,532	-	-
Payments to suppliers and other creditors		(75,388)	(22,212)	(2,260)	(3,422)
Withdrawals paid to life investment clients		(427,925)	(59,165)	-	-
Dividends and trust distributions received		21,537	1,696	-	-
Interest received		27,740	7,176	964	4,429
Income taxes paid		(1,922)	(312)	(24)	950
Other receipts		-	643	-	643
<b>Net cash (utilised) / generated by operating activities</b>	32	<b>(102,864)</b>	<b>(3,642)</b>	<b>(1,320)</b>	<b>2,600</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net cash movement due to subsidiary acquisition	23	(9,658)	(195,000)	(13,908)	(198,089)
Cash and cash equivalents acquired as part of the business combination		-	182,376	-	-
Payments for investment securities		(3,241,003)	(63,472)	(629)	-
Proceeds from sales of investment securities		3,384,255	76,304	87	-
Acquisition of property, plant and equipment		(431)	(1,115)	-	-
Transaction costs paid		(1,170)	(3,673)	(1,170)	(3,673)
Proceeds from sale of subsidiary		-	20	-	6,070
Fixed interest deposits (invested) / redeemed		(21,662)	50,631	(21,033)	53,494
Loans granted to related entities		-	-	-	(2,304)
Acquisition of client book / business	23	(449)	(462)	-	-
Settlements made against deferred consideration		(1,067)	(1,081)	-	-
Loans redeemed from / (made to) associate		50	(120)	-	-
Dividends received from group entities		-	-	43,500	-
<b>Net cash generated / (utilised) by investing activities</b>		<b>108,865</b>	<b>44,408</b>	<b>6,847</b>	<b>(144,502)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from capital raising		-	135,000	-	135,000
Capital raising costs paid net of tax		-	(3,251)	-	(3,251)
Net movement in liability of non-controlling interest in unit trusts		(17,341)	(3,296)	-	-
<b>Net cash (utilised) / generated in financing activities</b>		<b>(17,341)</b>	<b>128,453</b>	<b>-</b>	<b>131,749</b>
Net (decrease) / increase in cash and cash equivalents		(11,320)	169,219	5,527	(10,153)
Cash and cash equivalents at the beginning of the financial year	16	197,142	27,923	10,713	20,866
<b>Cash and cash equivalents at the end of the financial year</b>		<b>185,822</b>	<b>197,142</b>	<b>16,240</b>	<b>10,713</b>

To be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## 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 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
Amendments to AASB 107 'Statement of Cash Flows'	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS CONTINUED

### Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 5 and AASB 107 described earlier this section, the application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ('market-based measure').

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB or IFRS Interpretations Committee where an equivalent Australian Standard or Interpretation has not been made by the AASB, were on issue but not yet effective.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
IFRS 12 'Disclosure of Involvement with Other Entities'	1 January 2013	30 June 2014
IFRS 13 'Fair Value Measurement'	1 January 2013	30 June 2014
IAS 27 'Separate Financial Statements (2011)'	1 January 2013	30 June 2014
IAS 28 'Investments in Associates and Joint Venture (2011)'	1 January 2013	30 June 2014

## 3 SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprise the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting 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 24 August 2011.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and 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 the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent 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. 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 of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

### (c) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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. 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.

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

## (d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see (b) above) 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 profit or loss in the consolidated income statement.

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 (c) above.

## (e) 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.

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.

## (f) 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Insurance 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 small 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.

### (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 Premium Deposits (part of Trade and other 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.

### Management fee revenue

Fee revenue comprising management fee revenue with respect to life investment contracts is recognised in the statement of 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.

### Financial planning revenue

Financial planning revenue is recognised on an accruals 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.

## (h) 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 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.

### (i) 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 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.

### (j) Policy acquisition costs

The policy acquisition costs incurred are recorded in the statement of comprehensive income and represent the fixed and variable costs of acquiring new business. The policy acquisition costs include commission, policy issue and underwriting costs, agency expenses, management service fees and sale costs. The acquisition costs incurred in relation to life insurance contracts are capitalised in the valuation of policy liabilities.

### (k) Basis of expense apportionment

All expenses of the life insurance business incurred by ClearView Life and charged to the statement of 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 LPS1.04 Valuation of Policy Liabilities).

All expenses relate to non-participating business as the Company only writes this category of business.

### (l) 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 recognized 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.

### (m) 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.

### (n) 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.

A liability and expense for bonuses is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. A liability for termination benefits is recognised when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to a present value.

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 the reporting date.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### (o) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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.

### 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 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 comprehensive income. Fair value is determined in the manner described in note 3.

### 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 held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

### Available for sale financial assets

Listed shares and listed redeemable notes that are traded in an active market are classified as Available For Sale (AFS) and are stated at fair value. Investments in unlisted shares that are not traded in an active market can be classified as AFS financial assets and stated at fair value where the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in note 3.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

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 in the consolidated income statement.

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 recognition of interest would be 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 certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

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.

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 uncollectible, 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.

With the exception of AFS equity instruments, 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.

## Derecognition of financial assets

The Group derecognises a financial asset only 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 entity. 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 payable.

## (p) Financial liabilities and equity instruments issued by the Group

### 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.

### Financial liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Financial liabilities at FVTPL

Financial liabilities are classified as 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 acquired 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 as at FVTPL.

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 comprehensive income.

### 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.

### (q) 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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.

### Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

### (r) 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 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.

### (s) Financial instruments issued by the company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. 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 recorded as equal to the proceeds received, net of direct issue costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## (t) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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 that are acquired separately.

## (u) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews 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). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 annually and whenever there is an indication that the asset may be impaired. The 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (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 fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

## (v) Property Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment. Property, plant and equipment is amortised over its expected useful life being, 3 years (33% p.a. amortisation) and furniture & fittings 5 years (20% p.a. amortisation). Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The cost of improvements to, or on, leasehold properties is amortised over the unexpired term of the lease. These are subject to impairment reviews at least annually or more frequently where there is an indication of impairment.

## (w) Share-based payments

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. Fair value is measured via option pricing, using a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

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. 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 employee share plan reserve.

## (x) Income tax

### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Financial Position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising 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 differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset 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 period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination,

in which case it is taken into account in the determination of goodwill or excess.

### Leased assets

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

## 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies management is 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.

### Critical judgments in applying the Group's accounting policies and key sources of estimation uncertainty

The critical judgments that management has 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;
- 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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

takes into account the risks and uncertainties of the particular classes of life insurance business written.

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

- The cost of providing benefits and administering these insurance contracts;
- 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 intangible assets

The carrying amount of intangible assets at the financial position date was \$51.9 million (2010: \$59.2 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.

### Cornerstone software system (CWT)

The intangible assets arose on the acquisition of ClearView Financial Advice and primarily represent the value of acquired CWT.

The value of the CWT system is amortised on a straight line basis over a period which the Directors assess as the intangible asset's useful life.

### Client Book – Intangible

The intangible assets arose on the acquisition of CVGH and ClearView Financial Advice. The intangibles represent the value of the in force insurance and investment contracts, and value of the existing financial planning and funds management revenues (the client book). The valuation of these assets were performed by suitably qualified personnel on the basis of recognised actuarial methods or independent valuation.

On the acquisition of ClearView Financial Advice expected synergies, future revenue growth and the ingrained experience of personnel were recognised as part of goodwill as the fair value of these intangible assets could not be reliably estimated.

The individual intangible assets are amortised over their expected useful lives at annual rates reflective of their expected utilisation. There were no impairment factors identified in the current year.

Further information about the intangible assets is detailed in note 21.

## Impairment of Goodwill

The carrying amount of goodwill at the reporting date was \$4.8 million (2010: \$4.2 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

ClearView Financial Advice acquired the business of Community and Corporate Financial Services Pty Limited (ComCorp FS) on 9 April 2009.

Goodwill arose in respect of the amount of consideration paid in 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.

ComCorp FS was acquired in 2009 as the first major step of the Group in developing a presence in the wealth management and financial planning industry. ClearView has identified its cash generating units at the segment reporting level (lowest level of cash generating units). Below this level involves the various product lines that do not generate cash flows that are largely independent of each other as they share, inter alia, a common expense pool base. The goodwill that arose on the acquisition has at the reporting date been allocated to the financial planning cash generating unit.

The Group tests for impairment at each reporting date whenever there is an indication that the asset may be impaired. There were no impairment indicators identified in the current period. Management 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 progress of the proposed regulatory reforms will be monitored and their impact assessed as further information and legislation is released.

Further information about the goodwill is detailed in note 20.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

### Deferred tax asset – Revenue Losses

The Board has considered that it is probable that sufficient taxable income will be available against which deductible temporary differences or unused tax losses and tax offsets related to the group's revenue losses can be utilised.

The unrealised revenue losses (once crystallised) and the realised investment disposal losses that are considered by the Board to be revenue in nature, represent Group consolidated losses that are subject to the continuity of ownership test. At the date of this report, the Group continues to pass the continuity of ownership test. The Board has concluded that these losses are likely to be recouped by the tax consolidated Group against the income of the Group. The Board is therefore of the view that it is probable that the tax consolidated group will utilise the losses in the foreseeable future. This position will continue to be monitored and assessed by the Board at each reporting date and applicable test time, to the extent there is a change in circumstance or strategy any impairment will be recognised accordingly.

### Deferred tax asset – Capital Losses

ClearView Life has amounts of realised and unrealised capital losses within its superannuation business in its No.4 Statutory Fund. The Board has considered the likely 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 cap and recognised DTA amount 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 (ClearView Wealth Limited) 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 12.

### Actuarial methods and assumptions

The effective date of the actuarial report on life insurance policy liabilities, life investment policy liabilities and solvency reserves is 30 June 2011. The actuarial report was prepared by the ClearView Life Appointed Actuary, Greg Martin. 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.

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

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

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

The methods used for the major product groups are as follows:

RELATED PRODUCT GROUP	METHOD	PROFIT CARRIER
Fund 1 Advice lump sum insurance	Projection	Premiums
Fund 1 Non-advice lump sum insurance	Projection	Premiums
Fund 1 Accidental death	Projection	Premiums
Fund 1 Income protection	Accumulation	N/A
Fund 1 Integrated products	Accumulation	N/A
Fund 2 Super term	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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## (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 6.0% (2010: 5.5%).

**Acquisition expenses:** Per policy acquisition expense assumptions were based on the actual expenses for the 12 months to 30 June 2011.

**Maintenance expense and inflation:** The per policy maintenance expense assumptions were based on the per policy

unit costs implied by ClearView Life's 2011/12 business plan (2010: Based on the 2010/11 business plan). Expense inflation of 2.5% p.a. (2010: 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.

## (c) Effects of changes in actuarial assumptions (over 12 months ended June)

ASSUMPTION CATEGORY	12 MONTHS TO 30 JUNE 2011	
	EFFECT ON PROFIT MARGINS INCREASE / (DECREASE) \$'000	EFFECT ON POLICY LIABILITIES INCREASE / (DECREASE) \$'000
Discount rates and inflation	(2,623)	568
Maintenance expenses	(3,192)	-
Lapses	(9,622)	-
Mortality and morbidity	7,167	-
<b>Total</b>	<b>(8,270)</b>	<b>568</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 year.

### Maintenance expenses and inflation

The business plan level of maintenance expenses was taken as an appropriate expense base per policy.

Per policy maintenance expenses are assumed to increase in the future with inflation, at a rate that allows for basic price increases (CPI), wage cost increases, IT expense increases and productivity gains. An overall assumption similar to anticipated CPI was derived from a combination of market implied future CPI (derived from index bond yields) and consideration of

Reserve Bank of Australia future inflation target ranges and outlook. The effect of this approach is materially unchanged from that adopted last year.

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 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 experience known and advice from ClearView's reinsurers.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

### Lapse

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

### (e) Sensitivity analysis

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

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 as 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 as 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

The table below illustrates how outcomes during the financial year ended 30 June 2011, in respect of the key actuarial variables, would have impacted the reported life insurance policy liabilities, profit and equity for that financial period.

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	5,676	5,750	(3,973)	(4,025)
	-100 bp	(6,577)	(6,677)	4,604	4,674
Mortality & morbidity	110%	-	-	(1,125)	(934)
	90%	-	-	1,125	934
Lapses	110%	-	-	(576)	(575)
	90%	-	-	576	575
Maintenance expenses	110%	-	-	(439)	(439)
	90%	-	-	439	439

\*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 ClearView Life experience in the current year in relation to those variables had been higher or lower by 10% of that experienced.

## 5 RISK MANAGEMENT

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
- Non-financial risks, including compliance risk, operational risk and strategic risk.

### Risk management strategy, roles and responsibilities

Risk management is an integral part of the Company's management process. The Company'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 Company's objectives. The RMS and RMF are fundamental to the business decisions of the Company, 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 Company, beyond the shareholders, including:

- The benefit security and expectations of policyholders 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 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 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 Company has adopted a Capital Management Plan (CMP) with respect to supporting the residual risk exposures retained by the Company and the ongoing capital needs of the Company.

### Asset risks

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 2011 CONTINUED

## 5 RISK MANAGEMENT CONTINUED

### (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 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 CMP 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.

#### 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 2011, ClearView's assets included only a small portfolio of equities exposed to such 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 reserves are held in accordance with the CMP 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 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 (e.g. 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 solvency and capital adequacy standards of ClearView Life, with credit risk also considered with the Company's CMP reserves.

### (c) 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 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 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 1 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

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 control via the Company's Approved Product List, which restricts the external funds available for use by the Company's advisors and planners to investment platform providers that are assessed to be reputable and financially sound.

## 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).

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>2011</b>				
Equity securities	469,817	-	-	469,817
Fixed interest securities	-	576,764	-	576,764
Unit trusts	371,077	-	-	371,077
Total	840,894	576,764	-	1,417,658
<b>2010</b>				
Equity securities	494,109	-	-	494,109
Fixed interest securities	-	510,521	-	510,521
Unit trusts	465,368	-	-	465,368
Total	959,477	510,521	-	1,469,998

## Insurance risk

The results under the life insurance contracts written by the Company are exposure 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

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 5 RISK MANAGEMENT CONTINUED

### (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 Regulatory 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 are 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 Company 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 Company primarily relate to the extent that the Company 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 Company 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.
- 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 & 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

The risks are principally managed via the Company'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 Company;
- A specific focus area of the Board Audit, Risk and Compliance Committee;
- Detailed compliance registers, reporting timetables, incidence 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.

## 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 regulator capital as required by ASIC.

Nonetheless, the Company maintains additional capital reserves in accordance with its Board adopted CMP that retains capital reserves to support its retained risk exposures, ensures there is a low likelihood that the Company (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 and 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.

## 6 SOLVENCY REQUIREMENTS OF THE STATUTORY FUNDS

The distribution of the retained profits shown in the financial statements is limited by the regulatory capital requirements (APRA and ASIC) applicable to the Company and its subsidiaries. The APRA Prudential Standard LPS 2.04 *Solvency Standard* prescribes the minimum capital requirements (solvency requirements), for each statutory fund of ClearView Life. The solvency reserve ratios, as defined by APRA, are as follows:

	STATUTORY FUND NO. 1	STATUTORY FUND NO. 2	STATUTORY FUND NO. 4	STATUTORY FUND TOTAL
Solvency reserve % <sup>(1)</sup>	2.8	0.5	0.2	0.3
Coverage of reserve <sup>(2)</sup>	20.1	11.1	5.7	8.9

### Explanatory Notes

- (1) The solvency reserve is the amount by which the solvency requirement exceeds the sum of the minimum termination value of life and investment contracts and other non-policy liabilities. The solvency reserve % shown is the amount of the solvency reserve expressed as a percentage of the sum of the minimum termination value of life insurance and investment contracts and other non-policy liabilities. A smaller percentage indicates a smaller solvency reserve (relative to the liabilities of the fund).
- (2) The coverage of the solvency reserve is the number of times the solvency reserve is covered by the assets in excess of the solvency requirement. A number greater than 1 indicates that a fund has assets in excess of the solvency requirement. All of ClearView Life's statutory funds have assets in excess of the solvency requirements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 6 SOLVENCY REQUIREMENTS OF THE STATUTORY FUNDS CONTINUED

ClearView Life is required to maintain minimum levels of capital to meet both solvency and capital adequacy requirements.

The Solvency Standard sets out the level of capital required to ensure that under a range of adverse circumstances ClearView Life can meet its existing obligations to members and creditors. This is essentially based on ensuring sufficient capital is available to meet accrued liabilities and obligations if there were an orderly termination of the fund.

The Capital Adequacy Standard sets out the level of capital required, based on a going concern basis where the requirement is for ClearView Life to demonstrate that it has sufficient capital to accept premiums and investments from new and existing policyholders, fund its business plans, absorb short term adverse experience from time to time, and continue to remain solvent.

ClearView Life is required to comply with these standards on a continuous basis and reports results to APRA on a quarterly basis.

## 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 Planning; and
- Listed Entity / Other.

**Life Insurance:** The Group operates in the life insurance industry through its wholly owned subsidiary, ClearView Life. Clearview Life provides life insurance cover and the range of protection choices offer flexibility in both the type and amount of cover for which the policy holder can apply. ClearView Life operates as a specialist life protection business that encompasses the manufacture and distribution of life protection products.

**Wealth Management:** The Group operates an investment product manufacturing capability whose products are currently distributed via the financial planning businesses. The majority of these products are manufactured as a life investment contract issued by ClearView Life. A minority of products are issued as unit trust investments from a unit trust managed by ClearView Financial Management Limited (CFML). The Wealth Management segment currently includes only the ClearView Life portfolio. The CFML unit trust business is included in financial planning below.

**Financial Planning:** The Group operates in the financial planning industry through its wholly owned subsidiary ClearView Financial Advice. On 1 July 2011, ComCorp Financial Advice Pty Ltd was rebranded to ClearView Financial Advice Pty Ltd and all advisers were transferred from CFML. The group provides financial planning services to member based organisations, individuals and has an exclusive distribution alliance agreement to distribute life and wealth products to Bupa Australia's customer base.

As noted above, CFML is the responsible entity (RE) of the ClearView retail trusts. The management fees earned for managing these funds are included in the results of financial planning. This will be reallocated to the wealth management segment in the next financial year post the transfer of all advisers from CFML in July 2011.

**Listed Entity / Other:** This represents the investment earnings on the surplus cash held on the listed or central services entities statement of financial position and in the shareholders fund of ClearView Life offset by the costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its CMP as discussed in Note 5.

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

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

Information regarding these segments is provided below. The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

	EXTERNAL REVENUE		INTER-SEGMENT		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>SEGMENT REVENUE</b>						
Life Insurance	37,891	2,663	-	-	37,891	2,663
Wealth Management	81,106	32,165	-	-	81,106	32,165
Financial Planning	15,111	9,737	7,760	4,184	22,871	13,921
Listed entity / Other	1,911	803	-	-	1,911	803
Consolidated segment revenue	136,019	45,368	7,760	4,184	143,779	49,552

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

2011	LIFE INSURANCE	WEALTH MANAGEMENT	FINANCIAL PLANNING	LISTED ENTITY	TOTAL
<b>Underlying net profit / (loss) after tax</b>	<b>8,975</b>	<b>10,320</b>	<b>(443)</b>	<b>465</b>	<b>19,317</b>
Amortisation of intangibles	(1,418)	(5,250)	(733)	-	(7,401)
Systems upgrade	(326)	(334)	-	-	(660)
Transition costs	(389)	(767)	(1,223)	(1,326)	(3,705)
AIFRS policy liability adjustment	(568)	-	-	-	(568)
Income tax effect	385	331	452	514	1,682
<b>Reported profit / (loss) <sup>(2)</sup></b>	<b>6,659</b>	<b>4,300</b>	<b>(1,947)</b>	<b>(347)</b>	<b>8,665</b>

2010	LIFE INSURANCE	WEALTH MANAGEMENT	FINANCIAL PLANNING	LISTED ENTITY	TOTAL
<b>Underlying net profit / (loss) after tax</b>	<b>920</b>	<b>716</b>	<b>807</b>	<b>(3,483)</b>	<b>(1,040)</b>
Eliminations	-	-	-	(341)	(341)
Amortisation of intangibles	-	-	(665)	-	(665)
Profit on acquisition <sup>(1)</sup>	-	-	-	11,812	11,812
Transaction costs	-	-	-	(4,843)	(4,843)
Transition costs	(1,152)	(1,199)	(941)	-	(3,292)
AIFRS policy liability adjustment	886	-	-	-	886
Income tax effect	-	-	-	(109)	(109)
<b>Reported profit / (loss) <sup>(2)</sup></b>	<b>654</b>	<b>(483)</b>	<b>(799)</b>	<b>3,036</b>	<b>2,408</b>

(1) The profit on acquisition reported at 30 June 2010 was reduced by \$3.514 million as a result of completion adjustments.

(2) Reported profit is profit from continuing operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 8 DISCONTINUED OPERATIONS

During the prior financial year, the remainder of ClearView's listed investment portfolio was sold (other than one listed investment) and a significant portion of ClearView's internal cash resources was utilised to acquire the shares in CVGH. As a result of the investment of the cash prior to year-end, this segment represented a discontinued operation as there will be no earnings and related costs relative to this segment in future periods.

The combined results of discontinued operations (that is direct investment) included in the income statement in the prior period is set out below.

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	-	3,810	-	3,810
Other losses on disposal / impairment of investments	-	(498)	-	(498)
	-	3,312	-	3,312
Expenses	-	(298)	-	(298)
Profit before tax	-	3,014	-	3,014
Attributable income tax expense	-	(904)	-	(904)
Profit for the year from discontinued operations	-	2,110	-	2,110

## 9 FEE AND OTHER REVENUE

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial planning fees	11,260	9,523	-	-
Management fees	34,127	2,094	-	-
Other	283	-	-	-
Total fee and other revenue	45,670	11,617	-	-

## 10 INVESTMENT INCOME

Interest income	10,426	1,370	1,021	564
Dividend income	39,011	2,429	43,500	-
Distribution income	4,368	27,566	-	-
Total investment income	53,805	31,365	44,521	564

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 11 OTHER EXPENSES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>ADMINISTRATION EXPENSES</b>				
Administration and other operational costs	12,324	3,187	542	2,628
Custody and investment management expenses	6,707	1,014	-	18
Total administration expenses	19,031	4,201	542	2,646
<b>EMPLOYEE COSTS AND DIRECTORS' FEES</b>				
Employee expenses	21,479	6,218	20	20
Share based payments	531	364	6	332
Employee termination payments	276	-	-	-
Directors' fees	666	333	611	333
Total employee costs and directors' fees	22,952	6,915	637	685
<b>OTHER EXPENSES</b>				
Restructuring and transition expenses <sup>(i)</sup>	4,449	4,428	1,428	962
Professional fees	1,985	134	73	34
Interest expense	3	113	-	68
Transaction costs	-	4,843	4	4,843
Total other expenses	6,437	9,518	1,505	5,907
<b>Total operating expenses</b>	<b>48,420</b>	<b>20,634</b>	<b>2,684</b>	<b>9,238</b>
<b>AMORTISATION AND DEPRECIATION EXPENSES</b>				
Depreciation expenses	433	80	-	-
Amortisation expenses	7,401	665	-	-
Total amortisation and depreciation expenses	7,834	745	-	-
<b>REMUNERATION OF AUDITORS</b>				
Auditor of the parent entity	\$	\$	\$	\$
Audit and review of financial reports	312,500	315,402	157,812	142,351
Audit of APRA and ASIC regulatory returns	198,000	-	-	-
Audit of Managed Investment Schemes	92,000	-	-	-
Total remuneration for audit services	602,500	315,402	157,812	142,351
Preparation and lodgement of tax returns	73,500	-	-	-
Other non-audit services - taxation advice	43,500	143,615	-	198,615
Other non-audit services - compliance	30,000	-	30,000	-
Other non-audit services - consulting	283,700	-	-	-
Total remuneration for non-audit services	430,700	143,615	30,000	198,615
Total remuneration	1,033,200	459,017	187,812	340,966

(i) Included in restructuring and transition expenses are termination payments made to terminated employees as part of the transition of the CVGH businesses as well as provision for the restructuring of the financial planning business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 12 INCOME TAX

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>A) INCOME TAX RECOGNISED IN PROFIT OR LOSS</b>				
<b>Income Tax (benefit) / expense comprises:</b>				
Current tax expense	1,255	1,324	(1,116)	(2,065)
Deferred tax expense	5,631	(75)	542	1,155
Over provided in prior years – Current tax expense	(774)	(299)	(73)	(95)
(Over) / under provided in prior years – Deferred tax expense	(119)	231	–	51
Income tax expense / (benefit)	5,993	1,181	(647)	(954)
<b>Deferred income tax expense / (benefit) included in income tax expense comprises:</b>				
Decrease / (increase) in deferred tax asset	5,355	(1,110)	(647)	(34)
Increase / (decrease) in deferred tax liability	157	(155)	–	(16)
	5,512	(1,265)	(647)	(50)
<b>B) TAX LOSSES</b>				
Unused tax losses for which no deferred tax asset has been recognised	120,004	139,686	32,689	32,689
Potential tax benefit	18,538	19,969	9,807	9,807

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>C) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE</b>				
Profit / (loss) before income tax expense	14,658	3,589	41,867	(8,313)
Prima facie tax calculated at 30%	4,397	1,077	12,560	(2,494)
<b>Tax effect of amounts which are non deductible / assessable in calculating taxable income:</b>				
Differences in tax rate for the life company policyholders	107	(515)	–	–
Franking credits on dividends received	(5,083)	(323)	(13,050)	–
Non-deductible transaction costs	2	1,453	2	1,461
Difference in realised (loss) / profit	(3,392)	4,213	(42)	(62)
Accrued benefits on acquisition	–	166	–	166
Non allowable expenses	2,692	135	–	4
Profit on acquisition	–	(3,442)	–	–
Non assessable / deductible premiums	6,465	–	–	–
Under provision in prior years	(893)	(66)	(74)	(45)
Other	1,698	(1,517)	(43)	16
Income tax expense / (benefit)	5,993	1,181	(647)	(954)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>D) INCOME TAX RECOGNISED DIRECTLY IN EQUITY</b>				
<b>Current Tax</b>				
Capital raising costs	-	(278)	-	(278)
<b>Deferred Tax</b>				
Arising on capital raising costs charged against share capital	-	(1,115)	-	(1,115)
Revaluation of available for sale financial assets	-	(170)	-	(170)
Total tax benefit	-	(1,563)	-	(1,563)
<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.	4,180	3,772	4,180	3,772

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. Post the dividend payment there will be no franking credits generated until the carried forward losses are fully utilised.

## 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 33.

Under the Tax Act, ClearView 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 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 13 MOVEMENTS IN RESERVES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>RETAINED LOSSES</b>				
Balance at the beginning of the financial year	(38,296)	(42,814)	(47,905)	(42,656)
Net profit / (loss) attributable to members of the parent entity	8,665	4,518	42,514	(5,249)
Balance at the end of the financial year	(29,631)	(38,296)	(5,391)	(47,905)
<b>ASSET REVALUATION RESERVE</b>				
Balance at the beginning of the financial year	-	399	-	399
Revaluation of securities	-	(569)	-	(569)
Deferred tax asset arising on revaluation of reserves	-	170	-	170
Balance at the end of the financial year	-	-	-	-
<b>EMPLOYEE SHARE PLAN RESERVE</b>				
Balance at the beginning of the financial year	518	154	518	154
Arising on share based payments	531	364	531	364
Balance at end of the financial year	1,049	518	1,049	518

## 14 SOURCES OF PROFIT

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>COMPONENTS OF PROFIT RELATED TO MOVEMENTS IN LIFE INSURANCE LIABILITIES</b>				
Planned profit margins released	10,556	519	-	-
(Loss) / profit arising from difference between actual and expected experience	(2,515)	10	-	-
Impact of IFRS change in economic assumptions	(398)	887	-	-
One-off expenses	(502)	(923)	-	-
Life insurance	7,141	493	-	-
<b>COMPONENTS OF PROFIT RELATED TO MOVEMENTS IN LIFE INVESTMENT LIABILITIES</b>				
Expected profit margin	9,021	412	-	-
One-off expenses	(771)	(790)	-	-
One-off tax adjustment	(331)	(220)	-	-
Capitalisation of expected future losses	-	(6)	-	-
Life investment	7,919	(604)	-	-
Investment earnings on assets in excess of life insurance and investment contract liabilities	2,565	283	-	-
Profit for the statutory funds	17,625	172	-	-
Profit / (loss) for the shareholders fund	360	(140)	-	-
Profit for ClearView Life Assurance Limited	17,985	32	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 15 EARNINGS PER SHARE

	CONSOLIDATED	
	2011 CENTS PER SHARE	2010 CENTS PER SHARE
<b>BASIC EARNINGS PER SHARE</b>		
From continuing operations	2.12	1.33
From discontinued operations	–	1.16
Total basic earnings per share	2.12	2.49
<b>DILUTED EARNINGS PER SHARE</b>		
From continuing operations	2.10	1.33
From discontinued operations	–	1.13
Total diluted earnings per share	2.10	2.46

### 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	8,665	4,518
Earnings used in the calculation of total basic earnings per share	8,665	4,518
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	–	2,110
Earnings used in the calculation of basic earnings per share from continuing operations	8,665	2,408
Weighted average number of ordinary shares for the purpose of basic earnings per share	409,312	180,737

### Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

Earnings used in the calculation of total basic earnings per share	8,665	4,518
Interest on ESP loans after tax	353	158
Earnings used in the calculation of total diluted earnings per share	9,018	4,676
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	–	2,110
Earnings used in the calculation of diluted earnings per share from continuing operations	9,018	2,566

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	409,312	180,737
Shares deemed to be dilutive in respect of the employee share plan	19,631	5,988
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	428,943	186,725

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 16 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank	185,294	184,008	16,240	66
Deposits at call	528	13,134	-	10,647
Total cash and cash equivalents	185,822	197,142	16,240	10,713

## 17 INVESTMENTS

EQUITY SECURITIES				
Investment in Group Companies	-	-	220,041	215,216
Held directly	469,817	494,110	295	353
Held indirectly via unit trust	161,552	264,629	-	-
	631,369	758,739	220,336	215,569
DEBT SECURITIES / FIXED INTEREST SECURITIES				
Held directly	576,764	510,521	-	-
Held indirectly via unit trust	38,395	133,277	-	-
	615,159	643,798	-	-
PROPERTY				
Held directly	-	-	-	-
Held indirectly via unit trust	171,130	67,462	-	-
	171,130	67,462	-	-
Total investments	1,417,658	1,469,999	220,336	215,569

The listed shares held by the Company represent the 3.5 million shares in Nexbis Limited held at 30 June 2011 (4.1 million at 30 June 2010). Securities are classified as available-for-sale financial assets. The fair value of securities is their value at last bid price.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 18 RECEIVABLES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables	186	228	-	-
Outstanding life insurance premiums	951	704	-	-
Accrued dividends	2,297	3,361	-	-
Investment income receivable	632	-	56	-
Outstanding settlements	1,098	-	-	-
Prepayments	1,439	673	-	8
Other debtors	884	-	560	-
Provision for doubtful receivables	(352)	(344)	-	-
Amounts from controlled / associated entities	70	120	6,235	4,081
Total receivables	7,205	4,742	6,851	4,089

Receivables are non interest bearing and unsecured. Trade receivables relate to financial planning fees. Life insurance premiums have a 65 day grace period before the policy is lapsed. Outstanding settlements usually require payment within three days of the date of the transaction.

## 19 FIXED INTEREST DEPOSITS

Fixed interest bank term deposits	22,021	359	21,392	359
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Fixed interest term deposits, held at year end, yield a fixed interest rate of 6.4% (2010:6.4%).

## 20 GOODWILL

GROSS CARRYING AMOUNT				
Balance at the beginning of the financial year	4,187	3,976	-	-
Additional amount recognised through acquisition of business	777	211	-	-
Reversal of deferred consideration	(106)	-	-	-
Balance at the end of the financial year	4,858	4,187	-	-
NET BOOK VALUE				
At the beginning of the financial year	4,187	3,976	-	-
At the end of the financial year	4,858	4,187	-	-

In note 23 details of the Company's acquisitions are disclosed and further details on the calculation of goodwill is provided.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 21 INTANGIBLE ASSETS

2011	CONSOLIDATED		
	SOFTWARE \$'000	CLIENT BOOK \$'000	TOTAL \$'000
<b>Gross carrying amount</b>			
Balance at the beginning of the financial year	1,500	58,467	59,967
Acquired directly during the year	-	129	129
Balance at the end of the financial year	1,500	58,596	60,096
<b>Accumulated amortisation and impairment losses</b>			
Balance at the beginning of the year	368	444	812
Amortisation expense in the current year	300	7,101	7,401
Balance at the end of the financial year	668	7,545	8,213
<b>Net book value</b>			
At the beginning of the financial year	1,132	58,023	59,155
At the end of the financial year	832	51,051	51,883

2010	CONSOLIDATED		
	SOFTWARE \$'000	CLIENT BOOK \$'000	TOTAL \$'000
<b>Gross carrying amount</b>			
Balance at the beginning of the financial year	1,500	5,375	6,875
Acquired directly during the year	-	102	102
Acquired in a business combination	-	52,990	52,990
Balance at the end of the financial year	1,500	58,467	59,967
<b>Accumulated amortisation and impairment losses</b>			
Balance at the beginning of the year	68	79	147
Amortisation expense in the current year	300	365	665
Balance at the end of the financial year	368	444	812
<b>Net book value</b>			
At the beginning of the financial year	1,432	5,296	6,728
At the end of the financial year	1,132	58,023	59,155

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. After considering various external and internal sources of information such as current economic conditions and anticipated future cash flows to be derived from these assets it has been assessed that there are no indicators of impairment at 30 June 2011.

Client books and software are amortised over a period of up to 15 years and 5 years respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 22 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED						
2011	OFFICE FURNITURE \$'000	OFFICE EQUIPMENT \$'000	COMPUTER HARDWARE \$'000	COMPUTER SOFTWARE \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL \$'000
<b>Gross carrying amount</b>						
Balance at the beginning of the financial year	740	103	285	5	369	1,502
Additions	120	–	242	4	297	663
Reclassifications	(142)	(71)	26	3	184	–
Balance at the end of the financial year	718	32	553	12	850	2,165
<b>Accumulated depreciation / amortisation and impairment</b>						
Balance at the beginning of the financial year	46	49	44	1	80	220
Depreciation expense	108	6	119	2	198	433
Additions	3	–	91	3	127	224
Reclassifications	(9)	(39)	2	–	46	–
Balance at the end of the financial year	148	16	256	6	451	877
<b>Net book value</b>						
Balance at the end of the financial year	570	16	297	6	399	1,288
CONSOLIDATED						
2010	OFFICE FURNITURE \$'000	OFFICE EQUIPMENT \$'000	COMPUTER HARDWARE \$'000	COMPUTER SOFTWARE \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL \$'000
<b>Gross carrying amount</b>						
Balance at the beginning of the financial year	30	60	58	–	67	215
Additions	17	31	21	5	34	108
Acquisitions through business combinations	693	12	206	–	268	1,179
Balance at the end of the financial year	740	103	285	5	369	1,502
<b>Accumulated depreciation / amortisation and impairment</b>						
Balance at the beginning of the financial year	21	29	31	–	59	140
Depreciation expense	25	20	13	1	21	80
Balance at the end of the financial year	46	49	44	1	80	220
<b>Net book value</b>						
Balance at the end of the financial year	694	54	241	4	289	1,282

No property, plant and equipment is held in the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 23 BUSINESS ACQUISITIONS

### Suntrip Financial Services Pty Limited

On the 13 July 2010 ClearView Financial Advice acquired the business of Suntrip Financial Services Pty Limited (Suntrip) for \$0.8 million. Suntrip was previously a franchised planner of ClearView Financial Advice and the acquisition of the Suntrip business is consistent with the Company's strategy of expanding its presence in the financial planning and wealth management industry.

A liability was assumed by ClearView Financial Advice on the acquisition of Suntrip in terms of a deferred purchase consideration obligation. The payment of the deferred consideration is limited to \$0.4 million in accordance with the Business Purchase Deed (BPD). There is a mechanism in the BPD for the deferred consideration to be reduced should the clients or Funds Under Advice of Suntrip be reduced from the levels on which the business was acquired. Apart from the deferred consideration obligations, there were no assets or liabilities assumed as part of the acquisition of the business.

Acquisition-related transaction costs amounting to \$14,000 have been excluded from the consideration paid and were

recognised as an expense in the period in which they were incurred, being the 2011 financial year.

### Goodwill

Goodwill arose in the Suntrip business combination because the cost of the business combination included a control premium paid to acquire the core business assets and assume certain liabilities on Suntrip. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of: revenue growth; improved referral partner penetration and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably.

Had this business combination been effected at 1 July 2010, the revenue and net profit for the year from continuing operations of ClearView Financial Advice would not change. The revenue would not change since Suntrip was a franchised planner prior to the acquisition and ClearView Financial Advice recognised the full amount of their revenue and paid a commission to Suntrip on revenue generated. Subsequent to the acquisition, ClearView Financial Advice will no longer pay commission and the full amount of the revenue is retained.

BUSINESS ACQUISITIONS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES ACQUIRED (%)	COST COMPONENT OF BUSINESS COMBINATION	COST OF ACQUISITION (\$'000'S)
<b>2011</b>					
Suntrip Pty Limited	Financial Planning	13-July-10	N/A	Upfront cash payment	389
				Deferred consideration	388
					777

	BOOK VALUE	FAIR VALUE ADJUSTMENT	FAIR VALUE ON ACQUISITION
	\$'000'S	\$'000'S	\$'000'S
Fair value of identifiable net assets	-	-	-
Goodwill on acquisition	-	777	777
			777
<b>Net cash flow on acquisition</b>			
Total purchase consideration			777
Less consideration payable in future periods (current)			388
Consideration paid in cash			389

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## ClearView Financial Advice Pty Limited

On 8 April 2011 ClearView Financial Advice acquired the client book of a franchised planner John Dean for a consideration of \$0.1 million to be settled 50% in cash and 50% in 12 months after the effective date of the acquisition. The full amount of the purchase consideration has been allocated to client book intangible assets.

## ClearView Group Holdings Pty Limited

The initial accounting for the acquisition of ClearView Group Holdings Pty Limited (CVGH) has been finalised in the current reporting period.

On 7 January 2011, ClearView and Bupa finalised the adjustment amount relating to the CVGH acquisition. The final amount was \$9.7 million and represented the increase in the net assets acquired between 31 December 2009 and 9 June 2010. This resulted in a total acquisition

purchase price of \$204.7 million, which was \$3.9 million above that estimated on 30 June 2010 as a result of completion adjustments. This led to a \$3.5 million reduction to the profit on acquisition reported at 30 June 2010.

As at 30 June 2010, the disclosed completion payment of \$5.8 million represented managements best estimate of the most likely amount due under the terms of the Share Sale Agreement. The finalisation of the net asset adjustment resulted in an increase in the payment due to Bupa from \$5.8 million to \$9.7 million which was paid to Bupa on 7 January 2011.

The key inputs used to fair value the intangible assets were reviewed based on facts that existed at completion date which only became known in the current reporting period, but without the benefit of hindsight. Based on this review, the fair value of the intangible assets were unchanged from the provisionally accounted amounts.

The following table reconciles the movements in the relevant amounts:

	PROVISIONAL ACCOUNTING 30 JUNE 2010 \$000'S	FINAL ADJUSTMENTS \$000'S	ADJUSTED ASSETS 30 JUNE 2011 \$000'S
Total assets	1,761,698	655	1,762,353
Total liabilities	1,546,285	302	1,546,587
<b>Net assets</b>	<b>215,413</b>	<b>353</b>	<b>215,766</b>
Pro rata profit at 8 June 2010	721	(10)	711
<b>Net assets at completion</b>	<b>216,134</b>	<b>343</b>	<b>216,477</b>
Adjustment payment settled on finalisation of completion accounts	-	3,856	3,856
Initial consideration	200,809	-	200,809
<b>Purchase consideration</b>	<b>200,809</b>	<b>3,856</b>	<b>204,665</b>
<b>Profit on acquisition</b>	<b>15,325</b>	<b>(3,513)</b>	<b>11,812</b>

The adjustment to fair value on acquisition related to the following:

	\$000'S
<b>TOTAL ASSETS</b>	
Intangible increased by	-
Deferred tax asset increased by	655
Total assets increased by	655
<b>TOTAL LIABILITIES</b>	
Pro rata profit decreased by	10
Creditors and accrual decreased by	302
Total liabilities increased by	312
Net assets increased by	343
<b>RECONCILIATION OF PROFIT ON ACQUISITION</b>	
Profit on acquisition at 30 June 2010	15,325
Increase in the purchase price relating to fair value adjusted assets	(3,513)
Adjusted profit on acquisition	11,812

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 24 PAYABLES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables	4,062	7,106	137	-
Reinsurance creditors	761	687	-	-
Employee entitlements	3,793	2,422	45	-
Life premiums in advance	356	201	-	-
Bupa completion accounts adjustment	-	9,658	-	9,658
Premium deposits	729	-	-	-
Other creditors	1,868	5,175	-	376
Amounts in controlled entities	-	-	856	-
Total payables	11,569	25,249	1,038	10,034

Payables are non-interest bearing and unsecured. Trade payables relate to accrued expenses, management fees, financial planning payables and accrued commission payable to financial planners.

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 2011 CONTINUED

## 25 PROVISIONS

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CURRENT AND NON CURRENT</b>				
Make good provision	384	352	-	-
Provision for restructuring	1,427	864	-	1,962
Employee leave provisions	2,111	2,330	-	-
Other provisions	1,148	2,819	100	125
Total	5,070	6,365	100	2,087
<b>MAKE GOOD PROVISION</b>				
Balance at the beginning of the financial year	352	80	-	-
Provision acquired in a business combination	-	302	-	-
Additional provisions raised	48	-	-	-
Utilised during the period	(16)	(30)	-	-
Balance at the end of the financial year	384	352	-	-
<b>PROVISION FOR RESTRUCTURING<sup>(i)</sup></b>				
Balance at the beginning of the financial year	864	509	1,962	230
Additional provisions raised <sup>(i) (ii)</sup>	2,039	864	-	3,126
Utilised during the period	(1,437)	(509)	(1,962)	(1,394)
Unutilised provisions reversed during the period	(39)	-	-	-
Balance at the end of the financial year	1,427	864	-	1,962
<b>EMPLOYEE LEAVE PROVISION</b>				
Balance at the beginning of the financial year	2,330	276	-	-
Provision acquired in a business combination	-	2,310	-	-
Additional provisions raised	377	163	-	-
Utilised during the period	(596)	(419)	-	-
Balance at the end of the financial year	2,111	2,330	-	-
<b>OTHER PROVISIONS</b>				
Balance at the beginning of the financial year	2,819	86	125	85
Provision acquired in a business combination	-	-	-	-
Additional provisions raised	1,208	4,265	152	135
Utilised during the period	(2,578)	(1,343)	(177)	(95)
Unutilised provisions reversed during the period	(301)	(189)	-	-
Balance at the end of the financial year	1,148	2,819	100	125

(i) The provision for restructuring arose on the acquisition of CVGH as detailed in note 23. Restructuring provisions have been raised in accordance with an approved restructuring plan for the CVGH business. These restructuring costs relate to termination payments and outplacement costs. The restructure was completed in November 2010.

(ii) An additional provision of \$1.4 million was raised in June 2011 as a result of an approved restructuring plan for the financial planning business unit to further improve performance and reduce costs. The restructure is expected to be completed by 31 August 2011.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 26 DEFERRED TAX BALANCES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>DEFERRED TAX ASSETS</b>				
Non-current	24,297	29,652	8,542	12,282
Deferred tax assets	24,297	29,652	8,542	12,282
<b>DEFERRED TAX LIABILITIES</b>				
Non-current	157	-	-	-
Deferred tax liabilities	157	-	-	-
<b>DEFERRED TAX ASSETS</b>				
<b>Amounts recognised in profit or loss</b>				
Tax losses carried forward	7,279	10,478	7,279	10,478
Accruals not currently deductible	1,610	495	74	56
Depreciable and amortisable assets	(59)	(42)	-	-
Provisions	1,587	1,743	-	238
Unrealised losses	12,966	15,092	282	290
Other	914	1,231	907	1,220
Adjustment on completion of acquisition	-	655	-	-
Deferred tax asset	24,297	29,652	8,542	12,282
<b>DEFERRED TAX LIABILITIES</b>				
<b>Amounts recognised in profit or loss</b>				
Unrealised gains on investments	157	437	-	-
Other	-	(437)	-	-
Deferred tax liability	157	-	-	-

	CONSOLIDATED					
	OPENING BALANCE \$'000	ACQUISITION THROUGH BUSINESS COMBINATION \$'000	TRANSFERS FROM SUBSIDIARIES \$'000	(CHARGE) CREDIT TO INCOME \$'000	CHARGE (CREDIT) TO EQUITY \$'000	CLOSING BALANCE \$'000
<b>2011</b>						
Gross deferred tax liabilities	-	-	-	(157)	-	(157)
Gross deferred tax assets	29,652	-	-	(5,355)	-	24,297
Total	29,652	-	-	(5,512)	-	24,140
<b>2010</b>						
Gross deferred tax liabilities	(147)	(8)	-	155	-	-
Gross deferred tax assets	11,784	15,193	2	1,110	1,563	29,652
Total	11,637	15,185	2	1,265	1,563	29,652
<b>COMPANY</b>						
<b>2011</b>						
Gross deferred tax liabilities	-	-	-	-	-	-
Gross deferred tax assets	12,282	-	(4,387)	647	-	8,542
Total	12,282	-	(4,387)	647	-	8,542
<b>2010</b>						
Gross deferred tax liabilities	(16)	-	-	16	-	-
Gross deferred tax assets	11,360	(841)	-	200	1,563	12,282
Total	11,344	(841)	-	216	1,563	12,282



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

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 \$120m (tax effected \$18.5m) consolidated and \$32.7m (tax effected \$9.8m) for the company.

## 27 POLICY LIABILITIES

### (a) Reconciliation of movements in policy liabilities

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>LIFE INVESTMENT POLICY LIABILITIES</b>				
Opening gross life investment policy liabilities	1,405,415	-	-	-
Acquisition of business	-	1,437,827	-	-
Net increase / (decrease) in life investment policy liabilities reflected in the income statement	121,986	(19,778)	-	-
Net movement relating to acquisition date adjustment	-	(7,191)	-	-
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(30,785)	(2,559)	-	-
Life investment policy contributions recognised in policy liabilities	261,105	56,281	-	-
Life investment policy withdrawals recognised in policy liabilities	(389,834)	(59,165)	-	-
Closing gross life investment policy liabilities	1,367,887	1,405,415	-	-
<b>LIFE INSURANCE POLICY LIABILITIES</b>				
Opening gross life insurance policy liabilities	(62,918)	-	-	-
Acquisition of business <sup>(1)</sup>	-	(61,553)	-	-
Movement in outstanding claims	753	-	-	-
Decrease in life insurance policy liabilities reflected in the income statement	(563)	(1,001)	-	-
Net movement relating to acquisition date adjustment	-	(364)	-	-
Closing gross life insurance policy liabilities	(62,728)	(62,918)	-	-
<b>Total gross policy liabilities</b>	<b>1,305,159</b>	<b>1,342,497</b>	<b>-</b>	<b>-</b>
<b>REINSURERS' SHARE OF LIFE INSURANCE POLICY LIABILITIES</b>				
Opening balance	(2,015)	-	-	-
Acquisition of business <sup>(1)</sup>	-	(1,975)	-	-
Movement in outstanding reinsurance	(664)	-	-	-
Decrease / (increase) in reinsurance assets reflected in the income statement	232	(29)	-	-
Net movement relating to acquisition date adjustment	-	(11)	-	-
Closing balance	(2,447)	(2,015)	-	-
<b>Net policy liabilities at balance date</b>	<b>1,302,712</b>	<b>1,340,482</b>	<b>-</b>	<b>-</b>
Current	1,369,587	1,408,006	-	-
Non-current	(66,875)	(67,524)	-	-

(1) The outstanding claims reserve of \$8.689 million and the reinsurance receivable of \$2.018 million at 30 June 2010 in payables and receivables respectively were reclassified to policy liabilities.

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 \$134.3 million (2010: \$146.0 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## (b) Components of net life insurance policy liabilities

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Future policy benefits	157,123	187,945	-	-
Future expenses and commissions	44,524	52,515	-	-
Less future revenues	(379,253)	(434,257)	-	-
Best estimate liability	(177,606)	(193,797)	-	-
Present value of future planned profit margins	112,431	128,864	-	-
Net life insurance policy liabilities	(65,175)	(64,933)	-	-

## (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.

## 28 ISSUED CAPITAL

	COMPANY			
	2011 NO. OF SHARES	2011 \$'000	2010 NO. OF SHARES	2010 \$'000
<b>ISSUED AND FULLY PAID ORDINARY SHARES</b>				
Balance at the beginning of the financial year	409,312,192	276,565	139,312,192	144,816
Shares issued pursuant to Private placement*	-	-	123,437,808	61,719
Shares issued pursuant to 1 for 1 Entitlement Offer*	-	-	146,562,192	73,281
Capital raising costs, net of tax	-	-	-	(3,251)
Balance at the end of the financial year	409,312,192	276,565	409,312,192	276,565
Employee share scheme balance at the beginning of the year	17,650,000	-	1,800,000	-
Shares granted under employee share plan (note 35)	3,000,000	-	16,150,000	-
Shares cancelled under the employee plan	-	-	(300,000)	-
Employee share scheme balance at the end of the year	20,650,000	-	17,650,000	-

In accordance with AASB 2, Share-Based Payments the shares issued under the employee share plan are treated as options and are accounted for as set out in note 3(w).

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.

\* During the 2010 financial year, the Company executed a shareholder approved private placement for \$62 million and a 1 for 1 entitlement offer for \$73 million in order to raise the \$135 million required for the purposes of the acquisition of ClearView Group Holdings Pty Limited. The private placement was approved by shareholders at the extraordinary meeting held on 30 April 2010.

## 29 PROVISION FOR DEFERRED CONSIDERATION

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Provision for Deferred Consideration – Current	653	1,093	-	-
Provision for Deferred Consideration – Non-current	33	299	-	-
Total	686	1,392	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 30 SHARES GRANTED UNDER THE EMPLOYEE SHARE PLANS

### Employee share plan

In accordance with the provisions of the employee share plan, as at 30 June 2011, executives and senior employees have acquired 20,650,000 (2010: 17,650,000) ordinary shares that will vest if certain conditions are met. Shares granted under the employee share plan (ESP) carry rights to dividends and voting rights. Financial assistance amounting to \$12,001,456 (2010: \$9,838,645) was made available to executives and senior employees to fund the acquisition of shares under the ESP. For details of the ESP refer to note 35.

### Deferred share plan

In accordance with the provisions of the deferred share plan, employees have the right to have part of their salary directed towards the acquisition of shares in ClearView Wealth Limited. Shares acquired under the deferred share plan carry rights to dividends and voting rights. As at 30 June 2011 there were no shares issued under the DSP and the DSP has been suspended.

## 31 DIVIDENDS

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Fully paid ordinary shares</b>				
Interim dividend per share: nil cents (2010: nil cents)	-	-	-	-
Final dividend per share: 1.8 cents (2010: nil cents)	7,727	-	7,727	-
<b>Total</b>	<b>7,727</b>	<b>-</b>	<b>7,727</b>	<b>-</b>

The Directors declared that there will be a final fully franked dividend paid for the year ended 30 June 2011 of \$7.7 million (2010 : \$nil).

## 32 RECONCILIATION OF NET PROFIT / (LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Net profit / (loss) for the year</b>	<b>8,665</b>	<b>4,518</b>	<b>42,513</b>	<b>(5,315)</b>
Fair value (gains) / losses on financial assets at fair value through profit and loss	(89,093)	49,492	-	506
Realised gains on disposal of securities (shareholder)	(27)	(134)	(27)	-
Unrealised (gains) / losses on investments (shareholder)	(3)	640	(3)	-
Depreciation on property plant and equipment	433	80	-	-
Amortisation of intangibles	7,401	665	-	-
Reversal of impairment in subsidiary	-	(20)	-	-
Profit on acquisition of subsidiary	-	(11,812)	-	-
Bad debts written off	-	58	-	-
Interest and dividend received from controlled entity	-	-	(43,500)	-
Reinvested trust distribution income	(3,960)	(410)	-	-
(Gains) / losses from associate	(21)	59	-	-
Movements in liabilities to non-controlling interest in controlled unit trust	12,612	(3,601)	-	-
Employee share plan expense	530	364	530	332
Impairment of subsidiary	-	-	-	(361)
(Increase) / decrease in receivables	(2,441)	(28,748)	(2,762)	(2,838)
Decrease / (increase) in deferred tax asset	5,353	(506)	3,741	535
(Decrease) / increase in payables	(2,905)	8,100	(101)	8,030
Decrease in policy liabilities	(37,854)	(26,262)	-	-
(Decrease) / increase in current tax liability	(1,554)	3,875	(1,711)	1,711
<b>Net cash (utilised) / generated by operating activities</b>	<b>(102,864)</b>	<b>(3,642)</b>	<b>(1,320)</b>	<b>2,600</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 33 SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2011 %	2010 %
<b>PARENT ENTITY</b>			
ClearView Wealth Limited	Australia		
<b>SUBSIDIARIES</b>			
ClearView Group Holdings Pty Limited	Australia	100	100
ClearView Life Assurance Limited	Australia	100	100
ClearView Financial Management Limited	Australia	100	100
ClearView Life Nominees Pty Limited	Australia	100	100
ClearView Administration Services Pty Limited	Australia	100	100
ClearView Financial Advice Pty Limited (formerly ComCorp Financial Advice Pty Limited)	Australia	100	100
Affiliate Financial Planning Pty Limited	Australia	100	100
<b>CONTROLLED UNIT TRUSTS</b>			
International Fixed Interest Fund	Australia	95	95
Fund of Funds Australian Equity Fund	Australia	81	83
Bond Fund	Australia	92	91
Fund of Funds International Equity Fund	Australia	93	93
Property Fund	Australia	93	91
Money Market Fund	Australia	94	97
Infrastructure Fund	Australia	93	-
Emerging Markets Fund	Australia	92	-

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.

## 34 INVESTMENT IN ASSOCIATE

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Investment in associate	163	142	-	-
Reconciliation of investment in associate:				
Balance at the beginning of the financial year	142	198	-	-
Share of profit / (loss) for the year	21	(59)	-	-
Additions	-	3	-	-
Balance at the end of the financial year	163	142	-	-

NAME OF ENTITY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	
			2011 %	2010 %
<b>ASSOCIATES</b>				
Berry Financial Services Pty Ltd	Australia	Financial Planning	40	40

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

Summarised financial information in respect of the Group's associate is set out below:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>FINANCIAL POSITION</b>		
Total assets	40	21
Total liabilities	150	169
Net assets	(110)	(148)
Group's share of associate's net assets	(44)	(59)
<b>FINANCIAL PERFORMANCE</b>		
Total revenue	282	90
Total profit / (loss) for the year	52	(148)
Group's share of associate's profit / (loss)	21	(59)

## Dividends received from associate

Nil

## Contingent liabilities and capital commitments

There are no capital commitments and other expenditure commitments of associates and jointly controlled entities.

## 35 SHARE-BASED PAYMENTS

The Group has an ownership-based compensation scheme for Directors, executives and senior employees of the Group, namely the employee share plan (ESP). In accordance with the provisions of the plan, as approved by shareholders at the general meeting held on 7 October 2009, Directors, executives and senior employees may be issued parcels of ordinary shares at an exercise price as defined under the plan per ordinary share.

The Board intends to amend the rules of the Company's ESP so as to make Non-executive Directors ineligible to participate in the plan. It is further intended that the Chairman's 250,000 ESP shares be reallocated to senior management. This leaves the fee pool as the only source of remuneration for Non-executive Directors.

### Objectives

The objective of the ESP is to assist in the recruitment of highly skilled individuals and to reward, retain and motivate employees of the Company and its associated body corporate.

### Consideration

Each share will be issued at a price to be determined by the Board prior to making an offer to an employee. If no price is set, the price per share will be the weighted average price at which shares are traded on the ASX during the week prior to and including the day of offer or if no shares have traded in that time period the last price at which an offer to buy is made on the ASX.

### Eligibility

Under the ESP, the Directors may invite employees to participate in the ESP and receive shares subject to performance and vesting conditions determined by the Board. Shares may not be offered under the ESP to an employee if that employee would hold, after 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 the Company.

The number of shares granted under the ESP when aggregated with the number of shares issued under any other employee incentive share plan in the last 5 years must not exceed 6% of the issued shares at the time an offer to acquire shares under the ESP is made.

### Financial assistance

The Company may provide financial assistance to an 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 repayable within 5 years. The financial assistance will become immediately repayable in the event of "disqualifying circumstances" including failure to meet performance or vesting conditions, or upon cessation of the employee's employment in circumstances defined in the ESP Rules. The financial assistance is secured over the shares and rights attached to the shares.

### Rights

Shares issued under the ESP will rank equally with all other issued shares even if subject to a holding lock.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 35 SHARE-BASED PAYMENTS CONTINUED

### Quotation

The Company will apply to the ASX for official quotation of shares issued under the ESP.

### Restrictions

The shares granted under the ESP will be subject to a holding lock restricting the holder from dealing with the shares without the consent of the Board until generally the earlier of:

- the 5th anniversary of the issue date;
- the date the employee ceases employment; or
- termination of the ESP.

If performance and vesting conditions are not met, then the shares and financial assistance will be cancelled.

### Share-based payment arrangements

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

SHARE SERIES	NUMBER	GRANT DATE	EXPIRY DATE	FAIR VALUE AT EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
5 Series – 16 April 2008 Issue	1,000,000	16/04/08	16/04/13	0.60	0.10
6 Series – 30 June 2008 Issue	500,000	30/06/08	30/06/13	0.59	0.10
7 Series – 29 September 2009 Issue	3,500,000	29/09/09	29/09/14	0.49	0.07
8 Series – 8 October 2009 Issue	2,000,000	8/10/09	8/10/14	0.49	0.07
9 Series – 28 October 2009 Issue <sup>(1)</sup>	250,000	28/10/09	28/10/14	0.50	0.07
10 Series – 25 June 2010 Issue	2,000,000	25/06/10	26/03/15	0.50	0.11
11 Series – 25 June 2010 Issue	4,000,000	25/06/10	26/03/15	0.58	0.08
12 Series – 25 June 2010 Issue	4,000,000	25/06/10	26/03/15	0.65	0.06
13 Series – 25 June 2010 Issue	400,000	25/06/10	1/06/15	0.53	0.10
14 Series – 1 November 2010 Issue	3,000,000	25/10/10	1/10/15	0.50	0.07

SHARE SERIES	TYPE OF ARRANGEMENT	FIRST VESTING DATE	FINAL VESTING DATE
Series 5 – 16 April 2008 Issue	Shares reallocated to Series 15	Shares reallocated	Shares reallocated
Series 6 – 30 June 2008 Issue	Key Management Personnel	30/06/08	30/06/13
Series 7 – 29 September 2009	Key Management Personnel and Senior Management	23/10/09	29/09/14
Series 8 – 8 October 2009 Issue	Shares reallocated to Series 15	Shares reallocated	Shares reallocated
Series 9 – 28 October 2009 Issue <sup>(1)</sup>	Chairman	28/10/12	28/10/14
Series 10 – 25 June 2010 Issue	Managing Director	26/03/11	26/03/15
Series 11 – 25 June 2010 Issue	Managing Director	26/03/12	26/03/15
Series 12 – 25 June 2010 Issue	Managing Director	26/03/13	26/03/15
Series 13 – 25 June 2010 Issue	Senior Management	1/06/13	1/06/15
Series 14 – 1 November 2010 Issue	Senior Management	1/10/13	1/10/15

(1) There is an intention to reallocate these shares to senior management.

### 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.

### Amendment of the ESP

Subject to the ASX Listing Rules and its undertakings to individual employees in respect of issued shares, the Board may at any time amend any provision of the rules of 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

INPUTS INTO THE MODEL	SERIES 5	SERIES 6	SERIES 7	SERIES 8	SERIES 9
Grant date share price (\$)	0.60	0.59	0.49	0.49	0.50
Anticipated vesting price (\$)	0.60	0.59	0.55	0.55	0.62
Expected volatility (%)	24.12	25.26	30.24	30.43	25.64
Anticipated option life (years)	3.00	3.00	1.75	1.73	2.95

INPUTS INTO THE MODEL	SERIES 10	SERIES 11	SERIES 12	SERIES 13	SERIES 14
Grant date share price (\$)	0.50	0.58	0.65	0.53	0.50
Anticipated vesting price (\$)	0.57	0.66	0.74	0.61	0.59
Expected volatility (%)	28.78	28.78	28.78	28.78	29.71
Anticipated option life (years)	2.75	2.75	2.75	2.94	2.94

The shares were priced using a binomial option pricing model with volatility based on the historical volatility of the share price.

	2011		2010	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance at the beginning of the financial year	17,650,000	0.56	1,800,000	0.67
Granted during the financial year	3,000,000	0.50	16,150,000	0.55
Cancelled during the year	–	–	(300,000)	1.04
Balance at the end of the financial year	20,650,000	0.55	17,650,000	0.56

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

3 million shares were issued to Senior Management during the year. Series 5 and 8 shares were reallocated to Key Management Personnel (Series 15) with a grant date of 1 July 2011 in accordance with the ESP at a share price of \$0.50 and an anticipated vesting price of \$0.59.

## Shares that vested in the current period

The vesting conditions in the ESP stipulate that all shares issued in terms of the Plan will automatically vest with a change of control of the Company. Effective 23 October 2009, GPG obtained control of ClearView which resulted in accelerating the vesting of the shares in the ESP at that time, including Series 7 and 8 which had been issued prior to the change of control. The shares issued subsequent to Series 8, were issued subsequent to the change of control and thus the normal vesting conditions of the ESP still apply.

The first tranche of 2 million shares issued to the managing director vested in the current year in accordance with his employment contract. No other shares vested during the current financial year.

## Shares that were cancelled during the year

No shares were cancelled during the year.

On 18 August 2011, 3 million shares were reallocated from Series 5 and 8 to Series 15 due to the cessation of the employment of the CEO of Wealth Management and Advice.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 36 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 33 to the financial statements.

### (b) Transactions with key management personnel

#### Key management personnel compensation

Details of Key Management Personnel compensation are disclosed in the Directors' Report on page 20 of the annual report. The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	CONSOLIDATED	
	2011 \$	2010 \$
Short-term employee benefits	3,539,355	1,968,338
Post-employment benefits	625,048	118,770
Share based payments	487,007	339,571
Total	4,651,410	2,426,679

#### Directors and key management personnel equity holdings

Fully paid ordinary shares of ClearView Wealth Limited (including those held under the Employee Share plan) owned by the Directors and key management personnel are outlined below:

2011	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.
R Kellerman	250,000	201,600	451,600	-	98,400	550,000	250,000	-	-	-
D Goodsall	-	-	100,000	-	-	100,000	-	-	-	-
J Murphy	-	-	-	-	315,000	315,000	-	-	-	-
P Wade	-	-	139,682	-	100,000	239,682	-	-	-	-
S Thomas	-	-	-	-	800,000	800,000	-	-	-	-
S Swanson	8,000,000	4,000,000	12,000,000	-	-	12,000,000	8,000,000	2,000,000	2,000,000	-
A Hutchison	-	3,000,000	3,000,000	-	-	3,000,000	-	3,000,000	3,000,000	-
A Chiert	-	1,500,000	1,500,000	-	-	1,500,000	-	1,500,000	1,500,000	-
C Levinthal	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000	-	-	-
G Martin	-	-	-	-	-	-	-	-	-	-
C Robson	-	-	-	-	-	-	-	-	-	-

2010	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.
R Kellerman	250,000	100,800	350,800	-	100,800	451,600	250,000	-	-	-
P Wade	-	19,841	19,841	-	119,841	139,682	-	-	-	-
D Goodsall	-	-	-	-	100,000	100,000	-	-	-	-
S Swanson	-	-	-	10,000,000	2,000,000	12,000,000	10,000,000	-	-	-
A Hutchison	1,000,000	-	1,000,000	2,000,000	-	3,000,000	3,000,000	3,000,000	3,000,000	-
J McLaughlin	500,000	-	500,000	1,000,000	-	1,500,000	1,500,000	1,500,000	1,500,000	-
A Chiert	-	-	-	1,500,000	-	1,500,000	1,500,000	1,500,000	1,500,000	-
D McKell	-	-	-	500,000	-	500,000	500,000	500,000	500,000	-
P Constable	-	1,499,503	1,499,503	-	(1,499,503)	-	-	-	-	-

All shares granted as compensation to Directors and key management personnel were made in accordance with the provisions of the Employee Share Plan.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## (c) Outstanding balances between the Group and its related parties<sup>(1)</sup>

	CLEARVIEW WEALTH LIMITED	CLEARVIEW LIFE ASSURANCE LIMITED	CLEARVIEW FINANCIAL MANAGEMENT LIMITED	CLEARVIEW FINANCIAL ADVICE PTY LIMITED	CLEARVIEW ADMINISTRATION SERVICES PTY LIMITED	BERRY FINANCIAL SERVICES PTY LIMITED
2011	\$	\$	\$	\$	\$	\$
ClearView Wealth Limited	-	5,212,877	(636,386)	(219,561)	1,021,799	-
ClearView Life Assurance Limited	(5,212,877)	-	(1,354,416)	-	(1,676,429)	-
ClearView Financial Management Limited	636,386	1,354,416	-	(2,385)	(2,179,445)	-
ClearView Financial Advice Pty Limited	219,561	-	2,385	-	(375,544)	70,000
ClearView Administration Services Pty Limited	(1,021,799)	1,676,429	2,179,445	375,544	-	-
Berry Financial Services Pty Limited	-	-	-	(70,000)	-	-
2010						
ClearView Wealth Limited	-	-	2,673,458	323,836	1,083,813	-
ClearView Life Assurance Limited	-	-	(5,433,855)	-	(2,366,430)	-
ClearView Financial Management Limited	(2,673,458)	5,433,855	-	-	(3,726,074)	-
ClearView Financial Advice Pty Limited	(323,836)	-	-	-	(304,364)	120,000
ClearView Administration Services Pty Limited	(1,083,813)	2,366,430	3,726,074	304,364	-	-
Berry Financial Services Pty Limited	-	-	-	-	(120,000)	-

(1) The outstanding balances between the Group and its subsidiaries are settled within 30 days, except for the intercompany tax balances which are settled at the time of the finalisation of the return.

## (d) Transactions between the Group and its related parties

Other related parties include:

- entities with significant influence over the Group
- associates
- subsidiaries

During the financial year ended 30 June 2011, the following transactions occurred between the Company and its related parties:

- ClearView Administration Services Pty Limited received a management fee of \$35,470,953 (2010: \$10,032,337) as a recoupment of expenditure (including salary disbursements) from various group companies.
- The Company received a dividend of \$43.5 million from ClearView Group Holdings Pty Limited.
- ClearView Group Holdings Pty Limited received a dividend of \$44.5 million from ClearView Life Assurance Limited.
- ClearView Group Holdings Pty Limited subscribed for \$1.5 million of shares in ClearView Financial Management Limited.
- The Company subscribed and paid for an additional 4,250,000 (2010: 3,089,073) shares in ClearView Financial Advice Pty Limited for a cash consideration of \$4.25 million (2010: \$3,089,073).
- The Company recognised tax payable in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to/from the Company are made in accordance with the terms of the tax funding arrangement.
- ClearView Wealth Limited settled litigation related expenses on behalf of Berry Financial Services Pty Limited of \$nil (2010: \$286,419).
- Berry Financial Services Pty Limited charged ClearView Financial Advice Pty Limited a management fee of \$nil (2010: \$80,000) in respect of services provided to ClearView Financial Advice.
- ClearView Life Assurance Limited paid commission of \$7,759,962 (2010: \$4,183,829) to ClearView Financial Management Limited.

## (e) Parent entity

The parent entity in the Group is ClearView Wealth Limited which is incorporated in Australia.

## 37 FINANCIAL INSTRUMENTS

### (a) Management of financial Instruments

The financial assets of the Group 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 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 notes 3(o) and 3(p) to the financial statements respectively.

### (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 13 and 28). The capital structure remains unchanged from the previous financial period.

Refer to note 5 Risk Management for information relating to capital management and reserving.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 37 FINANCIAL INSTRUMENTS CONTINUED

### (e) Categories of financial instruments

The Company has investments in the following categories of financial assets and liabilities:

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>FINANCIAL ASSETS</b>				
Investment in group companies	-	-	220,041	221,435
Available for sale assets	295	353	295	353
Cash and cash equivalents	185,822	197,142	16,240	10,713
Fixed interest deposits	22,021	359	21,392	359
Life insurance investment assets	1,417,363	1,469,646	-	-
Loans and receivables	7,205	4,742	6,851	4,089
Total	1,632,706	1,672,242	264,819	236,949
<b>FINANCIAL LIABILITIES</b>				
Policyholder liabilities	1,302,712	1,340,482	-	-
Payables	11,569	25,249	1,038	6,320
Current tax liabilities	-	1,713	-	1,713
Provisions	5,070	6,365	100	2,085
Provisions for deferred consideration	686	1,392	-	-
Total	1,320,037	1,375,201	1,138	10,118

These financial assets and liabilities are recognised in accordance with the accounting policies detailed in note 3(o) and 3(p) to the financial statements respectively.

### (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.

### (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 CMP 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.

#### 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 2011, ClearView's assets included only a small portfolio of equities exposed to such 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

To the extent required, capital reserve are held in accordance with the CMP with respect to the Company's residual fee risk exposure.

The following table illustrates the effect on recognised income and expense and securities from a possible change in other market risk that were reasonably possible based on the risk the Group was exposed to at reporting date:

	EFFECT ON OPERATING PROFIT CONSOLIDATED		EFFECT ON SECURITIES CONSOLIDATED		EFFECT ON OPERATING PROFIT COMPANY		EFFECT ON SECURITIES COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>EQUITY PRICE RISK - ±9% CHANGE (2010: 9%)</b>								
Australia	±17	±56	±17	±56	±17	±56	±17	±56

The methodology used to prepare the sensitivity analysis was to determine the beta of the listed investment (0.89) (2010: 0.71) and multiply a 9% (2010: 16%) movement in the value of the investment by the portfolio beta.

Based on the market exposure management believe that the market variation of 9% (2010: 16%) is considered appropriate.

## (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 (e.g. 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 solvency and capital adequacy standards of ClearView Life, with credit risk also considered with the Company's CMP reserves.

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.

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CASH AND CASH EQUIVALENTS AND DEBT SECURITIES / FIXED INTEREST SECURITIES</b>				
Rating				
AAA to AA-	765,876	671,300	37,632	-
A+ to A-	39,689	126,088	-	11,071
BBB+ to BBB-	17,436	25,985	-	-
	823,001	823,373	37,632	11,071

Credit risk associated with receivables is considered minimal. The main receivables balance is in relation to trust distributions, receivables from funds managers in the financial planning business and for premiums receivable. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 37 FINANCIAL INSTRUMENTS CONTINUED

### (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 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 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 1 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. In addition, the Company ensures that it has cash in excess of the base level financial requirements of its AFSL license.

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 advisors 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.

	CONSOLIDATED				
	LESS THAN 3 MONTHS \$'000	3 TO 6 MONTHS \$'000	6 MONTHS TO A YEAR \$'000	1 TO 5 YEARS \$'000	TOTAL \$'000
<b>2011</b>					
Trade receivables	2,225	4	9	-	2,238
Outstanding life insurance premiums net of provision	599	-	-	-	599
Accrued dividends	2,297	-	-	-	2,297
Investment income and distribution income	632	-	-	-	632
Reinsurance receivable <sup>(1)</sup>	1,450	544	272	181	2,447
Prepayments	1,034	190	64	151	1,439
<b>Total</b>	<b>8,237</b>	<b>738</b>	<b>345</b>	<b>332</b>	<b>9,652</b>
<b>2010</b>					
Trade receivables	228	-	-	-	228
Loans to associate	120	-	-	-	120
Outstanding life insurance premiums net of provision	360	-	-	-	360
Accrued dividends	3,361	-	-	-	3,361
Reinsurance receivable <sup>(1)</sup>	1,084	449	287	198	2,018
Prepayments	167	167	339	-	673
<b>Total</b>	<b>5,320</b>	<b>616</b>	<b>626</b>	<b>198</b>	<b>6,760</b>

	COMPANY				
	LESS THAN 3 MONTHS \$'000	3 TO 6 MONTHS \$'000	6 MONTHS TO A YEAR \$'000	1 TO 5 YEARS \$'000	TOTAL \$'000
<b>2011</b>					
Trade receivables	560	-	-	-	560
Amounts from controlled / associated entities	6,235	-	-	-	6,235
Investment income and distribution income	56	-	-	-	56
<b>Total</b>	<b>6,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,851</b>
<b>2010</b>					
Amounts from controlled / associated entities	4,081	-	-	-	4,081
Prepayments	8	-	-	-	8
<b>Total</b>	<b>4,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,089</b>

(1) Reinsurance 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 2011 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 \$'000	3 TO 6 MONTHS \$'000	6 MONTHS TO A YEAR \$'000	1 TO 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL \$'000
<b>2011</b>						
Payables	8,410	2,713	138	308	-	11,569
Current tax liabilities	-	-	-	-	-	-
Provisions	-	100	2,475	1,534	961	5,070
Provision for deferred consideration	654	-	-	32	-	686
<b>Total</b>	<b>9,064</b>	<b>2,813</b>	<b>2,613</b>	<b>1,874</b>	<b>961</b>	<b>17,325</b>
<b>2010</b>						
Payables	20,742	1,808	1,125	1,574	-	25,249
Current tax liabilities	1,713	-	-	-	-	1,713
Provisions	4,035	-	1,108	1,222	-	6,365
Provision for deferred consideration	1,093	-	-	299	-	1,392
<b>Total</b>	<b>27,583</b>	<b>1,808</b>	<b>2,233</b>	<b>3,095</b>	<b>-</b>	<b>34,719</b>
COMPANY						
	LESS THAN 3 MONTHS \$'000	3 TO 6 MONTHS \$'000	6 MONTHS TO A YEAR \$'000	1 TO 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL \$'000
<b>2011</b>						
Payables	1,038	-	-	-	-	1,038
Provisions	-	100	-	-	-	100
<b>Total</b>	<b>1,038</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,138</b>
<b>2010</b>						
Payables	6,320	-	-	-	-	6,320
Current tax liabilities	1,711	-	-	-	-	1,711
Provisions	2,087	-	-	-	-	2,087
<b>Total</b>	<b>10,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,118</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 37 FINANCIAL INSTRUMENTS CONTINUED

### Financing facilities

	CONSOLIDATED		COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The Group has access to the following facilities:				
Bank Guarantees				
- amount used	1,103	340	-	-
- amount unused	-	-	-	-
Overdraft and credit				
- amount used	-	16	-	-
- amount unused	5,250	5,134	-	-

ClearView Life Assurance Limited has a \$5 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.

### 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.

	CONSOLIDATED		COMPANY	
	WEIGHTED AVERAGE INTEREST RATE %	LESS THAN 3 MONTHS \$'000	WEIGHTED AVERAGE INTEREST RATE %	LESS THAN 3 MONTHS \$'000
<b>2011</b>				
<b>FINANCIAL ASSETS</b>				
Variable interest rate instruments:				
Cash and cash equivalents	5.25%	97,082	5.47%	16,240
Fixed interest securities	5.99%	22,021	5.99%	21,392
Total		119,103		37,632
<b>2010</b>				
<b>FINANCIAL ASSETS:</b>				
Variable interest rate instruments:				
Cash and cash equivalents	4.66%	197,142	4.66%	10,713
Fixed interest securities	5.40%	359	5.40%	359
Total		197,501		11,072

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 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 25 basis point 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 were reasonably possible based on the risk the Group was exposed to at reporting date:

CHANGE IN VARIABLE	EFFECT ON OPERATING PROFIT CONSOLIDATED		EFFECT ON CASH AND CASH EQUIVALENTS AND FIXED INTEREST DEPOSITS CONSOLIDATED		EFFECT ON OPERATING PROFIT COMPANY		EFFECT ON CASH AND CASH EQUIVALENTS AND FIXED INTEREST DEPOSITS COMPANY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
±0.25% (2010: ±1.5%)	±291	±1,574	±291	±1,574	±90	±159	±90	±159

The Group's sensitivity to interest rates has increased during the current period mainly due to the acquisition of ClearView Life in the prior year and the increased exposure to financial assets. The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. Based on the market exposure management believe that the interest rate variation above is considered appropriate.

## 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.

### (b) 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 exposure to foreign currency.

	CHANGE IN AUD RELATIVE TO FOREIGN CURRENCY	EFFECT ON NET ASSETS/ INV RETURNS (\$) \$'000
USD	26%	-
GBP	18%	-
EUR	6%	-
YEN	14%	-

## Forward foreign exchange contracts

The Group currently does not make use of forward foreign exchange contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 38 DISAGGREGATED INFORMATION BY FUND

### Abbreviated income statement

	SHAREHOLDERS FUND	CONSOLIDATED			CLEARVIEW LIFE
		STATUTORY FUND NO.1	STATUTORY FUND NO.2	STATUTORY FUND NO.4	
	AUSTRALIAN NON- PARTICIPATING	AUSTRALIAN NON- PARTICIPATING	AUSTRALIAN NON- PARTICIPATING		
2011	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	39,933	370	-	40,303
Outwards reinsurance expense	-	(3,709)	(50)	-	(3,759)
Fee revenue	-	-	1,495	29,292	30,787
Investment revenue	333	884	5,094	69,654	75,965
Net fair gains / (losses) on financial assets at fair value	216	463	(540)	52,152	52,291
<b>Net revenue and income</b>	<b>549</b>	<b>37,571</b>	<b>6,369</b>	<b>151,098</b>	<b>195,587</b>
Claims expense	-	(16,362)	(1,213)	-	(17,575)
Reinsurance recoveries	-	2,120	901	-	3,021
Total administration expenses	(1)	(12,615)	(1,329)	(20,077)	(34,022)
Change in life insurance policy liabilities	-	344	(13)	-	331
Change in life investment policy liabilities	-	-	(3,481)	(118,505)	(121,986)
<b>Profit for the year before income tax</b>	<b>548</b>	<b>11,058</b>	<b>1,234</b>	<b>12,516</b>	<b>25,356</b>
Income tax expense	(188)	(2,981)	(432)	(3,770)	(7,371)
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>360</b>	<b>8,077</b>	<b>802</b>	<b>8,746</b>	<b>17,985</b>

### Abbreviated statement of financial position

2011					
Investments in controlled unit trusts	-	-	86,977	1,240,010	1,326,987
Policy liabilities ceded under reinsurance	-	1,449	998	-	2,447
Other assets	10,818	35,678	4,340	67,792	118,628
<b>Total assets</b>	<b>10,818</b>	<b>37,127</b>	<b>92,315</b>	<b>1,307,802</b>	<b>1,448,062</b>
Gross policy liabilities - Life insurance contracts	-	(62,762)	34	-	(62,728)
Gross policy liabilities - Investment insurance contracts	-	-	86,331	1,281,556	1,367,887
Other liabilities	340	5,284	968	7,164	13,756
<b>Total liabilities</b>	<b>340</b>	<b>(57,478)</b>	<b>87,333</b>	<b>1,288,720</b>	<b>1,318,915</b>
<b>Net assets</b>	<b>10,478</b>	<b>94,605</b>	<b>4,982</b>	<b>19,082</b>	<b>129,147</b>
<b>Shareholder's retained profits</b>					
Opening retained profits	(69)	64,996	353	26,448	91,728
Operating profit	360	8,077	802	8,746	17,985
Capital transfer between funds	41,262	(9,179)	98	(32,181)	-
Finalisation of acquisition accounting	-	11	29	469	509
Dividend paid	(44,500)	-	-	-	(44,500)
Shareholder's retained profits	(2,947)	63,905	1,282	3,482	65,722
Shareholder's capital	13,425	30,700	3,700	15,600	63,425
<b>Total equity</b>	<b>10,478</b>	<b>94,605</b>	<b>4,982</b>	<b>19,082</b>	<b>129,147</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## Abbreviated income statement

	SHAREHOLDERS FUND	CONSOLIDATED			CLEARVIEW LIFE
		STATUTORY FUND NO.1	STATUTORY FUND NO.2	STATUTORY FUND NO.4	
		AUSTRALIAN NON- PARTICIPATING	AUSTRALIAN NON- PARTICIPATING	AUSTRALIAN NON- PARTICIPATING	
2010	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	2,602	22	-	2,624
Outward reinsurance expense	-	(224)	(14)	-	(238)
Fee revenue	-	-	91	1,785	1,876
Investment revenue	158	285	1,147	43,104	44,694
Net fair losses on financial assets at fair value	(121)	(219)	(872)	(59,635)	(60,847)
<b>Net revenue and income</b>	<b>37</b>	<b>2,444</b>	<b>374</b>	<b>(14,746)</b>	<b>(11,891)</b>
Claims expense	-	(912)	-	-	(912)
Reinsurance recoveries	-	115	-	-	115
Change in life insurance policy liabilities	-	1,001	-	-	1,001
Change in life investment policy liabilities	-	-	(57)	19,835	19,778
Change in reinsurers' share of life insurance liabilities	-	29	-	-	29
Other expenses	(237)	(1,744)	(251)	(3,058)	(5,290)
<b>Profit for the year before income tax</b>	<b>(200)</b>	<b>933</b>	<b>66</b>	<b>2,031</b>	<b>2,830</b>
Income tax benefit / (expense)	<b>60</b>	<b>(281)</b>	<b>(161)</b>	<b>(2,416)</b>	<b>(2,798)</b>
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>(140)</b>	<b>652</b>	<b>(95)</b>	<b>(385)</b>	<b>32</b>

## Abbreviated statement of financial position

2010					
Investments in controlled unit trusts	12,538	22,543	91,197	1,293,240	1,419,518
Other assets	1,566	12,069	3,941	72,903	90,479
<b>Total assets</b>	<b>14,104</b>	<b>34,612</b>	<b>95,138</b>	<b>1,366,143</b>	<b>1,509,997</b>
Life insurance policy liabilities	-	(64,857)	(76)	-	(64,933)
Life investment policy liabilities	-	-	89,290	1,316,125	1,405,415
Other liabilities	748	3,775	1,872	7,965	14,360
<b>Total liabilities</b>	<b>748</b>	<b>(61,082)</b>	<b>91,086</b>	<b>1,324,090</b>	<b>1,354,842</b>
<b>Net assets</b>	<b>13,356</b>	<b>95,694</b>	<b>4,052</b>	<b>42,053</b>	<b>155,155</b>
Shareholder's retained profits					
Opening retained profits	71	64,342	447	26,838	91,698
Operating profit	(140)	652	(95)	(385)	32
Capital transfer between funds	-	-	-	-	-
Prior year adjustment	-	-	-	-	-
Dividend paid	-	-	-	-	-
Shareholder's retained profits	(69)	64,994	352	26,453	91,730
Shareholder's capital	13,425	30,700	3,700	15,600	63,425
<b>Total equity</b>	<b>13,356</b>	<b>95,694</b>	<b>4,052</b>	<b>42,053</b>	<b>155,155</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 39 INVESTMENT IN CONTROLLED UNIT TRUSTS

NAME	TYPE	CONSOLIDATED 30 JUNE 2011		CONSOLIDATED 30 JUNE 2010	
		\$'000	%	\$'000	%
International Fixed Interest Fund	Debt	32,906	2	121,559	9
Fund of Funds Australian Equity Fund	Equities	296,364	23	394,568	28
Bond Fund	Debt	309,481	23	255,625	18
Fund of Funds International Equity Fund	Equities	176,819	13	243,069	17
Property Fund	Property	52,601	4	56,969	4
Money Market Fund	Debt	286,148	22	347,728	24
Infrastructure Fund	Property	100,598	8	-	-
Emerging Markets Fund	Equities	72,070	5	-	-
Total		1,326,987	100	1,419,518	100

## 40 LEASES

### Leasing arrangements

Operating leases relate to:

- Premises leases (for financial planning offices) with lease terms that extend to 30 November 2016. The Group does not have an option to purchase the leased asset at expiry of the lease.
- ClearView Administration Services Pty Limited has entered into a lease agreement to lease new 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. The lease for the existing premises for head office expires in November 2011.
- 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Not longer than 1 year	1,667	1,709	-	-
Longer than 1 year and not longer than 5 years	4,492	1,704	-	-
Longer than 5 years	-	-	-	-
Total	6,159	3,413	-	-

In respect of non-cancellable operating leases the following liabilities have been recognised:

Make good provision (note 25)				
Current	384	50	-	-
Non-current	-	-	-	-
Total	384	50	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

## 41 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has term deposits that back financial guarantees issued by National Australia Bank in favour of the landlord of the Sydney Chifley premises in relation to rental deposits of \$379,314 (2010: \$341,000).

The Group has term deposits that back financial guarantees issued by Westpac Bank in favour of the landlord of the Sydney Bridge Street premises in relation to rental deposits of \$628,726 (2010: \$nil).

The Group has taken out term deposit to back financial guarantees issued by Westpac Bank in favour of the landlord of the new Sydney Bond Street premises in relation to rental deposits of \$624,443 (2010: \$nil).

## 42 SUBSEQUENT EVENTS

On 24 August 2011, the Group proposed a final dividend of \$7.727 million representing 1.8 cents per share fully franked. The dividend will be paid on 22 September 2011. Since the dividend has not been declared at year end it has not been recognised as payable in these accounts.

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

## 43 CAPITAL COMMITMENTS

The Group has signed a lease for new premises for the Sydney head office at 20 Bond Street. As part of the lease agreement, the lessor has agreed to a fit-out allowance of \$1.5 million, which is refundable should ClearView vacate the premises prior to the expiry of the lease.

The Group has committed to the following capital expenditures subsequent to the year end.

	CONSOLIDATED \$'000	COMPANY \$'000
Life Administration System	1,300	–
Premises fit-out	1,574	–
Technology projects	358	–
Total	3,232	–

# DIRECTORS' DECLARATION

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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 s.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



**Ray Kellerman**  
**Chairman**

Sydney, 24th August 2011

# INDEPENDENT AUDITOR'S REPORT

## Deloitte.

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

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1217 Australia

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## 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 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows 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 pages 36 to 98.

### *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 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## 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 2011 and of their performance for the year ended on that date;
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (a) 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 17 to 26 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Philip Hardy*

Philip Hardy  
Partner  
Chartered Accountants

Sydney, 24 August 2011

## SHAREHOLDERS' INFORMATION

AS AT 31 JULY 2011

### Ordinary Share Capital

There are 429,962,192 fully paid ordinary shares held by 2,541 shareholders. All the shares carry one vote per share.

### Substantial shareholders

RANK	NAME	NO OF SHARES AS PER NOTICE	% OF ISSUED CAPITAL
1.	Guinness Peat Group Plc and its Subsidiaries	210,699,272	49.00
2.	Investec Bank (Australia) Limited and Wentworth Private Equity	39,688,239	9.23
3.	Paradice Investment Management Pty Ltd	27,178,246	6.32

### Twenty largest shareholders

RANK	NAME	UNITS	% OF UNITS
1.	Ecurb Australia Pty Limited	116,401,964	27.07
2.	Guinness Peat Group (Australia) Pty Ltd	65,298,395	15.19
3.	IWPE Nominees Pty Limited	26,458,826	6.15
4.	J P Morgan Nominees Australia Limited	20,291,479	4.72
5.	National Nominees Limited	17,832,428	4.15
6.	Citicorp Nominees Pty Limited	17,437,206	4.06
7.	HSBC Custody Nominees (Australia) Limited	10,094,759	2.35
8.	Gisbourne Pty Ltd	10,000,000	2.33
9.	Mr Simon Swanson	10,000,000	2.33
10.	Bell Potter Nominees Ltd	9,988,408	2.32
11.	VBS Investments Pty Ltd	9,750,380	2.27
12.	Investec Bank (Australia) Ltd	7,937,647	1.85
13.	GPG Australia Nominees Limited	7,787,150	1.81
14.	Ecurb Australia Pty Limited	7,000,000	1.63
15.	Gannet Capital Pty Ltd	6,825,267	1.59
16.	IWPE Nominees Pty Limited	5,291,766	1.23
17.	Equity Trustees Limited	4,249,748	0.99
18.	Ecurb Australia Pty Limited	4,223,355	0.98
19.	RBC Dexia Investor Services Australia Nominees Pty Limited	2,955,000	0.69
20.	Manyata Holdings Pty Ltd	2,000,000	0.47

## SHAREHOLDERS' INFORMATION

AS AT 31 JULY 2011

## Distribution of shareholders

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	290	104,880	0.02
1,001 - 5,000	811	2,557,565	0.59
5,001 - 10,000	498	3,948,379	0.92
10,001 - 100,000	840	24,195,108	5.63
100,001 and over	102	399,156,260	92.84
<b>Total</b>	<b>2,541</b>	<b>429,962,192</b>	<b>100.00</b>

UNMARKETABLE PARCELS	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$ 500.00 parcel at \$ 0.50 per unit	1,000	252	66,880

## Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2011.



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# DIRECTORY

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## Directors

Ray Kellerman (Chairman)  
Anne Keating  
Anthony Eisen (alternate Michael Jefferies)  
David Goodsall  
John Murphy  
Simon Swanson  
Susan Thomas

## Former Director

Peter Wade

## Managing Director

Simon Swanson

## Company Secretaries

Chris Robson  
Athol Chiert

## Registered Office and Contact Details

Level 4, 50 Bridge Street  
Sydney NSW 2000

GPO Box 4964  
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

Telephone: 1300 855 080  
03 9415 4000

Facsimile: 03 9473 2500

## Auditors

Deloitte Touche Tohmatsu

## Accounting and Custodian Services

BNP Paribas Services Australasia Pty Limited

## 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)

