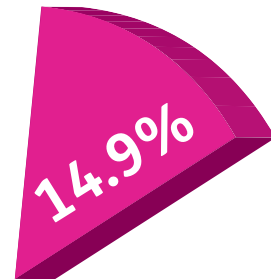




# ClearView Results FY17 v FY16

\$30.4m

Underlying NPAT



\$661.9m

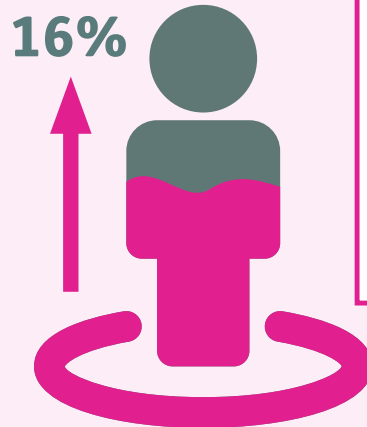
Embedded Value



Sony Life  
October 2016

## Life Insurance

Advised sales  
\$40.3m  
including  
\$28.9m  
from IFA channel



APLs  
343



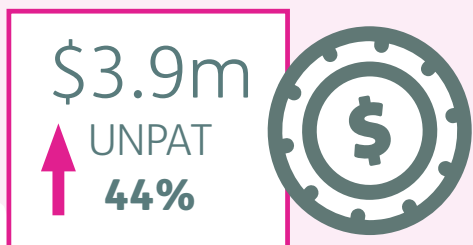
34%

\$24.9m

UNPAT  
2%



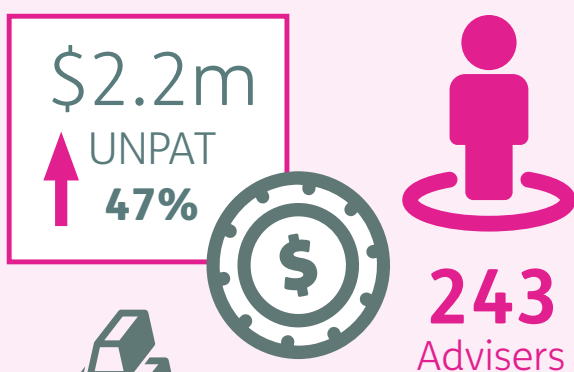
## Wealth Management



**\$205m** Net inflows



## Financial Advice



## Contents

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## Financial calendar

### FY17 Dividend Payment

29 September 2017

### Annual General Meeting

10 November 2017

### Half Year End

31 December 2017

### Half Year Result Announcement

February 2018

### Year End

30 June 2018

### Annual Report

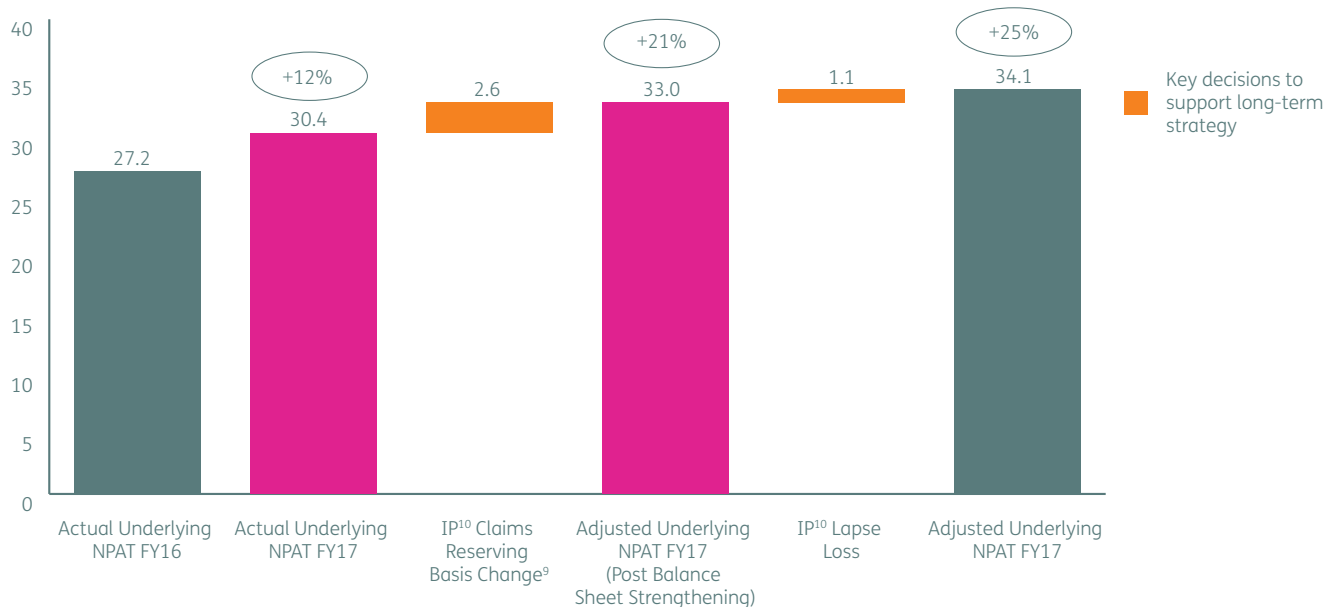
August 2018

Dates are subject to change.

# 2017 Financial highlights

After Tax Profit by Segment, \$m	FY17	FY16	% Change <sup>6</sup>
Life Insurance	24.9	24.5	↑ 2%
Wealth Management	3.9	2.7	↑ 44%
Financial Advice	2.2	1.5	↑ 47%
Listed entity and other	(0.7)	(1.5)	↑ 53%
<b>Underlying NPAT<sup>1</sup></b>	<b>30.4</b>	<b>27.2</b>	<b>↑ 12%</b>
Other adjustments <sup>11</sup>	(9.0)	5.5	↓ Large
<b>NPATA<sup>4</sup></b>	<b>21.4</b>	<b>32.7</b>	<b>↓ (36%)</b>
Amortisation <sup>5</sup>	(8.2)	(9.1)	↑ 10%
<b>Reported NPAT</b>	<b>13.2</b>	<b>23.6</b>	<b>↓ (44%)</b>
Embedded Value <sup>2</sup>	661.9	624.1	↑ 8%
Value of new business <sup>2</sup>	16.7	19.0	↓ (12%)
Net asset value <sup>3</sup>	415.6	411.8	↑ 4%
Reported diluted EPS (cps) <sup>7</sup>	2.11	4.27	↓ (51%)
Underlying diluted EPS (cps) <sup>7</sup>	4.88	4.92	↓ (1%)
DPS (cps) <sup>8</sup>	2.75	2.50	↑ 10%

Underlying NPAT growth adversely impacted in short term by implementing an enhanced actuarial IP<sup>10</sup> claims reserving basis and lapse experience on IP<sup>10</sup> portfolio following price increases to improve long-term profitability

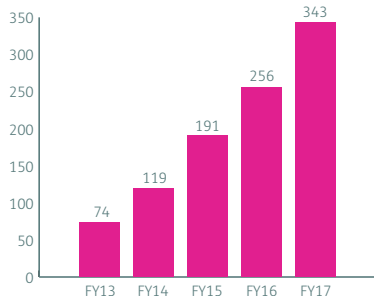


- Underlying NPAT consists of consolidated net profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
- Embedded Value (EV) and Value of New Business (VNB) at 4% discount rate margin. EV includes a value for future franking credits, accrued franking credits and ESP loans; EV % movement FY16 to FY17 adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (-\$6.2m).
- Net Asset Value as at 30 June 2017 excluding ESP Loans; % increase adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (-\$6.2m).
- NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software).
- Amortisation is amortisation of acquired intangibles (not including depreciation and amortisation of software).
- % movement FY16 to FY17, unless otherwise stated.
- Impacted by the effect of 59m shares issued in June 2016 as part of \$50m Entitlement Offer.
- DPS is dividend per share.
- Enhancement in estimate in relation to IP claims in the course of payment pre 30 June 2016.
- Income protection policies.
- Other adjustments includes costs considered unusual to normal activities (includes \$2.4m Direct closure provision) and changes in long term discount rates used to determine the insurance policy liabilities (\$13.7m 'swing' between periods).

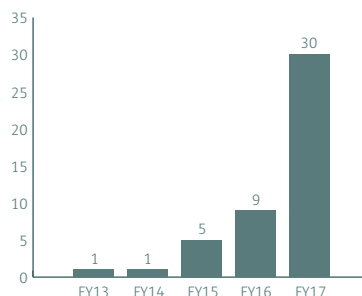
# FY17 Results summary

Growth in distribution footprint building profit base... leveraging Life Insurance IFA channels for Wealth distribution

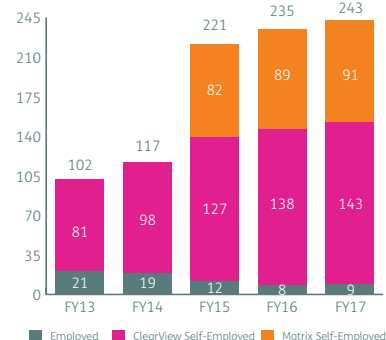
Active Life APLs with ClearView Products



Active Wealth APLs with ClearView Products

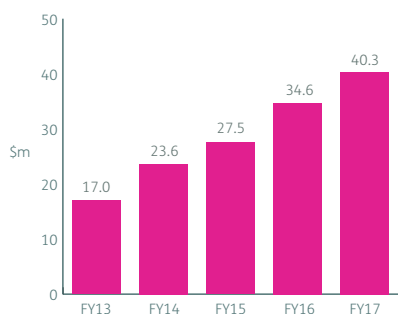


Aligned financial advisers

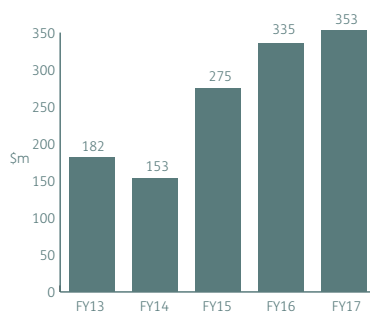


## Growth and diversity in sales of contemporary product

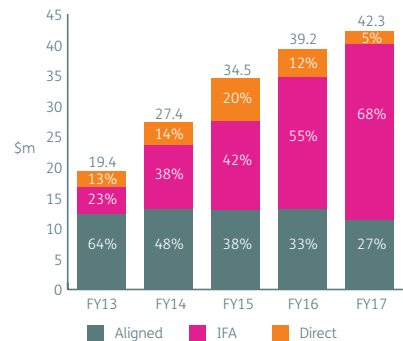
Life Insurance contemporary new business<sup>2</sup>



Wealth contemporary product net flows<sup>1</sup>

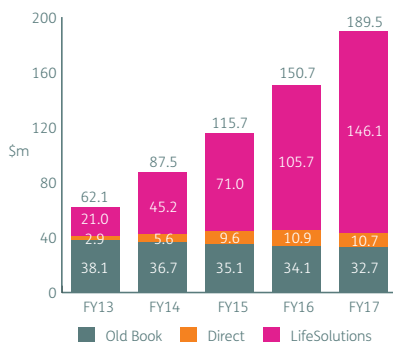


Total Life New Business by channel

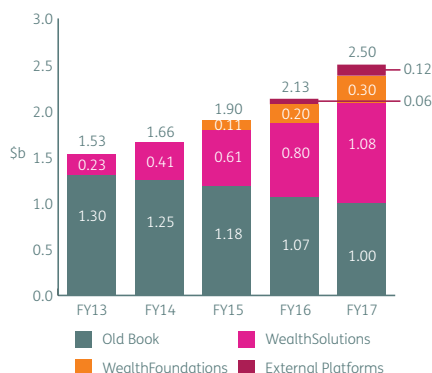


## Growth in the in-force base underpinning Embedded Value growth

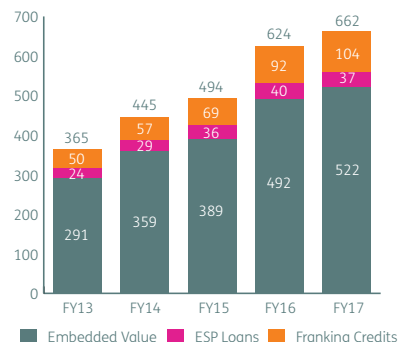
Life in-force Premium<sup>4</sup>



Wealth Management FUM<sup>3</sup>



Embedded Value (\$M)<sup>5</sup>



- 1 Wealth contemporary product net flows is defined as inflows less redemptions into FUM but excludes management fees outflow and ClearView Master Trust product net flows given that the product is not marketed to new customers.
- 2 LifeSolutions contemporary new business or sales represents the amount of new annual written premium sold during the period, net of policies cancelled from inception and excludes age based/CPI increases. Includes non-advice sales that were discontinued in FY17.
- 3 FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.
- 4 In-force premium is defined as annualised premium in-force at the balance date.
- 5 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and ESP loans; % movement FY16 to FY17 adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (\$6.2m).



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# Chairman's Letter

Bruce Edwards  
Chairman



ClearView's management team and staff executed the company's strategic plan with commitment and enthusiasm in 2017.

The group's core purpose continues to be building and protecting the financial futures of customers and their families by partnering with financial advisers.

In the 2017 financial year, ClearView delivered another strong profit result and remains on track to achieve its strategic goals of:

- Targeting 5% of the long-term life insurance profit pool;
- Building a material wealth management business; and
- Building a high quality financial advice business providing strategic advice to clients.

Another key focus during the year was fostering closer relations with Sony Life which acquired a 14.9 per cent shareholding in ClearView in October 2016.

The welcome emergence of Sony Life as the group's major strategic partner followed Crescent Capital's announcement that it intended to sell its shares in the company.

During the year, ClearView and Sony Life also entered a mutually-beneficial Cooperation Agreement which formalised both parties' commitment to sharing knowledge and experiences, and working together to drive efficiencies and growth.

The Cooperation Agreement, which remains in place for so long as Sony Life holds at least 10 per cent of the issued share capital in ClearView, enables ClearView to benefit from Sony Life's expertise in a range of areas including product development, distribution and marketing, technology and adviser training.

Other key areas of focus include:

- Expanding ClearView's distribution network in the IFA channel;
- Enhancing the quality of financial advice provided by aligned advisers; and
- Recruiting high quality, skilful aligned advisers.

As our relationship with Sony Life progresses, it's increasingly clear that both organisations share much in common including a client-first focus and a strong commitment to delivering quality products and quality advice.

Since its inception in 1979, Sony Life has promoted the value of advice and life insurance to provide financial security and stability for customers.

Similarly, ClearView firmly believes that financial advisers play an important personal, social and economic role. They transform lives by providing objective advice and ongoing support to help clients get, and keep, their financial house in order and achieve their financial goals.

But the environment advisers operate in is increasingly regulated and rapidly changing.

The advice industry has been subject to numerous inquiries and ongoing reforms. Life Insurance Framework legislation will come into effect on 1 January 2018 and tough new professional standards laws begin on 1 January 2019 starting with new advisers requiring a degree before being able to advise.

In response, advisory firms are lifting education and training standards, improving the disclosure and transparency of their remuneration and becoming more professional.

ClearView is committed to supporting the IFA community and our aligned advisers on this journey.

Across the group's two dealer groups, Matrix Planning Solutions and ClearView Financial Advice, a growing number of advisers are adopting a holistic fee-based model.

The Financial Advice business is driving the development and implementation of a strategic advice program, designed to help advisers diversify and grow their revenue by expanding the scope of their advice to cover life insurance, budgeting and cashflow management, superannuation, retirement planning, estate planning and aged care.

The strategic advice program also supports ClearView's agenda to capitalise on synergies arising from the convergence of life and wealth products.

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# Chairman's Letter

Continued

## Long-term strategy

ClearView's 2017 financial result reflects the company's strong future with growth in sales, adviser relationships, funds under management and inforce premium, underpinning the company's profile and driving embedded value.

The result also demonstrated that ClearView is willing and able to make difficult decisions to support the company's long-term strategy, despite the short-term impact.

Income protection price increases introduced in October 2016 were necessary for the prudent management of margin over time but led to higher lapses in the short-term. We also strengthened the reserving basis for income protection claims in the course of payment. Both decisions adversely impacted ClearView's 2017 profit result but position the company strongly for an exciting future.

During the year, ClearView also closed its Direct Life Insurance business, after a comprehensive review of the business and the broader Direct life insurance landscape found the outlook for the sector had changed considerably.

This move allows the group to focus on building stronger relationships with the financial adviser network.

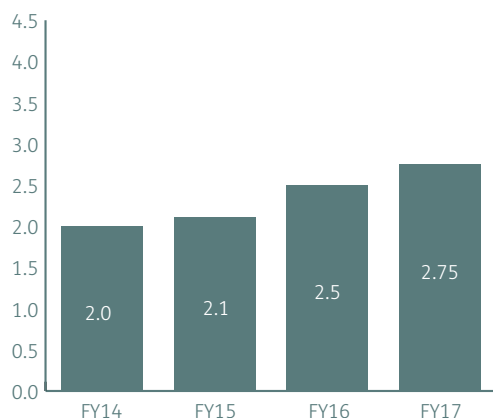
## Profit, dividends and capital

I'm pleased to report that ClearView's Underlying Net Profit After Tax<sup>1</sup> increased by 12 per cent to \$30.4 million in the year to 30 June 2017. This represented 4.88 cents per share.

Embedded Value of \$662.0 million at 30 June 2017 included franking credits and Employee Share Plan loans.

The Board has declared a fully franked final dividend of 2.75 cents per share for FY17 with a record date of 13 September 2017 and a payment date of 29 September 2017.

### FY17 Dividend



At the end of the 2016 financial year, the group noted that it did not expect to raise further capital to support its organic growth plans and that continues to be the case. There are no plans to raise additional capital in the latest business plan.

## Board appointments and Sony Life

In December 2016, Mr Satoshi Wakuya, General Manager, Head of Business Development Division for Sony Life joined the ClearView Board alongside experienced financial services executive Ms Susan Young.

Both Mr Wakuya and Ms Young are experienced Directors who have quickly taken on their new role and responsibilities.

Complementing the appointment of Mr Wakuya, two Sony Life executives were seconded to ClearView during the year, as part of the Cooperation Agreement.

## Acknowledgements

On behalf of the Board, I would like to thank our customers, advisers, strategic partners and shareholders for their ongoing support. Importantly, I would like to recognise the work of ClearView's senior management team and staff.

Personally, I would like to thank the Directors of the group for their ongoing advice and support.

Bruce Edwards  
Chairman

<sup>1</sup> Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.

# Managing Director's Report

Simon Swanson  
Managing Director



The 2017 financial year was another significant and exciting year in the ClearView story with strong sales into the group's flagship Life Insurance product, LifeSolutions, driving significant growth in the in-force book; strong Wealth Management inflows; progress in lobbying for customer-focused reforms; and the establishment of many important relationships.

Over 340 third party financial planning groups can now recommend LifeSolutions to their clients - up from 256 in 2016, and an increasing number of Independent Financial Advisers (IFAs) recommend ClearView's contemporary wealth platforms and products.

Our strategy and acute focus remains on partnering with financial advisers and strategic partners to help Australians protect and grow their wealth, achieve their goals and secure a comfortable financial future.

As a diversified financial services company, we understand the personal, social and economic benefits of Australians having a financial plan tailored to their needs; well-constructed and appropriately monitored life insurance protection; and an effective investment management strategy which is executed according to their financial plan.

We partner with financial advisers to help their clients save, invest and plan for the future, provide for their families, make intelligent financial decisions and ultimately retire with confidence. ClearView offers a range of professionally-managed investment management solutions and our life insurance products provide financial protection and peace of mind against the risk of premature death, critical illness, disability and accidents.

In 2017, the number of financial advisers across our aligned dealer groups, Matrix Planning Solutions (Matrix) and ClearView Financial Advice (CFA), swelled to 243. Matrix was named the 2017 Licensee of the year by global independent research house CoreData.

I am proud to say that Matrix and CFA financial advisers are empowered to use their professional judgement and experience to examine their clients' needs and, where a product is appropriate, recommend the most optimal investment and/or life insurance solutions. Matrix and CFA financial advisers, like most of the IFAs we partner with, enjoy a broad investment Approved Product List (APL) and a completely open life insurance APL.

Unfortunately, that still isn't the case for institutionally-aligned financial advisers who are limited to the life insurers on the APL set by their institutional parent, which too often primarily carry related-party products.

ClearView continues to lobby for all financial advisers and their clients to have product choice in life insurance through open APLs.

“Our strategy and acute focus remains on partnering with financial advisers and strategic partners to help Australians protect and grow their wealth, achieve their goals and secure a comfortable financial future.”

Since inception, ClearView has been precluded from the APLs of institutional licensees that have a 'pay-to-play' model and demand hefty payments for APL inclusion because we refuse to pay shelf space fees. Open APLs should be mandated to crack down on these insidious conflicts of interest, foster competition and significantly improve the culture of vertically-integrated institutions in order to increase the financial services industry's contribution to all Australians.

## Diversified financial services

ClearView is firmly on track to achieve its strategic goal of targeting 5 per cent of the long-term life insurance profit pool.



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LifeSolutions sales rose 16 per cent to \$40.3 million in FY17, of which 72 per cent, or \$28.9 million, came from the IFA channel. IFA support jumped 34 per cent during the period, bolstering in-force premium by 26 per cent to \$189.5 million.

The group's 2017 annual results also show significant progress in building a material Wealth Management business and a high quality Financial Advice business.

Wealth Management Underlying NPAT rose 44 per cent to \$3.9 million in the year to 30 June 2017, driven by strong inflows into contemporary products.

In Financial Advice, the development and roll-out of a strategic advice program is helping the group's aligned financial advisers broaden and refine their client value proposition, better meet the needs of their clients and grow their revenue.

## Sony Life

Of all the relationships strengthened and forged this year, none is more significant than the emergence of Sony Life as a major strategic shareholder.

Our partnership with Sony Life, and the Cooperation Agreement currently in place, positions ClearView strongly to continue competing effectively in an increasingly competitive environment. Our cultural similarities, particularly our shared focus on financial advisers and their clients, provide a strong foundation for a mutually-beneficial long-term relationship.

In recent years, heightened M&A activity has seen a number of international players enter the Australian market and others are keen to join.

Through our strategic partnership with Sony Life, both parties benefit from open sharing and cooperation on a range of matters including product development, distribution and marketing, technology and innovation.

In addition to the Sony Life partnership, ClearView has a competitive advantage as a relative newcomer with no material legacy issues. LifeSolutions was launched in 2012 and our contemporary wealth products are supported by modern technology.

The absence of out-dated product lines on old systems allows us to focus on providing exceptional products and service to new and existing clients.

That said, ClearView is not immune to some of the challenges facing the broader industry such as regulatory change, subdued growth, and deterioration in lapse rates and claims but our strong relationships with financial advisers and the embedded value in our widening distribution footprint continues to underpin our growth profile.

We are confident about the future as we are singularly-focused on the needs of our customers.

Being a relatively young, nimble player, ClearView has been able to make and implement decisions quickly and capture timely opportunities that support the company's long-term vision and growth.

In 2017 examples included the introduction of income protection price increases to ensure sustainability of product profitability; the adoption of an enhanced actuarial claims reserving basis on the income protection portfolio; and the closure of the Direct Life Insurance business.

The Board concluded that the Direct Life Insurance landscape had changed considerably in the past few years with multiple factors including increasing client acquisition costs and rising consumer expectations impacting the sector's outlook.

These factors, when combined with society's increasing expectations of financial services companies and heightened regulatory scrutiny, meant that the appropriate decision was to close the Direct Life Insurance business.

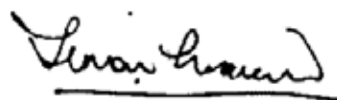
“ClearView has the right strategy, people and processes in place to continue successfully achieving profitable, sustainable growth.”

While the income protection price increase resulted in some short-term lapse losses and the move to an enhanced actuarial claims reserving basis adversely impacted the group's reported Underlying NPAT, these decisions have been made from a position of strength because we want to be around for the long-term to meet our commitments to our customers, financial advisers, staff and shareholders.

## Outlook

I'm excited about the opportunities that lie ahead in 2018 and I believe that ClearView has the right strategy, people and processes in place to continue successfully achieving profitable, sustainable growth.

ClearView's strong performance in FY17 reflects the significant investment made in the group's three core business segments in recent years. We continue to reap the rewards of our investment and the hard work of ClearView's talented management and staff. On behalf of the management team, I would like to thank ClearView's staff for their dedication and great work in 2017.



Simon Swanson  
Managing Director

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# Directors' Report

The Directors of ClearView Wealth Limited (ASX:CVW, ClearView or the Company) submit their report, together with the financial report of the consolidated entity (the Group) for the year ended 30 June 2017 (the financial year):

## Directors

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

- **Bruce Edwards** (Chairman)
- **Andrew Sneddon**
- **David Brown**
- **Gary Burg**
- **Michael Alscher**
- **Michael Lukin** (Alternate to Mr Alscher)
- **Nathanial Thomson**
- **Satoshi Wakuya** (appointed 14 December 2016)
- **Simon Swanson** (Managing Director)
- **Susan Young** (appointed 14 December 2016)

The biographies for the Directors of ClearView are detailed below.

## Current Directors

**Bruce Edwards BSc, MA, FIAA**

### Independent Non-executive Chairman

Bruce is a qualified actuary with over 25 years in actuarial consulting, including five years as Managing Director of KPMG Actuaries. In recent years, Bruce has held directorships with a number of life and general insurance companies and superannuation fund trustees, and has acted as Chairman for three life insurance distribution companies. Bruce is a director of Munich Re in Australia (a life and general reinsurance business and a direct general insurance company). Bruce also lectures in actuarial studies at Macquarie University and is a Past President and active member of the Rotary Club of Sydney.

Bruce was appointed to the Board on 22 October 2012 and was the Chairman of the ClearView Board Audit Committee, the Board Risk and Compliance Committee and the Nomination and Remuneration Committee, up until his appointment as Chairman of the Board on 18 May 2016. Bruce remains a member of the Board Audit Committee, the Board Risk and Compliance Committee and the Nomination and Remuneration Committee.

**Andrew Sneddon BEC, CA**

### Independent Non-executive Director

Andrew was a Partner with PricewaterhouseCoopers for 18 years before retiring in 2008. He has worked across a broad range of industries and has extensive experience in mergers and acquisitions, business and strategic planning, audit, valuation and capital raising, with particular focus on fast growth and emerging technology companies.

Andrew is the Chairman of TGR BioSciences Pty Limited and Elastagen Pty Limited and the former Chairman of Traditional Therapy Clinics Limited, Fusion Payments Limited and ServiceRocket Inc. Andrew is the Australian representative Director of ServiceRocket International Pty Limited. Andrew is also a Non-Executive Director of Innate Immunotherapeutics Limited, and a member of the Audit and Compliance Committees of the Crescent Capital Private Equity Funds.

Andrew was an Alternate Director from 26 March 2013 until his appointment as Director on 3 December 2013. Andrew served as Chairman of the Board Risk and Compliance Committee and the Nomination and Remuneration Committee between 18 May 2016 and 30 June 2017, and is currently Chairman of the Board Audit Committee.

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

### Independent Non-executive Director

David has significant experience in investment management and asset allocation of superannuation and insurance funds. He is the Chief Investment Officer for National Superannuation Fund Ltd in Papua New Guinea and a director of the PNG Institute of Directors, the former Head of Private Markets for Victorian Funds Management Corporation and former Senior Funds Manager for Queensland Investment Corporation. David is a former director of LifeHealthcare Pty Limited and a former Chairman of the Australian Private Equity and Venture Capital Association Limited.

David was appointed to the Board on 22 October 2012 and currently serves as a member of the Board Audit Committee and the Board Risk and Compliance Committee.

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

### Independent Non-executive Director

Gary has significant experience in building life insurance businesses in South Africa and in Australia. Gary is Chairman of UCW Limited, an ASX listed company and is also a director of Alinta Energy Limited and Global Capital Holdings

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# Directors' Report

Continued

(Australia) Pty Limited, a company which manages principal investments on behalf of various investors. He is a former director of, and investor in, 3Q Holdings Limited and South African listed Capital Alliance Holdings Limited (which owned Capital Alliance Life Limited and Capital Alliance Bank Limited). Gary is also a former director and investor in a number of Australian based financial services businesses, including PrefSure Life Limited and Insurance Line Holdings Pty Limited.

Gary was appointed to the Board on 22 October 2012, and currently serves as a member of the Board Audit Committee, the Board Risk and Compliance Committee and the Nomination and Remuneration Committee.

## Michael Alscher BCom

### Non-executive Director

Michael is the Managing Partner and founder of Crescent Capital Partners Management Pty Limited. Prior to founding Crescent Capital Partners, Michael was a consultant at Bain International and the LEK Partnership where he spent considerable time working across banking and insurance clients. After leaving consulting, Michael was the Chief Operating Officer and a Director of Gowings Bros Limited. Michael is the current Chairman of Cardno Limited, Director of Australian Clinical Laboratories Pty Limited and National Dental Care Pty Limited. He is also a former Chairman and Director of Cover-More Group Limited and a former Director of LifeHealthCare Group Limited and Metro Performance Glass Limited.

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

## Michael Lukin BSc (AppMaths) (Hons), CFA, AIAA

### Alternate Non-executive Director

Michael is a Partner and Director of ROC Partners Pty Limited. Prior to this, Michael was the Managing Director of the Macquarie Investment Management Private Market business in Sydney. Michael has 18 years of private equities investment experience and serves on the advisory boards of five Australian private equity fund managers, and is a current Australian Private Equity and Venture Capital Association Limited (AVCAL) Council member. He is a Chartered Financial Analyst (CFA) and an Associate of the Institute of Actuaries of Australia. Before joining Macquarie, Michael was an asset consultant with Towers Perrin, providing advice on investment

matters and manager selection to superannuation funds and master trust clients. Michael is also a Director of Baycorp Holdings Pty Limited, National Dental Care Pty Limited and Space-Time Research Pty Limited.

Michael served as Alternate Director to Jennifer Newmarch from 1 July 2013 until his appointment was revoked on her resignation. Michael was appointed as Alternate Director to Michael Alscher on 18 May 2016.

## Nathaniel Thomson BCom (Hons), LLB (Hons)

### Non-executive Director

Nathaniel is a partner of Crescent Capital Partners Management Pty Limited. Nathaniel has significant consulting experience for financial institutions at McKinsey & Co. He is the former deputy Chairman of Cover-More Group Limited prior to its listing on the ASX, a former director of Metro Performance Glass Limited, prior to its listing on the ASX, and is currently a director of Cardno Limited, National Dental Care Pty Limited and National Home Doctor Service Pty Limited.

Nathaniel was appointed to the Board on 22 October 2012 and currently serves as a member of the Nomination and Remuneration Committee. Nathaniel has previously served as a member of the Audit, Risk and Compliance Committee up until 30 June 2014.

## Satoshi Wakuya Bachelor of Liberal Arts

### Non-executive Director

Satoshi is the General Manager, Head of Business Development Division for Sony Life. Satoshi has over 10 years' experience in the life insurance industry in Japan and has held a number of senior management positions within Sony Life's ultimate parent company, Sony Corporation. Prior to joining Sony, Satoshi held roles within the Japanese Ministry of Foreign Affairs and Sumitomo Mitsui Banking Corporation in which he engaged in Japan's governmental loan aid and forex operations that developed his financial business background.

Satoshi was appointed to the Board on 14 December 2016.

## Simon Swanson BEC, BBus, ANZIIF (Fellow), CIP, FCPA

### Managing Director

Simon is an internationally experienced financial services executive having worked for over 35 years across life insurance, funds management, general insurance and health insurance. He has successfully led the largest life insurer (CommInsure, Sovereign and Colonial) in three countries and spent half of his career in the Asia Pacific region.

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# Directors' Report

Continued

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

Simon led the team that founded ClearView in its current form and was appointed as Managing Director on 26 March 2010.

**Susan Young BA (Hons), MA, FGIA, FCIS, MAICD, JP**

## Independent Non-executive Director

Susan has over 30 years' experience in senior executive roles internationally, with 15 years of experience in investment banking, followed by senior management roles in the corporate and professional services sector. She retired as a Partner of Spencer Stuart, and previously held operational management roles as both a divisional CFO and Joint Venture CEO/President for a Lend Lease Group company. Susan currently serves on the board of the Westmead Institute for Medical Research and is Governor of WWF Australia. She has served as a Non-executive Director on ClearView's superannuation trustee board over the last 6 years, including holding the position as its Chairperson over the last 2 years.

Susan was appointed Chair of the Nomination and Remuneration Committee and Board Risk and Compliance Committee on 1 July 2017, and is a member of the Board Audit Committee.

## Company Secretary

**Athol Chiert, BCOM, BACC, CA** was appointed Company Secretary on 4 November 2008. He is also the Chief Financial Officer at ClearView. Athol has a life insurance and private equity background. He was previously the CFO of PrefSure Holdings Limited and PrefSure Life Limited and also served as a director and executive of the Global Capital Group both in Australia and South Africa. Athol has over 20 years experience in the finance industry including holding directorships on investee and subsidiary entities. Athol commenced his professional career as an accountant with Arthur Andersen.

## Appointed Actuary of ClearView Life Assurance Limited

**Ashutosh Bhalerao B.Ec, FIAA** is the Appointed Actuary of ClearView Life Assurance Limited (ClearView Life). Ash joined ClearView as Deputy Appointed Actuary in January 2014 and was appointed to his current role on 5 June 2014. Ash has over 20 years experience in the financial services industry, specialising in life insurance. In the five years prior to joining ClearView, Ash was the Appointed Actuary for Swiss Re Life & Health Australia Limited. Ash has also held other senior actuarial roles with TAL Limited, Challenger Limited and AMP Limited and has a wide range of experience in financial management and reporting, product pricing, capital management, asset-liability management, risk management and reinsurance.

## Chief Actuary and Risk Officer

**Greg Martin B.A, FIAA, FFIN, FAICD, CERA** is the Chief Actuary and Risk Officer of ClearView. Greg has over 30 years' experience specialising in life insurance and funds management and has held a number of Appointed Actuary roles during his career.

Greg has fellowships with the Institute of Actuaries of Australia, FINSIA and the AICD, and is a Chartered Enterprise Risk Actuary. He has been a member of various regulatory, industry and professional committees and Boards, including past and ongoing membership of committees of the Institute of Actuaries of Australia and the International Actuarial Association, and has advised regulators and published a number of professional and industry papers and articles. Greg has a wealth of experience in the areas of risk and capital management, financial management and reporting, and product pricing and management.

# Directors' Report

Continued

## 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
Andrew Sneddon	Traditional Therapy Clinics Limited	24 February 2015 – 4 August 2016
	Innate Immunotherapeutics Limited	19 September 2013 – ongoing
Gary Burg	UCW Limited	24 March 2016 - current
Michael Alscher	Cover-More Group Limited	14 November 2013 – 30 April 2015
	LifeHealthCare Group Limited	8 November 2013 – 23 February 2015
	Metro Performance Glass Limited	31 March 2015 – 10 June 2016
	Cardno Limited	6 November 2015 – current
Nathanial Thomson	Cardno Limited	6 November 2015 – 28 January 2016; and 24 May 2016 – current

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were as follows:

	Board		Board Audit Committee		Board Risk and Compliance Committee		Nomination and Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Bruce Edwards	10	10	5	5	5	5	4	4
Andrew Sneddon	10	10	5	5	5	5	4	4
David Brown	10	9	5	4	5	4	-	-
Gary Burg	10	9	5	4	5	4	4	4
Michael Alscher <sup>1</sup>	10	9	-	-	-	-	-	-
Nathanial Thomson	10	10	-	-	-	-	4	4
Satoshi Wakuya <sup>2</sup>	4	4	-	-	-	-	-	-
Susan Young <sup>2</sup>	4	4	2	2	2	2	2	2
Simon Swanson	10	10	-	-	-	-	-	-

<sup>1</sup> Michael Lukin is an alternate director to Mr Alscher. Mr Lukin did not attend any meetings on behalf of Mr Alscher in the financial year.

<sup>2</sup> Mr Wakuya and Ms Young were appointed as Directors on 14 December 2016.



# Directors' Report

Continued

## Directors' shareholdings

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

Director	Fully Paid Ordinary Shares	Executive Share Plan Shares
Andrew Sneddon	124,621	-
Bruce Edwards	588,262	-
David Brown	-	-
Gary Burg	10,918,090	-
Michael Alscher <sup>1</sup>	-	-
Michael Lukin <sup>1</sup>	-	-
Nathaniel Thomson <sup>1</sup>	-	-
Satoshi Wakuya <sup>2</sup>	-	-
Susan Young	79,217	-
Simon Swanson	4,549,021	10,000,000

<sup>1</sup> Mr Alscher (alternate Mr Lukin) and Mr Thomson represent the interests of CCP Bidco Pty Limited and its Associates that non-beneficially hold 252,897,269 shares.

<sup>2</sup> Mr Wakuya represents the interest of Sony Life Insurance Co., Ltd that hold 98,067,795 shares.

## Shares issued under the Executive Share Plan

The following table sets out the shares issued under the Executive Share Plan (ESP) during the year ended 30 June 2017.

Series	Participant	Grant Date	No. of Shares Issued	No. of Shares Forfeited/ Exercised	No. of Shares Total
<b>Opening Balance (1 July 2016)</b>					<b>60,743,527</b>
Series 55	Contractor Participant	14-Jun-17	1,300,000	-	1,300,000
<b>Total (Contractor Participant)</b>			<b>1,300,000</b>	<b>-</b>	<b>1,300,000</b>
Forfeited			-	(3,693,143)	(3,693,143)
Exercised			-	(2,143,307)	(2,143,307)
<b>Closing Balance (30 June 2017)</b>			<b>1,300,000</b>	<b>(5,836,450)</b>	<b>56,207,077</b>
Exercised				<b>(500,000)</b>	<b>(500,000)</b>
<b>Closing Balance (24 August 2017)</b>				<b>(6,336,450)</b>	<b>55,707,077</b>

For details of the ESP see Note 27 of the notes to the financial statements.

As at the date of this report, ClearView has a total of 56,207,077 ESP shares on issue of which 30,577,174 have been issued to select financial advisers. In addition to being one of the few non-bank aligned participants in the market, the Group has to date been able to offer such financial advisers the opportunity to participate in the overall performance of ClearView through share ownership in the Company.

In accordance with the provisions of the ESP, during the financial year 1,300,000 shares were granted to financial advisers with the grant dates set out above. 2,143,307 vested ESP shares were exercised during the financial year, of which 1,361,987 were transferred to the participants personal holdings and 781,320 of which were sold via an off market transfer to repay outstanding ESP loans attached to the vested ESP shares with the balance been paid to the participant. 3,693,143 ESP shares did not vest during the financial year and have been forfeited. These unvested shares were sold via an off market transfer with the full proceeds of the sale being received by the Company.

Subsequent to 30 June 2017 a further 500,000 contractor participant ESP shares were exercised.

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# Directors' Report

Continued

## Indemnification of Directors and Officers

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

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

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

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

## Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars.

## Auditor's independence declaration and non-audit services

The Directors have received an independence declaration from the auditors, a copy of which is on page 65.

## Non-audit services

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

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

The Directors are of the opinion that the services as disclosed in Note 10 to the financial statements do not compromise the external auditor's independence, based on advice received from the Board Audit 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 reward.

## Annual Corporate Governance Statement

ClearView is committed to achieving high corporate governance standards. In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the Company's annual Corporate Governance Statement, as approved by the Board, is published and available on the Company's website at: [www.clearview.com.au/about-clearview/corporate-governance](http://www.clearview.com.au/about-clearview/corporate-governance).

# Directors' Report

## Operating and Financial Review

### Business overview

ClearView Wealth Limited is an ASX-listed diversified financial services company which partners with financial advisers and strategic partners to help Australians protect and grow their wealth, and achieve their financial goals.

ClearView's current operating structure which comprises of three core business segments: Life Insurance, Wealth Management and Financial Advice, was established in 2010 but the origins of the company date back to 1976.



#### Life Insurance

### ClearView LifeSolutions

ClearView manufactures products for the Advised Life Insurance market which refers to life insurance products placed by financial advisers.

ClearView competes in a subset of Australia's \$15.8bn<sup>1</sup> life (risk) insurance market, namely the \$9.5bn<sup>1</sup> individual risk market (excluding group life).

Our product suite is branded LifeSolutions. Policies are issued by ClearView Life or via the ClearView Retirement Plan (ClearView's superannuation fund).

In FY17, ClearView exited the Non-Advice (Direct) market segment, which represented only a small percentage of sales and revenue, which will allow us to focus on the Advised Life Insurance market.

#### Financial Advice



ClearView operates two Australian Financial Services Licences ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix).

CFA and Matrix provide licensing services and business support to 243 financial advisers. They, in turn, provide quality financial advice to retail clients.

Recently, Matrix was named the 2017 Licensee of the Year by independent research house CoreData.

In FY17, ClearView began work on a Strategic Advice program, designed to help practices implement a holistic advice proposition. This program aims to coach advisers to better look after their clients' total financial needs and meet their ongoing regulatory obligations while diversifying and increasing their revenue.

#### Wealth Management

### ClearView WealthSolutions ClearView WealthFoundations

ClearView is a provider of wealth management products in Australia's \$1.1+ trillion<sup>2</sup> retail funds management industry.

Our product suite includes:

**WealthSolutions** – A comprehensive superannuation and retirement income investment and administration platform issued via the ClearView Retirement Plan and an IDPS. The platform's investment menu includes a Separately Managed Account option.

**WealthFoundations** – A simple superannuation and retirement income investment and administration solution issued by the ClearView Retirement Plan and underwritten by ClearView Life. WealthFoundations offers a range of model portfolios.

**Managed investments** - Actively-managed pooled investment funds issued by ClearView Financial Management Limited (CFML) as the ASIC-licensed Responsible Entity. These funds are available on WealthSolutions and selected external platforms.

<sup>1</sup> Plan for Life data as at 31 March 2017.

<sup>2</sup> ABS 5655.0 data as at March 2017 (unconsolidated). Retail segment based on management estimates.

# Directors' Report

Continued

## Business strategy

ClearView's growth strategy is focused on:

- Capturing 5% of the long-term life insurance profit pool;
- Establishing a material wealth management business; and
- Building a high quality financial advice business.

In FY17, ClearView continued to deliver strong growth and the company remains on track to achieve its near and medium-term strategic goals.

ClearView generates its revenue by manufacturing and distributing life insurance, superannuation and investment products, and providing licensing and support services to financial advisory practices.

## Our purpose

To partner with financial advisers to build and protect the financial futures of clients and their families.

### Goals

1

Target 5% of the long-term life insurance profit pool

2

Build a material wealth management business

3

Build a high quality financial advice business providing strategic advice to clients

### Strategy

Win market share within profitable niches by delivering innovative products and exceptional service.

#### Expanding distribution presence

Expand our distribution footprint in the IFA market

- Build awareness of ClearView's brand and capabilities
- Demonstrate competitiveness of products and services
- Expand existing IFA relationships and increase penetration of existing APLs<sup>1</sup>
- Develop new IFA relationships and see ClearView products placed on new APLs<sup>1</sup>
- Cross sell products

#### Increase profitability

Target profitable market segments with innovative products

- Capitalise on structural competitive advantage by offering life insurance through superannuation to leverage convergence of product offerings
- Expand dealer group offering with a focus on strategic advice and improved adviser business efficiency

#### Improve efficiency and reach

Enhance margins over time

- Ensure staff and advisers are highly engaged
- Enhance back office to increase automation and drive efficiency
- Enhance life insurance front-end to improve customer service and adviser efficiency

<sup>1</sup> Approved Product Lists.

# Directors' Report

Continued

## Sony Life

The Board announced in October 2016 that Sony Life Insurance Co., Ltd (Sony Life) had acquired a 14.9% stake in ClearView from major shareholder, Crescent Capital Partners and its Associates (Crescent).

In January 2017, ClearView and Sony Life entered into a mutually-beneficial Cooperation Agreement to share information and increase their coordination to drive efficiency and growth.

In relation to the Cooperation Agreement, ClearView is focused on:

- Expanding its distribution footprint in the independent financial adviser (IFA) market;
- Continuously enhancing the quality of advice provided by the Group's aligned advisers;
- Recruiting skilled advisers into the dealer group; and
- Exploring the development and use of relevant technology, products and services.

To facilitate the sharing of knowledge and explore opportunities to leverage from each organisation, two Sony

Life employees were seconded to ClearView in February 2017.

The Cooperation Agreement is effective for so long as Sony Life holds at least 10% of the issued share capital in ClearView.

In December 2016, Mr Satoshi Wakuya, General Manager, Head of Business Development Division for Sony Life, was appointed to the ClearView Board as a Non-executive Director. Mr Satoshi Wakuya has over 10 years' experience in the life insurance industry in Japan and has held a number of senior management positions with Sony Life's ultimate parent company Sony Corporation.

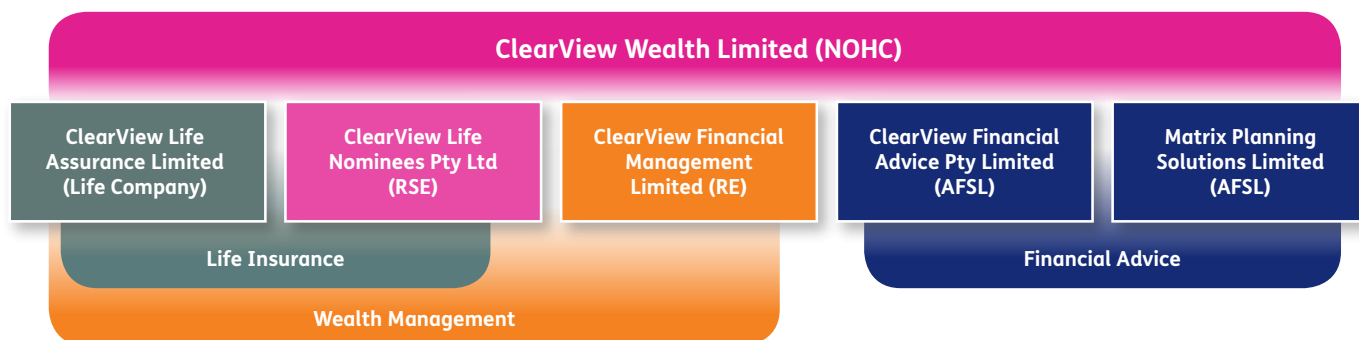
## Prudential regulation

ClearView competes in highly regulated markets and is supervised by the following organisations:

- The Australian Prudential Regulation Authority (APRA); and
- The Australian Securities and Investments Commission (ASIC).

Both organisations are independent Commonwealth Government bodies with extensive regulatory powers.

Regulated Group entities are shown in the diagram below. ClearView is regulated as a Non-Operating Holding Company (NOHC) by APRA under the Life Insurance Act 1995 and, via its subsidiaries, it holds an APRA life insurance licence, an APRA registrable superannuation entity (RSE) licence, an ASIC funds manager responsible entity (RE) licence and operates two Australian Financial Services Licensees (AFSLs).



## Life insurance regulatory changes

ClearView supports the recently enacted Bill and regulations in respect to life insurance remuneration arrangements. We believe that the life insurance reforms will provide greater certainty and stimulus for the industry in the long-run.

However, there are additional areas that need to be addressed to ensure good public policy outcomes, including:

1. All grandfathering relief in respect to adviser remuneration should cease by 2021 to discourage poor behaviour such as leaving clients in legacy products to preserve volume based/lapse rate bonuses.
2. Financial advisers should have access to all life insurance products issued by APRA-regulated insurance companies. This requires all Approved Product Lists (APL) to be open. Unrestricted APLs will ensure that advisers are



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# Directors' Report

Continued

not inherently conflicted but instead are able to provide objective advice in their clients' best interests. ClearView's position is that, given there are only around 11 APRA-regulated insurers operating in the Advised Life Insurance market, open APLs must be mandated to protect consumers and support professional adviser culture and outcomes.

3. The industry should work with ASIC to get the Life Code of Conduct approved in accordance with RG 183 to ensure that it is meaningful and contractually enforceable by consumers. This would lead to critical behavioural change in the financial services industry and go a long way to improving the industry's reputation.
4. Adviser education standards should be raised to ensure that advisers are appropriately trained and possess the necessary skills and expertise to provide sound, quality financial advice. ClearView strongly supports reforms to enhance the professional, ethical and education standards of financial advisers.
5. Group insurance should be offered on an "opt-in" basis and the current automatic acceptance, "opt-out" model should be disbanded. Requiring super fund members to consciously "opt-in" for insurance cover will maximise the probability of them understanding the level and type of cover they have, and gaining adequate protection and value for money. It would lead to a substantial improvement in the understanding of members regarding what they are, and are not, covered for. It would also stop the current cross subsidies within the existing model.

## Material business risks

ClearView's operations expose it to a variety of financial and non-financial risks. Risk management is an integral part of the Group's management processes and the Board continuously reviews material business risks.

The Board has adopted a formal Risk Management and Capital Strategy (RMCS) and a structured Risk Management Framework (RMF) to ensure the early identification of risks and adequate management of key risks, particularly those with the potential to impact the Company's future financial prospects and strategic imperatives.

The RMCS and RMF are fundamental to business decisions including resource allocation and prioritisation of activities.

Details of the Group's risk management practices including risk mitigation strategies are set out in Note 5 to the Financial Statements on page 93.

## Competitive strengths

The Australian life insurance industry has recently been in a state of flux due to stagnant sales, worsening lapses rates, mounting claims and ongoing regulatory and public scrutiny; all against a backdrop of merger and acquisition activity.

Intense consolidation over the past 15 years, driven by the desire of the large incumbents to 'purchase' market share, created the need for new entrants to increase choice and competition.

The large vertically-integrated institutions chronically underinvested in their life insurance businesses during this period.

Many of these businesses are therefore afflicted by legacy issues such as multiple administration platforms and old higher-margin in-force portfolios, making it difficult for them to innovate. This has created opportunities for challengers like ClearView which are nimble and operate with no material legacy issues.

ClearView has an integrated business model that positions it well to be an effective disrupter in the Australian life insurance and wealth management industry.

The larger institutions are increasingly focused on returning to core business lines, with an emergence of foreign institutions looking to invest in the Australian life insurance industry. This is likely to drive investment back into the life insurance sector. ClearView remains well-positioned with its strategic shareholder, Sony Life.

ClearView is also strongly positioned to capitalise on the current market disruption, particularly around life insurance reforms. The market is still dominated by institutionally-owned AFSLs with limited APLs, precluding open competition. Regulatory pressure on AFSLs to open up risk APLs is increasing. ClearView continues to lobby for reforms to increase competition and open risk APLs which would in turn lead to a stepped change in its distribution profile. Our key competitive strengths include:

- The integrated structure of our business model which combines life insurance, wealth management and financial advice;
- The strength of our relationships with the IFA community which have been developed by delivering innovative solutions and exceptional service; and
- No material legacy issues such as pricing, products and systems.

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# Directors' Report

Continued

## Operating review

### Life Insurance

ClearView has built a strong foundation for ongoing growth in the Advised Life Insurance market.

Our strategy is focused on expanding our IFA footprint by delivering superior products, features and service through strong adviser relationships.

From a standing start in FY12, LifeSolutions has become a well-regarded and highly competitive product that's recognised for its innovative features.

Ongoing refinements and product upgrades have resulted in consistent top quartile product ratings for LifeSolutions.

#### Our approach

- Recruit quality advisers into our aligned dealer groups and, based on merit, earn the right for LifeSolutions to be sold to their clients.
- Continue to avoid paying material shelf space fees and volume bonuses to licensees because the pay-to-play model doesn't lead to optimal client outcomes.
- Gain inclusion on new third party APLs while increasing our share of wallet on existing APLs.
- Upgrade systems and automate manual back-office processes as part of a continuous improvement program to drive operational efficiencies and ensure it's easy for advisers to do business with us.

### Exit from Direct Life Insurance

In FY17, ClearView closed its Direct operation for a range of reasons including:

- Changes in market's attitude and appetite for telephone based non-advice models – no longer economically viable or socially acceptable due to increasing client acquisition costs, rising consumer expectations and likely heightened regulatory scrutiny.
- Immaterial contribution to group but with considerable future investment required to continue business line.
- Improves focus on ClearView's three core segments: Advised Life Insurance, Wealth Management and Financial Advice.

Historically, ClearView distributed a suite of life insurance, accidental death, injury, funeral and trauma products through its Direct channel. Sales were predominantly made via an outbound call centre model with leads gathered including from distribution agreements with strategic partners.

Since HY15, Direct sales have progressively reduced due to a deliberate decision to exit the lower socio demographic market.

ClearView continues to work with several strategic partners for personal advice referrals.

#### Key findings

- The Direct outbound and "lead generation" model is no longer economically viable or socially acceptable.
- A comprehensive strategic review initially led to the closure of the outbound call centre and ultimately the full exit from inbound activity.
- Direct operations will take a fundamentally different approach in the future – we have the ability to re-enter the market at a later time off a "clean" base.

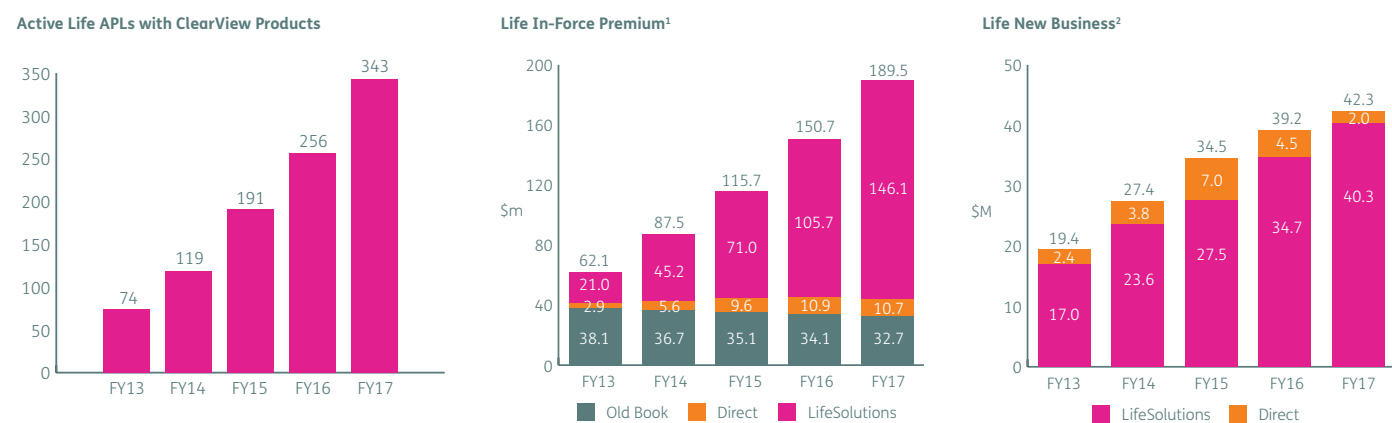
# Directors' Report

Continued

## Performance

The following graphs illustrate the performance of the Life Insurance business and the growth profile of the business.

**Chart 1: Life Insurance segment performance**

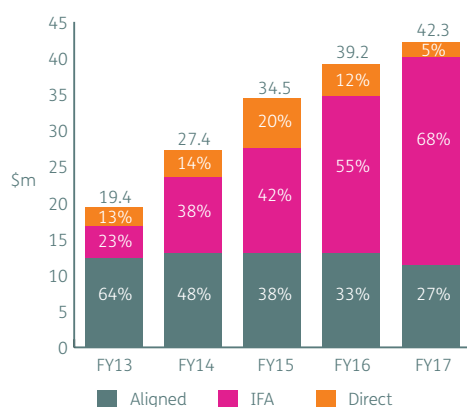


## Sales diversification

ClearView's distribution universe consists of two national aligned dealer groups and a rapidly growing network of IFAs.

The main distribution channel for LifeSolutions has strategically shifted to the IFA channel as part of a strategy to rapidly diversify sales and create material embedded growth.

**Chart 2: Life Insurance sales by channel Type**



## Our journey

- ClearView entered the Advised market in 2012.
- After being precluded from APLs, ClearView focused on recruiting advisers to its aligned dealer groups and working hard to earn the right for LifeSolutions to be sold by advisers.
- The aligned groups (Matrix and CFA) provide a strong sales base but third party APLs represent an increasing share of sales, reinforcing the competitiveness of LifeSolutions.
- In FY14, the distribution strategy shifted to focus on expanding third party IFA sales which now account for 72% of LifeSolutions sales.
- ClearView is still in the earlier stages of penetrating the IFA channel but continues to gain access to new APLs and increase its share of wallet on existing APLs, especially where LifeSolutions has been on the APL for greater than 12 months.
- Sales growth continues to outperform the market.
- Significant, future organic growth opportunities will come from the maturation of relatively new APLs; access to new APLs; and subject to a successful lobbying outcome, the potential opening up of APLs that are currently closed or restricted via regulatory reforms.

<sup>1</sup> In-force premium is defined as annualised premium in-force at the balance date.

<sup>2</sup> Life insurance new business or sales represents the amount of new annual written premium sold during the period, net of policies cancelled from inception and excludes age based/CPI increases.

# Directors' Report

Continued

## FY18 Priorities

- Expanded distribution reach and embedded growth via the third party IFA market.
- Invest incrementally in the core life advice market and product portfolio. This includes upgrading the online quote, application system and investment in the back office to make it easier for financial advisers to do business with us.
- Continue lobbying for sensible reforms and good public policy such as unrestricted APLs. If open APLs are mandated and advisers are able to recommend all APRA-regulated insurers, there will be a stepped change in ClearView's distribution universe. ClearView will be able to reach institutionally-aligned advisers.
- Further enhance ClearView's reputation and pay all genuine claims as quickly as possible.

The following table outlines ClearView's life cycle of maturing an APL in the independent adviser market:

	Stage 1	Stage 2	Stage 3	Stage 4
	Get on third party APL	Educate individual advisers about ClearView product	Advisers write test policies	Advisers place meaningful business with ClearView
Length of time	Up to 12 months	Ongoing process. Typically 3 - 6 months.	Typically 3 - 6 months.	Ongoing process but uptick in support around 1-2 years
Pre-requisites	<ul style="list-style-type: none"> <li>• Non-institutionally aligned AFSL</li> <li>• Unrestricted APL</li> <li>• IT / administration capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• On APL</li> <li>• Knowledgeable BDMs</li> <li>• Marketing support and material</li> </ul>	<ul style="list-style-type: none"> <li>• BDMs establishing trust and rapport with advisers</li> </ul>	<ul style="list-style-type: none"> <li>• Successful test policies written with ClearView</li> </ul>
Description	<ul style="list-style-type: none"> <li>• ClearView leverages relationships with gate openers to get on APL</li> <li>• No ability to get on closed APLs currently (requires regulatory change)</li> </ul>	<ul style="list-style-type: none"> <li>• ClearView BDMs meet with individual advisers</li> <li>• BDMs promote the strength of ClearView's products, features and service</li> </ul>	<ul style="list-style-type: none"> <li>• Advisers write a small number of policies to gauge the quality of underwriting, administration and service</li> <li>• During this stage, they are testing ClearView's customer service and underwriting processes</li> </ul>	<ul style="list-style-type: none"> <li>• Advisers discover that ClearView is a quality product provider and begin to write meaningful business</li> <li>• Share of wallet increases over time</li> </ul>

Strong pipeline of AFSLs in Stage 2 and Stage 3

# Directors' Report

Continued

## Wealth Management

ClearView's strategy is to provide first-class, exceptional investment and administration services. This is consistent with our approach in Life Insurance.

ClearView is gaining traction in Wealth Management, although this segment is tracking behind the Life Insurance business given the company's initial focus on Life Insurance. The group only began focusing on its wealth offering in FY15, having established a foundation in the life insurance market.

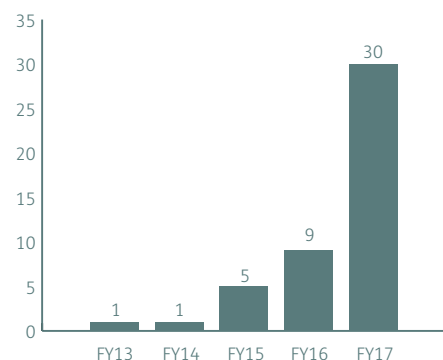
While 98% of inflows into ClearView's contemporary wealth solutions come from the aligned adviser network, the Group has commenced work to broaden its Wealth Management distribution footprint. This includes further investment in contemporary platforms to improve back office efficiency and automation.

### Performance

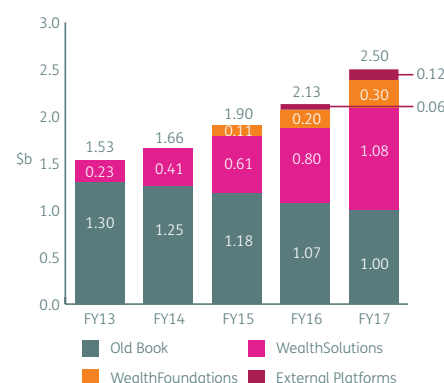
The following graphs illustrate the performance of the Wealth Management business and the growth profile of the business.

**Chart 1 – Wealth Management segment performance FY13-FY17**

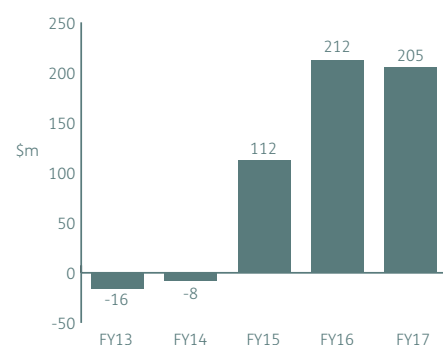
**Active Wealth APLs with ClearView Products**



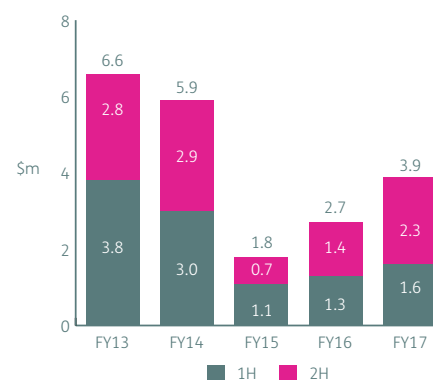
**Wealth In-Force FUM<sup>1</sup>**



**Wealth Net Flows<sup>2</sup>**



**Wealth Underlying NPAT<sup>3</sup>**



<sup>1</sup> FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms.

<sup>2</sup> FUM net flows is defined as inflows less redemptions into FUM but excludes management fees outflow.

<sup>3</sup> Wealth Underlying NPAT consists of consolidated net profit after tax adjusted for amortisation (not including capitalised software) and costs considered unusual to the Group's ordinary activities.



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# Directors' Report

Continued

## Products

- WealthSolutions – A full-service wrap platform that enables investors to access all major asset classes and a wide range of managed funds and direct equities. The platform provides consolidated tax and portfolio reporting, empowering advisers to effectively manage their client's accounts.
- WealthFoundations – Launched in FY15 for mid-level clients, this platform features 14 professionally-managed investment strategies. Advisers can choose the strategy, or combination of strategies, that best meets their clients' needs. This product aims to capitalise on the convergence of life and superannuation by providing a cross-selling opportunity for life insurance clients.
- External platforms – From FY16, ClearView MIS platform funds have been placed on selected external third party platforms.

In addition to the contemporary product suite, ClearView operates a Master Trust issued by the ClearView Retirement Plan and ClearView Life. This product is not open to new clients.

## Our investment management approach

ClearView's investment team builds and actively manages a range of model portfolios (including SMAs<sup>1</sup>), which are made up of strategically selected independent asset manager funds.

Key benefits of model portfolios are:

- Advisers can efficiently meet the investment needs of their clients by providing well-researched, diversified multi-manager portfolios that are designed to meet specific investment objectives, for example, asset protection or moderate risk;
- Top quartile performance, leading to growing acceptance among advisers;
- Flexible, simple fee structure with ClearView earning a margin on funds under management by negotiating discounted wholesale asset management fees from portfolio managers and earning a model portfolio fee; and
- Access to specialist wholesale funds managed by independent fund managers for advisers and their clients.

## Our journey

- Acquisition of wealth-focused dealer group Matrix in FY15.
- Launch of contemporary WealthFoundations platform in FY15.
- Ongoing development and refinement of wealth products.
- Contemporary products including the development of SMA capabilities to support both aligned and third-party advisers.
- The ability to place inhouse model portfolios on external platforms.
- Growth in the number of third party APLs carrying ClearView wealth products increasing to 30 by leveraging the life insurance distribution network.
- ClearView is a positive net flow business (material to its FUM balances). This has been driven by:
  - The launch of new, client-focused products and the placement of in-house model portfolios on external platforms;
  - Material investment in FY15 to build a compliant and functional platform coinciding with the launch of WealthFoundations; and
  - Stronger inflows and scale benefits for WealthSolutions with continued support for WealthFoundations, albeit at a slower pace.

## FY18 Priorities

- Leverage off the life insurance distribution network to establish relationships with IFAs and get on third party APLs.
- Roll out the ClearView platform funds into the external platform market.
- Continue investing in our contemporary platform to round out the product suite and improve back office efficiency and automation.
- Migrate the Master Trust business onto the contemporary platform over time to enhance the client experience (project commenced in 2H FY17).
- Capture opportunities from the convergence of life and wealth by providing and developing products that improve adviser efficiency and customer experience.

1 Separately Managed Account.

# Directors' Report

Continued

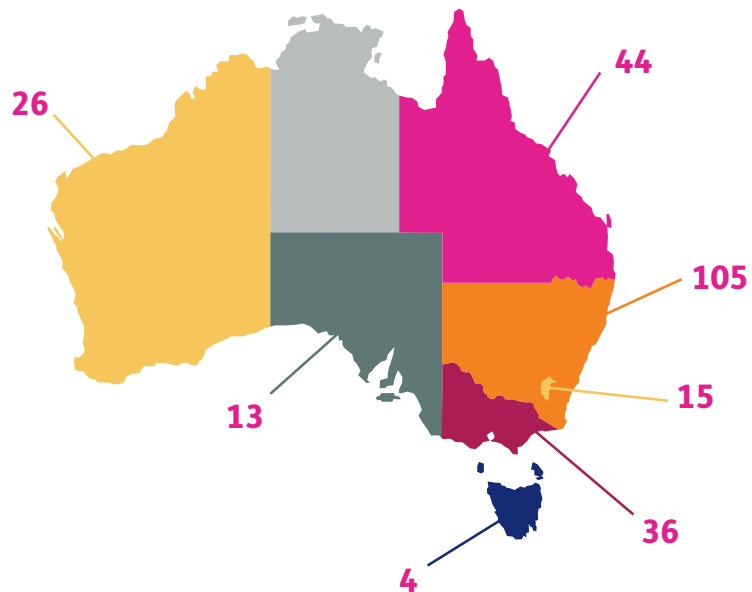
## Financial Advice

### Aligned Network

- Primarily self-employed advisers operating under the CFA and Matrix licences
- At 30 June 2017, 243 advisers (91 Matrix and 152 CFA)
- Focused on recruiting professional advisers with the right cultural fit but no targets are in place
- CFA and Matrix have \$8.9 billion of FUMA<sup>1</sup> and \$237 million of Premiums Under Advice (PUA)<sup>2</sup>
- Intention to gradually roll out the strategic advice program across the network and support the business efficiency of adviser practices
- Strong compliance focus and committed to helping advisers to adapt to regulatory changes and transition to the 'new advice world'

The geographical spread of the ClearView financial advisers is outlined in the diagram below:

Geographical Adviser Composition



### Our journey

- The aligned advice network was originally focused on attracting specialist risk advisers.
- In FY14 and FY15, that focus shifted to recruiting holistic advisers who provided advice on both life and wealth.
- That focus was the primary driver behind the acquisition of Matrix Planning Solutions in 2014.
- In FY17, ClearView began work on a Strategic Advice program, designed to help practices develop and implement a holistic advice proposition that looked after a client's total financial needs.
- Matrix was named 2017 Licensee of the Year by global independent research house CoreData.
- Strong compliant culture is embedded in the Group's aligned network of advisers.

### FY18 Priorities

- Recruit quality, professional advisers by continuously refining and improving the dealer services proposition.
- Support existing advisers to grow their businesses, including the development and rollout of the strategic advice program.

<sup>1</sup> FUMA includes FUM and funds under advice that are externally managed and administered.

<sup>2</sup> Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium.

# Directors' Report

Continued

## FY17 Results overview

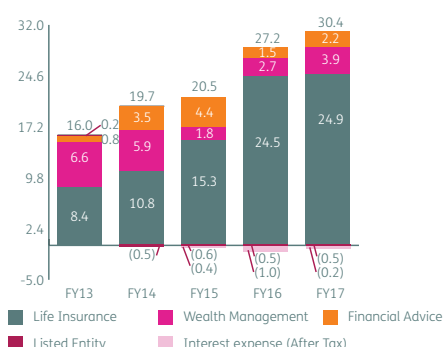
### Overview of result

The ClearView Group achieved the following results for the year ended 30 June 2017:

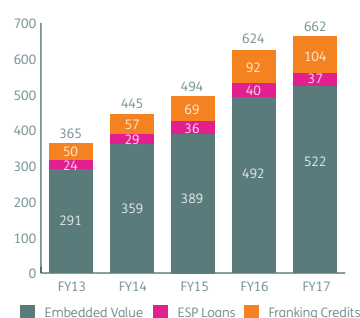
After Tax Profit by Segment, \$M	FY17 \$M	FY16 \$M	% Change <sup>6</sup>	
Life Insurance	24.9	24.5	↑	2%
Wealth Management	3.9	2.7	↑	44%
Financial Advice	2.2	1.5	↑	47%
Listed Entity and Other	(0.7)	(1.5)	↑	53%
<b>Underlying NPAT<sup>1</sup></b>	<b>30.4</b>	<b>27.2</b>	↑	<b>12%</b>
Other adjustments <sup>9</sup>	(9.0)	5.5	↓	Large
<b>NPATA<sup>4</sup></b>	<b>21.4</b>	<b>32.7</b>	↓	<b>(36%)</b>
Amortisation <sup>5</sup>	(8.2)	(9.1)	↑	10%
<b>Reported NPAT</b>	<b>13.2</b>	<b>23.6</b>	↓	<b>(44%)</b>
Embedded Value <sup>2</sup>	661.9	624.1	↑	8%
Value of new business <sup>2</sup>	16.7	19.0	↓	(12%)
Net asset value <sup>3</sup>	415.6	411.8	↑	4%
Reported diluted EPS (cps) <sup>7</sup>	2.11	4.27	↓	(51%)
Underlying diluted EPS (cps) <sup>7</sup>	4.88	4.92	↓	(1%)
DPS (cps) <sup>8</sup>	2.75	2.50	↑	10%

Chart 1: Group performance FY13-FY17

Underlying NPAT<sup>1</sup> (\$M)



Embedded Value<sup>2</sup> (\$M)



- Underlying NPAT consists of consolidated net profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
- Embedded Value (EV) and Value of New Business (VNB) at 4% discount rate margin. EV includes a value for future franking credits, accrued franking credits and ESP loans; EV % movement FY16 to FY17 adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (-\$6.2m).
- Net Asset Value as at 30 June 2017 excluding ESP Loans; % increase adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (-\$6.2m).
- NPATA is reported net profit after tax adjusted to exclude the non-cash amortisation of acquired intangibles (not including capitalised software).
- Amortisation is amortisation of acquired intangibles (not including depreciation and amortisation of software).
- % movement FY16 to FY17, unless otherwise stated.
- Impacted by the effect of 59m shares issued in June 2016 as part of \$50m Entitlement Offer.
- DPS is dividend per share.
- Other adjustments includes costs considered unusual to normal activities (includes \$2.4m Direct closure provision) and changes in long term discount rates used to determine the insurance policy liabilities (\$13.7m 'swing' between periods).

# Directors' Report

Continued

## Underlying net profit after tax (UNPAT) - \$30.4 million (+12%)

The FY17 result reflects strong fundamentals in the Group's underlying operating businesses and the delivery of strong, profitable and sustainable growth:

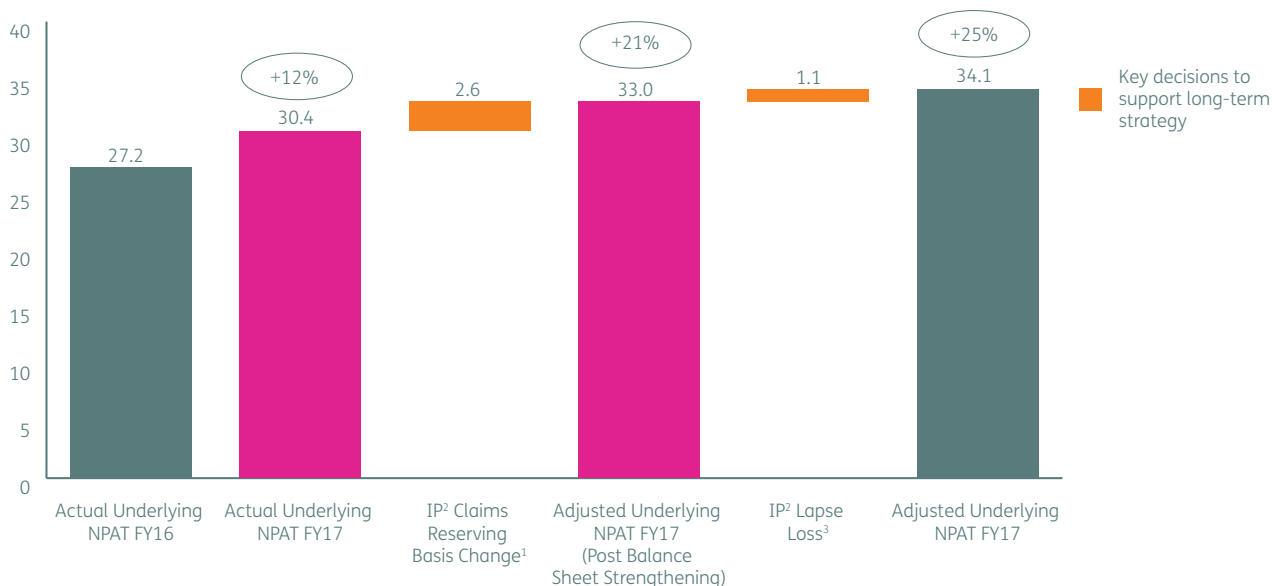
- Life Insurance remains the key profit driver with further expansion of the IFA distribution footprint leading to strong Advised sales and a material increase in the in-force portfolio which is underpinning the company's growth profile.
- Wealth Management is a net flow positive business with growth in earnings now emerging, following the recently-completed 'build phase'.
- Financial Advice is committed to building a high quality aligned advice business and helping advisers run more efficient and profitable practices.

The FY17 result includes the impact of key decisions to support the longer-term strategy. They are detailed below:

- The LifeSolutions adverse claims experience

The waterfall chart below reflects the company's underlying performance.

Chart 2: Adjusted UNPAT - Year ended 30 June 2017



1 Enhancement in estimate in relation to IP claims in the course of payment pre 30 June 2016.

2 Income protection policies.

3 FY17 income protection portfolio lapse loss.

# Directors' Report

Continued

UNPAT is the Board's main measure of Group profitability and a key factor in dividend payment decisions.

In FY17, UNPAT increased 12% to \$30.4 million (FY16: \$27.2 million). Adjusted UNPAT (\$34.1m, +25%) removes the impact of the adoption of an enhanced actuarial IP claims reserving basis and lapse losses on the IP portfolio.

Results highlights include:

- **Life Insurance UNPAT up 2% to \$24.9 million** (FY16: \$24.5 million) compared to expected growth of 24%<sup>2</sup>. Lower-than-expected growth attributable to adverse impact on FY17 UNPAT from prudent decisions made by the Board to support the Group's long term strategy (including the adoption of an enhanced IP claims reserving basis and IP price increases). A long term pricing strategy was implemented in 1H FY17 (10% price increases) to manage margin but has caused some short term elevated lapses. The expected growth of 24% would have been broadly in line with FY17 inforce portfolio growth. Importantly, the underlying performance of the Life Insurance segment remains strong with in-force book growth of 26% and sales of the flagship LifeSolutions product up 16%. The IFA distribution footprint continues to expand, diversifying sales and creating material embedded growth.
- **Wealth Management UNPAT up 44% to \$3.9 million** (FY16: \$2.7 million). Growth in earnings is emerging following material investment in the contemporary wealth platform and products in FY15. The contemporary products continue to build to scale with FUM increasing 17% and net flows of \$353 million (+5%).
- **Financial Advice UNPAT up 47% to \$2.2 million** (FY16: \$1.5 million). Changes to the revenue model and disciplined expense control drove the increase in UNPAT, notwithstanding the acquisition of a practice, increased compliance (and related) costs and investment in the development and roll out of the strategic advice program.
- **Listed UNPAT incurred a loss of \$0.7 million** (FY16: -\$1.5 million). A decrease in investment earnings was broadly offset by a related reduction in after-tax interest expenses given the repayment of \$45.5 million of corporate debt in 2H FY16. The proceeds of a \$50 million capital raising in June 2016 was used to repay the debt. The improved performance was driven by a reduction in listed entity costs and an R&D development tax rebate in relation to FY16 (+\$0.3 million).

## Other adjustments and amortisation

The additional items below impacted the statutory net profit after tax. Reconciling items are outlined in the following table.

Reconciling Items (\$M) (Net of Tax)	FY17	FY16	% Change <sup>1</sup>
Amortisation of intangibles	(8.2)	(9.1)	10%
Policy liability discount rate	(5.9)	7.8	Large effect
Costs Associated with Sony Life becoming strategic shareholders	(0.7)	(0.4)	Large
Your Insure impairment	-	(1.9)	Large
Direct closure provision	(2.4)	-	Large
<b>Total</b>	<b>(17.2)</b>	<b>(3.6)</b>	<b>Large</b>

- Amortisation of intangibles (\$8.2 million) is associated with the acquisition of the wealth management and life insurance businesses from Bupa, the ComCorp financial advice business and Matrix Planning Solutions. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of UNPAT.
- The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities. The Life Insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect. The increase in long-term discount rates over FY17 caused an adverse after-tax impact of -\$5.9 million (FY16: decrease in long-term discount rates +\$7.8 million).
- Costs that are considered unusual to ClearView's ordinary activities, and therefore not reflected as part of UNPAT, related to:
  - Expenses incurred on the evaluation of strategic options and Sony Life becoming a new strategic shareholder (\$0.7 million after tax). Ongoing costs associated with the Cooperation Agreement between ClearView and Sony Life will continue to be considered unusual to ordinary activities in FY18.

<sup>1</sup> % change represents the movement from FY16 to FY17.

<sup>2</sup> Expected Underlying NPAT of \$29.3m (+24% FY16 to FY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

<sup>3</sup> In respect of pre 30 June 2016 IP claims.

# Directors' Report

Continued

- The closure of ClearView's Direct operation (\$2.4 million after tax).
- FY16 costs related to the write-off of ClearView's investment in Your Insure, which incurred a net of tax cost of \$1.9 million.

## Reported NPAT and Earnings per share (EPS)

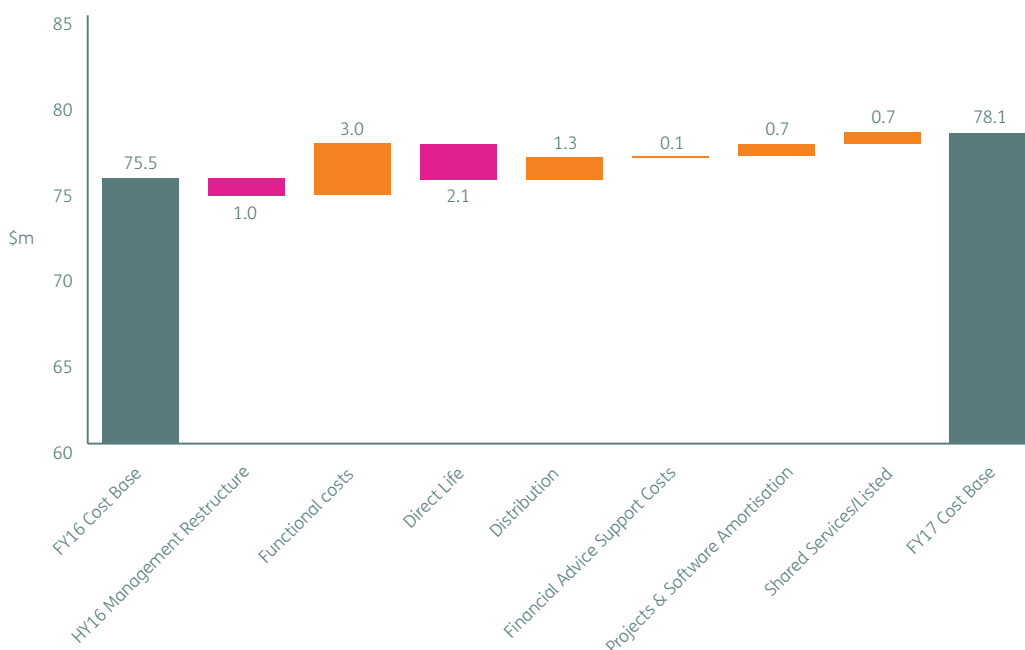
Reported NPAT decreased 44% to \$13.2 million (FY16: \$23.6 million) and reported diluted EPS decreased 51% to 2.11

cps (FY16: 4.27 cps). EPS calculations have been negatively impacted by an adverse swing of \$13.7 million (after-tax) from the impact of changes in the long-term discount rates on policy liabilities between periods coupled with the FY17 impact of the shares issued in the \$50 million capital raising in June 2016.

Fully diluted Underlying EPS was broadly in line with the prior period at 4.88 cps (FY16: 4.92 cps). This was driven by an increase in UNPAT of \$3.2 million offset by the impact from the shares issued under the capital raising (as noted above).

## Operating expenses overview

Chart 3: Operating expense analysis FY16 vs FY17 Cost Base



The waterfall chart above shows a 3% increase in the operating cost base from \$75.5 million in FY16 to \$78.1 million in FY17. Key components of the movement included:

- **Management restructure HY16** – Restructure costs incurred in HY16 relating to management changes in October 2015. Related savings flowing from 2H FY16.
- **Functional costs** – Increased costs in functional areas to support business growth including administration, call centre, claims and underwriting. This reflects underlying

volume growth in both new business and the in-force base. Functional costs also include the incremental growth in IT support given the increasing number of software applications including costs associated with the automation of Life Insurance correspondence, new general ledger platform and the data warehouse.

- **Exit of Direct Life Insurance** – Lower fixed cost base given strategic decision to reduce exposure to the Direct business. Annualised costs savings of approximately \$4 million are expected from the closure of the business.



# Directors' Report

Continued

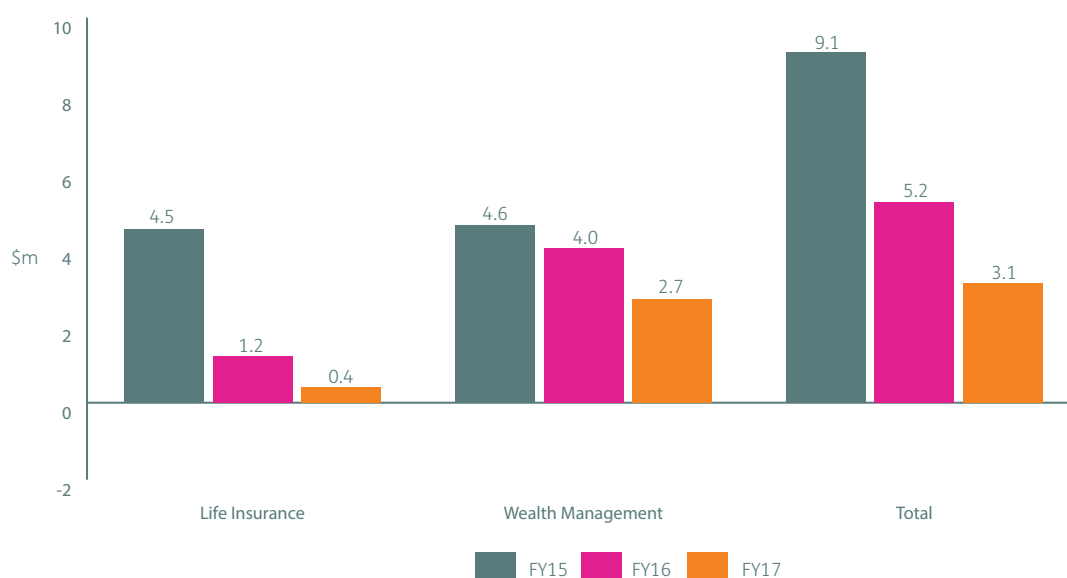
- **Distribution costs** – Increased business development costs reflecting a larger Life Insurance distribution presence to support the broader IFA footprint. Investment in Wealth Management's 'front-end' to support business growth following the launch of contemporary platform and products remained broadly consistent between periods.
- **Financial Advice support costs** – Increased dealer services costs associated with the acquisition of an advisory practice under contractual arrangements, investment in the development and roll out of a strategic advice program and ongoing compliance, partially offset by the benefit of transitioning employed planners to a self-employed model.
- **Project costs and software amortisation** – An upgrade of the general ledger to a cloud-based solution resulted in additional costs in FY17. Software amortisation costs also increased as projects passed go-live dates, in particular the correspondence and data warehouse projects. A project to migrate the Master Trust onto the contemporary wealth platform commenced in 2H FY17 with cost benefits and efficiencies expected to flow from late FY18. Provision for the wealth migration of \$1.1 million remains on balance sheet at 30 June 2017 and is expected to be progressively utilised in FY18.
- **Shared services / Listed entity** – Increased shared services and business support costs should reduce on a per customer basis as the business grows and achieves further scale. Listed entity costs have reduced given changes in Board size and composition plus a reduction in investor relations costs in FY17.

## Expense over-runs

ClearView has consistently invested in operations ahead of revenue to support growth including prioritising incremental costs above those required for ClearView's current scale (expense overruns) to build capability for the future. This includes initial start-up costs and business investment costs that are being incurred prior to achieving scale. As ClearView continues to grow, the remaining expense overruns are likely to be absorbed.

Expense overruns initially depress reported profits but begin to unwind as scale is achieved and underlying profit is realised as the in-force portfolio increases. In FY17, the non-deferred expense overruns across the Life Insurance and Wealth Management 'manufacturing' businesses had a negative impact on UNPAT of \$3.1 million (FY16: \$5.2 million). The movements between segments are shown in the corresponding graph which indicates that cost overruns continue to be absorbed.

Chart 4: Non-deferred expense over-runs FY16 – FY17



# Directors' Report

## Continued

Given the current size of ClearView's in-force business, these overruns are predominantly driven by:

- Significant investment in LifeSolutions. These overruns have progressively reduced (\$0.4 million in FY17 versus \$4.5 million in FY15) as LifeSolutions continues to grow and achieves scale.
- Investment in WealthFoundations and the contemporary wealth platform in FY15. WealthSolutions continues to build scale (FUM +34%) with WealthFoundations now contributing to growth and development costs (FUM +50%). Expense overruns decreased in FY17 due to increased FUM balances and a reduction in the Wealth Management operating cost base (-9%). A key driver of the overrun is that the expense allowances

for the Master Trust are higher than contemporary products, in particular WealthSolutions where IT and administration is outsourced. As the Master Trust business runs off, albeit at a slower rate than anticipated, this has an adverse impact on the expense overruns until WealthFoundations achieves scale to support the cost base. Costs associated with the contemporary platform will be shared with the Master Trust once the migration project is completed. Expense overruns should therefore improve further as WealthFoundations FUM builds and the migration project is completed.

The elimination of expense overruns along with achieving the business' growth ambitions remains a key focus of management and the Board.

## Operating expense reconciliation

The table below reconciles the operating expenses analysed in Chart 3 (page 29) with reported operating expenses in the annual financial statements.

Reconciliation of operating expenses	FY17 \$m	FY16 \$m
Operating expenses per waterfall chart	<b>78.1</b>	<b>75.5</b>
Custody and investment management expenses	8.1	6.8
Depreciation and software amortisation	(5.3)	(4.7)
Reinsurance technology costs	1.2	0.7
Stamp duty	6.7	4.8
Medical costs	1.7	1.3
Interest expense	0.3	1.5
Loss on disposal of assets	-	(0.3)
Costs associated with Sony Life becoming a strategic shareholder	1.0	0.5
Direct closure provision / Your Insure impairment	3.4	2.7
Recoverable Financial Advice compliance costs	0.8	-
Other expenses on consolidation of unit trusts	1.6	0.6
Operating expenses per financial statements	<b>97.6</b>	<b>89.4</b>

# Directors' Report

Continued

## Segment analysis - Life Insurance

Life Insurance UNPAT increased 2% to \$24.9 million (FY16: \$24.5 million), compared to expected growth of 24%<sup>3</sup>. Lower-than-expected growth attributable to adverse impact on FY17 UNPAT from prudent decisions made by the Board to support the Group's long term strategy (including the adoption of an enhanced IP claims reserving basis and IP price increases).

12 Months to June 2017 (\$m) <sup>1</sup>	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
Gross life insurance premiums	64.9	73.4	138.3	84.4	93.3	177.7	28%
Interest income	1.4	1.4	2.8	1.2	1.1	2.3	(18%)
Net claims incurred	(7.5)	(11.3)	(18.8)	(11.8)	(13.2)	(25.0)	33%
Reinsurance premium expense	(14.0)	(16.8)	(30.8)	(20.3)	(24.0)	(44.3)	44%
Commission and other variable expenses	(21.9)	(24.0)	(45.9)	(27.8)	(29.9)	(57.7)	26%
Operating expenses	(22.2)	(22.0)	(44.2)	(24.2)	(23.7)	(47.9)	8%
Movement in policy liabilities	16.6	16.9	33.5	16.7	13.8	30.5	(9%)
<b>Underlying NPBT</b>	<b>17.3</b>	<b>17.6</b>	<b>34.9</b>	<b>18.2</b>	<b>17.4</b>	<b>35.6</b>	<b>2%</b>
Income tax (expense) / benefit	(5.2)	(5.2)	(10.4)	(5.5)	(5.2)	(10.7)	2%
<b>Underlying NPAT</b>	<b>12.1</b>	<b>12.4</b>	<b>24.5</b>	<b>12.7</b>	<b>12.2</b>	<b>24.9</b>	<b>2%</b>
Amortisation of intangibles	(1.4)	(1.4)	(2.8)	(1.4)	(1.4)	(2.8)	0%
Policy liability discount rate effect (after tax)	0.7	7.1	7.8	(6.9)	1.0	(5.9)	(177%)
<b>Reported NPAT</b>	<b>11.4</b>	<b>18.1</b>	<b>29.5</b>	<b>4.4</b>	<b>11.9</b>	<b>16.2</b>	<b>(45%)</b>

Analysis of Profit (\$m)	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
<b>Expected Underlying NPAT<sup>3</sup></b>	<b>11.4</b>	<b>12.3</b>	<b>23.7</b>	<b>14.2</b>	<b>15.1</b>	<b>29.3</b>	<b>24%</b>
Claims experience	1.7	(0.7)	1.1	(0.6)	(1.3)	(1.9)	(278%)
Lapse experience	(0.2)	0.7	0.5	(0.7)	(1.3)	(2.0)	(505%)
Expense experience	(0.9)	(0.2)	(1.2)	(0.3)	(0.1)	(0.4)	(63%)
Other	0.1	0.3	0.4	0.1	(0.2)	(0.1)	(128%)
<b>Underlying NPAT</b>	<b>12.1</b>	<b>12.4</b>	<b>24.5</b>	<b>12.7</b>	<b>12.2</b>	<b>24.9</b>	<b>2%</b>

Key Statistics And Ratios (\$m)	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
<b>New business</b>	<b>18.2</b>	<b>21.0</b>	<b>39.2</b>	<b>22.1</b>	<b>20.2</b>	<b>42.3</b>	<b>8%</b>
LifeSolutions	15.7	19.0	34.7	20.6	19.7	40.3	16%
Non-Advice	2.5	2.0	4.5	1.5	0.5	2.0	(56%)
<b>In-force premium</b>	<b>132.0</b>	<b>150.7</b>	<b>150.7</b>	<b>171.0</b>	<b>189.5</b>	<b>189.5</b>	<b>26%</b>
LifeSolutions	86.7	105.7	105.7	126.1	146.1	146.1	38%
Non-advice (closed to new business)	45.3	45.0	45.0	44.9	43.4	43.4	(3%)
<b>Cost to income ratio</b>	<b>34.2%</b>	<b>30.0%</b>	<b>32.0%</b>	<b>28.7%</b>	<b>25.4%</b>	<b>27.0%</b>	

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.

2 % change represents the movement from FY16 to FY17.

3 Expected Underlying NPAT of \$29.3m (+24% FY16 to FY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

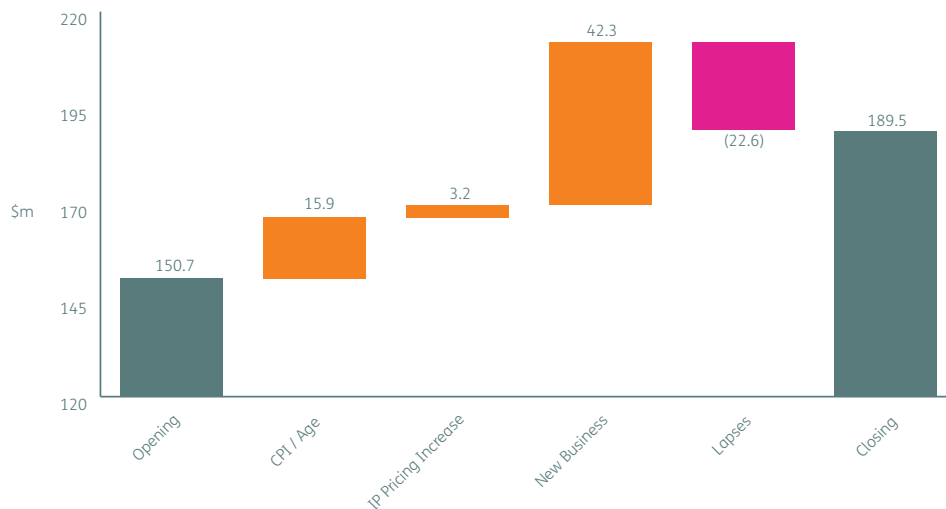
# Directors' Report

Continued

## Key performance indicators

Major components of the movement in in-force premium from \$150.7 million (at 30 June 2016) to \$189.5 million in FY17 are illustrated in the waterfall chart below.

Chart 1: Life Insurance in-force movement (\$m)



## Notable points

- In-force premium growth was driven by strong new business growth with lapses partially offset by age-based premium increases and inflation (CPI) increases on insurance benefits. IP price increases were implemented and increased the in-force book by \$3.2 million for those policies that subsequently renewed.
- The product mix making up the in-force book has changed significantly with LifeSolutions' in-force premium now \$146.1 million as at 30 June 2017 (+38%), representing 77% of the total life insurance in-force book (links to the margin shifts across the overall portfolio).
- LifeSolutions sales growth reflecting:
  - Continued market outperformance with new business premium up 16% to \$40.3 million;
  - Focus on expanding IFA distribution network and embedded growth with LifeSolutions now available on 343 APLs, up 34%; and
  - Strong growth and market outperformance in Advised market with 72% of LifeSolutions sales generated from IFA channel (IFA sales +34%).
- Non-advice in-force book (closed to new business) is \$10.7 million (-2%). The old Direct book had (business written pre-2011) in-force premium of \$32.7 million (-4%) as at 30 June 2017.
- Non-advice sales dropped 56% in FY17, reflecting the intentional decision to exit the lower socio-demographic markets and subsequently to close the Direct business to new business.

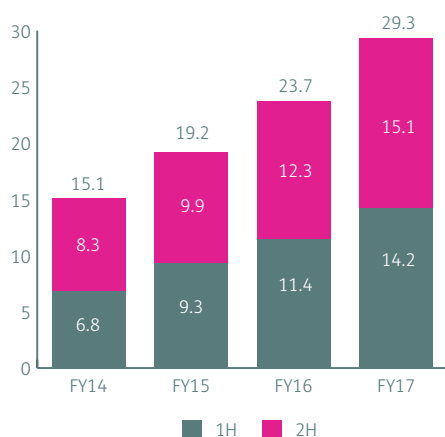
# Directors' Report

Continued

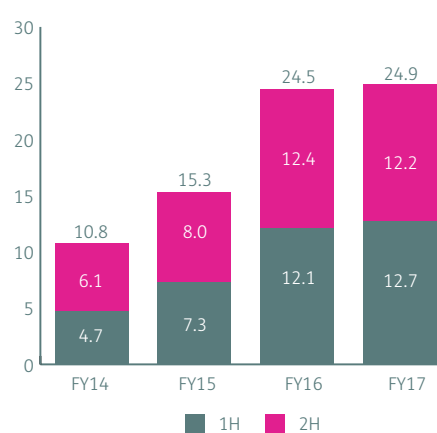
## Results review

The following graphs reflect the planned profit margins inherent in the in-force portfolio and actual results achieved.

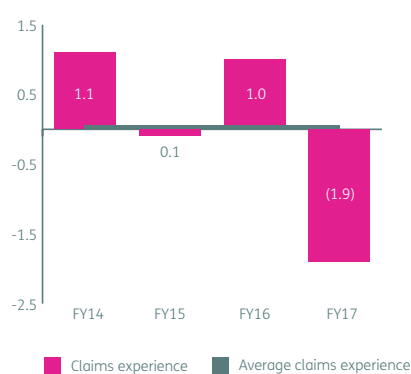
**Expected Life Insurance Underlying NPAT<sup>1</sup> (\$m)**



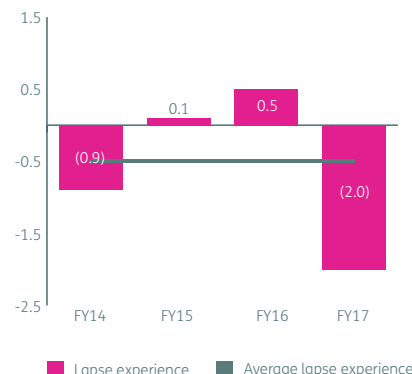
**Life Insurance Underlying NPAT<sup>2</sup> (\$m)**



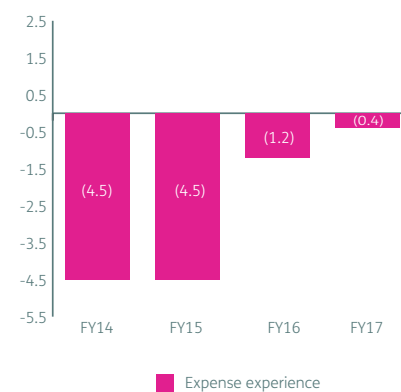
**Claims Experience (\$m)**



**Lapse Experience (\$m)**



**Expense Experience (\$m)<sup>3</sup>**



### Notable points

- Expected UNPAT of \$29.3m in FY17 is up 24%<sup>1</sup> reflecting:
  - Expected profit margins on the in-force portfolios based on actuarial assumptions; and
  - Strong growth in the in-force portfolios (+26%) partially offset by the run-off of the higher margin old book.
- Actual Life Insurance UNPAT up 2% to \$24.9 million compared to expected growth of 24%. Lower-than-expected growth attributable to adverse impact on FY17 UNPAT from prudent decisions made by the Board to

support the Group's long term strategy (including the adoption of an enhanced IP claims reserving basis and IP price increases). The expected growth of 24% would have been broadly in line with FY17 inforce portfolio growth. This is discussed in further detail below.

- The underlying performance of the Life Insurance segment remains very strong with in-force book growth of 26% and LifeSolutions sales up 16%. This is largely due to the expanding IFA<sup>4</sup> distribution footprint resulting in an increasingly diversified sales profile and material embedded growth.

<sup>1</sup> Expected Underlying NPAT of \$29.3m (+24% FY16 to FY17) reflects expected profit margins on in-force portfolios based on actuarial assumptions.

<sup>2</sup> Life Insurance Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.

<sup>3</sup> Non deferred expenses.

<sup>4</sup> IFAs are independent financial advisers that write ClearView products that are placed on third party dealer group approved product lists.

# Directors' Report

## Continued

- Adverse claims experience relative to the claims assumptions in the Life Insurance policy liability (determined at 30 June 2016) resulted in an experience loss of \$1.9 million (after tax) relative to planned margins (\$1.1 million profit in FY16). Consequently, there was an adverse swing of \$3 million between periods.
  - The adverse experience on the LifeSolutions portfolio (-\$2.1 million) was partially offset by the positive net experience on the Direct portfolios which are closed to new business (+\$0.2 million).
  - LifeSolutions' adverse claims experience was driven mainly by the IP portfolio (-\$3.7 million) with lump sum reflecting a claims profit (\$1.5 million). A material component of the IP claims loss arose from the adoption of an enhanced actuarial claims reserving basis which had an adverse impact (-\$2.6 million<sup>1</sup>) in FY17. Notwithstanding this, the IP portfolio remains profitable.
  - Actuarial claims assumptions have been updated to better reflect expected claims costs. As a result, the projected cost of IP claims has increased (post the reserving base changes) which is offset by a decrease in the projected cost of lump sum claims. Claims assumptions therefore had an overall net immaterial impact on the LifeSolutions portfolio.
  - Given the current size of the Life Insurance portfolio and the reinsurance arrangements in place, which vary by product, some statistical claims volatility can be expected period-to-period. The claims experience is expected to average out over time based on actuarial best-estimate assumptions. The graph on the previous page outlines the overall net claims performance which broadly has nil impact over a four-year period (+\$0.1 million).
- Lapse experience loss relative to assumptions in the Life Insurance policy liability (determined at 30 June 2016) with an experience loss of \$2.0 million in FY17 against planned margins (\$0.5 million profit in FY16), reflect an adverse swing of \$2.5 million between periods. Notable points include:
  - LifeSolutions portfolio had an overall adverse lapse experience loss relative to assumptions in FY17 (-\$1.6 million);
  - IP price increases implemented to help manage margin over time but resulted in some short-term elevated lapses (-\$1.1 million). IP price increases are designed to improve the long-term product profitability;
  - LifeSolutions lapse actuarial assumptions were reshaped to better reflect actual and expected experience. This has an overall net immaterial impact on the future projected profitability or the Embedded Value; and
  - Old Direct book (business written pre-2011) recorded a neutral lapse experience in FY17 while the Non-advice portfolio experienced lapse losses (-\$0.4 million) albeit a significant improvement on FY16. Both portfolios are closed to new business.
- Although expense overruns initially depress reported profits, they should eliminate as scale is achieved thereby increasing underlying profit on the growing in-force portfolio.
  - Non-deferred expense experience loss decreased from \$1.2 million in FY16 to \$0.4 million in FY17, demonstrating that expense overruns are being absorbed as scale is achieved.
- Investment earnings were impacted by falling interest rates over the year, partially offset by the reallocation of shareholder cash to the Life Insurance segment (given the growth in the business and related capital requirements).
- The increased reinsurance expense is aligned to the growth in in-force portfolios given the upfront reinsurance support provided in year one of a policy by the reinsurer.
- Growth in Life Insurance initial commission in FY17 was driven by the upfront variable commission cost related to higher new business volumes. These acquisition costs are deferred and amortised within the policy liability over the expected life of the policies, in accordance with accounting standards. From 1 January 2018, life insurance reforms will be implemented with caps on upfront commission.
- An increased variable expenses related to stamp duty and medical policy acquisition costs driven by increased new business volumes.

<sup>1</sup> Enhancement in estimate in relation to IP claims in the course of payment pre 30 June 2016.



# Directors' Report

Continued

## Segment analysis - Wealth Management

Wealth Management UNPAT up 46% to \$3.9 million (FY16: \$2.7 million). Earnings growth is now emerging following recently-completed 'build' phase. Positive net flow business with \$353 million flowing into contemporary products.

12 Months to June 2017 (\$m) <sup>1</sup>	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
Fund management fees	15.7	15.4	31.1	16.3	16.5	32.8	6%
Interest income	0.2	0.2	0.4	0.2	0.2	0.3	(12%)
Variable expense <sup>3</sup>	(3.4)	(3.3)	(6.7)	(3.3)	(3.2)	(6.5)	(2%)
Funds management expenses	(3.5)	(3.4)	(6.9)	(4.1)	(4.0)	(8.1)	18%
Operating expenses	(7.7)	(7.5)	(15.2)	(7.0)	(6.8)	(13.8)	(9%)
<b>Underlying NPBT</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>	<b>2.1</b>	<b>2.6</b>	<b>4.6</b>	<b>78%</b>
Income tax (expense)/benefit	0.0	0.1	0.1	(0.4)	(0.3)	(0.7)	(768%)
<b>Underlying NPAT</b>	<b>1.3</b>	<b>1.4</b>	<b>2.7</b>	<b>1.6</b>	<b>2.3</b>	<b>3.9</b>	<b>46%</b>
Amortisation of intangibles	(2.6)	(2.7)	(5.3)	(2.6)	(1.8)	(4.4)	(17%)
<b>Reported NPAT</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(2.6)</b>	<b>(0.9)</b>	<b>0.5</b>	<b>(0.5)</b>	<b>(82%)</b>

Key Statistics And Ratios (\$m)	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
<b>Net Flows</b>	<b>101.2</b>	<b>111.1</b>	<b>212.3</b>	<b>59.5</b>	<b>145.4</b>	<b>204.9</b>	<b>(38%)</b>
Master Trust	(58.1)	(64.5)	(122.6)	(81.5)	(66.3)	(147.8)	21%
WealthSolutions	112.7	75.3	188.0	86.6	112.5	199.1	6%
WealthFoundations	46.6	45.8	92.4	42.1	45.7	87.8	(5%)
External Platforms	-	54.5	54.5	12.3	53.5	65.8	21%
<b>Total FUM (\$b)</b>	<b>1.98</b>	<b>2.13</b>	<b>2.13</b>	<b>2.28</b>	<b>2.50</b>	<b>2.50</b>	<b>17%</b>
Master Trust	1.11	1.07	1.07	1.03	1.00	1.00	(7%)
WealthSolutions	0.72	0.80	0.80	0.93	1.08	1.08	34%
WealthFoundations	0.15	0.20	0.20	0.25	0.30	0.30	50%
External Platforms	-	0.06	0.06	0.07	0.12	0.12	117%
<b>Cost to Income Ratio</b>	<b>49.0%</b>	<b>48.7%</b>	<b>49.0%</b>	<b>42.9%</b>	<b>41.4%</b>	<b>42.1%</b>	

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.

2 % change represents the movement from FY16 to FY17.

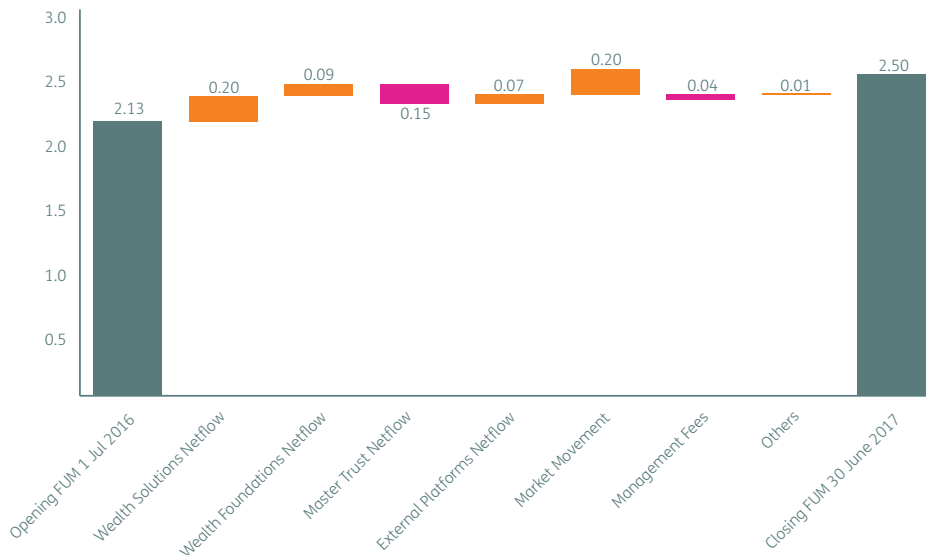
3 Variable expense include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product.

# Directors' Report

Continued

## Key performance indicators

Chart 1: Wealth Management in-force FUM movement FY16 – FY17



- FUM up 17% to \$2.5 billion at 30 June 2017 with \$1.5 billion in contemporary products including ClearView platform funds on external platforms. Top quartile investment performance across ClearView models remains key to attracting flows and supporting the Master trust FUM given that product is not actively marketed to new customers.
- Wealth Management was \$205 million net flow positive in FY17 (-3%) with material net flows (relative to FUM balances) into contemporary products (+5%). This reflected:
  - WealthSolutions net inflows of \$199 million (+6%); FUM of \$1.08 billion (+34%)
  - WealthFoundations net inflows of \$88 million (-5%); FUM of \$0.3 billion (+50%)
  - External platform net inflows of \$66 million (+21%); FUM of \$0.12 billion (+117%)
  - Master trust net outflows of \$148 million (+21%); FUM including closed MISs of \$1.0 billion (-7%)
- To date, WealthSolutions and WealthFoundations have primarily been distributed by aligned advisers:
  - These products will be rolled out further across the Matrix dealer group as well as the IFA market
  - Expanding Wealth Management's distribution footprint broadly commenced in FY17 with WealthFoundations now available on 30 third-party APLs (+233%)

## Results review

### Notable points

- Wealth Management segment profitability is primarily driven by fees earned from FUM in inhouse product less expenses incurred.
- The positive impact on net fee income from FUM growth (+17%) was offset by margin compression from the gradual run-off of the Master trust product being replaced by lower margin new business written in new contemporary products (fee income +6% overall).
  - Master Trust is effectively a closed book with a portion of FUM in pension phase
  - Investment market performance key to supporting Master Trust FUM
  - Investment market performance of 9% on FUM compared to a 4% investment return in FY16
  - Margin compression and run off from the Master Trust book is assumed in Embedded Value (EV) calculations
- Decrease in variable expenses driven by:
  - Inter-segment advice fee (50bps) paid to Financial Advice on Master trust FUM (in line with average Master Trust FUM); and
  - Partially offset by higher platform fees payable on WealthSolutions (in line with growth in average WealthSolutions FUM).

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# Directors' Report

## Continued

- Funds management expenses increased in line with the expanded wealth product range (WealthFoundations launch and MIS growth on platforms) and increased FUM between periods.
- Decrease in operating expenses (-9%) driven by a reduction in wealth administration functions due to greater efficiencies from growth in WealthFoundations and MIS FUM. Front-end costs to support business growth has remained broadly consistent (notwithstanding a 5% increase in contemporary new product new flows). The Master trust migration project commenced in 2H FY17 with cost benefits expected to flow through in late FY18. IT support and shared services costs allocated to the segment reduced in FY17 and have been absorbed by growth in the Life Insurance segment.
  - Expense overruns (after tax) decreased to \$2.7 million in FY17 (FY16: \$4.0m) driven by higher FUM balances (+17%) and a lower Wealth Management operating cost base (-9%). This is explained in further detail in the expense overrun section on page 30.
- The tax benefit of \$0.7 million in FY17 (FY16: \$0.9 million) included:
  - Exempt fees in the Master trust product range; and
  - Positive impact from a tax benefit arising from superannuation insurance premium deductions.
- Reduced investment earnings given the reallocation of shareholder cash between segments and lower market interest rates.

# Directors' Report

Continued

## Segment analysis - Financial Advice

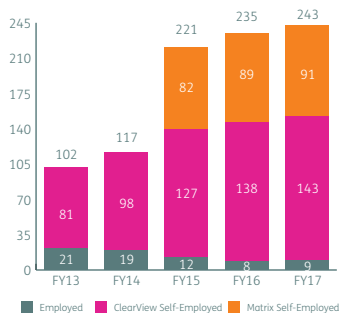
**Financial Advice UNPAT up 47% to \$2.2 million (FY16: \$1.2 million) driven by net change in revenue model and disciplined expense control notwithstanding ongoing investment in strategic advice program and compliance costs.**

12 Months to June 2017 (\$m) <sup>1</sup>	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
Net financial planning fees	8.5	8.2	16.7	9.1	8.8	17.9	7%
Interest and other income	0.2	0.1	0.3	0.5	0.1	0.6	102%
Operating expenses	(7.7)	(7.2)	(14.9)	(7.9)	(7.4)	(15.3)	3%
<b>Underlying NPBT</b>	<b>1.0</b>	<b>1.1</b>	<b>2.1</b>	<b>1.7</b>	<b>1.5</b>	<b>3.2</b>	<b>53%</b>
Income tax (expense) / benefit	(0.3)	(0.3)	(0.6)	(0.5)	(0.4)	(0.9)	42%
<b>Underlying NPAT</b>	<b>0.7</b>	<b>0.8</b>	<b>1.5</b>	<b>1.2</b>	<b>1.0</b>	<b>2.2</b>	<b>47%</b>
Amortisation of intangibles	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)	0%
<b>Reported NPAT</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>0.7</b>	<b>0.5</b>	<b>1.2</b>	<b>140%</b>

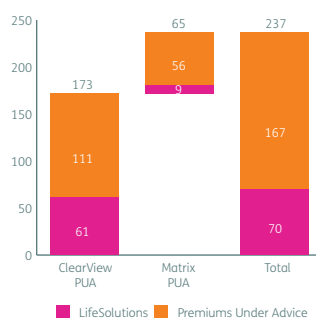
Key Statistics And Ratios	2016			2017			% Change <sup>2</sup>
	1H	2H	FY16	1H	2H	FY17	
FUMA (\$b) <sup>4</sup>	8.1	8.2	8.2	8.5	8.9	8.9	9%
PUA (\$m) <sup>3</sup>	203	215	215	223	237	237	10%
Financial advisers	221	235	235	243	243	243	3%

Chart 1: FY17 - Key Performance Indicators

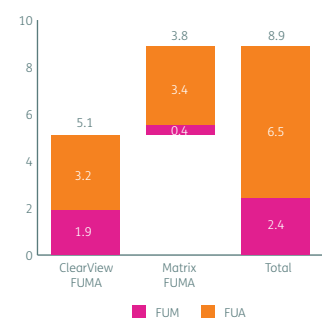
Adviser Force - Aligned Advisers



Premiums Under Advice (\$M)<sup>3</sup>



FUMA (\$B)<sup>4</sup>



- Aligned adviser numbers across CFA and Matrix up 3% to 243.
- Aligned FUMA up 9% to \$8.9 billion and PUA<sup>3</sup> up 10% to \$237 million. This growth is due largely to positive market performance (impacts on FUMA) and change in adviser numbers and composition:
  - Of the \$8.9 billion in FUMA, \$1.4 billion was in contemporary inhouse Wealth Management products and \$1.0 billion was in the Master trust product
  - Of the \$237 million PUA in-force, \$70 million was in LifeSolutions

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view  
 2 % change represents the movement from FY16 to FY17  
 3 Premiums Under Advice is life insurance in-force premium that are externally managed and administered (Third Party Products) and in-force LifeSolutions premium  
 4 FUMA includes FUM and funds under advice that are externally managed and administered

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# Directors' Report

Continued

## Results review

### Notable points

- Growth in net financial planning fees (7%) primarily driven by:
  - Dealer service fees and membership revenue from new practices (including practice acquired under contractual arrangements) (+\$0.3 million);
  - Higher internal sponsorship revenue from LifeSolutions partially offset by run off of internal advice fee (50bps) earned on Master trust FUM (+\$0.9 million); and
  - Delegate and sponsorship revenue generated from the annual dealer group conference (+\$0.2 million).
- Increased operating expense of \$0.5 million in FY17 (+3%) was primarily driven by:
  - Higher dealer group support costs due to the acquisition of a practice, increased compliance (and related) costs and investment in the development and roll out of the strategic advice program, partially offset by benefits associated with transitioning employed planners to a self- employed model;
  - Increased dealer group conference costs, partially offset by sponsorship revenue; and
  - Reduced allocation of marketing and other shared services costs to the dealer group.
- Interest and other income related to the reallocation of shareholder cash between segments and lower market interest rates. Other income includes the potential recovery of certain compliance costs incurred (+\$0.3 million).

# Directors' Report

Continued

## Segment analysis – Listed Entity / Other Result

12 Months to June 2017 (\$M) <sup>2</sup>	2016			2017			% Change <sup>1</sup>
	1H	2H	FY16	1H	2H	FY17	
Interest income	0.6	0.6	1.2	0.2	0.1	0.3	(76%)
Operating expenses	(0.6)	(0.6)	(1.2)	(0.4)	(0.6)	(1.0)	(17%)
<b>Operating earnings NPBT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>Large</b>
Income tax (expense) / benefit	(0.2)	(0.3)	(0.5)	(0.1)	0.3	0.2	(142%)
<b>Operating earnings NPAT</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>8%</b>
Interest expense on corporate debt (after tax)	(0.5)	(0.5)	(1.0)	(0.1)	(0.1)	(0.2)	(81%)
<b>Underlying NPAT</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(53%)</b>
Strategic review costs	-	(0.4)	(0.4)	(0.5)	(0.1)	(0.6)	54%
Your Insure impairment	(1.9)	-	(1.9)	-	-	-	NM
Direct closure provision	-	-	-	-	(2.4)	(2.4)	NM
<b>Reported NPAT</b>	<b>(2.6)</b>	<b>(1.2)</b>	<b>(3.8)</b>	<b>(0.9)</b>	<b>(2.8)</b>	<b>(3.7)</b>	<b>(2%)</b>

### Result review

#### Notable points

- Investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of ClearView Life, less costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy.
- Drop in investment earnings (-76%) is for the most part offset by a related reduction in after-tax interest expenses given the repayment of \$45.5 million of corporate debt in 2H FY16. This was repaid using proceeds of a \$50 million 1 for 10.2 pro-rata accelerated renounceable entitlement offer in June 2016.
- Lower operating expenses driven by a reduction in directors' fees and investor relations costs. There were changes in Board size and composition between periods.
- Tax benefit of \$0.1 million (FY16: tax charge \$0.2 million) related to the research and development tax rebate in FY16 (+\$0.3 million) partially offset by the non-deductibility of the Employee Share Plan expense that is absorbed within the Listed segment. As such, the Group effective tax rate for FY17 is 28%.

### Statement of financial position

The Group's Statement of financial position, which is set out on page 68, reflects the key metrics below.

- Net assets, adjusting for the FY16 final cash dividend, increased 4% to \$415.6 million<sup>3</sup> (June 2016: \$411.8 million). Net assets increased by \$3.8 million from 30 June 2016 comprising:
  - Reported profit of \$13.2 million;
  - FY16 final cash dividend (-\$16.5 million). No dividend reinvestment plan (DRP) was operative for the FY16 final dividend given that the \$50 million capital raising had recently been completed in June 2016;
  - Movements in the ESP Reserve due to the treatment of the ESP expense in accordance with the accounting standards (+\$1.0 million), ESP loans settled through the FY16 final dividend and ESP participant proceeds from the sale of renounceable rights attached to ESP holders in the capital raising (+\$1.0 million); and
  - The proceeds from ESP shares sold via off-market transfer in June 2017, including repayment of ESP loans (+\$5.1 million).
- Net tangible assets increased to \$371.0 million (\$407.8 million including ESP loans) (June 2016: \$363.4 million).

<sup>1</sup> % change represents the movement from FY16 to FY17.

<sup>2</sup> Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.

<sup>3</sup> Net Asset Value as at 30 June 2017 excluding ESP Loans; % increase adjusted for the FY16 cash dividend paid of \$16.5m in September 2016 less ESP related items (-\$6.2m).



# Directors' Report

Continued

- Net asset value per share (including ESP loans) of 68.6 cents per share (June 2016: 68.6 cents per share).
- Net tangible asset value per share (including ESP loans) of 61.8 cents per share (June 2016: 61.2 cents per share).

The net asset value per share and net tangible asset value per share are reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 30 June 2017 (in accordance

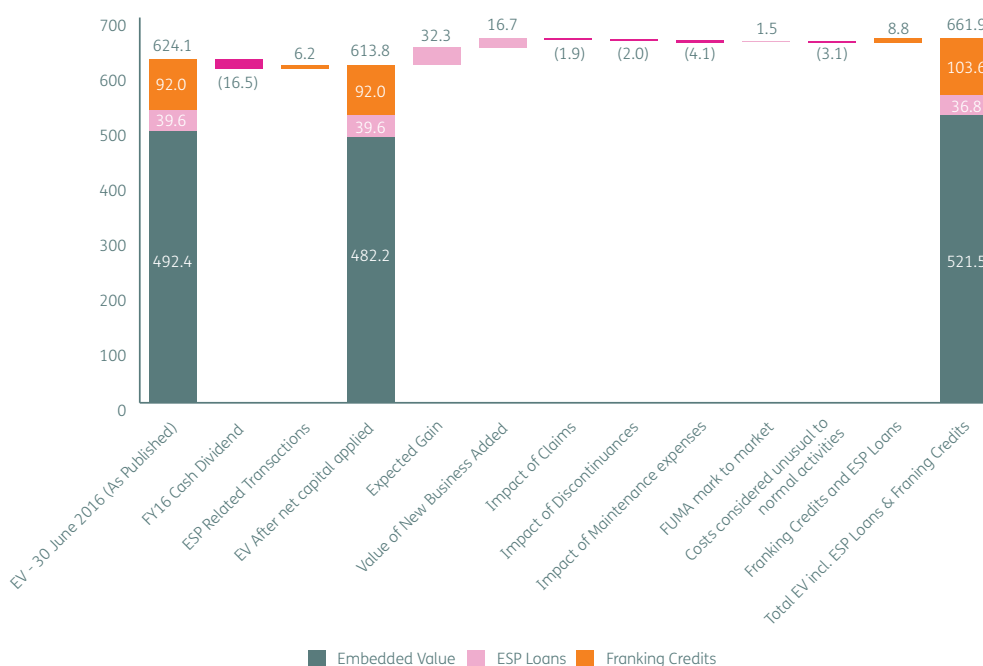
with the ClearView ESP Rules). The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an option in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

## Embedded Value

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

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

Chart 1: Embedded Value Movement Analysis @ 4%DM



# Directors' Report

Continued

Risk Margin Over Risk Free Rate: (\$M), (Unless Stated Otherwise)	3% DM	4% DM	5% DM
Life Insurance	390.6	367.6	347.2
Wealth Management	63.1	59.8	56.8
Financial Advice	28.1	26.4	24.9
<b>Value of In-Force (VIF)</b>	<b>481.8</b>	<b>453.8</b>	<b>428.8</b>
Net Worth	67.8	67.8	67.8
<b>Total EV</b>	<b>549.6</b>	<b>521.5</b>	<b>496.6</b>
ESP Loans	36.8	36.8	36.8
<b>Total EV including ESP Loans</b>	<b>586.3</b>	<b>558.3</b>	<b>533.4</b>
<b>Franking Credits:</b>			
Life Insurance	64.7	60.8	57.3
Wealth Management	16.8	15.9	15.1
Financial Advice	8.0	7.6	7.1
Net Worth	19.3	19.3	19.3
<b>Total EV including Franking Credits and ESP Loans</b>	<b>695.2</b>	<b>661.9</b>	<b>632.3</b>
<b>EV per Share including ESP Loans (cents)</b>	<b>89.1</b>	<b>84.8</b>	<b>81.0</b>
<b>EV per Share including Franking Credits and ESP Loans (cents)</b>	<b>105.6</b>	<b>100.6</b>	<b>96.1</b>

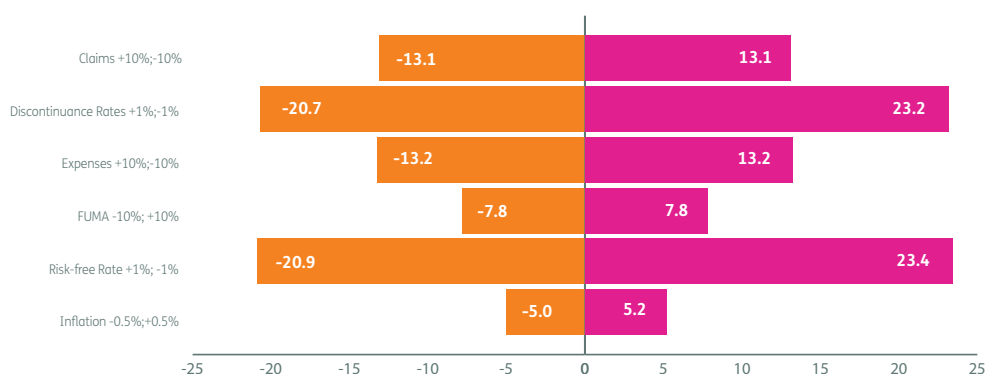
- Net capital applied (-\$16.5 million): driven by the FY16 final cash dividend paid in September 2016. The Dividend Reinvestment Plan (DRP) was not operative for the FY16 final dividend
- ESP related items (+\$6.2 million): Movements in the Share Based Payments Reserve due to the treatment of the ESP expense in accordance with the accounting standards, ESP loans settled through the FY16 final dividend, ESP participant proceeds from the sale of renounceable rights attached to ESP holders in the FY16 capital raising and from ESP shares sold via off-market transfer in June 2017
- Expected gain (+\$32.3 million): Expected gain represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth
- VNB added (+\$16.7 million): The value added by new business written (Life Insurance and Wealth Management products) over the period. The current value of new business is suppressed by the growth costs incurred. The acquisition cost overruns should decrease as the business grows, providing it with operating leverage. The Non-Advice (Direct Life) business had a negative value of new business (-\$4.5 million). This was exacerbated by a slow down in new business volumes given the refocus in strategy followed by the closure of the operation. LifeSolutions continues to be the key driver given increased scale and volumes, albeit impacted by the mix of business written (including commission type driven by the upcoming LIF reforms)
- Strategic review costs (-\$0.7 million): This relates to the FY17 strategic review costs incurred on the evaluation of strategic options for the potential change in major shareholder and Sony Life becoming a new strategic shareholder
- Direct closure provision (-\$2.4 million): The FY17 costs provided for relating to the closure of ClearView's Direct business
- The claims experience (-\$1.9 million): Adverse claims experience loss (after tax) of \$1.9 million (relative to planned margins) driven by the LifeSolutions portfolio (-\$2.1 million) partially offset by positive experience on the closed Direct books (+\$0.2 million). The LifeSolutions adverse claims experience in FY17 includes the impact (-\$2.6 million) from the adoption of an enhanced actuarial claims reserving basis on the IP portfolio. Claims assumptions have been updated to reflect increased projected cost of IP claims, offset by decrease in projected cost of lump sum claims (overall net immaterial impact)
- The impact of lapses on the life insurance book and FUMA discontinuances (-\$2.0 million): Life Insurance lapse impact was driven by higher-than-expected lapses for LifeSolutions (following the IP price increase). Lapses on Non-Advice reflect an improvement given the books are now closed to new business. For Wealth business, discontinuance rates overall were close to expected, notwithstanding an increase in outflows in the Master Trust product (relative to FY16)

# Directors' Report

## Continued

- The adverse maintenance expense experience (-\$3.2 million): This relates to maintenance expense overruns versus the long-term unit costs assumed in the EV. Emerging life insurers invest and incur overhead costs ahead of “getting to scale”. The expense rates assumed in the EV are based on longer term unit costs, as opposed to current “expense overrun” levels. As the business gets to scale, these costs are progressively supported by business volumes that creates operating leverage. Expense overruns depress the EV growth initially; these are eliminated as scale is achieved, thereby increasing underlying profit margins on the in-force portfolio and removing the drag on the EV
- Listing expenses and interest expense (-\$0.9 million): Expenses were impacted by the Group’s listed overhead costs and line fee on corporate debt which are not allowed for in the Embedded Value. The Debt Funding Facility was settled in June 2016 by utilising the proceeds of the capital raising. Debt Funding Facility remains in place.
- FUMA mark-to-market (+\$1.5 million): This is predominantly driven by the net investment performance on FUMA, which resulted in higher fee income relative to expectations over the period and a higher present value of future fees at the end of the period
- Other impacts (-\$0.1 million): This relates to the net impact of capital reallocations by segment, modelling enhancements (including assumption changes), restatements, timing effects and tax impacts of the policy liability discount rate effect in the period.

Chart 2: Embedded Value (EV) Sensitivity Analysis<sup>1</sup> @ 4%DM



## Dividends

The Board has declared a fully franked dividend in 2017 of \$18.14 million (2016: \$16.45 million). This equates to 2.75 cents per share (2016: 2.5 cents per share), representing approximately 60% of 2017 UNPAT in line with the Company’s dividend policy (+10% increase in the dividend per share). The Board seeks to pay dividends at sustainable levels and has a target payout ratio of between 40% and 60% of UNPAT. Furthermore, the Company intends to maximise the use of its franking account by paying fully franked dividends.

As foreshadowed during the June 2016 capital raising, the Dividend Reinvestment Plan (DRP) was suspended and did not operate in respect to the FY16 final cash dividend. The DRP has been reactivated for the FY17 final dividend and will operate in accordance with the DRP rules below:

- Shareholders will have the opportunity to reinvest into the Company while retaining capital within the Group; and

- Given the illiquidity of the shares, it is not considered appropriate to minimise the dilutive impact of the DRP through the on-market purchase of the number of shares required to satisfy the DRP participation.

Substantial shareholders have committed to participate in the DRP at a fixed price of \$1.39 per share as follows:

- Crescent Capital and its associates for its entire share of the dividend; and
- Sony Life for its share of the dividend to the extent that its holding does not exceed 14.9% (given regulatory approvals are required for Sony Life to increase its holding above 15%).

No interim dividend was paid during the year (2016: Nil).

To date, the ability to pay an interim dividend has been limited by the effect on tax paid of the changes in long-term discount rates used to determine the insurance

<sup>1</sup> Does not include the impact of management actions in response to sensitivities (for example, premium rate changes), or reinsurer response to sensitivities (for example, reinsurer rate changes).

# Directors' Report

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policy liabilities between the half year period and year end. As a sufficient franking credit balance continues to be progressively established, the payment of interim dividends can be considered in future periods.

ClearView's ability to pay a franked dividend depends upon factors including profitability, availability of franking credits and funding requirements which in turn may be affected by trading and general economic conditions, business growth and regulation. As such, no assurance can be given as to the timing, extent and payment of dividends.

## Capital position

ClearView is fully capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium-term growth.

The Company entered into a new three-year, \$60 million Debt Facility Agreement with National Australia Bank in July 2017 for the following key reasons:

- To provide future capital funding in the event that growth is materially above what is currently anticipated;
- To meet the liquidity needs of the Group or to capitalise on other opportunities should they arise.

This replaced the \$50 million facility that was due to expire in December 2017.

The table below provides an analysis of reconciliation of the net assets in the Statement of Financial Position to the Group capital position.

Group Capital Position (\$M)	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC <sup>2</sup> / Other	Group
Net Assets	330.5	13.0	3.9	347.4	7.5	18.7	26.2	373.6	42.1	415.6
Goodwill & Intangibles	(10.1)	(3.7)	-	(13.8)	-	(8.4)	(8.4)	(22.2)	(22.4)	(44.7)
<b>Net Tangible Assets</b>	<b>320.4</b>	<b>9.3</b>	<b>3.9</b>	<b>333.6</b>	<b>7.5</b>	<b>10.2</b>	<b>17.7</b>	<b>351.4</b>	<b>19.6</b>	<b>371.0</b>
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(272.0)	(0.2)	-	(272.2)	-	-	-	(272.2)	-	(272.2)
Other Adjustments to Capital Base	(0.1)	(0.1)	-	(0.1)	(0.1)	-	(0.1)	(0.2)	(0.4)	(0.6)
<b>Regulatory Capital Base</b>	<b>48.3</b>	<b>9.1</b>	<b>3.9</b>	<b>61.3</b>	<b>7.4</b>	<b>10.2</b>	<b>17.6</b>	<b>79.0</b>	<b>19.2</b>	<b>98.2</b>
Prescribed Capital Amount	(10.6)	(3.5)	(3.1)	(17.2)	(5.0)	(0.4)	(5.4)	(22.6)	-	(22.6)
<b>Available Enterprise Capital</b>	<b>37.7</b>	<b>5.6</b>	<b>0.9</b>	<b>44.1</b>	<b>2.4</b>	<b>9.8</b>	<b>12.3</b>	<b>56.4</b>	<b>19.2</b>	<b>75.6</b>
Internal Benchmarks										
Working Capital	(7.0)	(2.7)	(0.8)	(10.5)	-	-	-	(10.5)	(6.5)	(17.0)
Risk Capital <sup>1</sup>	(30.6)	(2.8)	-	(33.5)	(2.0)	(4.8)	(6.8)	(40.3)	(5.4)	(45.7)
<b>Excess/Deficit over internal Benchmarks</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>5.0</b>	<b>5.4</b>	<b>5.6</b>	<b>7.3</b>	<b>12.9</b>
Debt Funding Facility	-	-	-	-	-	-	-	-	-	-
<b>Net Capital Surplus/Position</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>5.0</b>	<b>5.4</b>	<b>5.6</b>	<b>7.3</b>	<b>12.9</b>

Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted, for example, intangibles, goodwill and deferred

tax assets (net of deferred tax liabilities). ClearView's capital is currently rated Common Equity Tier 1 in accordance with APRA capital standards.

1 As at 30 June 2017, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC<sup>2</sup>.

2 NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.

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# Directors' Report

Continued

The regulated entities had \$5.6 million of net assets in excess of internal benchmarks as at 30 June 2017. Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position for risk outcomes where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licences.

Furthermore, a working capital reserve is the capital held to support the capital needs of the business beyond the risk-reserving basis. This includes the net capital that may be required to support the medium term new business plans (in accordance with the Internal Capital Adequacy Process). Internal benchmarks include a working capital reserve in the regulated entities of \$10.5 million as at 30 June 2017 to fund anticipated new business growth over the medium-term.

Internal benchmarks in the non-regulated entities include a further working capital reserve of \$6.5 million as at 30 June 2017, providing a combined total of \$17 million that is set aside across the Group to fund anticipated new business growth over the medium-term.

The net capital position of the Group as at 30 June 2017 (\$12.9 million) represents a decrease of \$19.6 million since 30 June 2016. This decrease reflects the following key items:

- The Underlying NPAT for the year (+\$30.4 million);
- The net capital absorbed by the growth of the business over the period (-\$40.8 million);
- The decrease in the working capital reserve (+\$14.0 million) reflecting capital set aside to fund the anticipated new business growth over the medium term;
- Increase in regulatory and risk capital reserved due to increasing new business volumes (-\$6.8 million), and the net impacts of capitalised software, acquired intangibles and deferred tax (-\$4.0 million);
- Increase in asset concentration risk reserve given increased reinsurance asset concentration (-\$2.1 million);
- Net impact of the share based payments expense and other items on the Share Based Payments Reserve (+\$7.2 million);
- The after tax costs associated with the evaluation of strategic options and Sony Life becoming a new strategic shareholder, after tax interest cost on debt and the Direct Life insurance business closure provision (-\$3.3 million);
- The net impacts of the tax effect on the change in policy liability discount rate (+\$2.3 million); and
- The net impact of the final FY16 cash dividend paid in September 2016 (-\$16.5 million).

## Share Buyback

The Board continues to believe that buying back shares in circumstances where the share price is below the Company's view of intrinsic value is in the best interests of shareholders.

The Board has determined to extend its share buyback (has been in place since 19 December 2014) until December 2017. Existing buyback arrangements continue to apply. Since 30 June 2015, 83,572 shares have been bought back under the scheme. No shares were bought back in the year ended 30 June 2017.

## Outlook

### Market outlook

- Long-term market growth fundamentals remain sound:
  - Life Insurance: The Australian market is under-insured; growth is driven by population increases, inflation and real GDP growth.
  - Wealth Management: Growth is underpinned by compulsory retirement savings regime (superannuation).
- Short-term challenges and opportunities exist:
  - Group Life Insurance: ClearView intentionally does not participate in Group Life. The profitability of this segment appears to be improving driven by material price increases in recent years. Such increases have improved the competitive position of ClearView's retail life products.
  - Retail Income Protection: Industry participants have progressively increased prices driven by losses on IP portfolio (should improve profitability of product over time). ClearView increased prices in 1H FY17 to manage margin over time, resulting in some short-term devalued lapse losses. Notwithstanding the adoption of an enhanced claims reserving basis on its portfolio in FY17, ClearView's IP portfolio remains profitable. Broader industry pricing cycle and performance of IP portfolios continues to be closely monitored.
  - Direct Life Insurance: There has also been changes in the direct market's appetite for telephone based non-advice models. These are no longer economically viable or socially acceptable due to increasing client acquisition costs, rising consumer expectations and likely heightened regulatory scrutiny. ClearView closed its Direct Life operation to new business 2H of FY17.

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# Directors' Report

Continued

- Regulatory changes: Key life insurance reforms will commence on 1 January 2018. The changes generally support more open competition and assist challenger brands like ClearView.
- M&A activity: The banks are increasingly focused on returning to core business lines, and there has been an emergence of foreign institutions looking to invest in the Australian life insurance industry. This is likely to drive investment in the life insurance sector. ClearView remains well-positioned with its strategic shareholder, Sony Life.
- Superannuation scrutiny: Heightened government and media scrutiny of the superannuation sector, government policy changes, expected lower investment returns over the short-to-medium term and fee pressure. ClearView portfolios remain defensively-tilted given the conservative nature of the client base and near-term economic outlook. As an integrated financial services company, ClearView is well-positioned to take advantage of the convergence of life insurance and wealth management.
- ClearView will continue to focus on building its Wealth Management business to capitalise on the significant investment made over the past two years.
- The ClearView dealer groups are focused on rolling out the strategic advice program and continue to assist adviser practices improve efficiency and revenues.
- ClearView will continue to leverage the Sony Life relationship and Cooperation Agreement.
- ClearView's performance reflects strong momentum. The Group maintains a positive outlook and is committed to executing its high growth strategy which targets 5% of the long-term life insurance profit pool and focuses on building a material wealth management business and high quality financial advice business.

## Changes in state of affairs

There were no other significant changes in the state of affairs of the Group during the year ended 30 June 2017.

Life Insurance and Wealth Management products are highly complementary over the economic cycle.

- Life Insurance: Favourable given "fear" can drive strong sales momentum.
- Wealth Management: Impacts of the performance of investment markets on fee income and net investment flows.

## Business outlook

- Life Insurance continues to be the key profit driver and ClearView is strongly positioned to outperform the market and generate material earnings growth, notwithstanding some claims volatility between periods. The current focus is on:
  - Leveraging the embedded growth in the Life Insurance distribution network;
  - Capitalising on market disruption around life insurance reforms due to the fact ClearView has no material legacy issues; and
  - Increasing scale over time thereby progressively reducing the expenses overruns and further improving the cost-to-income ratio.



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# Directors' Report

Continued

## Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of ClearView's Directors and its Key Management Personnel (KMP) for the financial year ended 30 June 2017.

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

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

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

### Details of the Directors and KMP

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

- **Bruce Edwards**  
(Chairman, Independent Non-executive Director)
- **Andrew Sneddon**  
(Independent Non-executive Director)
- **David Brown**  
(Independent Non-executive Director)
- **Gary Burg**  
(Independent Non-executive Director)
- **Michael Alscher**  
(Non-executive Director)
- **Michael Lukin**  
(Alternate Non-executive Director to Michael Alscher)
- **Nathanial Thomson**  
(Non-executive Director)
- **Satoshi Wakuya (appointed 14 December 2016)**  
(Non-executive Director)
- **Susan Young (appointed 14 December 2016)**  
(Independent Non-executive Director)

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

### Managing Director

- **Simon Swanson**  
Managing Director

### Other Executive KMP

- **Christopher Blaxland-Walker**  
General Manager, Distribution
- **Athol Chiert**  
Chief Financial Officer and Company Secretary
- **Sarah Cummings**  
General Manager, Development
- **Todd Kardash**  
Chief Executive Officer, Matrix Planning Solutions and ClearView Financial Advice
- **Deborah Lowe**  
General Manager, People and Operations
- **Greg Martin**  
Chief Actuary and Risk Officer
- **Justin McLaughlin**  
Chief Investment Officer

### Former Executive KMP

- **David Charlton**  
General Manager, ClearView Direct (Ceased 16 June 2017)

### Overview of Remuneration Strategy and Objectives

ClearView's remuneration approach has the following objectives:

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

### Remuneration Framework

#### Remuneration Governance

ClearView's Remuneration Policy (Policy) was updated on 1 July 2017 and is compliant with the obligations set out by the Australian Prudential Regulatory Authority (APRA)

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# Directors' Report

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under Prudential Standards CPS 510 'Governance' and SPS 510 'Governance'. It also forms part of ClearView's Risk Management System and overall Risk Management Framework (in accordance with the Prudential Standards). The Board has approved this Policy and retains overall responsibility for all remuneration decisions in respect to persons relevant to each entity. The Policy is reviewed at least once every three years. Any changes to the Policy must also be approved by the Board.

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

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

expertise with appropriate external expert advice;

- Reviewing and recommending to the Board (and if required to shareholders) any short-term and long-term incentive payments for the Managing Director and Senior Management Team (SMT); and
- Reviewing and providing recommendations to the Board (and if required to shareholders) in relation to any termination benefits for Non-executive Directors, Managing Director, other SMT members and key persons which exceed one year's average base salary as defined in the Corporations Act 2001.

ClearView's Remuneration Policy is in place to:

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

## Relationship between Remuneration Policy and Company Performance

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

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

Total KMP remuneration is made up of three components:

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

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# Directors' Report

Continued

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

- Ensuring that the components of remuneration appropriately balance risk and business outcomes, having regard to the percentage of "at risk" to "not at risk" remuneration that is, variable to fixed remuneration;
- Using appropriate risk-adjusted objectives in ClearView's incentive awards for key persons and categories of persons;
- Appropriate use of long-term incentives to ensure performance can be suitably validated and the consequence of the risk to which ClearView has been exposed can be fully assessed; and
- Ensuring any sign-on and termination payments with respect to Directors, SMT members and other key personnel, comply with legislative requirements, are appropriate and prudent and contain suitable hurdles.

## Fixed Remuneration

Fixed Remuneration is made up of base remuneration and superannuation. Base salary includes cash salary and any salary sacrifice items. The Group provides employer superannuation contributions of 10% of each KMP's base salary, capped at the relevant maximum contribution base.

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, Key Performance Indicators (KPI's) and risk profiles.

To ensure an employee's Fixed Remuneration is competitive, it is benchmarked against median salary survey results from a group of comparable Australian financial service companies.

Fixed Remuneration is reviewed annually, following the end of the 30 June performance year.

Independent market remuneration data was purchased from two independent sources and reviewed to benchmark the Fixed Remuneration for KMP for the 2017 financial year.

The sources were the Financial Industry Remuneration Group (FIRG) and Aon Hewitt reports. Both are primary providers of data and the most appropriate for roles in the industry in which ClearView operates. The benchmarking reports were used as a guide, and were not a substitute for thorough consideration of all the issues by the Remuneration Committee.

No formal consulting advice was sought from independent external research houses and Remuneration Consultants in setting the 2017 Fixed Remuneration. Further details on the engagement of independent consultants is provided later in the report.

Any increase to individual remuneration for the Managing Director, SMT and any other person whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of ClearView, must be approved by the Board on the recommendation of the Remuneration Committee after engaging and taking advice, where appropriate.

## Short Term Incentive (STI) plan

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

For FY17, the award of the STI component for KMP is based on the achievement of three company goals weighted, as on the table on the following page.

# Directors' Report

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Company Goal	Description	Min %	Target %	Max %	% Achieved FY17
<b>1. Underlying Net Profit after Tax (UNPAT)<sup>1</sup></b>	UNPAT is the Board's key measure of group profitability and the basis on which dividend payments are determined. It consists of reported net profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs which are considered unusual to the Group's ordinary activities.	0%	50%	60%	46%
<b>2. Embedded Value Growth</b>	Life insurance and wealth management are long term businesses that involve long term contracts with customers and complex accounting treatments. Embedded Value calculations are used as key measures to assess the performance of the business from period to period. An Embedded Value represents the discounted value of the future cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.	0%	25%	30%	25%
<b>3. Value of New Business (VNB)</b>	The VNB is the measure of the economic value of the profits expected to emerge for new business net of the cost of supporting capital. VNB is the increase in Embedded Value over the period due to new business written over the relevant period.	0%	25%	30%	21%
		<b>0%</b>	<b>100%</b>	<b>120%</b>	<b>92%</b>

Overall, 92% of the target STI range was achieved based on the range of outcomes. The result may vary from reported Underlying NPAT, Embedded Value and VNB given that for STI calculations the impacts of net capital raised, cash dividend payments, assumption and model changes between periods and any impacts of key longer term decisions made by the Board are excluded.

Sound risk management practices acts as a gateway qualifying condition to the STI. Furthermore, underpinning the achievement of the financial goals is sound business strategy, leadership, client focus, product development, superior services and continuous improvement of systems and processes.

As outlined in the table, STI outcomes fall within a range of 0% to 120% of the Target STI with 100% pegged to achieving target performance (as set out in the Board approved Business Plan). The resultant potential maximum STI awards for KMP range from 0% to 60% of Fixed Remuneration as follows:

SMT Member	Target STI %	Maximum STI %	Minimum STI %	Actual Achieved %
Simon Swanson	50%	60%	0%	46%
Athol Chiert	30%	36%	0%	28%
Christopher Blaxland-Walker	30%	36%	0%	28%
Deborah Lowe	30%	36%	0%	28%
Gregory Martin	30%	36%	0%	28%
Justin McLaughlin	30%	36%	0%	28%
Sarah Cummings	30%	36%	0%	28%
Todd Kardash	30%	36%	0%	28%

<sup>1</sup> UNPAT for the purposes of bonus calculations excludes the after tax interest on corporate debt.

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# Directors' Report

Continued

The Managing Director sets specific key individual objectives for the KMP which support the achievement of Company goals. The individual performance targets are linked to a KMP's position and/or team objectives and reflect the level of risk that ClearView is exposed to by the individual's actions. Whilst the quantum of KMP STI is determined by Company goals, the Managing Director is responsible for assessing the performance of KMP and for recommending the total STI to be paid. Therefore, the Managing Director may recommend STI payments below or over and above the specified company outcomes in the case of below target or exceptional performance respectively. The Managing Director's recommendations are presented to the Remuneration Committee for consideration and recommendations are made to the Board for approval. It is only when Board approval has been obtained that STI bonuses are payable. Given that the target STI component is considered moderate in the industry in which the Group operates it has to date not been considered appropriate to introduce deferral provisions for the STI component.

## Long Term Incentive Plan (LTIP)

### Existing Employee Share Plan (ESP)

The Company has previously used its Employee Share Plan as a long term incentive for key employees and contractor participants.

ClearView in its current form was created by the acquisition and successful integration of the life insurance, wealth management and financial advice businesses acquired from MBF Holdings Pty Limited (Bupa Australia) on 9 June 2010 (the Acquisition).

Key attributes of the Acquisition were as follows:

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

ClearView was required to undertake a significant transformation to:

- Build out a new management team with a track record in growing life insurance, wealth management and financial advice businesses;
- Develop and launch advice based products providing access to new market segments;

- Utilise the strong cash flow generated by the in-force portfolios at the time of the Acquisition to fund the initial growth phase in the Advice Life market and stem the outflows in the acquired Wealth Management in-force portfolios;
- Expand into the independent financial advice market, with products having the quality to be included on the Approved Product Lists of third party dealer groups; and
- Raise sufficient capital to fund the next phase of growth for the business.

ClearView was therefore required to undergo a significant transformation, that has been achieved over the last seven years with the development of systems, launch of LifeSolutions (full suite of life insurance advice products), WealthSolutions (ClearView Wrap platform) and WealthFoundations (wealth mid-market product), the recruitment of employees, experienced self employed financial advisers and distribution partners.

ClearView has an existing ownership-based compensation scheme for the Senior Management Team (SMT), key management and revenue generators of the Group to assist in the recruitment, rewarding, retention and motivation of employees. This scheme was designed to recognise leaders and reward those decisions and actions which have a direct and positive impact on the results that ClearView delivers for shareholders, at the time and in the future.

The Executive Share Plan (ESP) was established to assist in the recruitment of the SMT and employees with deep life insurance and wealth management experience, to execute on a core strategy and thereby to show ClearView's recognition of the employees' contribution, by providing an opportunity to share in the future growth and profitability of ClearView. The ESP was set up in the context of the "start up phase" and the nature of the ClearView business at the time when the scope and the timing of any future success of the business was still unknown and uncertain. The ESP aligns the interests of participants more closely with the interests of shareholders including the extension of the ESP to financial advisers in November 2011.

Benchmarking of the LTI for the SMT was last performed by PricewaterhouseCoopers (PwC), an independent Remuneration Consultant, in February 2013.

The Board subsequent to this review decided in February 2013 to:

- Remove any cap on the issue of shares under the ESP to retain the flexibility to use it as a recruitment tool for both employees and financial advisers;

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# Directors' Report

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- Remove the interest on the loans that had until this date been capitalised and treated as part of the limited recourse principal, except that after tax dividends on Shares issued under the ESP was applied towards reduction of the loan; and
- Issue further grants to participants where considered appropriate (aligned to the overall remuneration review of the SMT members by PwC). These further LTI grants were issued in a “lump sum” rather than on the basis of an annual grant and were aligned to the achievement of an increase in the share price of ClearView.

The interest rate on the limited recourse loans had to that point effectively acted as an in built performance hurdle. The Board decided to remove the interest rate on the loans for all participants given that the interest imposed was significantly diluting the efficacy of the ESP as an employee recruitment and retention tool, in particular for those staff receiving the earlier grants of ESP shares and to achieve its purpose given the start up phase of the business at the time. The Board believed, notwithstanding the removal of the interest rate on the loans, that the long term interests are aligned given that value is only attributed to participants through an increase in the share price and that a key component of the STI component is also aligned to the longer term, being the Embedded Value and Value of New Business (refer to STI section above).

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

## Overview of the Existing Executive Share Plan (ESP or Plan)

In accordance with the provisions of the Plan, as approved by shareholders at the 2015 Annual General Meeting, the ownership-based compensation scheme allows participation in the Plan of:

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

Eligible Employees under the Plan Rules therefore include both Employee Participants and Contractor Participants of the Company and its related body corporates.

Non-executive Directors are ineligible to participate in the Plan in accordance with the Plan Rules.

## Offer and consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView, subject to the terms of conditions of the ESP.

Each ClearView Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees. This price may be the market price of a Share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView Shares, the Board determined in February 2013 that it is appropriate and reasonable for ClearView to adopt the Volume Weighted Average Price (VWAP) over a 3 month period to determine the market value of the ClearView Shares for the purposes of ESP issues. This has been implemented for all ESP Share issues since that date. Prior to this, no ESP Shares were issued at a price below 50 cents per share, being the price at which the original capital raising was completed in June 2010.

## Restrictions on offer

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

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates approve the issue of new ESP shares and monitors the overall quantum of ESP shares on issue, relative to the interests of existing shareholders and the overall objectives of the business.

## Financial assistance

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

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



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# Directors' Report

Continued

- immediately in the event of certain “disqualifying circumstances” including failure to meet performance or vesting conditions, cessation of the Employee Participant’s employment in circumstances defined in the ESP Rules or termination of the Contractor Participant’s contract with a Group Company for the provision of services.

For Employee Participants, the financial assistance is secured over the shares and rights attached to the shares.

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

## Holding lock

The shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares, unless otherwise provided under the Invitation. Where all performance conditions and/or vesting conditions (if any) attaching to the Shares issued prior to 14 February 2013 have been satisfied (or waived) a holding lock will cease to have effect if:

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

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

For Share issues from 14 February 2013 the Holding Lock ceases on vesting or forfeiture of Shares.

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

If the participant is a Contractor Participant, following the removal of the holding lock over the Shares of the participant, the participant may not sell, or otherwise deal with, any such Shares without the prior written consent of the Company, which consent the Company may give or withhold in its

absolute discretion and which consent may be given subject to conditions.

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

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

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds.

## Change of Control

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

### (a) Until 14 February 2013:

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

### (b) After 14 February 2013:

- 12 months after a Change of Control; or
- Circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions.



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# Directors' Report

## Continued

- “Control” is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

### (c) After 1 July 2015:

- For ESP Shares issued to employee participants after 1 July 2015, unless stated otherwise in the participants Invitation Offer, all performance and vesting conditions in relation to these shares, are not deemed to have been met upon a Change of Control.
- “Control” is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

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

### Services from consultants – 2018 review and new LTIP

The Remuneration Committee seeks and considers advice from independent, external remuneration consultants where appropriate. Remuneration consultants are engaged directly by and report to the Remuneration Committee. The last external review was completed in 2013.

Given that ClearView has grown significantly over the last four years, it was considered appropriate for the Remuneration Committee to engage Hewitt Associates Pty Ltd. (Aon Hewitt) in 2017 to benchmark overall remuneration for the SMT and non-executive Directors, with the intended implementation of these recommendations for the 2018 financial year (with effect from 1 July 2017). The advice from Aon Hewitt was used as a guide, and was not a substitute for a thorough consideration of all the issues by the Remuneration Committee.

The cost of the advice and assistance provided by Aon Hewitt was \$99,500 (excluding GST). Aon Hewitt was engaged by and reported to the Chair of the Remuneration Committee. The Board is therefore satisfied that the remuneration recommendation made by the Remuneration Consultants was free from undue influence by members of the KMP to whom the recommendation related.

An outcome of the Aon Hewitt review highlighted that the existing LTIP for the SMT is primarily vested and as such it was necessary to consider what would represent an appropriate new LTI, as part of the overall remuneration structure for SMT members. The value of the existing LTIP rested in the interest free component of the ESP loan backed plan, and receiving dividends on the ESP shares that are financed by these ESP loans. In considering a new LTI scheme, three key objectives were focused on:

1. Provides appropriate remuneration to the SMT to ensure a component of remuneration remains delivered in equity and is focused on longer term performance;
2. Acts as an incentive to remain employed at ClearView (a delayed vesting mechanism); and
3. Alignment of the interests of the key management with the interests of shareholders.

PricewaterhouseCoopers (PwC) was engaged by the Remuneration Committee in 2017, to implement a new LTIP structure for the SMT. This advice was used as a guide, and was not a substitute for a thorough consideration of all the issues (including potential change of major shareholder) by the Remuneration Committee.

Taking into account current market practice the Board felt that an LTI structure delivered via a grant of Performance Rights would be the most appropriate structure to achieve the key objectives. The LTI structure was approved by the Board, on recommendation of the Remuneration Committee, on 21 June 2017. However, it was proposed that the first awards under the new LTI would be made in FY18. The proposed key terms of the new plan are set out in the table on the following page.

# Directors' Report

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Key Design Elements	Overview
<b>1. Instruments</b>	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met.
<b>2. Eligibility</b>	Open to nominated SMT members.
<b>3. Quantum</b>	Each participant will have set LTI dollar value determined as part of their remuneration package. This dollar value will be converted into a set number of Performance Rights based on an agreed VWAP share price.
<b>4. Performance Period</b>	The Performance Rights will be subject to a 2 year performance period.
<b>5. Vesting Conditions</b>	<p>The participants must remain employed by the ClearView Group as at the vesting date (30 June 2019), in addition to meeting performance based vesting conditions.</p> <p>The specifics of the vesting conditions are still being finalised, with consideration being given to the following structure:</p> <ul style="list-style-type: none"><li>• 50% of the Performance Rights will be measured against an Embedded Value target</li><li>• 50% of the Performance Rights will be measured against a relative Total Shareholder Return target, based on an agreed basket of peer companies.</li></ul>
<b>6. Change of Control</b>	If there is a change of control event then the unvested Performance Rights will remain on foot and continue to be tested against the Embedded Value performance hurdle and a continuing employment service condition as noted above.

## Performance rights to be granted as compensation

The proposed number of performance rights to be granted as compensation to each participant, as per the Board approvals and in accordance with the new LTIP (as noted earlier in the Report), is as follows:

SMT Member	Number of LTI Performance Rights
Simon Swanson <sup>1</sup>	1,142,857
Athol Chiert	357,143
Christopher Blaxland-Walker	285,714
Deborah Lowe	114,286
Gregory Martin	428,571
Justin McLaughlin	250,000
Sarah Cummings	71,429
Todd Kardash	285,714
<b>Total</b>	<b>2,935,714</b>

<sup>1</sup> Performance rights to be granted to Simon Swanson will be satisfied by the on-market purchase of ClearView ordinary shares. If these shares cannot be purchased on-market, shareholder approval may be required for the grant of the performance rights at the 2017 AGM.

In recognition of the proposed implementation of the abovementioned LTIP, the Remuneration Committee considered it appropriate for SMT members to be charged interest on ESP Loans attached to the existing LTIP. Interest will be charged on these ESP Loans, commencing from 30 November 2017, at the 3 years BBSY rate plus a 1% margin.

# Directors' Report

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## Consequences of ClearView's performance on shareholder wealth

The following tables set out the summary information about the Group's earnings and movements in shareholder wealth for five years to 30 June 2017:

	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	30 Jun 13
Revenue <sup>1</sup> (\$'000)	333,503	295,828	253,640	190,301	172,278
Net profit after tax (\$'000)	13,150	23,615	12,572	13,880	1,876
Underlying Net Profit after Tax	30,362	27,235	20,533	19,738	16,014
Dividend (Final) (cents)	2.75	2.50	2.10	2.00	1.80
Dividend (Special) (cents) <sup>2</sup>	-	-	-	-	2.20
Basic EPS (cents)	2.20	4.39	2.43	3.13	0.46
Diluted EPS (cents)	2.11	4.27	2.36	3.10	0.46
Fully diluted Underlying EPS (cents)	4.88	4.92	3.85	4.41	3.65
Embedded Value <sup>3</sup> (\$m)	662	624	494	445	365
Embedded Value per share (cents) <sup>3</sup>	100.6	94.8	84.7	81.6	80.5
Share Price at the beginning of the year (cents)	95.0	95.0	80.0	59.0	46.0
Share Price at the end of the year (cents)	145.0	95.0	95.0	80.0	59.0

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

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

3 Embedded Value at 4% discount rate margin, including a value for future franking credits, franking credits included in the net worth and ESP loans. Franking credits have been included in the net worth and prior periods have been restated to reflect this.

## Remuneration of Directors and KMP

### Non-executive Directors' remuneration

Non-executive Directors are remunerated by way of one base fee (inclusive of Superannuation Guarantee) that is based on market rates for comparable companies for the time commitment and responsibilities undertaken by Non-executive Directors. The level of remuneration for each Non-executive Director is set by the Remuneration Committee, within the total annual remuneration limits approved by the Company and the shareholders at a general meeting. Any increase to individual Non-executive Director remuneration must be approved by the Board on the recommendation of the Remuneration Committee after engaging and taking advice, where appropriate. All reasonable out of pocket expenses incurred in connection with a Director's duties on behalf of ClearView Wealth are reimbursed. There is no direct link between Non-executive Directors' remuneration and the annual results of ClearView Wealth or its related entities. The Non-executive Director remuneration is based on the role of the individual director, their membership on Board Committees, and directorships of other ClearView entities.

Non-executive Directors are not entitled to participate in equity schemes of the Company, and are not entitled to receive performance-based bonuses. Non-executive Directors are not entitled to retirement benefits other than in respect of any superannuation entitlements.

The present limit on aggregate remuneration for Non-executive Directors is \$1,000,000 including superannuation (2016: \$1,000,000). Directors' fees can be paid as superannuation contributions. The fee pool is the only source of remuneration for Non-executive Directors.

As noted earlier in the report AON Hewitt benchmarked the Non-executive Directors fees as part of their review. It was concluded that notwithstanding that the comparable cost in total was considered appropriate, given the size and composition of the Board, that on average ClearView pays a lower Board fee per Director. No change to Directors fees was recommended, but it was noted if the Board size reduced going forward, that the fees per Board member would be reconsidered at that time.

# Directors' Report

Continued

The compensation of each Non-executive Director for the year ended 30 June 2017 is set out below:

2017	Short term employee benefits				Post employment	Share based payments	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan of total remuneration	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>							
B Edwards	150,000	-	-	-	-	-	150,000
D Brown	77,626	-	-	-	7,374	-	85,000
G Burg	77,626	-	-	-	7,374	-	85,000
M Lukin <sup>1</sup>	-	-	-	-	-	-	-
N Thomson <sup>1</sup>	85,000	-	-	-	-	-	85,000
A Sneddon	95,000	-	-	-	-	-	95,000
M Alscher <sup>1</sup>	80,000	-	-	-	-	-	80,000
S Wakuya <sup>2</sup>	43,870	-	-	-	-	-	43,870
S Young <sup>3</sup>	67,334	-	-	-	6,397	-	73,731
	<b>676,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,145</b>	<b>-</b>	<b>697,601</b>

1 Mr Lukin is an alternate Director to Mr Alscher. Mr Thomson and Mr Alscher have agreed they will receive no fees as a Director although fees are payable to Crescent Partners Management Pty Ltd of which they are employees.

2 Mr Wakuya was appointed as a Director on 14 December 2016. Mr Wakuya has agreed he will receive no fees as a Director although fees are payable to Sony Life Insurance Co., Ltd.

3 Ms Young was appointed as a Director on 14 December 2016. Ms Young was also a Director of subsidiary ClearView Life Nominees Pty Limited for which \$31,124 fees were received during the financial year.

The compensation of each Non-executive Director for the year ended 30 June 2016 is set out below:

2016	Short term employee benefits				Post employment	Share based payments	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan of total remuneration	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>							
G Weiss <sup>1</sup>	167,428	-	-	-	15,906	-	183,334
B Edwards <sup>2</sup>	101,490	-	-	-	-	-	101,490
D Brown	77,626	-	-	-	7,374	-	85,000
G Burg	73,613	-	-	-	6,993	-	80,606
J Newmarch <sup>3</sup>	-	-	-	-	-	-	-
M Lukin <sup>3</sup>	70,393	-	-	-	-	-	70,393
N Thomson <sup>4</sup>	85,000	-	-	-	-	-	85,000
A Sneddon	86,244	-	-	-	-	-	86,244
M Alscher	80,000	-	-	-	-	-	80,000
	<b>741,794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,273</b>	<b>-</b>	<b>772,067</b>

1 Mr Weiss resigned as Chairman and as a Director on 17 May 2016.

2 Mr Edwards was appointed as Chairman on 18 May 2016.

3 Mr Lukin received fees as an alternate to Mrs Newmarch from 1 July 2015 to 17 May 2016. Mr Lukin and Mrs Newmarch have agreed they will receive no fees as a Director although fees are payable to ROC Partners. Upon Mrs Newmarch's resignation on 17 May 2016 Mr Lukin was appointed as alternate Director to Mr Alscher.

4 Mr Thomson and Mr Alscher have agreed that they will receive no fees as a Director although fees are paid to Crescent Capital Partners Management Pty Limited of which they are employees.

# Directors' Report

Continued

## Managing Director and Senior Management Team remuneration

The compensation of each member of the KMP of the Group for the year ended 30 June 2017 is set out below:

	Short term employee benefits			Post employment		Share based payments	Performance based	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan <sup>1</sup>		
2017	\$	\$	\$	\$	\$	\$	%	\$
S Swanson	635,610	292,121	13,980	-	19,616	-	30.4%	961,327
A Chiert	380,556	104,915	10,876	-	19,616	48,300	27.2%	564,263
G Martin	385,204	110,425	13,980	-	34,991	48,300	26.8%	592,900
J McLaughlin	328,732	92,504	-	-	26,417	-	20.7%	447,653
T Kardash	300,136	87,013	10,876	-	34,943	19,564	23.6%	452,532
D Charlton <sup>2</sup>	269,262	-	-	141,692	18,861	21,680	4.8%	451,495
C Blaxland-Walker	315,841	86,857	10,876	-	19,616	8,697	21.6%	441,887
D Lowe	274,168	79,160	-	-	32,631	16,100	23.7%	402,058
S Cummings	285,456	78,736	-	-	19,616	13,592	23.2%	397,400
	<b>3,174,965</b>	<b>931,731</b>	<b>60,588</b>	<b>141,692</b>	<b>226,307</b>	<b>176,233</b>	<b>23.5%</b>	<b>4,711,516</b>

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

2 Ceased General Manager, Direct on 16 June 2017. A termination payment of \$141,692 was paid in July 2017.

The compensation of each member of the KMP of the Group for the year ended 30 June 2016 is set out below:

	Short term employee benefits			Post employment		Share based payments	Performance based	Total
	Salary & Fees	Bonus	Non-monetary	Termination Payment	Superannuation	Executive Share Plan <sup>1</sup>		
2016	\$	\$	\$	\$	\$	\$	%	\$
S Swanson	620,466	310,531	13,848	-	19,308	-	32.2%	964,153
A Chiert	369,005	110,851	10,614	-	19,308	48,300	28.5%	558,078
C Robson <sup>2</sup>	128,162	-	-	77,423	14,109	-	0.0%	219,694
G Martin	371,872	116,405	13,848	-	34,933	48,300	28.1%	585,358
J McLaughlin	318,757	97,777	-	-	26,109	-	22.1%	442,643
T Kardash	294,394	93,123	10,614	-	34,980	9,629	23.2%	442,740
T Thomas <sup>3</sup>	115,031	-	-	172,096	7,969	-	0.0%	295,096
D Charlton	283,666	85,128	-	-	19,308	22,856	26.3%	410,958
C Blaxland-Walker	277,535	85,742	10,614	-	27,408	9,169	23.1%	410,468
D Lowe <sup>4</sup>	236,186	74,838	-	-	31,408	8,050	23.6%	350,482
S Cummings <sup>5</sup>	258,737	78,600	-	-	19,308	10,759	24.3%	367,404
	<b>3,273,811</b>	<b>1,052,995</b>	<b>59,538</b>	<b>249,519</b>	<b>254,148</b>	<b>157,063</b>	<b>24.0%</b>	<b>5,047,074</b>

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

2 Ceased General Counsel and Company Secretary on 11 November 2015. Upon cessation of employment Mr Robson exercised 1 million ESP shares. 249,657 of these were bought back and cancelled and the Company received \$250,000 in cash in settlement of financial assistance granted.

3 Ceased General Manager, Operations and Technology on 21 October 2015. Upon cessation of employment Mr Thomas' 1.5 million ESP shares were bought back and cancelled. 260,278 of these shares were exercised. 1,239,722 shares (83% of total granted ESP shares) were forfeited due to not meeting the vesting conditions. Of the 260,278 shares that were exercised, 166,451 were used to settle the financial assistance granted.

4 Appointed General Manager, People and Operations on 21 October 2015.

5 Appointed as General Manager, Development on 21 October 2015.

# Directors' Report

Continued

## Share Based Payments Granted As Compensation

Limited recourse loans have been granted by the Company to the ESP Participants to fund the acquisition of shares under the ESP.

The following tables outlines the ESP loans made to KMP or their related entities as at 30 June 2017 and 30 June 2016:

2017	Balance at beginning	Loans Granted <sup>2</sup> \$	Interest charged <sup>1</sup> \$	Repay-ments \$	Loan Cancelled \$	Balance at end \$	Highest in period \$
S Swanson	6,126,353	-	-	(127,500)	-	5,998,853	6,126,353
A Chiert	1,316,012	742,573	-	(31,875)	-	2,026,710	2,026,710
G Martin	1,480,008	1,084,952	-	(38,250)	-	2,526,710	2,526,710
J McLaughlin	792,832	495,117	-	(19,125)	-	1,268,824	1,268,824
T Kardash	746,664	535,816	-	(19,125)	-	1,263,355	1,263,355
D Charlton	509,707	-	-	(10,584)	-	499,123	509,707
C Blaxland-Walker	724,282	550,493	-	(30,583)	-	1,244,192	1,244,192
D Lowe	500,000	-	-	(6,675)	-	493,325	500,000
S Cummings	364,636	-	-	(5,908)	-	358,728	364,636
	<b>12,560,494</b>	<b>3,408,951</b>	<b>-</b>	<b>(289,625)</b>	<b>-</b>	<b>15,679,820</b>	

2016	Balance at beginning	Loans Granted \$	Interest charged <sup>1</sup> \$	Repay-ments \$	Loan Cancelled \$	Balance at end \$	Highest in period \$
S Swanson	6,233,453	-	-	(107,100)	-	6,126,353	6,233,453
A Chiert	1,342,787	-	-	(26,775)	-	1,316,012	1,342,787
G Martin	1,512,138	-	-	(32,130)	-	1,480,008	1,512,138
C Robson	480,984	-	-	(260,710)	(220,274)	-	480,984
J McLaughlin	808,897	-	-	(16,065)	-	792,832	808,897
T Kardash	762,729	-	-	(16,065)	-	746,664	762,729
T Thomas	899,700	-	-	(16,065)	(883,635)	-	899,700
D Charlton	517,150	-	-	(7,443)	-	509,707	517,150
C Blaxland-Walker	737,643	-	-	(13,361)	-	724,282	737,643
D Lowe	-	500,000	-	-	-	500,000	500,000
S Cummings	167,356	200,000	-	(2,720)	-	364,636	364,636
	<b>13,462,837</b>	<b>700,000</b>	<b>-</b>	<b>(498,435)</b>	<b>(1,103,909)</b>	<b>12,560,494</b>	

- 1 In February 2013 the Board removed the interest payable on the limited recourse loans granted in relation to the ESP. The interest rate had until that point effectively acted as a performance hurdle. The Board decided to remove the interest rate on the loans for all participants given that the interest imposed was significantly diluting the efficacy of the ESP shares and to achieve its purpose given the start up phase of the business at the time. The Board believed, notwithstanding the removal of the interest rate on the loans, that the long term interests are aligned given that value is only attributed to participants through an increase in the share price and that a key component of the STI component is also aligned to the longer term, being the Embedded Value and Value of New Business. Given the proposed implementation of a new LTIP Post year end, these loans will become interest bearing from 30 November 2017 at 3 year BBSY rate plus a margin of 1%.
- 2 Limited recourse loans were granted to KMP ESP participants in May 2017. This limited recourse loan facility is secured by the ESP shares held and will become interest bearing from 30 November 2017 at 3 year BBSY rate plus a margin of 1%. This limited recourse facility is reflected as loans on balance sheet of the listed entity.

# Directors' Report

Continued

## Shares granted to KMP and equity holdings

During and since the end of the financial year no shares (2016: 732,907) were granted by the Company to KMP under the ESP. The following table outlines the ESP shares issued to KMP or their related entities as at the date of this report:

Share series	Director, KMP, to which the series relates	Fair value at grant date (pre-modification <sup>1</sup> )	Fair value at grant date (post-modification <sup>1</sup> )	Exercise price per share (\$)	Aggregate value at grant date (\$)	Expiry date
Series 6 <sup>1,2,6,9</sup>	Justin McLaughlin	0.10	0.10	0.59	51,500	Change in Control
Series 7 <sup>1,2,6,9</sup>	Athol Chiert / Justin McLaughlin	0.07	0.10	0.49	98,057	Change in Control
Series 10 <sup>1,3,6,9</sup>	Simon Swanson	0.11	0.11	0.50	224,074	Change in Control
Series 11 <sup>1,4,6,9</sup>	Simon Swanson	0.08	0.08	0.58	323,295	Change in Control
Series 12 <sup>1,5,6,9</sup>	Simon Swanson	0.06	0.06	0.65	241,927	Change in Control
Series 15 <sup>1,5,9</sup>	Greg Martin	0.10	0.13	0.50	196,271	1/07/2016
Series 16 <sup>1,5,9</sup>	Todd Kardash	0.10	0.13	0.50	127,366	1/09/2016
Series 16 <sup>1,5,8,9</sup>	Chris Blaxland-Walker	0.10	0.13	0.50	127,366	1/09/2016
Series 26 <sup>7</sup>	Athol Chiert	0.29	n/a	0.57	289,798	Change in control
Series 26 <sup>7</sup>	Greg Martin	0.29	n/a	0.57	289,798	Change in control
Series 26 <sup>7</sup>	Todd Kardash	0.29	n/a	0.57	144,899	Change in control
Series 38	David Charlton	0.17	n/a	0.75	38,230	30/05/2018
Series 39	David Charlton	0.19	n/a	0.75	44,307	30/05/2019
Series 40	David Charlton	0.22	n/a	0.75	50,054	30/05/2020
Series 43 <sup>8</sup>	Chris Blaxland-Walker	0.20	n/a	1.01	16,718	26/11/2018
Series 44 <sup>8</sup>	Chris Blaxland-Walker	0.23	n/a	1.01	19,372	26/11/2019
Series 45 <sup>8</sup>	Chris Blaxland-Walker	0.27	n/a	1.01	21,883	26/11/2020
Series 51a <sup>10</sup>	Deborah Lowe / Sarah Cummings	0.19	n/a	0.96	71,197	23/12/2020
Series 51b <sup>10</sup>	Deborah Lowe / Sarah Cummings	0.22	n/a	0.96	81,501	23/12/2021

- 1 On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.
- 2 Change of control provision was triggered on 23 October 2009 by Guinness Peat Group (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.
- 3 Shares vested 1 year from date of commencement of employment on 26 March 2011.
- 4 Shares vested 2 years from date of commencement of employment on 26 March 2012.
- 5 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.
- 6 The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.
- 7 Special condition relating to shares issued to KMP in Series 26: the shares may be sold on change of control with 50% of the funds held for in escrow for a period of 12 months.
- 8 Chris Blaxland-Walker became KMP on 13 October 2014.
- 9 Vesting conditions have been met up to the date of this report.
- 10 Deborah Lowe and Sarah Cummings became KMP on 21 October 2015.



# Directors' Report

Continued

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

Series	Vesting Conditions	Performance Conditions
Series 6 – 30 June 2008 Issue		Nil <sup>1</sup>
Series 7 – 29 September 2009 Issue		Nil <sup>1</sup>
Series 10 – 25 June 2010 Issue		Nil <sup>2</sup>
Series 11 – 25 June 2010 Issue		Nil <sup>2</sup>
Series 12 – 25 June 2010 Issue		Nil <sup>2,4</sup>
Series 15 – 18 August 2011 Issue		Nil <sup>4</sup>
Series 16- 6 October 2011 Issue		Nil <sup>4</sup>
Series 17-1 March 2012		Nil <sup>4</sup>
Series 24- 22 August 2012 Issue		Nil <sup>4</sup>
Series 26- 16 April 2013 Issue	Upon a change in control of the company <sup>3</sup>	Nil
Series 27- 16 April 2013 Issue	First year anniversary upon the change in control	Nil
Series 31- 14 October 2013 Issue	Upon a change in control of the company	Nil
Series 32- 14 October 2013 Issue	First year anniversary upon the change in control	Nil
Series 35- 31 January 2014 Issue	Upon a change in control of the company	Nil
Series 36- 31 January 2014 Issue	First year anniversary upon the change in control	Nil
Series 38- 30 May 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 39- 30 May 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 40- 30 May 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 43- 26 November 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 44- 26 November 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 45- 26 November 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 46- 30 March 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 47- 30 March 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 48- 30 March 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 50a - 30 July 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 50b - 30 July 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 50c - 30 July 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 51a & 51b - 23 December 2015 Issue	Upon a change in control of the company	Nil

# Directors' Report

Continued

Series	Vesting Conditions	Performance Conditions
Series 52 - 27 April 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 54 - 20 June 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil

- Change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.
- In accordance with Mr Swanson's employment contract, Mr Swanson is entitled to a long term incentive comprising 10 million Shares in accordance with the ESP, and vesting progressively over three years from the commencement date of his contract as follows:  
Series 10: 2 million shares at an issue price of 50 cents vesting on 26 March 2011 (vested);  
Series 11: 4 million shares at an issue price of 58 cents vesting on 26 March 2012 (vested); and  
Series 12: 4 million shares at an issue price of 65 cents vesting on 26 September 2012 (vested) on change of control of ClearView.  
The Shares issued to Mr Swanson have vested progressively each year as outlined above.
- Special condition relating to shares issued to KMP in Series 26: 100% of the shares may be sold on change of control, but 50% are held in escrow after employment for 1 year thereafter.
- Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

Unless explicitly stated in the Participants Offer Documentation all unvested Shares will automatically vest in accordance with the rules of the Plan upon a change of control as outlined above.

The following table outlines the fully paid ordinary shares of the Company (including those held under the ESP) owned by the Directors and KMP as at 30 June 2017:

2017	Shares subject to vesting conditions No.	Shares not subject to vesting conditions No.	Balance at beginning of financial year No.	Granted as compensation No.	Net other changes No.	Balance end of financial year No.	Balance held subject to vesting conditions No.	Balance vested at year end No.	Vested but not yet exercisable No.	Vested and exercisable No.
B Edwards	-	-	588,262	-	-	588,262	-	-	-	-
G Burg	-	-	10,918,090	-	-	10,918,090	-	-	-	-
A Sneddon	-	-	124,621	-	-	124,621	-	-	-	-
S Young	-	-	79,217	-	-	79,217	-	-	-	-
S Swanson	-	10,000,000	14,549,021	-	-	14,549,021	-	10,000,000	-	10,000,000
A Chiert	1,000,000	1,500,000	2,899,247	-	-	2,899,247	1,000,000	1,500,000	-	1,500,000
D Charlton	695,000	-	735,000	-	-	735,000	695,000	-	-	-
J McLaughlin	-	1,500,000	1,647,060	-	-	1,647,060	-	1,500,000	-	1,500,000
T Kardash	500,000	1,000,000	1,647,059	-	-	1,647,059	500,000	1,000,000	-	1,000,000
G Martin	1,000,000	2,000,000	3,719,900	-	-	3,719,900	1,000,000	2,000,000	-	2,000,000
C Blaxland-Walker	247,525	1,000,000	1,247,525	-	-	1,247,525	247,525	1,000,000	-	1,000,000
S Cummings	463,402	-	508,834	-	-	508,834	463,402	-	-	-
D Lowe	523,505	-	588,445	-	-	588,445	523,505	-	-	-

# Directors' Report

Continued

## Key terms of employment contracts

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

KMP	Term	Notice period by either the employee or the Company	Other	Target Incentive % of base salary	Maximum Incentive % of base salary
Simon Swanson	Ongoing	6 months notice	If, in the 6 months following a change of control, Mr Swanson's remuneration or his duties and responsibilities are reduced through no fault of his own, then Mr Swanson will have a right to terminate the contract with immediate effect. In this case, and in addition to vesting of Mr Swanson's ESP Shares, the Company will be obliged to pay Mr Swanson 6 months base salary plus the maximum short term incentive amount for that calendar year.	50%	60%
Athol Chiert	Ongoing	6 months notice for the first 3 years of employment, 3 months notice after 3 years	For all terminations after the first 3 years of employment an additional 26 week payment is payable.	30%	36%
Todd Kardash	Ongoing	13 weeks	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the National Employment Standards).	30%	36%
Greg Martin	Ongoing	13 weeks	In the case of redundancy, a severance payment of 3 months' base salary (or any greater payment required under the National Employment Standards).	30%	36%
Justin McLaughlin	Ongoing	12 months notice for the first 3 years of employment, 6 months notice after 3 years	For all terminations after the first 3 years of employment an additional 26 week payment is payable.	30%	36%
Christopher Blaxland-Walker	Ongoing	13 weeks	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the National Employment Standards).	30%	36%
Sarah Cummings	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).	30%	36%
Deborah Lowe	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).	30%	36%

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

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

On behalf of the Directors



Mr Bruce Edwards  
Chairman

24 August 2017

# Auditor's Independence Declaration

# Deloitte.

Deloitte Touche Tohmatsu  
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The Board of Directors  
ClearView Wealth Limited  
Level 15, 20 Bond Street  
Sydney NSW 2000

24 August 2017

Dear Directors

## ClearView Wealth Limited

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

As lead audit partner for the audit of the financial statements of ClearView Wealth Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU

*Max R Murray*  
Max Murray  
Partner  
Chartered Accountants

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



# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	Consolidated		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Continuing operations</b>					
Revenue from continued operations					
Premium revenue from insurance contracts		177,674	138,289	-	-
Outward reinsurance expense		(43,130)	(30,146)	-	-
<b>Net life insurance premium revenue</b>		<b>134,544</b>	<b>108,143</b>	-	-
Fee and other revenue	8	116,462	110,875	-	5
Investment income	9	82,497	76,810	21,154	17,733
<b>Operating revenue before net fair value gains on financial assets</b>		<b>333,503</b>	<b>295,828</b>	<b>21,154</b>	<b>17,738</b>
Net fair value gains on financial assets		62,432	(4,670)	-	-
<b>Net operating revenue</b>		<b>395,935</b>	<b>291,158</b>	<b>21,154</b>	<b>17,738</b>
Claims expense		(72,206)	(44,484)	-	-
Reinsurance recoveries revenue		47,182	25,696	-	-
Commission and other variable expenses		(120,510)	(109,382)	-	-
Operating expenses	10	(97,570)	(89,440)	(5,680)	(5,848)
Depreciation and amortisation expense	10	(13,637)	(13,802)	-	-
Loss from disposal of property, plant and equipment		-	(287)	-	-
Change in life insurance policy liabilities	25	21,879	55,374	-	-
Change in reinsurers' share of life insurance liabilities	25	170	(10,796)	-	-
Change in life investment policy liabilities	25	(100,419)	(56,383)	-	-
Movement in liability of non-controlling interest in controlled unit trusts		(44,593)	(14,768)	-	-
<b>Profit before income tax expense</b>		<b>16,231</b>	<b>32,886</b>	<b>15,474</b>	<b>11,890</b>
Income tax expense/(benefit)	11	3,081	9,271	(2,034)	(1,537)
<b>Total comprehensive income for the year</b>		<b>13,150</b>	<b>23,615</b>	<b>17,508</b>	<b>13,427</b>
Attributable to:					
Equity holders of the parent		13,150	23,615	17,508	13,427
<b>Earnings per share</b>					
Basic (cents per share)	14	2.20	4.39	-	-
Diluted (cents per share)		2.11	4.27	-	-

To be read in conjunction with the accompanying Notes.

# Consolidated statement of financial position

For the year ended 30 June 2017

	Note	Consolidated		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Assets</b>					
Cash and cash equivalents	15	222,197	217,673	5,880	20,889
Investments	16	1,814,049	1,615,226	377,159	354,158
Receivables	17	37,947	16,097	13,689	11,855
Fixed interest deposits	18	78,327	79,584	-	-
Reinsurers' share of life insurance policy liabilities	25	15,338	(703)	-	-
Current tax assets		-	641	-	641
Deferred tax asset	24	10,509	10,801	310	573
Property, plant and equipment	21	1,425	1,823	-	-
Goodwill	19	20,452	19,952	-	-
Intangible assets	20	24,202	28,428	-	-
<b>Total assets</b>		<b>2,224,446</b>	<b>1,989,522</b>	<b>397,038</b>	<b>388,116</b>
<b>Liabilities</b>					
Payables	22	39,909	35,619	352	780
Current tax liabilities		523	-	523	-
Provisions	23	8,460	5,215	18	26
Life insurance policy liabilities	25	(207,632)	(203,830)	-	-
Life investment policy liabilities	25	1,177,290	1,152,554	-	-
Liability to non-controlling interest in controlled unit trusts		788,427	587,205	-	-
Deferred tax liabilities	24	1,819	996	591	-
<b>Total liabilities</b>		<b>1,808,796</b>	<b>1,577,759</b>	<b>1,484</b>	<b>806</b>
<b>Net assets</b>		<b>415,650</b>	<b>411,763</b>	<b>395,554</b>	<b>387,310</b>
<b>Equity</b>					
Issued capital	26	421,717	417,850	421,717	417,850
Retained losses	12	(15,648)	(12,344)	(61,379)	(57,887)
Executive Share Plan Reserve	12	10,068	8,342	10,068	8,342
Profit reserve	12	-	-	25,635	21,090
General reserve	12	(487)	(2,085)	(487)	(2,085)
<b>Total equity</b>		<b>415,650</b>	<b>411,763</b>	<b>395,554</b>	<b>387,310</b>

To be read in conjunction with the accompanying Notes.



# Consolidated statement of changes in equity

For the year ended 30 June 2017

	Share capital	Executive share plan reserve	General reserve	Profit reserve	Retained losses	Attributable to the owners of the parent
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2015</b>	<b>355,970</b>	<b>6,607</b>	<b>(2,085)</b>	<b>-</b>	<b>(23,659)</b>	<b>336,833</b>
Profit for the year	-	-	-	-	23,616	23,616
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,616</b>	<b>23,616</b>
Recognition of share based payments	-	1,201	-	-	-	1,201
Dividend paid	-	-	-	-	(12,301)	(12,301)
Dividend Reinvestment Plan	12,301	-	-	-	-	12,301
Dividend Reinvestment Plan Costs	(35)	-	-	-	-	(35)
Share buy back (inclusive of costs)	(75)	-	-	-	-	(75)
Entitlement offer	50,136	-	-	-	-	50,136
Entitlement offer costs (net of tax)	(579)	-	-	-	-	(579)
ESP share buy back	(249)	-	-	-	-	(249)
ESP loans settled through dividend	-	652	-	-	-	652
ESP shares vested/(forfeited)	381	(118)	-	-	-	263
<b>Balance at 30 June 2016</b>	<b>417,850</b>	<b>8,342</b>	<b>(2,085)</b>	<b>-</b>	<b>(12,344)</b>	<b>411,763</b>
Profit for the year	-	-	-	-	13,150	13,150
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,150</b>	<b>13,150</b>
Recognition of share based payments	-	1,012	-	-	-	1,012
Dividend paid (inclusive of costs)	(3)	-	-	-	(16,454)	(16,457)
Entitlement offer costs related to prior year	(12)	-	-	-	-	(12)
ESP loans settled through dividend/sale of renounceable rights	-	1,011	-	-	-	1,011
ESP shares vested/(forfeited)	3,882	(297)	1,598	-	-	5,183
<b>Balance at 30 June 2017</b>	<b>421,717</b>	<b>10,068</b>	<b>(487)</b>	<b>-</b>	<b>(15,648)</b>	<b>415,650</b>

To be read in conjunction with the accompanying Notes.

# Consolidated statement of changes in equity

For the year ended 30 June 2017

Continued

	Share capital	Executive share plan reserve	General reserve	Profit reserve	Retained losses	Attributable to the owners of the parent
Company	\$'000	\$'000	\$'000		\$'000	\$'000
<b>Balance at 1 July 2015</b>	<b>355,970</b>	<b>6,607</b>	<b>(2,085)</b>	<b>16,391</b>	<b>(54,314)</b>	<b>322,567</b>
Profit for the year	-	-	-	17,000	(3,573)	13,427
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,000</b>	<b>(3,573)</b>	<b>13,427</b>
Recognition of share based payments	-	1,201	-	-	-	1,201
Dividend paid	-	-	-	(12,301)	-	(12,301)
Dividend Reinvestment Plan	12,301	-	-	-	-	12,301
Dividend Reinvestment Plan Costs	(35)	-	-	-	-	(35)
Share buy back (inclusive of costs)	(75)	-	-	-	-	(75)
Entitlement offer	50,136	-	-	-	-	50,136
Entitlement offer costs (net of tax)	(579)	-	-	-	-	(579)
ESP share buy back	(249)	-	-	-	-	(249)
ESP loans settled through dividend	-	652	-	-	-	652
ESP shares vested/(forfeited)	381	(118)	-	-	-	263
<b>Balance at 30 June 2016</b>	<b>417,850</b>	<b>8,342</b>	<b>(2,085)</b>	<b>21,090</b>	<b>(57,887)</b>	<b>387,310</b>
Profit for the year	-	-	-	21,000	(3,492)	17,508
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,000</b>	<b>(3,492)</b>	<b>17,508</b>
Recognition of share based payments	-	1,012	-	-	-	1,012
Dividend paid (inclusive of costs)	(3)	-	-	(16,454)	-	(16,457)
Entitlement offer costs related to prior year	(12)	-	-	-	-	(12)
ESP loans settled through dividend/sale of renounceable rights	-	1,011	-	-	-	1,011
ESP shares vested/(forfeited)	3,882	(297)	1,598	-	-	5,183
<b>Balance at 30 June 2017</b>	<b>421,717</b>	<b>10,068</b>	<b>(487)</b>	<b>25,635</b>	<b>(61,379)</b>	<b>395,554</b>

To be read in conjunction with the accompanying Notes.

# Consolidated statement of Cash Flows

For the year ended 30 June 2017

Continued

	Note	Consolidated		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>					
Receipts from client and debtors		472,320	415,100	-	5
Payments to suppliers and other creditors		(306,663)	(288,464)	(3,901)	(1,436)
Receipts from/(payments to) Group entities		-	-	10,028	9,620
Withdrawals paid to life investment clients		(225,031)	(184,560)	-	-
Dividends and trust distributions received		17,529	16,526	-	-
Interest received		23,040	33,659	154	311
Interest on borrowings and other costs of finance		(827)	(1,958)	(257)	(1,474)
Income taxes paid		(5,350)	(14,184)	(5,350)	(14,184)
<b>Net cash (utilised)/generated by operating activities</b>	30	<b>(24,982)</b>	<b>(23,881)</b>	<b>674</b>	<b>(7,158)</b>
<b>Cash flows from investing activities</b>					
Net cash movement due to investment in subsidiary		-	-	(23,000)	(36,000)
Payments for investment securities		(1,967,063)	(2,313,367)	-	-
Proceeds from sales of investment securities		1,863,056	2,173,882	-	-
Net cash paid for business combination		(2,200)	-	-	-
Acquisition of property, plant and equipment		(240)	(1,654)	-	-
Acquisition of capitalised software		(7,072)	(5,510)	-	-
Fixed interest deposits redeemed/(invested)		1,257	30,263	-	8,479
Loans granted		(4,585)	(162)	(3,409)	-
Convertible note drawn down		-	(612)	-	(612)
Dividends received from subsidiary		-	-	21,000	17,000
<b>Net cash (utilised) by investing activities</b>		<b>(116,847)</b>	<b>(117,160)</b>	<b>(5,409)</b>	<b>(11,131)</b>
<b>Cash flows from financing activities</b>					
Net movement in liability of non-controlling interest in unit trusts		156,627	153,213	-	-
Proceeds from share issues (net of expenses)		-	49,556	-	49,556
Repayment of loan borrowings		-	(45,500)	-	(45,500)
Share buy back (net of costs)		-	(75)	-	(75)
Share issue expenses/DRP costs		(12)	(35)	(12)	(35)
Repayment of ESP loans		1,012	652	1,012	652
Payments for ESP shares reallocated/vested		5,183	132	5,183	132
Cash dividend paid		(16,457)	-	(16,457)	-
<b>Net cash generated in financing activities</b>		<b>146,353</b>	<b>157,943</b>	<b>(10,274)</b>	<b>4,730</b>
Net increase/(decrease) in cash and cash equivalents		4,524	16,904	(15,009)	(13,558)
Cash and cash equivalents at the beginning of the financial year		217,673	200,769	20,889	34,447
<b>Cash and cash equivalents at the end of the financial year</b>	15	<b>222,197</b>	<b>217,673</b>	<b>5,880</b>	<b>20,889</b>

To be read in conjunction with the accompanying Notes.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 1. General information

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

## 2. Application of new and revised accounting standards

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

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

In the current financial year, the Group has applied the below revised Accounting Standard issued by the Australian Accounting Standards Board (AASB) that was mandatorily effective for an accounting period that begins on or after 1 July 2016

AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	Introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. Limited opportunity for presumption to be overcome. Clarifies that revenue-based depreciation for property, plant and equipment cannot be used.
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	Allows the use of the equity method in separate financial statements in the accounting for associates, joint ventures and subsidiaries.
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	Amendments to existing accounting standards, particularly in relation to: -IFRS 5 – guidance on changes in method of disposal -IFRS 7 – clarifies 'continuing involvement' for servicing contracts -IFRS 7 – clarifies offsetting disclosures are not specifically required in interim financial statements, but may be included under the general requirements of IAS 34 -IAS 19 – clarifies that discount rates used should be in the same currency as the benefits are to be paid, and -IAS 34 – clarifies that disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	The amendments do not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards <sup>1</sup>	1 January 2018	30 June 2022 <sup>2</sup>
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

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

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

2 The Group has elected to apply the temporary exemption available to insurance entities and defer the implementation of AASB 9 until IFRS 17 is applied in 2022.

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)	1 January 2018	30 June 2019
IFRS 17 - Insurance Contracts	1 January 2021	30 June 2022

### 2.3 Impact of changes to Australian Accounting Standards and interpretations

#### IFRS 17 'Insurance Contracts'

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. The Australian equivalent of IFRS 17 will supersede AASB 1038 Insurance Contracts as of 1 January 2021.

The Directors of the Company anticipate that the application of IFRS 17 in the future is likely to have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. The Group is in the process of putting a project in place to implement the new standard and it is therefore not practicable to provide a reasonable estimate of the effect of IFRS 17 at this time.

#### AASB 15 'Revenue from Contracts with Customers'

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

AASB 15 applies to annual periods beginning on or after 1 January 2018. The Directors of the Company do not anticipate that the application of AASB 15 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.

### AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The Directors of the Company do not anticipate that the application of AASB 16 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

## 3. Significant accounting policies

### (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

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

include Australia 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 2017.

### (b) Basis of preparation

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

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

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

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

All amounts are presented in Australian dollars, unless otherwise noted.

### (c) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

### (d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

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

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

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

### (e) Goodwill

Goodwill arising on an acquisition of a business is carried

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

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

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

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

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

in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

### (g) Revenue recognition

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

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

### Premium revenue

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

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

in Advance (part of Payables) in the statement of financial position.

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

### Management fee revenue

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

Trustee administration and model (SMA<sup>1</sup>) fee revenue earned via the Wrap platform is recognised on an accrual basis to the extent that it is probable that the income benefit will flow to the Group and the revenue can be reliably measured. Ongoing fee revenue is recorded over the effective period in which customers' funds are invested in products on the Wrap platform.

### Financial advice revenue

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

### Dividend and interest revenue

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

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

### Investment income

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

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

### Distribution income

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

### Rental income

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

#### (h) Leasing

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

### The Group as lessee

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

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

#### (i) Goods and services tax

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

- 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
- 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.

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

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

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

Any contracts issued by the Group and regulated under the Life Act that do not meet the definition of a life insurance contract are classified as life investment contracts. Life investment contracts include investment-linked contracts where the benefit is directly linked to the market value of the investments held in the particular investment linked fund.

While the underlying assets are registered in the name of ClearView Life Assurance Limited (ClearView Life) and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owner bears the risks and rewards of the fund's investment performance.

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

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

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

### (k) Claims

#### Life insurance contracts

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

#### Life investment contracts

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

### (l) Reinsurance

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

### (m) Policy acquisition costs

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

### (n) Basis of expense apportionment

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

The basis is as follows:

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

### (o) Policy liabilities

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



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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

### Life insurance contracts

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

### Life investment contracts

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

### (p) Cash and cash equivalents

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

### (q) Employee benefits

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

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

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

### Termination benefit

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

### (r) Share based payment arrangements

#### Share-based payment transactions of the Company

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

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

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

### (s) Taxation

Income tax expense represents the sum of the tax currently payable (or receivable) and deferred tax.

#### Current tax

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

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss,

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

### (t) Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### (u) Intangible assets - Software and Client Books

#### Intangible assets acquired separately

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

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

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

An internally-generated intangible asset arising from development (or from the development phase of an internal



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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

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

### **Derecognition of intangible assets**

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets

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

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

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

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

### **(w) Provisions**

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

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

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

### Onerous contracts

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

### Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

### (x) Financial instruments

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

### Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

### Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
  - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
  - The financial asset forms part of a group of financial

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

### **Held-to-maturity investments**

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

### **Loans and receivables**

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

### **Impairment of financial assets**

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

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

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

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

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

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

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

### **Derecognition of financial assets**

The Group derecognises a financial asset when the

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

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

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

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

### Financial liabilities and equity instruments

#### Classification as debt or equity

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

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are

recognised as equal to the proceeds received, net of direct issue costs.

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

#### Financial liabilities

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

#### Financial liabilities at FVTPL

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

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

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

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

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

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 3. Significant accounting policies *continued*

and is included in the “other gains and losses” line item in the statement of profit or loss. Fair value is determined in the manner described in Note 33.

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

### Derecognition of financial liabilities

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

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

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

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

The critical judgments that the Directors have made in the process of applying the Group’s accounting policies and in the application of Australian Accounting Standards that

have a significant effect on the financial report and estimates include:

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

### Life insurance policy liabilities

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

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

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

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

### Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are computed



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

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 Group may not receive amounts due to it and these amounts can be reliably measured.

### Recoverability of acquired intangible assets

The carrying amount of intangible assets acquired in a business combination at the financial position date was \$10.4 million (2016: \$16.9 million).

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

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

### Client Book – Intangible

The carrying amount of the Client Book – Intangible as at the financial position date was \$10.2 million (2016: \$16.7 million). These intangible assets arose on the acquisition of ClearView Group Holdings Pty Limited (CVGH), Community and Corporate Pty Limited (CCFA) and Matrix Planning Solutions Limited (Matrix). The intangibles represent the value of the in-force insurance and investment contracts, and value of the existing financial advice and funds management revenues (the Client Books). Each Client Book has its own assessment of useful life depending on the nature of the clients in each segment and their relative characteristics, based on age, demographics and type of product to which it relates. The policy adopted to write-off the Client Books resembles the anticipated ageing profile of the revenue stream. ClearView identifies its CGUs at the segment reporting level (lowest level of cash generating units). The CGUs identified are as follows:

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

The Life Insurance Client Book had, until 30 June 2014, been written off on a straight line basis over 12 years. At each reporting date, an assessment is made of both the useful life and amortisation method. As a result of the annual assessment, the useful life of the Life Insurance Client Book has been changed from 12 years to 8 years due to a change in the lapse rate assumption at 30 June 2014 on the pre 2011 Life Insurance in-force portfolio and therefore in the estimated ageing profile of the book. The carrying value of the Life Insurance Client Book as at 30 June 2017 is \$2.8 million.

Triggers considered in testing for annual impairment for the Life Insurance Client Book are as follows:

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

The Wealth Management Client Book was written off at 15% per annum on a straight line basis. The triggers that were considered in testing for annual impairment for the Wealth Client Book were as follows:

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

During the year the Wealth Management Client Book was fully amortised.

The Financial Advice Client Book is written off on a straight line basis over 10 years. The carrying value is \$7.4 million at 30 June 2017.

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

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

ClearView prepares an Embedded Value for the Group at each reporting period. The Embedded Value is prepared at a reportable segment level (CGUs). The Embedded Value measure is used as a proxy for the value in use. The Embedded Value methodology is used to test the acquired intangibles for any impairment triggers. As at

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

30 June 2017, based on the EV calculations, no impairment was required to the carrying value of the intangible assets.

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

### Recoverability of internally generated software intangibles

The carrying amount of internally generated capitalised software at the financial position date was \$13.8 million (2016: \$11.5 million).

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

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

Capitalised software costs include those associated with the implementation of a new compliant and functional wealth platform and the launch of WealthFoundations that is hosted on the new platform. The intention is to migrate the Master Trust and MIS products onto the new platform in the 2018 financial year, with the project already commenced.

No impairment was required to the carrying values of internally generated software as at 30 June 2017.

### Impairment of goodwill

The carrying amount of goodwill at the reporting date was \$20.5 million (2016: \$20.0 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

The Group acquired the business of CCFA on 9 April 2009.

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

CCFA was acquired in 2009 as the first step of the Group in developing a presence in the wealth management and financial advice industry. The goodwill that arose on the acquisition has at the reporting date been allocated to the Financial Advice CGU. The Group tests for impairment at each reporting date.

The Group acquired Matrix Holdings Limited (Matrix Holdings) and its subsidiaries Matrix Planning Solutions Limited (MPS or Matrix) and Matrix Planning Investments Pty Ltd (MPI) on 10 October 2014.

Goodwill arose in respect of the amount of consideration paid attributable to the expected revenue synergies and other benefits from combining the assets and activities of Matrix with those of the Group. The expanded number of supportive advisers has the potential to deliver revenue synergies given ClearView’s market proven products. This is also expected to result in the increased profitability of the Group. The goodwill that arose on acquisition has at reporting date been allocated across the Financial Advice, Life Insurance and Wealth Management CGU’s of the Group.

ClearView prepares an Embedded Value for the Group at each reporting period. The Embedded value is prepared at a reportable segment level (CGU).

The goodwill recognised in the Financial Advice CGU is tested for impairment triggers using the Embedded Value methodology.

The goodwill recognised on acquisition of Matrix within the Life Insurance and Wealth Management CGU’s is tested for impairment triggers by comparing the carrying value of the goodwill to the in-force portfolios written to date and the forecast incremental Value of New Business expected to be generated in the Life Insurance and Wealth Management CGU’s based on the anticipated new business flows in accordance with the approved Business Plan. As at 30 June 2017, no impairment was required to the carrying value of the goodwill.



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

Further information about Goodwill is detailed in Note 19.

### Deferred tax asset – timing Differences

The Board has considered that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised.

### Deferred tax asset – Capital Losses

ClearView Life has amounts of realised and unrealised capital losses within its superannuation business in its No. 2 and No.4 Statutory Funds. The Board has considered the likelihood of the recovery of these losses and their fair value, and has

concluded that it is appropriate to reduce the deferred tax asset (DTA) held in respect of those capital losses below the nominal full recovery amount. This has been implemented via placing a cap on the recognised DTA. The DTA relating to capital losses are estimated to be utilised in the foreseeable future and is expressed as a percentage of the value of investments held. The same methodology has been adopted for unit pricing purposes and this financial report.

In addition to the above, the Group has accumulated capital losses that arose within the Company that relate to the losses realised on the historic disposal of a subsidiary entity. At the current time, no DTA is recognised in respect of these losses. This is discussed further in Note 24.

### Actuarial methods and assumptions

The effective date of the actuarial report on life insurance policy liabilities and life investment policy liabilities is 30 June 2017. The actuarial report was prepared by the ClearView Life Appointed Actuary, Ashutosh Bhalerao. The actuarial report indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

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

Related Product Group	Method	Profit carrier
Fund 1 Non-Advice Lump Sum (including the Old Book)	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Ordinary	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Super	Projection	Premiums
Fund 1 LifeSolutions Income Protection Ordinary	Projection	Premiums
Fund 1 LifeSolutions Income Protection Super	Projection	Premiums
Fund 2 Old Book Lump Sum	Projection	Premiums
Fund 2 Investments	Accumulation	n/a
Fund 4 Investments	Accumulation	n/a

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 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.

### (a) 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 3.0% (2016: 2.6%).

**Acquisition expenses:** Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 12 months to 30 June 2017.

**Maintenance expense and inflation:** The per policy maintenance expense assumptions were based on the longer term per policy unit costs implied by ClearView Life's 2017 business plan (2016: Based on the 2016 business plan). Expense inflation of 2.5% p.a. (2016: 2.5% p.a.) was assumed.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

**Lapses:** Rates adopted vary by product, duration, age, commission type 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. The primary underlying mortality tables used were the AI-FSC 2004-2008 industry standard tables, which were adjusted for industry experience and ClearView's own experience.

**Morbidity (TPD, Income Protection and Trauma):** Rates adopted vary by age, gender, and smoking status. The primary rates adopted are based on the AI-FSC 2004-2008 and ADI-FSC-KPMG 2007 - 2011 industry standard tables, which were adjusted for industry experience and ClearView's own experience.

### (b) Effects of changes in actuarial assumptions (over 12 months to 30 June 2017)

	Effect on profit margins Increase/ (decrease) \$'000	Effect on policy liabilities Increase/ (decrease) \$'000
<b>Assumption category</b>		
Discount rates and inflation	(5,672)	3,912
Maintenance expenses	-	-
Lapses	(1,862)	-
Mortality and morbidity	1,419	-
<b>Total</b>	<b>(6,115)</b>	<b>3,912</b>

### (c) Processes used to select assumptions

#### Discount rate

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

#### Maintenance expenses and inflation

Maintenance expenses are set having regard to the cost base

in the three year Board adopted business plan excluding short term growth and development costs.

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

#### Acquisition expenses

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

#### Taxation

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

#### Mortality and morbidity

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

#### Lapse

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

### (d) Sensitivity analysis

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

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

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

The table below illustrates how outcomes during the financial year ended 30 June 2017 in respect of the key actuarial variables, would have impacted the reported life insurance policy liabilities, profit and equity for that financial year.

Variable	Change in variable	Impact on policy liabilities		Impact on net profit and shareholder equity	
		Gross of reinsurance \$'000	Net of reinsurance \$'000	Gross of reinsurance \$'000	Net of reinsurance \$'000
Interest rates	+ 100 bp	17,213	15,155	(12,049)	(10,608)
	- 100 bp	(19,605)	(17,261)	13,723	12,082
Mortality and morbidity	110.0%	-	-	(4,479)	(1,536)
	90.0%	-	-	4,479	1,536
Lapses	110.0%	-	-	(2,436)	(2,169)
	90.0%	-	-	2,436	2,169
Maintenance expenses	110.0%	-	-	(1,382)	(1,382)
	90.0%	-	-	1,382	1,382

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

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

- Asset risks, including investment market risk (interest rate risk and equity price risk), investment management risk, credit risk and liquidity risk;
- Insurance risk;
- Asset-liability mismatch risk;
- Expense and discontinuance (lapses, withdrawals and loss of client) risks; and
- Non-financial risks - regulatory environment, operational, resilience and strategic risks.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 5. Risk management

### Risk management strategy and framework, roles and responsibilities

Risk management is an integral part of the Group's management process. The Group's Board has adopted a formal Risk Management and Capital Strategy (RMCS) and Risk Management Framework (RMF) to assist in identifying and managing the key risks to achieving the Group's objectives. The RMCS and RMF are fundamental to the business decisions of the Group, including resource allocation decisions and prioritisation of activities.

The 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 RMCS and RMF considers the key stakeholders in the Group, beyond the shareholders, including:

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

The RMCS specifies the Board's risk appetite and tolerance standard which guides the Group in its decisions as to the acceptance, management and rejection of risks. A risk register

is maintained that identifies the key risks of the Group by type, impact and likelihood, and indicates the key process and mechanisms to control, mitigate or transfer those risks within the allowed tolerances. The RMCS and RMF includes suitable monitoring mechanisms.

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

The key risks are discussed in more detail below:

### Asset risks

The primary asset risks borne by the Group relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets). The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Group which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure (for further detail on Asset risks refer to Note 33 Financial Instruments).

### Insurance risk

The risks under the life insurance contracts written by ClearView Life are exposed to various key variables. The table below provides an overview of the key insurance contract types and exposure variables.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death or ill health that are fixed and not at the discretion of the issuer	Benefits defined by the insurance contract are determined by the contract obligation of the issuer and are not directly affected by the performance of the underlying assets or the performance of the contracts as a whole	Mortality Morbidity Discontinuance rates Expenses Policy Terms Premium Rates

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 2017

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 ClearView Life and its continuing ability to write business depends on its ability to manage insurance risk. The Group's RMCS summarises its approach to insurance risk management.

### (b) Methods to limit manage or transfer insurance risk exposures

#### Reinsurance

ClearView Life purchases reinsurance to limit its exposure to accepted insurance risk. ClearView Life cedes to specialist reinsurance companies a proportion of its portfolio for certain types of insurance risk. This serves primarily to reduce the net liability on large individual risks and provide protection against large losses. The reinsurers used are regulated by the Australian Prudential Regulation Authority (APRA) and are members of large international groups with sound credit ratings.

ClearView Life periodically reviews its reinsurance arrangements and retention levels.

#### Underwriting procedures

Underwriting decisions are made using the underwriting procedures reflected in ClearView Life's underwriting systems and detailed in ClearView Life's underwriting manual. Such procedures include limits as to delegated authorities and signing powers. The underwriting process is subject to ClearView Life's internal control processes and is subject to review by the reinsurers from time to time.

#### Claims management

Strict claims management procedures help ensure the timely and correct payment of claims in accordance with policy conditions, as well as limiting exposure to inappropriate and fraudulent claims.

### (c) Concentration of insurance risk

The insurance business of ClearView Life is principally written on individual lives (not group business). Individual business is not expected to provide significant exposure to risk concentration. Nonetheless, insurance risk is concentrated

to the eastern seaboard of Australia and its capital cities. The residual risk exposure is reduced through the use of reinsurance and is subject to review by the reinsurer's from time to time.

### (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 ClearView Life'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 ClearView Life.

#### Asset-Liability mismatch risk

Asset-liability mismatch risk arises to the extent to which the assets held by the Group to back its liabilities (especially its policy liabilities and investment contract liabilities) do not closely match the nature and term of those liabilities. In practice, the market risk and credit risk exposures of the Group primarily relate to the extent that the Group retains a net exposure with respect to these risks – that is the extent to which the liabilities and their values do not mirror the variation in asset values. In this context it is noted:

- The investment linked liabilities of the ClearView Life directly link the underlying assets held to support those liabilities, with the primary market risks and credit risks passed on to the policyholder and unit trust investors (as discussed above);



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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 5. Risk management continued

- 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; and
- Similarly, assets held to support the policy liabilities and risk capital of the ClearView Life No.1 statutory fund are maintained, in accordance with the Board's investment Policy and Guidelines, in high quality, short dated fixed interest assets and cash that closely match those policy liabilities and capital reserves.

### Expense and discontinuance risks

Expense risks and discontinuance risks involve:

- The extent to which the expenses of the business are not maintained at a level commensurate with premium and fee flows of the business, including the level of business growth and new business and client acquisition; and
- The extent to which the rate of loss of policyholders, investment clients and other customers exceed benchmark standards and pricing targets, result in the loss of future profit margins, current period expense support, and loss of opportunity to recover historic acquisition costs incurred.
- The risks are principally managed via the Group's:
  - Budgeting and expense management reporting and management processes;
  - Modelling of anticipated client loss rates and ongoing monitoring of discontinuance rates;
  - Adoption of appropriate business retention strategies; and
  - Maintaining strong distribution partner relationships.
- A Breach and Incident Management process which ensures that incidents are identified, reported and assessed;
- Detailed compliance registers, reporting timetables and due diligence processes;
- A detailed overall risk register which identifies the key risks, mitigations and controls, inherent and residual risks, and risk owners;
- A fraud and cyber Risk Management Framework which provides governance for the prevention, detection and recovery in the case of attempted and materialised internal and external fraud events;
- A monthly Risk Management and Compliance Committee which focuses, among other items, on the RMCS and RMF;
- Internal audit, whistleblowing policy and facilities, detailed financial reconciliations and unit pricing checking processes, detail IT development and implementation processes;
- Comprehensive internal management information reporting and monitoring, emerging risk exposures reporting, staff training programs, staff recruitment standards (including fit and proper standards);
- Annual Business Continuity and Disaster Recovery Testing; and
- Initiatives to ensure that an appropriate risk culture within the business is maintained including, Board and Senior Management Team focus, an adopted culture statement, including risk management as a formal part of all key business decisions, and appropriate risk management supporting remuneration structures and monitoring of Risk Culture Indicators.

### Non-Financial Risks – regulatory environments, operational, resilience and strategic risks

The Group 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 RMCS and RMF. Key elements of the RMF include:

- Internal Group risk and compliance team.  
The adequacy of the team's resources are periodically reviewed as the nature, size and complexity of ClearView changes;

### 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, ClearView Financial Advice and Matrix Planning Solutions are also required to maintain minimum regulatory capital as required by ASIC; and

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 5. Risk management *continued*

- ClearView Life Nominees is required to maintain an Operational Risk Financial Requirement (ORFR) as determined in accordance with Superannuation Prudential Standard 114. SPS 114 requires that the trustee maintains adequate financial resources to address losses arising from the operational risks that may affect the ClearView Retirement Plan.

In addition, the Group maintains capital reserves in accordance with its Board adopted ICAAP that retains capital reserves to support its retained risk exposures, ensures there is a low likelihood that the Group (and its regulated) subsidiaries will breach their regulatory requirements, and has sufficient capital to manage its near term business plans and provide a buffer (capital and time) to take action to deal with reasonably foreseeable adverse events that may impact the businesses. These additional reserves are partly held within the subsidiaries where the key risks reside, and partly in a central reserve within the parent entity.



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 6. Capital adequacy (ClearView Life Assurance Limited)

ClearView Life Assurance Limited (ClearView Life) is subject to minimum capital regulatory capital requirements in accordance with Australian Prudential Regulation Authority (APRA) Life Insurance Prudential Standards. ClearView Life is required to maintain adequate capital against the risks associated with its business activities and measure its capital to the “Prudential Capital Requirement” (PCR).

ClearView Life has in place an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Directors, to ensure it maintains required levels of capital within each of its statutory and general funds. The capital adequacy position at balance date for ClearView Life, in accordance with the APRA requirements, is as follows:

### Capital position

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Net Assets (Common Equity Tier 1 Capital)	3,832	330,456	2,467	10,531	347,286
Goodwill and intangibles	-	(10,110)	-	(3,651)	(13,761)
<b>Net tangible assets</b>	<b>3,832</b>	<b>320,346</b>	<b>2,467</b>	<b>6,880</b>	<b>333,525</b>
<b>Capital base adjustments</b>					
Deferred tax assets	-	(50)	(2)	(56)	(108)
Investment in subsidiaries	(2,950)	-	-	-	(2,950)
Policy liability	-	(272,002)	(193)	-	(272,195)
<b>Regulatory capital base</b>	<b>856</b>	<b>48,320</b>	<b>2,272</b>	<b>6,824</b>	<b>58,272</b>
Prescribed Capital Amount (PCA)	(12)	(10,604)	(556)	(2,965)	(14,137)
<b>Available Enterprise Capital (AEC)</b>	<b>844</b>	<b>37,716</b>	<b>1,716</b>	<b>3,859</b>	<b>44,135</b>
<b>Capital Adequacy Multiple</b>	<b>71.3</b>	<b>4.6</b>	<b>4.1</b>	<b>2.3</b>	<b>4.1</b>

### Prescribed capital amount comprises of:

Insurance Risk	-	(2,753)	-	-	(2,753)
Asset Risk	(12)	(1,669)	(344)	(139)	(2,164)
Asset Concentration Risk	-	(1,435)	-	-	(1,435)
Operational Risk	-	(5,676)	(212)	(2,826)	(8,714)
Aggregation benefit	-	929	-	-	929
LPS110 CLAL Minimum	-	-	-	-	-
<b>Prescribed Capital Amount</b>	<b>(12)</b>	<b>(10,604)</b>	<b>(556)</b>	<b>(2,965)</b>	<b>(14,137)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 6. Capital adequacy continued

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Net Assets (Common Equity Tier 1 Capital)	6,319	298,875	3,973	12,871	322,038
Goodwill and intangibles	-	(6,847)	-	(4,650)	(11,497)
<b>Net tangible assets</b>	<b>6,319</b>	<b>292,028</b>	<b>3,973</b>	<b>8,221</b>	<b>310,541</b>
<b>Capital base adjustments</b>					
Deferred tax assets	-	(167)	(2)	(82)	(251)
Investment in subsidiaries	(2,950)	-	-	-	(2,950)
Policy liability	-	(239,555)	55	-	(239,500)
<b>Regulatory capital base</b>	<b>3,369</b>	<b>52,306</b>	<b>4,026</b>	<b>8,139</b>	<b>67,840</b>
Prescribed Capital Amount (PCA)	(20)	(7,146)	(554)	(2,931)	(10,651)
<b>Available Enterprise Capital (AEC)</b>	<b>3,349</b>	<b>45,160</b>	<b>3,472</b>	<b>5,208</b>	<b>57,189</b>
<b>Capital Adequacy Multiple</b>	<b>165.1</b>	<b>7.3</b>	<b>7.3</b>	<b>2.8</b>	<b>6.4</b>
<b>Prescribed capital amount comprises of:</b>					
Insurance Risk	-	(2,193)	-	-	(2,193)
Asset Risk	(20)	(1,098)	(376)	(173)	(1,667)
Asset Concentration Risk	-	-	-	-	-
Operational Risk	-	(4,504)	(178)	(2,758)	(7,440)
Aggregation benefit	-	649	-	-	649
LPS110 CLAL Minimum	-	-	-	-	-
<b>Prescribed Capital Amount</b>	<b>(20)</b>	<b>(7,146)</b>	<b>(554)</b>	<b>(2,931)</b>	<b>(10,651)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

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## 7. Segment information

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

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

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

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

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

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

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

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

ClearView provides wealth management products via four primary avenues:

- Master Trust - Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan;

- WealthSolutions - A superannuation and retirement income wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (IDPS) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. WealthSolutions includes a menu of approximately 250 investment funds, ASX listed shares, term deposits, seven ClearView managed funds and recently launched Separately Managed Account (SMA) offering. It also provides a number of model portfolios managed by ClearView for superannuation and non superannuation investors;
- WealthFoundations - Life investment contracts issued by ClearView Life. Products include superannuation and allocated pension products, issued via the ClearView Retirement Plan. WealthFoundations includes a menu of 14 investment options with transparent investment in underlying funds; and
- Managed Investment Schemes (MIS) - Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include MIS products available on ClearView's WealthSolutions platform and external platforms.

### (c) Financial Advice

ClearView provides financial advice services through its wholly owned subsidiaries ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix). CFA and Matrix provide dealer group services to its employed financial advisers as well as a number of self employed financial advisers.

### (d) Listed Entity/Other

This represents the investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity and interest expense on corporate debt. The Group manages capital at the listed entity level in accordance with its ICAAP policy. Asset segment information has not been disclosed because the allocation of assets is not used for evaluating segment performance and deciding the allocation of resources to segments.

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 7. Segment information continued

Information regarding these segments is provided on the following page. Segment profit or loss represents the profit or loss earned by each segment including the allocation of directly attributable costs of each segment and an allocation of central services costs according to an expense allocation model which allocates costs across each segment. The allocation model excludes the allocation of investment revenue as these are directly recorded against the relevant segments. This is the measure reported to the Board for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3.

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Segment revenue</b>						
Life Insurance	136,913	110,963	-	-	136,913	110,963
Wealth Management	117,665	107,590	(5,688)	(3,836)	111,977	103,754
Financial Advice	107,095	97,380	(22,796)	(17,527)	84,299	79,853
Listed entity/Other	314	1,258	-	-	314	1,258
<b>Consolidated segment revenue</b>	<b>361,987</b>	<b>317,191</b>	<b>(28,484)</b>	<b>(21,363)</b>	<b>333,503</b>	<b>295,828</b>

2017	Life Insurance	Wealth Management	Financial Advice	Listed Entity/Other	Total
<b>Total operation earnings after tax</b>	<b>24,867</b>	<b>3,942</b>	<b>2,231</b>	<b>(503)</b>	<b>30,537</b>
Interest expense on corporate debt (after tax)	-	-	-	(175)	(175)
<b>Underlying net profit/(loss) after tax</b>	<b>24,867</b>	<b>3,942</b>	<b>2,231</b>	<b>(678)</b>	<b>30,362</b>
Amortisation of acquired intangibles <sup>1</sup>	(2,833)	(4,378)	(980)	-	(8,191)
AIFRS policy liability discount rate effect (net of tax) <sup>2</sup>	(5,918)	-	-	-	(5,918)
Strategic review costs (net of tax) <sup>3</sup>	-	-	-	(683)	(683)
Direct closure provision (net of tax) <sup>5</sup>	-	-	-	(2,420)	(2,420)
<b>Reported profit/(loss)</b>	<b>16,116</b>	<b>(436)</b>	<b>1,251</b>	<b>(3,780)</b>	<b>13,150</b>
2016					
<b>Total operation earnings after tax</b>	<b>24,512</b>	<b>2,714</b>	<b>1,479</b>	<b>(442)</b>	<b>28,263</b>
Interest expense on corporate debt (after tax)	-	-	-	(1,028)	(1,028)
<b>Underlying net profit/(loss) after tax</b>	<b>24,512</b>	<b>2,714</b>	<b>1,479</b>	<b>(1,470)</b>	<b>27,235</b>
Amortisation of acquired intangibles <sup>1</sup>	(2,833)	(5,254)	(1,048)	-	(9,135)
AIFRS policy liability discount rate effect (net of tax) <sup>2</sup>	7,749	-	-	-	7,749
Your Insure Impairments <sup>4</sup>	-	-	-	(1,898)	(1,898)
Strategic review costs (net of tax) <sup>3</sup>	-	-	-	(336)	(336)
<b>Reported profit/(loss)</b>	<b>29,428</b>	<b>(2,540)</b>	<b>431</b>	<b>(3,704)</b>	<b>23,615</b>

1 The amortisation of the intangibles is associated with the acquisition of wealth and life insurance businesses from Bupa, ComCorp financial advice business and Matrix. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of Operating Earnings (after tax).

2 The policy liability discount rates effect is the result of the changes in long term discount rates used to determine the insurance policy liability. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and consequently earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect.

3 Certain costs were recognised in relation to the evaluation of strategic options and Sony Life becoming a new strategic shareholder. The costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Operating Earnings (after tax).

4 ClearView made an investment in Your Insure, a start-up operation in Melbourne, in August 2014 to target selling direct life insurance to the lower socio demographic customers. ClearView agreed to provide funding to Your Insure which was structured as a Convertible Note. The investment in Your Insure has been written off, with a net of tax cost of \$1.9 million being incurred in FY16. The costs associated with the aforementioned are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Operating Earnings (after tax).

5 Certain costs were recognised in the period in relation to the Direct closure. The costs are considered unusual to the ordinary activities of the Group and therefore not reflected as part of Operating Earnings (after tax).

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 8. Fee and other revenue

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial advice fees	76,918	79,043	-	-
Funds management fees	38,470	31,575	-	-
Other income	1,074	257	-	5
<b>Total fee and other revenue</b>	<b>116,462</b>	<b>110,875</b>	<b>-</b>	<b>5</b>

## 9. Investment income

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income	23,267	36,660	154	733
Dividend income	17,529	16,526	21,000	17,000
Distribution income	41,701	23,624	-	-
<b>Total investment income</b>	<b>82,497</b>	<b>76,810</b>	<b>21,154</b>	<b>17,733</b>

## 10. Operating expenses

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Administration expenses</b>				
Administration and other operational costs	32,402	26,638	346	449
Custody and investment management expenses	8,130	7,439	-	-
<b>Total administration expenses</b>	<b>40,532</b>	<b>34,077</b>	<b>346</b>	<b>449</b>
<b>Employee costs and directors' fees</b>				
Employee expenses	49,120	47,338	12	19
Share based payments	1,012	1,083	-	-
Employee termination payments	798	1,322	-	-
Directors' fees	845	966	629	726
<b>Total employee costs and directors' fees</b>	<b>51,775</b>	<b>50,709</b>	<b>641</b>	<b>745</b>
<b>Other expenses</b>				
Interest expense and other costs of finance	827	1,472	257	1,472
Costs associated with Sony Life becoming a strategic shareholder	978	480	978	480
Direct closure costs	3,458	-	3,458	-
Your Insure impairment	-	2,702	-	2,702
<b>Total other expenses</b>	<b>5,263</b>	<b>4,654</b>	<b>4,693</b>	<b>4,654</b>
<b>Total operating expenses</b>	<b>97,570</b>	<b>89,440</b>	<b>5,680</b>	<b>5,848</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 10. Operating expenses continued

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Depreciation and amortisation expenses</b>				
Depreciation expenses	639	700	-	-
Software amortisation	4,808	3,967	-	-
Amortisation of acquired intangibles	8,190	9,135	-	-
<b>Total amortisation and depreciation expenses</b>	<b>13,637</b>	<b>13,802</b>	<b>-</b>	<b>-</b>

	Consolidated		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
<b>Remuneration of auditors</b>				
<b>Auditor of the parent entity</b>				
Audit and review of financial reports	318,000	303,000	104,200	97,500
Audit of APRA and ASIC regulatory returns	99,400	99,400	-	-
Audit of Managed Investment Schemes	127,600	127,600	-	-
<b>Total remuneration for audit services</b>	<b>545,000</b>	<b>530,000</b>	<b>104,200</b>	<b>97,500</b>
Preparation and lodgement of tax returns	106,050	91,000	106,050	91,000
Other non-audit services - taxation advice	46,400	34,000	26,800	34,000
Other non-audit services - compliance	358,386	-	-	-
Other non-audit services - consulting	310,976	191,945	135,976	-
<b>Total remuneration for non-audit services</b>	<b>821,812</b>	<b>316,945</b>	<b>268,826</b>	<b>125,000</b>
<b>Total remuneration</b>	<b>1,366,812</b>	<b>846,945</b>	<b>373,026</b>	<b>222,500</b>

## 11. Income tax

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>a) Income tax recognised in profit or loss</b>				
<b>Income Tax expense/(benefit) comprises:</b>				
Current tax expense	4,827	12,759	(1,709)	(1,833)
Deferred tax expense	322	234	52	300
Over provided in prior years - current tax expense	(2,860)	(3,640)	(1,179)	(12)
Under provided in prior years - deferred tax expense	792	(82)	802	8
<b>Income tax expense/(benefit)</b>	<b>3,081</b>	<b>9,271</b>	<b>(2,034)</b>	<b>(1,537)</b>
<b>Deferred income tax expense/(benefit) included in income tax expense comprises:</b>				
Decrease/(increase) in deferred tax asset	292	427	263	308
Increase/(decrease) in deferred tax liability	823	(275)	591	-
	<b>1,115</b>	<b>152</b>	<b>854</b>	<b>308</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 11. Income Tax continued

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>b) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	54,293	83,096	32,635	32,635
Potential tax benefit	11,956	14,853	9,790	9,790

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>c) Reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	16,231	32,886	15,474	11,890
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	<b>5,092</b>	<b>4,105</b>	-	-
Profit before income tax excluding tax charged to policyholders	21,323	36,992	15,474	11,890
Prima facie tax calculated at 30%	6,397	11,098	4,642	3,567
<b>Tax effect of amounts which are non deductible/assessable in calculating taxable income:</b>				
Franking credits on dividends received	-	-	(6,300)	(5,101)
Non assessable income	(601)	(546)	-	-
Non deductible expenses	406	472	-	-
Non-deductible amortisation expenses	2,449	2,740	-	-
Under/(over) provision in prior years	(463)	(388)	(376)	(3)
Other	(15)	-	-	-
<b>Income tax expense/(benefit) attributable to shareholders</b>	<b>8,173</b>	<b>13,376</b>	<b>(2,034)</b>	<b>(1,537)</b>
<b>Income tax expense/(benefit) attributable to policyholders</b>	<b>(5,092)</b>	<b>(4,105)</b>	-	-
<b>Income tax expense/(benefit)</b>	<b>3,081</b>	<b>9,271</b>	<b>(2,034)</b>	<b>(1,537)</b>

The ability of the Company to continue to pay franked dividends is dependent upon the receipt of franked dividends from its investment assets and the group itself paying tax.

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Franking account</b>				
The balance of the franking account after allowing for tax payable in respect of the current year's profit, the receipt of franked dividends recognised as receivables and the payment of any dividends recognised as a liability at the reporting date.	27,610	24,286	27,610	24,286



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 11. Income Tax *continued*

### 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 31.

Under the Tax Act, ClearView Wealth Limited being the head company of the tax consolidated group is treated as a life insurance company for income tax purposes as one of the subsidiary members of the tax consolidated group is a life insurance company.

Entities within the tax consolidated group have entered into a tax sharing and funding agreement with the head entity. This agreement has been amended to reflect the changes in the structure of the tax consolidated group and a life insurer becoming part of the group. These amendments were executed on 20 August 2010.

Under the terms of the tax funding arrangement, ClearView Wealth Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax funding agreement also provides for the head entity to make payments for tax losses of a group member that is determined in accordance with the provisions of the agreement. Settlement for these amounts is based on the extent to which the losses are utilised.

The tax sharing arrangement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## 12. Movements in reserves

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Retained losses</b>				
Balance at the beginning of the financial year	(12,344)	(23,659)	(57,887)	(54,314)
Net profit/(loss) attributable to members of the parent entity	13,150	23,616	(3,492)	(3,573)
Dividend paid during the year	(16,454)	(12,301)	-	-
<b>Balance at the end of the financial year</b>	<b>(15,648)</b>	<b>(12,344)</b>	<b>(61,379)</b>	<b>(57,887)</b>
<b>Executive share plan reserve<sup>1</sup></b>				
Balance at the beginning of the financial year	8,342	6,607	8,342	6,607
Recognition of share based payments	1,012	1,201	1,012	1,201
ESP loans settled through dividend/sale of renounceable rights	1,011	652	1,011	652
Proceeds from sale of ESP shares vested/forfeited (net of tax)	(297)	(118)	(297)	(118)
<b>Balance at end of the financial year</b>	<b>10,068</b>	<b>8,342</b>	<b>10,068</b>	<b>8,342</b>

<sup>1</sup> The above executive share plan reserve relates to share options granted by the Company to employee and contractor participants under the ClearView Executive Share Plan (Plan). Further information about the Plan is set out in Note 27.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 12. Movements in reserves continued

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Profit Reserve</b>				
Balance at the beginning of the financial year	-	-	21,089	16,391
Net profit attributable to the parent entity	-	-	21,000	17,000
Dividend paid during the year	-	-	(16,454)	(12,301)
<b>Balance at end of the financial year</b>	<b>-</b>	<b>-</b>	<b>25,635</b>	<b>21,090</b>
<b>General Reserve<sup>1</sup></b>				
Balance at the beginning of the financial year	(2,085)	(2,085)	(2,085)	(2,085)
Proceeds from sale of ESP shares vested/forfeited (net of tax)	1,598	-	1,598	-
<b>Balance at end of the financial year</b>	<b>(487)</b>	<b>(2,085)</b>	<b>(487)</b>	<b>(2,085)</b>

- <sup>1</sup> The general reserve comprises:
- A fair value adjustment (-\$2.1 million) for contingent consideration in relation to the acquisition of Matrix Planning Solutions Limited; and
  - The profit on sale of forfeited ESP shares (\$1.6 million) where the shares were sold via an off market transfer with the proceeds being received by the Company.
- The general reserve is not an item of other comprehensive income and the items in the general reserve will not be reclassified subsequently to profit or loss.

## 13. Sources of profit (ClearView Life Assurance Limited)

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Components of profit related to movements in life insurance liabilities</b>				
Planned profit margins released	21,683	17,007	-	-
Profit arising from the difference between actual investment income and expected interest on policy liabilities	4,187	4,708	-	-
Profit arising from the difference between actual and expected experience	(4,182)	165	-	-
Impact of change in economic assumptions	(2,739)	10,381	-	-
<b>Life insurance</b>	<b>18,949</b>	<b>32,261</b>	<b>-</b>	<b>-</b>
<b>Components of profit related to movements in life investment liabilities</b>				
Expected profit margin	2,812	2,931	-	-
<b>Life investment</b>	<b>2,812</b>	<b>2,931</b>	<b>-</b>	<b>-</b>
Profit for the statutory funds	21,735	35,192	-	-
Profit for the shareholders fund	13	73	-	-
<b>Profit for ClearView Life Assurance Limited</b>	<b>21,748</b>	<b>35,265</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 14. Earnings per share

	Consolidated	
	2017	2016
<b>Earnings per share (cents)</b>		
Basic earnings (cents)	2.20	4.39
Diluted earnings (cents)	2.11	4.27

### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit for the year attributable to owners of the Company (\$'000)	13,150	23,615
<b>Earnings used in the calculation of basic earnings per share (\$'000)</b>	<b>13,150</b>	<b>23,615</b>
<b>Weighted average number of ordinary shares for the purpose of basic earnings per share ('000's)</b>	<b>597,808</b>	<b>537,588</b>

### Diluted earnings per share

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

Profit for the year attributable to owners of the Company (\$'000)	13,150	23,615
<b>Earnings used in the calculation of total diluted earnings per share</b>	<b>13,150</b>	<b>23,615</b>

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic earnings per share (000's)	597,808	537,588
Shares deemed to be dilutive in respect of the employee share plan (000's)	25,550	15,691
<b>Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures) (000's)</b>	<b>623,358</b>	<b>553,279</b>

## 15. Cash and cash equivalents

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank	222,197	217,673	5,880	20,889
<b>Total cash and cash equivalents</b>	<b>222,197</b>	<b>217,673</b>	<b>5,880</b>	<b>20,889</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 16. Investments

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Equity securities</b>				
Investment in Group Companies	-	-	377,159	354,158
Held directly	262,428	256,093	-	-
Held indirectly via unit trust	433,603	337,706	-	-
	<b>696,031</b>	<b>593,799</b>	<b>377,159</b>	<b>354,158</b>
<b>Debt securities/fixed interest securities</b>				
Held directly	448,086	424,963	-	-
Held indirectly via unit trust	357,944	337,156	-	-
	<b>806,030</b>	<b>762,119</b>	-	-
<b>Property/Infrastructure</b>				
Held directly	-	-	-	-
Held indirectly via unit trust	311,988	259,308	-	-
	<b>311,988</b>	<b>259,308</b>	-	-
<b>Total investments</b>	<b>1,814,049</b>	<b>1,615,226</b>	<b>377,159</b>	<b>354,158</b>

## 17. Receivables

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	392	773	-	-
Outstanding life insurance premium receivable	3,909	3,254	-	-
Provision for outstanding life insurance premiums	(800)	(667)	-	-
Accrued dividends	2,036	2,232	-	-
Investment income receivable	10,317	888	-	-
Outstanding settlements	3,622	509	-	-
Prepayments	3,298	3,824	30	80
Receivables from controlled entities	-	-	6,472	11,775
Related party receivables	4,530	567	3,774	-
Loans receivable	8,612	3,722	3,409	-
Other debtors	2,031	995	4	-
<b>Total receivables</b>	<b>37,947</b>	<b>16,097</b>	<b>13,689</b>	<b>11,855</b>

\$5.6 million (2016: \$2.1 million) of Total consolidated receivables are expected to be recovered more than 12 months from the reporting date and \$3.4 million (2016: \$4.9 million) of Total receivables for the Company are expected to be recovered more than 12 months from the reporting date.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 18. Fixed interest deposits

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed interest term deposits	78,327	79,584	-	-

Fixed interest term deposits, held at year end, yield an average fixed interest rate of 2.37% (2016: 2.58%)

## 19. Goodwill

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Gross carrying amount</b>				
Balance at the beginning of the financial year	19,952	19,952	-	-
Additional amount recognised through acquisition of business <sup>1</sup>	500	-	-	-
<b>Balance at the end of the financial year</b>	<b>20,452</b>	<b>19,952</b>	-	-
<b>Net book value</b>				
Balance at the beginning of the financial year	19,952	19,952	-	-
<b>Balance at the end of the financial year</b>	<b>20,452</b>	<b>19,952</b>	-	-

<sup>1</sup> In August 2016 the Group acquired the business of an adviser under pre-existing contracted arrangements. \$0.5 million of goodwill was recognised on this acquisition.

As required under accounting standards the Group completes an impairment assessment at each reporting date. As at 30 June 2017, no impairment was required to the carrying value of goodwill. Further details have been provided in Note 4.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 20. Intangible assets

2017	Consolidated					
	Capitalised software \$'000	CWT software \$'000	Client Book \$'000	Matrix Website \$'000	Matrix Brand \$'000	Total \$'000
<b>Gross carrying amount</b>						
Balance at the beginning of the financial year	23,611	1,500	63,317	20	200	88,648
Acquired directly during the year	7,072	-	1,700	-	-	8,772
<b>Balance at the end of the financial year</b>	<b>30,683</b>	<b>1,500</b>	<b>65,017</b>	<b>20</b>	<b>200</b>	<b>97,420</b>
<b>Accumulated amortisation and impairment losses</b>						
Balance at the beginning of the year	12,115	1,500	46,585	20	-	60,220
Amortisation expense in the current year	4,808	-	8,190	-	-	12,998
<b>Balance at the end of the financial year</b>	<b>16,923</b>	<b>1,500</b>	<b>54,775</b>	<b>20</b>	<b>-</b>	<b>73,218</b>
<b>Net book value</b>						
Balance at the beginning of the financial year	11,496	-	16,732	-	200	28,428
<b>Balance at the end of the financial year</b>	<b>13,760</b>	<b>-</b>	<b>10,242</b>	<b>-</b>	<b>200</b>	<b>24,202</b>
<b>2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Gross carrying amount</b>						
Balance at the beginning of the financial year	18,102	1,500	63,317	20	200	83,139
Acquired directly during the year	5,509	-	-	-	-	5,509
<b>Balance at the end of the financial year</b>	<b>23,611</b>	<b>1,500</b>	<b>63,317</b>	<b>20</b>	<b>200</b>	<b>88,648</b>
<b>Accumulated amortisation and impairment losses</b>						
Balance at the beginning of the year	8,147	1,500	37,461	10	-	47,118
Amortisation expense in the current year	3,968	-	9,124	10	-	13,102
<b>Balance at the end of the financial year</b>	<b>12,115</b>	<b>1,500</b>	<b>46,585</b>	<b>20</b>	<b>-</b>	<b>60,220</b>
<b>Net book value</b>						
Balance at the beginning of the financial year	9,955	-	25,856	10	200	36,021
<b>Balance at the end of the financial year</b>	<b>11,496</b>	<b>-</b>	<b>16,732</b>	<b>-</b>	<b>200</b>	<b>28,428</b>

The intangible assets are amortised over their expected useful lives. As required under accounting standards at each reporting date the Company assesses whether there is an indication of impairment. Further details have been provided in Note 4.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 21. Property, plant and equipment

2017	Consolidated				
	Office furniture \$'000	Office equipment \$'000	Computer hardware \$'000	Leasehold improvements \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at the beginning of the financial year	432	46	1,415	3,654	5,547
Additions	17	35	107	70	229
Written off	-	-	12	-	12
<b>Balance at the end of the financial year</b>	<b>449</b>	<b>81</b>	<b>1,534</b>	<b>3,724</b>	<b>5,788</b>
<b>Accumulated depreciation/ amortisation and impairment</b>					
Balance at the beginning of the financial year	420	34	1,076	2,194	3,724
Depreciation expense	15	17	226	381	639
<b>Balance at the end of the financial year</b>	<b>435</b>	<b>51</b>	<b>1,302</b>	<b>2,575</b>	<b>4,363</b>
<b>Net book value</b>					
<b>Balance at the end of the financial year</b>	<b>14</b>	<b>30</b>	<b>232</b>	<b>1,149</b>	<b>1,425</b>
<b>2016</b>					
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>					
Balance at the beginning of the financial year	507	42	1,289	2,342	4,180
Additions	-	4	130	1,523	1,657
Written off	(75)	-	(4)	(211)	(290)
<b>Balance at the end of the financial year</b>	<b>432</b>	<b>46</b>	<b>1,415</b>	<b>3,654</b>	<b>5,547</b>
<b>Accumulated depreciation/ amortisation and impairment</b>					
Balance at the beginning of the financial year	365	28	862	1,769	3,024
Depreciation expense	55	6	214	425	700
<b>Balance at the end of the financial year</b>	<b>420</b>	<b>34</b>	<b>1,076</b>	<b>2,194</b>	<b>3,724</b>
<b>Net book value</b>					
<b>Balance at the end of the financial year</b>	<b>12</b>	<b>12</b>	<b>339</b>	<b>1,460</b>	<b>1,823</b>

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



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 22. Payables

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables	5,180	7,884	292	484
Reinsurance premium payable	12,127	8,487	-	-
Employee entitlements	6,962	6,282	10	5
Life insurance premiums in advance	566	481	-	-
Life investment premium deposits	2,298	2,138	-	-
Lease incentive in advance	1,194	1,336	-	-
Outstanding investment settlements	11,239	8,233	-	-
Other creditors	343	778	50	291
<b>Total payables</b>	<b>39,909</b>	<b>35,619</b>	<b>352</b>	<b>780</b>

\$0.9 million (2016: \$1.4 million) of Total consolidated payables are expected to be settled more than 12 months from the reporting date and nil (2016: nil) of total payables of the Company are expected to be settled more than 12 months from the reporting date.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 23. Provisions

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current and non current</b>				
Make good provision	419	270	-	-
Employee leave provisions	3,849	3,540	-	-
Provision for restructuring	3,031	20	-	-
Other provisions	1,161	1,385	18	26
<b>Total</b>	<b>8,460</b>	<b>5,215</b>	<b>18</b>	<b>26</b>
<b>Make good provision<sup>1</sup></b>				
Balance at the beginning of the financial year	270	432	-	-
Additional provisions raised	149	148	-	-
Utilised during the period	-	(89)	-	-
Non-utilised provisions transferred	-	(221)	-	-
<b>Balance at the end of the financial year</b>	<b>419</b>	<b>270</b>	<b>-</b>	<b>-</b>
<b>Employee leave provision<sup>2</sup></b>				
Balance at the beginning of the financial year	3,540	3,392	-	-
Provision acquired in a business combination	-	-	-	-
Additional provisions raised	890	836	-	-
Utilised during the period	(581)	(688)	-	-
<b>Balance at the end of the financial year</b>	<b>3,849</b>	<b>3,540</b>	<b>-</b>	<b>-</b>
<b>Provision for Restructuring<sup>3</sup></b>				
Balance at the beginning of the financial year	20	122	-	-
Additional provisions raised	3,458	-	-	-
Utilised during the period	(447)	(102)	-	-
<b>Balance at the end of the financial year</b>	<b>3,031</b>	<b>20</b>	<b>-</b>	<b>-</b>
<b>Other provisions<sup>4</sup></b>				
Balance at the beginning of the financial year	1,385	1,429	26	26
Additional provisions raised	24	(237)	24	-
Utilised during the period	(344)	-	(10)	-
Unutilised provisions transferred during the period	96	193	(22)	-
<b>Balance at the end of the financial year</b>	<b>1,161</b>	<b>1,385</b>	<b>18</b>	<b>26</b>

1 The provision for make good represents the accrued liability for expected costs in relation to the restoration of leased premises on the termination of the lease. The provisions are expected to be settled on vacating the leased premises on expiration of the relevant lease.

2 The provision for employee leave represents annual leave and long service leave entitlements accrued by employees. The provisions are expected to be utilised in accordance with the pattern of consumption of employees utilising their leave entitlements.

3 The provision for restructuring relates to the expected costs in relation to the closure of Direct business.

4 Other provisions relate to provision for future project work that has been commissioned and for which the work is yet to commence. This relates predominantly to the migration of the old Wealth Management portfolio to the new wealth platform.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 24. Deferred tax balances

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Deferred tax assets</b>				
Deferred tax assets	10,509	10,801	310	573
Deferred tax liabilities	1,819	996	591	-
<b>Deferred tax assets</b>				
<b>Arising on income expenses recognised in profit or loss</b>				
Accruals not currently deductible	440	495	28	14
Depreciable and amortisable assets	15	148	-	-
Provisions not currently deductible	4,329	3,177	-	-
Unrealised losses carried forward	5,265	6,263	-	-
Capital business expense	267	513	267	513
Rental lease incentives	193	205	-	-
Other	-	-	15	46
<b>Deferred tax asset</b>	<b>10,509</b>	<b>10,801</b>	<b>310</b>	<b>573</b>
<b>Deferred tax liabilities</b>				
<b>Arising on income expenses recognised in profit or loss</b>				
Unrealised gains on investments	512	526	-	-
Prepaid expenses	1,307	470	-	-
Other	-	-	591	-
<b>Deferred tax liability</b>	<b>1,819</b>	<b>996</b>	<b>591</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 24. Deferred tax balances continued

	Consolidated				
	Opening balance \$'000	Transfers from subsidiaries \$'000	Shareholder Equity \$'000	(Charge)/ Credit to income \$'000	Closing balance \$'000
<b>2017</b>					
Gross deferred tax liabilities	(996)	-	-	(823)	(1,819)
Gross deferred tax assets	10,801	-	-	(292)	10,509
<b>Total</b>	<b>9,805</b>	<b>-</b>	<b>-</b>	<b>(1,115)</b>	<b>8,690</b>
<b>2016</b>					
Gross deferred tax liabilities	(1,271)	-	-	275	(996)
Gross deferred tax assets	11,029	-	199	(427)	10,801
<b>Total</b>	<b>9,758</b>	<b>-</b>	<b>199</b>	<b>(152)</b>	<b>9,805</b>

	Company				
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>					
Gross deferred tax liabilities	-	-	-	(591)	(591)
Gross deferred tax assets	573	-	-	(263)	310
<b>Total</b>	<b>573</b>	<b>-</b>	<b>-</b>	<b>(854)</b>	<b>(281)</b>
<b>2016</b>					
Gross deferred tax liabilities	-	-	-	-	-
Gross deferred tax assets	682	-	199	(308)	573
<b>Total</b>	<b>682</b>	<b>-</b>	<b>199</b>	<b>(308)</b>	<b>573</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses of a capital nature of \$54.3 million (tax effected \$11.9 million) consolidated and \$32.6 million (tax effected \$9.8 million) for the Company. Refer to Note 11 for further details.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 25. Policy liabilities

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

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Life investment policy liabilities</b>				
Opening gross life investment policy liabilities	1,152,554	1,160,627	-	-
Net increase in life investment policy liabilities reflected in the income statement	100,419	54,836	-	-
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(22,503)	(23,139)	-	-
Life investment policy contributions recognised in policy liabilities	175,231	147,381	-	-
Life investment policy withdrawals recognised in policy liabilities	(228,411)	(187,151)	-	-
<b>Closing gross life investment policy liabilities</b>	<b>1,177,290</b>	<b>1,152,554</b>	-	-
<b>Life insurance policy liabilities</b>				
Opening gross life insurance policy liabilities	(203,830)	(156,641)	-	-
Movement in outstanding claims	18,077	8,185	-	-
Decrease in life insurance policy liabilities reflected in the income statement	(21,879)	(55,374)	-	-
<b>Closing gross life insurance policy liabilities</b>	<b>(207,632)</b>	<b>(203,830)</b>	-	-
<b>Total gross policy liabilities</b>	<b>969,658</b>	<b>948,724</b>	-	-
<b>Reinsurers' share of life insurance policy liabilities</b>				
Opening balance	703	2,233	-	-
Movement in outstanding reinsurance	(15,871)	(12,326)	-	-
(Increase)/decrease in reinsurance assets reflected in the income statement	(170)	10,796	-	-
<b>Closing balance</b>	<b>(15,338)</b>	<b>703</b>	-	-
<b>Net policy liabilities at balance date</b>	<b>954,320</b>	<b>949,427</b>	-	-

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 \$65.5 million (2016: \$69.2 million).

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

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Future policy benefits	292,852	242,510	-	-
Future expenses and commissions	353,242	265,333	-	-
Less future revenues	(1,201,508)	(984,868)	-	-
<b>Best estimate liability</b>	<b>(555,414)</b>	<b>(477,025)</b>	-	-
Present value of future planned profit margins	332,444	273,897	-	-
<b>Net life insurance policy liabilities</b>	<b>(222,970)</b>	<b>(203,128)</b>	-	-

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 25. Policy liabilities continued

### (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.

## 26. Issued capital

	Company			
	2017	2017	2016	2016
	No. of Shares	\$'000	No. of Shares	\$'000
<b>Issued and fully paid ordinary shares</b>				
Balance at the beginning of the financial year	597,429,600	417,850	524,610,834	355,970
Dividend Reinvestment Plan	-	-	12,948,536	12,301
Dividend Reinvestment Plan Costs	-	-	-	(35)
Dividend costs	-	(3)	-	-
Share buy back (inclusive of costs)	-	-	(83,572)	(75)
Entitlement offer	-	-	58,984,051	50,136
Entitlement offer costs related to prior year	-	(12)	-	-
Entitlement offer costs (net of tax)	-	-	-	(579)
Shares issued during the year (ESP vested/forfeited)	5,836,450	3,882	969,751	132
<b>Balance at the end of the financial year</b>	<b>603,266,050</b>	<b>421,717</b>	<b>597,429,600</b>	<b>417,850</b>
<b>Executive share plan</b>				
Balance at the beginning of the year	60,743,527	-	58,371,348	-
Shares granted under employee share plan (note 27)	1,300,000	-	6,160,179	-
Shares forfeited during the year	(3,693,143)	-	(2,438,648)	-
Shares reallocated during the year	-	-	(379,601)	-
Shares exercised during the year	(2,143,307)	-	(969,751)	-
<b>Balance at the end of the financial year</b>	<b>56,207,077</b>	<b>-</b>	<b>60,743,527</b>	<b>-</b>

In accordance with AASB 2, Share-Based Payments the shares issued under the Executive Share Plan are treated as options and are accounted for as set out in Note 27.

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.

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments

ClearView operates the ClearView Executive Share Plan (ESP or Plan). In accordance with the provisions of the Plan, as approved by shareholders at the 2015 Annual General Meeting, the ownership-based compensation scheme allows participation in the Plan of:

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

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

### Offer and consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView, subject to the terms of conditions of the ESP. Each Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees. This price may be the market price of a Share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView Shares, the Board determined in February 2013 that it is appropriate and reasonable for ClearView to adopt the Volume Weighted Average Price (VWAP) over a 3 month period to determine the market value of the ClearView Shares for the purposes of ESP issues. This has been implemented for all ESP Share issues since that date.

### Restrictions on offer

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

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates approve the issue of new ESP shares and monitors the overall quantum of ESP shares on issue, relative to the interests of existing shareholders and the overall objectives of the business.

### Financial Assistance

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

- For Share issues prior to 14 February 2013 - within 60 days (or a longer period determined by the Board in its discretion) after the 5th anniversary of the grant of the financial assistance (unless it is required to be repaid at an earlier date owing to the operation of the Rules); or
- immediately in the event of certain “disqualifying circumstances” including failure to meet performance or vesting conditions, cessation of the Employee Participant’s employment in circumstances defined in the ESP Rules or termination of the Contractor Participant’s contract with a Group Company for the provision of services.

For Employee Participants, the financial assistance is secured over the shares and rights attached to the shares.

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

As noted in the Remuneration Report it is intended that ESP loans become interest bearing for SMT members from 30 November 2017

### Holding lock

The shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares, unless otherwise provided under the Invitation. Where all performance conditions and/or vesting conditions (if any) attaching to the Shares issued prior to 14 February 2013 have been satisfied (or waived) a holding lock will cease to have effect if:

- The Board accepts a disposal request (as defined in the ESP Rules) (Disposal Request); or
- 5 years have passed from the Acquisition Date; or

If the Participant:

- is an Employee Participant, their employment with the Group ceases, or
- is a Contractor Participant, their contractor agreement is terminated; or
- The ESP is terminated, or



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

• The holding lock period otherwise ceases; provided that the Financial Assistance and any interest that has been accrued have been repaid.

For share issues from 14 February 2013 the Holding Lock ceases on vesting or forfeiture of Shares.

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

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

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

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

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds.

### Change of control

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

#### (a) Until 14 February 2013:

- A person who did not Control the Company at the date of issue of the Plan Shares gains Control of the Company

(but only if the person is not itself Controlled by another person who Controlled the Company at the date of issue); or

- Other circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions;
- “Control” is defined as where a person and its related bodies corporate holds more than 50% of the Shares in ClearView.

#### (b) After 14 February 2013:

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

#### (c) After 1 July 2015:

- For ESP Shares issued to employee participants after 1 July 2015, unless stated otherwise in the participants Invitation Offer, all performance and vesting conditions in relation to these shares, are not deemed to have been met upon a Change of Control
- “Control” is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

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

### Administration of the ESP

The ESP is administered by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the ESP. The Company pays all costs and expenses of operating the ESP. Employees are liable for any brokerage and tax payable associated with their participation in the ESP.

### Termination of the ESP

The Board may resolve at any time to terminate, suspend or reinstate the operation of the ESP for the issue of shares in future.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

### Share-based payment arrangements

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

Series	Issue Date	Type of Arrangement <sup>8</sup>	Number	Grant date	Expiry date	Issue price at grant date \$	Fair value at grant date (pre modification <sup>1</sup> ) \$	Fair value at grant date (post modification <sup>1</sup> ) \$
Series 6 <sup>6</sup>	30/06/2008	KMP	500,000	30/06/2008	Change in Control	0.59	0.10	0.10
Series 7 <sup>2</sup>	29/09/2009	KMP and SM	3,500,000	29/09/2009	29/09/2014	0.49	0.07	0.10
Series 10 <sup>3,10</sup>	25/06/2010	MD	2,000,000	25/06/2010	26/03/2015	0.50	0.11	0.11
Series 11 <sup>4,10</sup>	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.58	0.08	0.08
Series 12 <sup>5,10</sup>	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.65	0.06	0.06
Series 15 <sup>5</sup>	18/08/2011	SM	3,000,000	1/07/2011	1/07/2016	0.50	0.10	0.13
Series 16 <sup>5</sup>	6/10/2011	SM	3,950,000	1/09/2011	1/09/2016	0.50	0.10	0.13
Series 17 <sup>5</sup>	1/03/2012	SM	2,150,000	1/03/2012	1/03/2017	0.50	0.09	0.11
Series 18	1/03/2012	CP	2,500,000	10/02/2012	10/02/2017	0.50	0.12	0.15
Series 19	3/04/2012	CP	600,000	15/03/2012	15/03/2017	0.50	0.12	0.16
Series 20	3/04/2012	CP	700,000	3/04/2012	3/04/2017	0.50	0.13	0.17
Series 21	25/05/2012	CP	2,325,000	7/05/2012	7/05/2017	0.50	0.13	0.17
Series 22	29/06/2012	CP	1,000,000	29/06/2012	29/06/2017	0.50	0.13	0.16
Series 23	6/08/2012	CP	4,600,000	6/08/2012	6/08/2017	0.54	0.17	0.21
Series 24 <sup>5</sup>	22/08/2012	SM	450,000	22/08/2012	22/08/2017	0.55	0.16	0.19
Series 25	21/12/2012	CP	1,300,000	21/12/2012	21/12/2017	0.58	0.16	0.20
Series 26 <sup>7</sup>	16/04/2013	SM	2,650,000	12/04/2013	50% Change in Control; 50% 1 year after	0.57	n/a	0.29
Series 27	16/04/2013	SM	150,000	12/04/2013	1 year post Change in Control	0.57	n/a	0.27
Series 28	16/04/2013	CP	566,667	12/04/2013	12/04/2018	0.69	n/a	0.22
Series 29	31/05/2013	CP	1,700,000	31/05/2013	31/05/2018	0.68	n/a	0.22
Series 30	27/06/2013	CP	750,666	27/06/2013	27/06/2018	0.64	n/a	0.21
Series 31	14/10/2013	SM	1,175,000	14/10/2013	Change in Control	0.61	n/a	0.17
Series 32	14/10/2013	SM	1,175,000	14/10/2013	1 year post Change in Control	0.61	n/a	0.19
Series 33	29/11/2013	SM	75,000	29/11/2013	Change in Control	0.61	n/a	0.17

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

Series	Issue Date	Type of Arrangement <sup>8</sup>	Number	Grant date	Expiry date	Issue price at grant date \$	Fair value at grant date (pre modification <sup>1</sup> ) \$	Fair value at grant date (post modification <sup>1</sup> ) \$
Series 34	29/11/2013	SM	75,000	29/11/2013	1 year post Change in Control	0.61	n/a	0.19
Series 35	31/01/2014	SM	75,000	31/01/2014	Change in Control	0.65	n/a	0.17
Series 36	31/01/2014	SM	75,000	31/01/2014	1 year post Change in Control	0.65	n/a	0.20
Series 37	31/01/2014	CP	2,453,333	31/01/2014	31/01/2019	0.65	n/a	0.17
Series 38	30/05/2014	SM	737,000	30/05/2014	30/05/2018	0.75	n/a	0.17
Series 39	30/05/2014	SM	737,000	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 40	30/05/2014	SM	737,000	30/05/2014	30/05/2020	0.75	n/a	0.22
Series 41	30/05/2014	CP	1,950,000	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 42	9/07/2014	CP	4,560,760	9/07/2014	8-Jul-19	0.79	n/a	0.17
Series 43	26/11/2014	SM including KMP	181,518	26/11/2014	25-Nov-18	1.01	n/a	0.19
Series 44	26/11/2014	CP	2,413,368	26/11/2014	25-Nov-19	1.01	n/a	0.22
Series 44	26/11/2014	SM including KMP	181,518	26/11/2014	25-Nov-19	1.01	n/a	0.22
Series 45	26/11/2014	SM including KMP	181,518	26/11/2014	25-Nov-20	1.01	n/a	0.24
Series 46	30/03/2015	SM including KMP	141,667	30/03/2015	30/03/2019	1.00	n/a	0.22
Series 47	30/03/2015	SM including KMP	141,667	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 47	30/03/2015	CP	1,550,000	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 48	30/03/2015	SM including KMP	141,666	30/03/2015	30/03/2021	1.00	n/a	0.28
Series 49	30/07/2015	CP	3,009,452	30/07/2015	30/07/2020	0.97	n/a	0.19
Series 50a	30/07/2015	SM including KMP	25,773	30/07/2015	30/07/2019	0.97	n/a	0.17
Series 50b	30/07/2015	SM including KMP	25,773	30/07/2015	30/07/2020	0.97	n/a	0.19
Series 50c	30/07/2015	SM including KMP	25,774	30/07/2015	30/07/2021	0.97	n/a	0.22
Series 51a	23/12/2015	SM including KMP	602,032	23/12/2015	23/12/2020	0.96	n/a	0.19
Series 51b	23/12/2015	SM including KMP	602,031	23/12/2015	23/12/2021	0.96	n/a	0.22
Series 52	27/04/2016	SM including KMP	295,603	27/04/2016	27/04/2021	0.93	n/a	0.20
Series 53	27/04/2016	CP	1,494,140	27/04/2016	27/04/2021	0.93	n/a	0.20
Series 54	20/06/2016	SM including KMP	79,694	20/06/2016	20/06/2021	0.94	na	0.20
Series 55	14/06/2017	CP	1,300,000	14/06/2017	14/06/2022	1.38	na	0.30

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

2 A Change of Control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%. As a result, the vesting conditions for employees that were issued shares prior to the date of change of control were accelerated.

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

4 Shares vested 2 years from date of commencement of employment on 26 March 2012.

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

6 The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.

7 Special condition relating to shares issued to KMP in Series 26: the shares may be sold on change of control with 50% of the funds held for in escrow for a period of 12 months.

8 KMP = Key Management Personnel, SM = Senior Management, MD = Managing Director, CP = Contractor Participant.

# Notes to the Financial Statements

For the year ended 30 June 2017

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## 27. Share-based payments *continued*

Inputs into the model	Series 6	Series 7	Series 10	Series 11	Series 12
Grant date share price (\$)	0.59	0.49	0.50	0.58	0.65
Anticipated vesting price (\$)	0.58	0.55	0.54	0.63	0.71
Expected volatility (%)	25.26	30.24	28.78	28.78	28.78
Anticipated option life (years)	3.00	1.75	2.75	2.75	2.75
Inputs into the model	Series 15	Series 16	Series 17	Series 18	Series 19
Grant date share price (\$)	0.50	0.50	0.50	0.50	0.50
Anticipated vesting price (\$)	0.50	0.51	0.50	0.50	0.50
Expected volatility (%)	31.49	35.35	36.70	37.06	36.47
Anticipated option life (years)	3.00	3.00	3.00	4.95	4.95
Inputs into the model	Series 20	Series 21	Series 22	Series 23	Series 24
Grant date share price (\$)	0.50	0.50	0.50	0.54	0.55
Anticipated vesting price (\$)	0.50	0.49	0.49	0.53	0.54
Expected volatility (%)	36.61	36.94	37.33	37.85	37.99
Anticipated option life (years)	5.00	4.95	5.00	5.00	3.00
Inputs into the model	Series 25	Series 26	Series 27	Series 28	Series 29
Grant date share price (\$)	0.58	0.57	0.57	0.69	0.68
Anticipated vesting price (\$)	0.58	0.57	0.57	0.69	0.68
Expected volatility (%)	35.21	35.92	35.92	35.92	36.81
Anticipated option life (years)	5.00	5.99	4.99	4.99	5.00
Inputs into the model	Series 30	Series 31	Series 32	Series 33	Series 34
Grant date share price (\$)	0.64	0.61	0.61	0.61	0.61
Anticipated vesting price (\$)	0.64	0.61	0.61	0.61	0.61
Expected volatility (%)	36.90	22.20	22.20	22.11	22.11
Anticipated option life (years)	5.00	5.00	6.00	5.00	6.00
Inputs into the model	Series 35	Series 36	Series 37	Series 38	Series 39
Grant date share price (\$)	0.65	0.65	0.65	0.75	0.75
Anticipated vesting price (\$)	0.65	0.65	0.65	0.75	0.75
Expected volatility (%)	22.01	22.01	22.01	21.12	21.12
Anticipated option life (years)	5.00	6.00	5.00	4.00	5.00
Inputs into the model	Series 40	Series 41	Series 42	Series 43	Series 44
Grant date share price (\$)	0.75	0.75	0.79	1.01	1.01
Anticipated vesting price (\$)	0.75	0.75	0.79	1.01	1.01
Expected volatility (%)	21.12	21.12	16.78	19.79	21.56
Anticipated option life (years)	6.00	5.00	5.00	4.00	5.00
Inputs into the model	Series 45	Series 46	Series 47	Series 48	Series 49
Grant date share price (\$)	1.01	1.00	1.00	1.00	0.97
Anticipated vesting price (\$)	1.01	1.00	1.00	1.00	0.97
Expected volatility (%)	24.18	20.84	20.84	20.84	20.15
Anticipated option life (years)	6.00	4.00	5.00	6.00	5.00

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

Inputs into the model	Series 50a	Series 50b	Series 50c	Series 51a	Series 51b
Grant date share price (\$)	0.97	0.97	0.97	0.96	0.96
Anticipated vesting price (\$)	0.97	0.97	0.97	0.96	0.96
Expected volatility (%)	20.15	20.15	20.15	20.03	20.03
Anticipated option life (years)	4.00	5.00	6.00	5.00	6.00
Inputs into the model	Series 52	Series 53	Series 54	Series 55	
Grant date share price (\$)	0.93	0.93	0.94	1.38	
Anticipated vesting price (\$)	0.93	0.93	0.94	1.38	
Expected volatility (%)	20.31	20.31	20.55	20.11	
Anticipated option life (years)	5.00	5.00	5.00	5.00	

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

	2017		2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance at the beginning of the financial year	60,743,527	0.64	58,371,348	0.61
Issued during the financial year	1,300,000	1.38	6,160,179	0.96
Forfeited during the year	(3,693,143)	1.32	-	-
Share bought back during the year	-	-	(2,438,648)	0.73
Exercised during the year	(2,143,307)	0.82	(969,751)	0.50
Reallocated during the year	-	-	(379,601)	-
<b>Balance at the end of the financial year</b>	<b>56,207,077</b>	<b>0.61</b>	<b>60,743,527</b>	<b>0.64</b>

The above reconciles the outstanding shares granted under the executive share plan at the beginning and end of the financial year.

### Shares that were granted in the current year

In accordance with the provisions of the ESP, during the financial year 1,300,000 shares were granted to financial advisers with the grant dates set out above. 2,143,307 vested ESP shares were exercised during the financial year, of which 1,361,987 were transferred to the participants personal holdings and 781,320 of which were sold via an off market transfer to repay outstanding ESP loans attached to the vested ESP shares with the balance being paid to the participant. 3,693,143 ESP shares did not vest during the financial year and have been forfeited. These unvested shares were sold via an off market transfer with the full proceeds of the sale being received by the Company.

The following table outlines the vesting conditions and performance conditions of share based payment arrangements in existence during the period.

### Employee participants

Series	Vesting Conditions	Performance Conditions
Series 6 – 30 June 2008 Issue	Nil <sup>1</sup>	Nil
Series 7 – 29 September 2009 Issue	Nil <sup>1</sup>	Nil
Series 10 – 25 June 2010 Issue	Nil <sup>2</sup>	Nil
Series 11 – 25 June 2010 Issue	Nil <sup>2</sup>	Nil
Series 12 – 25 June 2010 Issue	Nil <sup>2,4</sup>	Nil
Series 15 – 18 August 2011 Issue	Nil <sup>4</sup>	Nil
Series 16 – 6 October 2011 Issue	Nil <sup>4</sup>	Nil

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

Series	Vesting Conditions	Performance Conditions
Series 17 - 1 March 2012	Nil <sup>4</sup>	Nil
Series 24 - 22 August 2012 Issue	Nil <sup>4</sup>	Nil
Series 26 - 16 April 2013 Issue	Upon a change in control of the company <sup>3</sup>	Nil
Series 27 - 16 April 2013 Issue	First year anniversary upon the change in control	Nil
Series 31 - 14 October 2013 Issue	Upon a change in control of the company	Nil
Series 32 - 14 October 2013 Issue	First year anniversary upon the change in control	Nil
Series 35 - 31 January 2014 Issue	Upon a change in control of the company	Nil
Series 36 - 31 January 2014 Issue	First year anniversary upon the change in control	Nil
Series 38 - 30 May 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 39 - 30 May 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 40 - 30 May 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 43 - 26 November 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 44 - 26 November 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 45 - 26 November 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 46 - 30 March 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 47 - 30 March 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 48 - 30 March 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 50a - 30 July 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 50b - 30 July 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 50c - 30 July 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 51a & 51b - 23 December 2015 Issue	Upon a change in control of the company	Nil
Series 52 - 27 April 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 54 - 20 June 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil

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

2 In accordance with Mr Swanson's employment contract, Mr Swanson is entitled to a long term incentive comprising 10 million Shares in accordance with the ESP, and vesting progressively over three years from the commencement date of his contract as follows:  
Series 10: 2 million shares at an issue price of 50 cents vesting on 26 March 2011 (vested);  
Series 11: 4 million shares at an issue price of 58 cents vesting on 26 March 2012 (vested); and  
Series 12: 4 million shares at an issue price of 65 cents vesting on 26 September 2012 (vested) on change of control of ClearView.  
The Shares issued to Mr Swanson have vested progressively each year as outlined above.

3 Special condition relating to shares issued to KMP in Series 26: 100% of the shares may be sold on change of control, but 50% are held in escrow after employment for 1 year thereafter.

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 27. Share-based payments *continued*

### Contractor participants

Series	Vesting conditions <sup>1</sup>	Performance conditions
Series 18 – 1 March 2012 Issue	4 years and 346 days from the date of issue and achievement of specific target	Nil
Series 19 – 3 April 2012 Issue	4 years and 346 days from the date of issue and achievement of specific target	Nil
Series 21 – 25 May 2012 Issue	4 years and 347 days from the date of issue and achievement of specific target	Nil
Series 22 – 29 June 2012 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 23 – 6 August 2012 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 25 – 21 December 2012 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 28 – 16 April 2013 Issue	4 years and 361 days from the date of issue and achievement of specific target	Nil
Series 29 – 31 May 2013 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 30 – 27 June 2013 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 37 – 31 January 2014 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 41 – 30 May 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 42 – 9 July 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 44 – 26 November 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 47 – 30 March 2015 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 49 – 30 July 2015 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 53 – 27 April 2016 Issue	5 years from the date of issue and achievement of balanced scorecard	Nil
Series 55 – 14 June 2017 Issue	5 years from the date of issue and achievement of balanced scorecard	Nil

<sup>1</sup> Subject to qualifying circumstances as outlined in the ESP Plan Rules.

Unless otherwise stated in the Invitation Letter to an individual employee participant, the vesting conditions in the ESP rules stipulate that shares issued in terms of the Plan to employee participants will either automatically vest with a change of control of the Company (for shares issued prior to 14 February 2013) and for all other shares 12 months after a change in control. The change of control provisions do not apply to shares issued in terms of the plan to contractor participants.

On 26 September 2012 CCP Bidco Pty Limited and its Associates (CCP Bidco), CCP Bidco's off-market takeover bid for all the ordinary shares in ClearView became unconditional which resulted in accelerating the vesting of the shares in the ESP at that time, including all Series 10 to 24 which had been issued to employee participants prior to the change of control. Series 7 was issued prior to 23 October 2009, where the change of control provision was triggered upon GPG obtaining control of ClearView.

The Board had previously announced that it had considered several alternatives in relation to its major shareholder, Crescent Capital Partners and its Associates (Crescent) selling down its 52.9% shareholding. This process resulted in Sony Life Insurance Co., Ltd (Sony Life) becoming a new strategic shareholder in October 2016 following their agreement with Crescent to acquire a 14.9% stake in ClearView.



# Notes to the Financial Statements

For the year ended 30 June 2017

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## 27. Share-based payments *continued*

### Shares that were forfeited during the year

The following table shows the shares that were forfeited due to the vesting conditions not being met.

Date	Number of share cancelled	Cancelled from
16/06/2017	75,000	Series 46, 47 and 48
16/06/2017	161,238	Series 52
16/06/2017	39,604	Series 43
16/06/2017	125,000	Series 46, 47 and 48
16/06/2017	189,873	Series 42
16/06/2017	400,000	Series 46
16/06/2017	1,000,000	Series 41
16/06/2017	302,160	Series 19
16/06/2017	40,470	Series 23
16/06/2017	116,145	Series 25
16/06/2017	109,180	Series 25
16/06/2017	111,375	Series 30
16/06/2017	378,203	Series 30
16/06/2017	149,867	Series 37
16/06/2017	424,164	Series 37
16/06/2017	32,910	Series 37
16/06/2017	18,350	Series 23
16/06/2017	19,604	Series 43
<b>Total</b>	<b>3,693,143</b>	

### Shares that were exercised during the year

The following table shows the shares that were exercised due to the vesting conditions being met.

Date	Number of share exercised	Exercised from
5/04/2017	700,000	Series 20
16/06/2017	89,307	Series 43
16/06/2017	450,000	Series 21
16/06/2017	150,000	Series 17
16/06/2017	500,000	Series 21
23/06/2017	254,000	Series 16, 38, 39 and 40
<b>Total</b>	<b>2,143,307</b>	

## 28. Shares granted under the executive share plan

In accordance with the provisions of the ESP, as at 30 June 2017, key management, members of the senior management team, the managing director and contractor participants have acquired 56,207,077 (2016: 60,743,527) ordinary shares. Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to \$36,780,762 (2016: \$39,618,401) was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP. For details of the ESP refer to Note 27.

# Notes to the Financial Statements

For the year ended 30 June 2017

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## 29. Dividends

	Consolidated and Company			
	2017		2016	
	Per share	\$'000	Per share	\$'000
<b>Dividend payments on Ordinary shares</b>				
2016 final dividend (2016: 2015 final dividend) (cps)	2.50	16,454	2.10	12,301
<b>Total dividends on ordinary shares paid to owners of the Company</b>	<b>2.50</b>	<b>16,454</b>	<b>2.10</b>	<b>12,301</b>
<b>Dividends not recognised in the consolidated statement of financial position</b>				
Dividends declared since balance date				
2017 final dividend (2016: 2016 final dividend) (cps)	2.75	18,136	2.50	16,454
<b>Dividend franking account</b>				
Amount of franking credit available for use in subsequent financial years				
	-	27,610	-	24,286

1 The impact on the dividend franking account for the final dividend declared is expected to reduce the franking account by \$7.8 million (2016: \$7.1 million). There are no other income tax consequences for dividends not recognised in the statement of financial position.

2 The total 2017 final dividend declared but not recognised in the statement of financial position is estimated based on the total number of ordinary shares on issue as at the date of this report. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2018 will be based on the actual number of ordinary shares on issue on the record date.

The Directors declared that there will be a final fully franked dividend paid for the year ended 30 June 2017 of \$18.14 million (2016: \$16.45 million).

## 30. Reconciliation of net profit for the year to net cash flows from operating activities

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Net profit/(loss) for the year</b>	13,150	23,615	17,508	13,427
Fair value gains on financial assets at fair value through profit and loss	(62,432)	4,670	-	-
Loss on disposal of property, plant and equipment	-	287	-	-
Amortisation and depreciation	13,637	13,802	-	-
Employee share plan expense	1,012	1,083	1,012	1,083
Other non cash items	(306)	(16)	-	-
Interest and dividend received from controlled entity	-	-	(21,000)	(17,000)
Reinvested trust distribution income/interest income	(32,041)	(26,625)	-	(421)
Movement in provisions	3,035	2,381	-	2,381
Movements in liabilities to non-controlling interest in controlled unit trust	44,593	14,768	-	-
(Increase)/decrease in receivables	(17,563)	721	2,306	(1,971)
Decrease/(increase)/ in deferred tax asset	1,115	(47)	263	109
Increase/(decrease) in payables	4,761	115	(579)	423
Increase/(decrease) in policy liabilities	4,893	(53,446)	-	-
Increase/(decrease) in current tax liability	1,164	(5,189)	1,164	(5,189)
<b>Net cash (utilised)/generated by operating activities</b>	<b>(24,982)</b>	<b>(23,881)</b>	<b>674</b>	<b>(7,158)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

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## 31. Subsidiaries

Name of Entity	Principal Activity	Parent Entity	Country of incorporation	Ownership interest	
				2017 %	2016 %
<b>Parent entity</b>					
ClearView Wealth Limited (CWL)	Holding Company	-	Australia		
<b>Subsidiaries</b>					
ClearView Group Holdings Pty Limited (CGHPL)	Holding Company	CWL	Australia	100	100
ClearView Life Assurance Limited (CLAL)	Life Company	CGHPL	Australia	100	100
ClearView Financial Management Limited (CFML)	Responsible Entity	CGHPL	Australia	100	100
ClearView Life Nominees Pty Limited (CLNPL)	Trustee	CLAL	Australia	100	100
ClearView Administration Services Pty Limited (CASPL)	Administration Service Entity	CWL	Australia	100	100
ClearView Financial Advice Pty Limited (CFAPL)	Advice Company	CWL	Australia	100	100
Matrix Planning Solutions Limited (MPS)	Advice Company	CWL	Australia	100	100
Affiliate Financial Planning Pty Limited	Non operating	CFA	Australia	100	100
<b>Controlled unit trusts</b>					
CVW Pimco International Bonds Fund	Wholesale Fund	CLAL	Australia	96	96
CVW Schroder Equity Opportunities Fund	Wholesale Fund	CLAL	Australia	47	54
CVW Fixed Interest Fund	Wholesale Fund	CLAL	Australia	58	62
CVW SSGA International Shares Fund	Wholesale Fund	CLAL	Australia	93	93
CVW Listed Property Fund	Wholesale Fund	CLAL	Australia	51	69
CVW Cash Fund	Wholesale Fund	CLAL	Australia	72	75
CVW CFS Infrastructure Fund	Wholesale Fund	CLAL	Australia	56	59
CVW RARE Emerging Markets Fund	Wholesale Fund	CLAL	Australia	56	65
CVW Platinum International Shares Fund	Wholesale Fund	CLAL	Australia	30	99
CVW Hyperion Australian Shares Fund	Wholesale Fund	CLAL	Australia	92	90
CVW Vanguard Listed International Infrastructure Fund	Wholesale Fund	CLAL	Australia	99	98
CVW Vanguard Emerging Markets Fund	Wholesale Fund	CLAL	Australia	98	98
CVW Plato Australian Shares Fund	Wholesale Fund	CLAL	Australia	77	81
CVW MFS International Shares Fund	Wholesale Fund	CLAL	Australia	21	33

CASPL was incorporated to centralise the administrative responsibilities of the group which include salary disbursements and settling all non-directly attributable overhead expenditure. CASPL recoups all expenditure by virtue of a management fee from the various group companies and operates on a cost recovery basis (in accordance with an inter group agreement).

Controlled unit trusts are not members of the tax consolidated group. Members of the ClearView tax consolidated group include the parent entity and its subsidiaries.

CWL is regulated as a Non-Operating and Holding Company by the Australia Prudential Regulation Authority (APRA) under the Life Insurance Act 1995, and via its subsidiaries, holds an APRA life insurance licence (CLAL), and APRA registrable superannuation entity (RSE) licence (CLN), an ASIC funds manager responsible entity (RE) licence (CFML) and operates two ASIC financial adviser licences (CFA and MPS).

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 32. 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 31 to the financial statements.

### (b) Transactions with KMP

#### Key management personnel compensation

Details of Key Management Personnel compensation are disclosed in the Directors' Report on pages 48 to 64 of the Annual Report. The aggregate compensation made to Key Management Personnel (KMP) of the Company and the Group is set out below:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	4,843,740	5,128,138
Post-employment benefits	389,144	533,940
Share based payments	176,233	157,063
<b>Total</b>	<b>5,409,117</b>	<b>5,819,141</b>

#### Limited recourse loans

Limited recourse loans were granted to KMP ESP participants in May 2017. This limited recourse loan facility is secured by the ESP shares held and will become interest bearing from 30 November 2017 at 3 year BBSY rate plus a margin of 1%. This limited recourse facility is reflected as loans on balance sheet of the listed entity.

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

Other related parties include:

- Entities with significant influence over the Group;
- Associates; and
- Subsidiaries.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties during the financial year ended 30 June 2017 are disclosed below:

- Directors fees were paid to Crescent Capital Partners Pty Limited the manager of the parent entity's majority shareholder CCP Bidco Pty Limited; and
- Directors fees were paid to Sony Life Insurance Co., Ltd.

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

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 32. Related party transactions continued

Outstanding balances between the Group and its related parties

	ClearView Wealth Limited	ClearView Life Assurance Limited	ClearView Financial Management Limited	ClearView Financial Advice Pty Limited	Matrix Planning Solutions Limited	ClearView Administration Services Pty Limited	ClearView Life Nominees Pty Limited	ClearView Retirement Plan	CFML Managed Investment Schemes	Total
2017	\$	\$	\$	\$	\$	\$	\$	\$		\$
ClearView Wealth Limited	-	(3,667,738)	(523,676)	(992,035)	211,021	(1,486,965)	(13,276)	(3,773,887)	-	(10,246,556)
ClearView Life Assurance Limited	3,667,738	-	167,090	634,285	(7,358)	4,424,191	-	-	-	8,885,946
ClearView Financial Management Limited	523,676	(167,090)	-	66,280	-	314,793	(158,366)	-	756,350	1,335,643
ClearView Financial Advice Pty Limited	992,035	(634,285)	(66,280)	-	7	1,027,033	-	-	-	1,318,510
Matrix Planning Solutions Limited	(211,021)	7,358	-	(7)	-	497,443	-	-	-	293,773
ClearView Admin Services Pty Limited	1,486,965	(4,424,191)	(314,793)	(1,027,033)	(497,443)	-	-	-	-	(4,776,495)
ClearView Life Nominees Pty Limited	13,276	-	158,366	-	-	-	-	-	-	171,642
ClearView Retirement Plan	3,773,887	-	-	-	-	-	-	-	-	3,773,887
CFML Managed Investment Schemes	-	-	(756,350)	-	-	-	-	-	-	(756,350)
	<b>10,246,556</b>	<b>(8,885,946)</b>	<b>(1,335,643)</b>	<b>(1,318,510)</b>	<b>(293,773)</b>	<b>4,776,495</b>	<b>(171,642)</b>	<b>(3,773,887)</b>	<b>756,350</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 32. Related party transactions *continued*

	ClearView Wealth Limited	ClearView Life Assurance Limited	ClearView Financial Management Limited	ClearView Financial Advice Pty Limited	Matrix Planning Solutions Limited	ClearView Administration Services Pty Limited	ClearView Life Nominees Pty Limited	ClearView Retirement Plan	CFML Managed Investment Schemes	Total
2016	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ClearView Wealth Limited	-	(6,616,997)	(12,747)	128,517	(271,757)	(4,847,916)	(153,512)	-	-	(11,774,412)
ClearView Life Assurance Limited	6,616,997	-	127,116	607,712	(8,657)	4,474,005	-	-	-	11,817,173
ClearView Financial Management Limited	12,747	(127,116)	-	(47,953)	-	223,538	(571,495)	-	-	(510,279)
ClearView Financial Advice Pty Limited	(128,517)	(607,712)	47,953	-	(25,734)	926,358	84,777	-	-	297,125
Matrix Planning Solutions Limited	271,757	8,657.00	-	25,734.00	-	313,518	-	-	-	619,666
ClearView Admin Services Pty Limited	4,847,916	(4,474,005)	(223,538)	(926,358)	(313,518)	-	(21,257)	-	-	(1,110,760)
ClearView Life Nominees Pty Limited	153,512	-	571,495	(84,777)	-	21,257	-	-	-	661,487
	<b>11,774,412</b>	<b>(11,817,173)</b>	<b>510,279</b>	<b>(297,125)</b>	<b>(619,666)</b>	<b>1,110,760</b>	<b>(661,487)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (d) Transactions other than financial instrument transactions

No Director has entered into a material contract with the Company or the ClearView Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end. Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, life insurance policies and superannuation.

## 33. Financial instruments

### (a) Management of Financial Instruments

The financial assets of the Group (other than shareholder cash holdings) are managed by specialist investment managers who are required to invest the assets allocated in accordance with directions from the Board. BNP Paribas acts as master custodian on behalf of the Group and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions. Daily operating bank accounts and shareholder cash are managed within the Group by the internal management and the finance department.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3(x).

### (c) Capital risk management

The Group maintains capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the Group's risk appetite. The Group's capital structure consists of ordinary equity comprising issued capital, retained earnings and reserves (as detailed in Notes 12 and 26).

The Group has access to a \$60 million Debt Funding Facility as at the date of this report. This was put in place in July 2017

### 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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
<b>2017</b>				
Equity Securities	262,428	-	-	262,428
Fixed Interest Securities	-	448,086	-	448,086
Unit Trusts	1,103,535	-	-	1,103,535
<b>Total</b>	<b>1,365,963</b>	<b>448,086</b>	<b>-</b>	<b>1,814,049</b>
<b>2016</b>				
Equity Securities	256,093	-	-	256,093
Fixed Interest Securities	-	424,963	-	424,963
Unit Trusts	934,170	-	-	934,170
<b>Total</b>	<b>1,190,263</b>	<b>424,963</b>	<b>-</b>	<b>1,615,226</b>
<b>Financial Liabilities</b>				
<b>2017</b>				
Life investment policy liability	-	1,177,290	-	1,177,290
<b>Total</b>	<b>-</b>	<b>1,177,290</b>	<b>-</b>	<b>1,177,290</b>
<b>2016</b>				
Life investment policy liability	-	1,152,554	-	1,152,554
<b>Total</b>	<b>-</b>	<b>1,152,554</b>	<b>-</b>	<b>1,152,554</b>

for 3 years to replace the facility that was in place at 30 June 2017 (and due to expire in December 2017). The \$60 million 3 year debt facility provides the Group with further capital support and to meet liquidity needs from time to time. As at 30 June 2017, the Company has not drawn down any amount under the Debt Funding Facility.

ClearView is now fully capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium term growth, with some additional capital flexibility over the medium term.

### (d) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with the fair value hierarchy.



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

### (e) Categories of financial instruments

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

	Consolidated		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Investment in group companies	-	-	377,159	354,158
Cash and cash equivalents	222,197	217,673	5,880	20,889
Fixed interest deposits (held to maturity deposits)	78,327	79,584	-	-
Life insurance investment assets (FVTPL)	1,814,049	1,615,226	-	-
Loans and receivables	37,947	16,097	13,689	11,855
Current tax assests	-	641	-	641
<b>Total</b>	<b>2,152,520</b>	<b>1,929,221</b>	<b>396,728</b>	<b>387,543</b>
<b>Financial liabilities</b>				
Policyholder liabilities	954,320	949,427	-	-
Payables	39,909	35,619	352	780
Current tax liabilities	523	-	523	-
Provisions	8,460	5,215	18	26
<b>Total</b>	<b>1,003,212</b>	<b>990,261</b>	<b>893</b>	<b>806</b>

### (f) Financial risk management objectives

The primary asset risks borne by the Company relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets).

The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Company which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure.

### (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 Group through:

- Maintaining the level of interest rate exposure within the tolerances set by the Board in the RMCS;
- Investing ClearView's assets in accordance with the Board approved Investment Policy and Guidelines; and
- By holding capital reserves in accordance with the Company's ICAAP with respect to the residual interest rate risk exposure retained, in addition to the regulatory capital reserves held within ClearView Life in respect of interest rate risk.

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

### Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. As at 30 June 2017, ClearView's shareholder related assets were not invested in equities and therefore not exposed to equity price risk.

In contrast to this, the Policyholder assets and other client funds under management and under administration, involve significant investment in equities. As noted above, the Policyholder asset risks are borne by the policyholders. The Group is exposed to secondary risks on its management and advice fees that are driven by the total funds under management and administration, as well as reputational risks from poor investment returns.

The investment of the Policyholder assets and client monies controlled by ClearView is undertaken in accordance with the Investment Policy and Guidelines approved by the Board, which inter alia stipulates the investment allocation mix, the portfolio's risk characteristics, management response plans and the use of derivatives.

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

### (h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk exposures arising from investment activities are assessed by the Group's internal investment management committee (the ClearView Investment Committee (CIC) appointed by the Board) prior to investing ClearView assets into any significant financial asset. The ongoing credit standing of material investments are monitored by the CIC.

The CIC is charged with maintaining the credit quality of ClearView assets within the Board's investment guidelines.

The large majority of debt assets invested in by the Group 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 Group's custodian. Formal compliance reporting is monitored monthly by the CIC.

Credit risk arising from other third party transactions, such as reinsurance recovery exposures and exposure to outsource service providers, are assessed prior to entering into financial transactions with those parties, are approved by the Board where material, and are monitored by appropriate mechanisms on an ongoing basis (for example, a quarterly monitoring and compliance reporting process in respect of the ClearView's outsourced custodian).

The Group does not expect any of its material counterparties to fail to meet their obligations and does not require collateral or other security to support these credit risk exposures.

Specific capital reserves are held against credit risk under the regulatory capital requirements of ClearView Life and credit risk is considered within the Company's ICAAP.

The Group does have significant credit risk exposure to counterparties but these counterparties have a high credit rating. The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Board that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

The following table reflects the shareholder financial assets with credit risk exposure monitored by the CIC:

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Cash and cash equivalents and debt securities/fixed interest securities</b>				
Rating				
AAA to AA-	156,319	169,921	5,880	20,889
	<b>156,319</b>	<b>169,921</b>	<b>5,880</b>	<b>20,889</b>

In addition to the credit risk exposures above, the Group had a \$15.3 million (2016: \$0.7 million payable) exposure to Swiss Re Life & Health Australia Ltd in relation to reinsurer's share of policy liabilities. Credit risk associated with receivables is considered minimal. The main receivables balance is in relation to receivables from outstanding premiums receivable, accrued dividends, loans receivable, prepayments and outstanding settlements. The concentration of other receivables is spread across the various debtors with no single significant debtor.

### (i) Liquidity risk

Liquidity risk is primarily the risk that the Group will encounter difficulty in meeting its obligations due to an inability to realise some or all of its assets in order to fund its cash flow needs, including the payment of amounts to its policyholders, members and clients. A secondary risk relates to the risk of the illiquidity of the external (including off balance sheet) funds its clients invest in, which may result in restricted fee flows to the Group and/or reputational damage via association.

The primary risk is controlled through focusing the Group's assets, as well as policyholder and member assets and the investment of client funds controlled by ClearView Life, into assets which are highly marketable and readily convertible into cash. In addition, the Group maintains suitable cash holdings at call and an appropriate overdraft facility.

The Group's cash flow requirements are reviewed and forecast daily for a one week forward period. This assessment takes into account the timing of expected cash flows, the likelihood of significant benefit outflows over the short term and known significant one-off payments.

Under the terms of the Group's products (issued via ClearView Life and ClearView Financial Management) the payment of unit fund redemptions to policyholders and unit trust investors may be delayed, if necessary, until funds are available. To date no such delays have been imposed.

The risks in respect of external (third party) funds are controlled via the Group's Approved Product List, which restricts the external funds available for use by the Group's advisers and planners to investment platform providers that are assessed to be reputable and financially sound.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

The following tables summarise the realisation profile of financial assets at the reporting date. There were no financial assets past due or impaired at the reporting date other than those provided for.

	Consolidated					
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	5,152	692	432	38	-	6,314
Outstanding life insurance premiums net of provision	3,078	25	6	-	-	3,109
Accrued dividends	2,036	-	-	-	-	2,036
Investment income and distribution income	10,317	-	-	-	-	10,317
Loans	1,234	80	1,450	5,579	-	8,343
Prepayments	1,910	834	554	-	-	3,298
Related party receivables	756	-	3,774	-	-	4,530
<b>Total</b>	<b>24,483</b>	<b>1,631</b>	<b>6,216</b>	<b>5,617</b>	<b>-</b>	<b>37,947</b>

2016						
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	3,088	19	6	-	-	3,113
Current tax assets	-	641	-	-	-	641
Outstanding life insurance premiums net of provision	2,558	25	3	-	-	2,586
Accrued dividends	2,232	-	-	-	-	2,232
Investment income and distribution income	888	-	-	-	-	888
Loans	601	336	640	1,781	364	3,722
<b>Total</b>	<b>9,367</b>	<b>1,021</b>	<b>649</b>	<b>1,781</b>	<b>364</b>	<b>13,182</b>

	Company					
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	19	15	-	-	-	34
Amounts from controlled/associated entities	6,472	-	-	-	-	6,472
Loan receivables	-	-	-	3,409	-	3,409
Related party receivables	-	-	3,774	-	-	3,774
<b>Total</b>	<b>6,491</b>	<b>15</b>	<b>3,774</b>	<b>3,409</b>	<b>-</b>	<b>13,689</b>
2016						
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	14	17	25	24	-	80
Current tax assets	-	641	-	-	-	641
Amounts from controlled/associated entities	6,928	-	-	4,847	-	11,775
<b>Total</b>	<b>6,942</b>	<b>658</b>	<b>25</b>	<b>4,871</b>	<b>-</b>	<b>12,496</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments 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 principal cash flows.

	Consolidated					
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	26,394	153	321	830	84	27,782
Current tax liabilities	-	523	-	-	-	523
Provisions	1,507	1,204	784	2,895	2,070	8,460
Reinsurance payable <sup>1</sup>	12,127	-	-	-	-	12,127
<b>Total</b>	<b>39,104</b>	<b>1,518</b>	<b>1,091</b>	<b>5,025</b>	<b>2,154</b>	<b>48,892</b>
2016						
Payables	25,542	62	35	1,338	84	27,061
Provisions	343	703	1,791	585	1,793	5,215
Reinsurance payable <sup>1</sup>	8,487	-	-	-	-	8,487
<b>Total</b>	<b>34,372</b>	<b>765</b>	<b>1,826</b>	<b>1,923</b>	<b>1,877</b>	<b>40,763</b>
	Company					
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	352	-	-	-	-	352
Current tax liabilities	-	523	-	-	-	523
Provisions	-	18	-	-	-	18
<b>Total</b>	<b>352</b>	<b>541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>893</b>
2016						
Payables	776	4	-	-	-	780
Provisions	-	26	-	-	-	26
<b>Total</b>	<b>776</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>806</b>

<sup>1</sup> Reinsurance payable represents reinsurance premium payable on reinsurance due in respect of life insurance premium.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

The following table gives information about how the fair values of the financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used, significant unobservable inputs and the relationship of unobservable inputs to fair value).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2017 \$'000	2016 \$'000				
Equity Securities	262,428	256,093	Level 1	Quoted bid prices in an active market	n/a	n/a
Fixed Interest Securities	448,086	424,963	Level 2	The fair value of Fixed Interest Securities are based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the investment.	n/a	n/a
Unit Trusts	1,103,535	934,170	Level 1	Quoted bid prices in an active market	n/a	n/a
<b>Total</b>	<b>1,814,049</b>	<b>1,615,226</b>				

### (j) Financing Facilities

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000

**The Group has access to the following facilities:**

#### Bank Guarantees

- amount used	1,598	1,272	-	-
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#### Overdraft and credit

- amount used	-	-	-	-
- amount unused	2,000	2,000	-	-

#### Bank Revolving Facility

- amount used	-	-	-	-
- amount unused	50,000	50,000	-	-

As at the reporting date the Company had a \$50 million facility agreement with the Commonwealth Bank of Australia. This facility was unused and available for immediate use. Interest on the loan accrued at BBSY plus a margin of 0.7% per annum, and was payable monthly. Furthermore, a line fee of 0.4% per annum was payable on the facility on a quarterly basis. The facility was secured by a number of cross guarantees, refer to Note 38 for details.

On 25 July 2017 the Facility with the Commonwealth Bank of Australia was terminated and the Company entered into a facility with National Australia Bank, refer to Note 40 for further details.

ClearView Life Assurance Limited has a \$2 million overdraft facility with National Australia Bank at a benchmark interest rate of 8.12% p.a. calculated daily. Any overdrawn balance in excess of the overdraft will incur an additional margin of 1.5% p.a. above the benchmark interest rate. The bank overdraft is short-term in nature and was unutilised at 30 June 2017. There is an additional \$0.25 million credit card facility with National Australia Bank in the name of ClearView Administration Services Pty Limited.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

### 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 and credit spread risks, 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 shareholder'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 6 months	Weighted average interest rate	Less than 6 months
2017	%	\$'000	%	\$'000

#### Financial assets

Variable interest rate instruments:

Cash and cash equivalents	0.62	77,992	0.62	5,880
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Fixed interest securities	2.37	78,327	-	-
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<b>Total</b>		<b>156,319</b>		<b>5,880</b>
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2016

#### Financial assets

Variable interest rate instruments:

Cash and cash equivalents	1.54	90,337	1.54	20,889
---------------------------	------	--------	------	--------

Fixed interest securities	2.58	79,584	-	-
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<b>Total</b>		<b>169,921</b>		<b>20,889</b>
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### 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 0.5% (2016: 0.5%) 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.



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 33. Financial instruments continued

The following table illustrates the effect for the Group from possible changes in market risk that are reasonably possible based on the risk the Group was exposed to at reporting date:

	Effect on operating profit Consolidated		Effect on securities Consolidated		Effect on operating profit Company		Effect on securities Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
±0.5% (2016: ±0.5%)	±496	±520	±496	±520	±21	±73	±21	±73

The method used to prepare the sensitivity analysis has not changed in the year. Based on the market exposure management believe that the interest rate variation above is considered appropriate in the current environment.

### Fair value sensitivity analysis for fixed rate financial instruments

The Group does account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in long term interest rates at reporting date would affect profit and loss.

### (k) Foreign currency risk management

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group undertakes certain investments denominated in foreign currencies, hence is exposed to the effects of exchange rate fluctuations. However, the foreign currency risk is borne by the policyholder and the shareholder has no direct exposure to foreign currency.

### 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 2017

Continued

## 34. Disaggregated information by fund

Abbreviated income statement

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	177,365	309	-	177,674
Outwards reinsurance expense	-	(43,080)	(50)	-	(43,130)
Fee revenue	-	-	808	21,695	22,503
Investment revenue	19	2,274	876	61,339	64,508
Net fair gains/(losses) on financial assets at fair value	-	-	20	33,266	33,286
<b>Net revenue and income</b>	<b>19</b>	<b>136,559</b>	<b>1,963</b>	<b>116,300</b>	<b>254,841</b>
Claims expense	-	(72,706)	500	-	(72,206)
Reinsurance recoveries	-	47,417	(235)	-	47,182
Change in life insurance policy liabilities	-	21,896	(17)	-	21,879
Change in reinsurers' share of life insurance liabilities	-	170	-	-	170
Change in life investment policy liabilities	-	-	(6,070)	(94,349)	(100,419)
Other expenses	-	(106,842)	(478)	(19,153)	(126,473)
<b>Profit for the year before income tax</b>	<b>19</b>	<b>26,494</b>	<b>(4,337)</b>	<b>2,798</b>	<b>24,974</b>
Income tax expense	(6)	(7,913)	5,331	(638)	(3,226)
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>13</b>	<b>18,581</b>	<b>994</b>	<b>2,160</b>	<b>21,748</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 34. Disaggregated information by fund continued

Abbreviated statement of financial position

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Investments in subsidiaries and controlled unit trusts	2,950	-	47,307	1,128,970	1,179,227
Policy liabilities ceded under reinsurance	-	15,108	230	-	15,338
Other assets	1,996	128,839	739	18,003	149,577
<b>Total assets</b>	<b>4,946</b>	<b>143,947</b>	<b>48,276</b>	<b>1,146,973</b>	<b>1,344,142</b>
Gross policy liabilities – Life insurance contracts	-	(207,681)	49	-	(207,632)
Gross policy liabilities – Investment insurance contracts	-	-	47,030	1,130,260	1,177,290
Other liabilities	1,114	21,172	(1,270)	6,182	27,198
<b>Total liabilities</b>	<b>1,114</b>	<b>(186,509)</b>	<b>45,809</b>	<b>1,136,442</b>	<b>996,856</b>
<b>Net assets</b>	<b>3,832</b>	<b>330,456</b>	<b>2,467</b>	<b>10,531</b>	<b>347,286</b>
<b>Shareholder's retained profits</b>					
Opening retained profits	(30,306)	167,675	3,773	11,271	152,413
Operating profit	13	18,581	994	2,160	21,748
Capital transfer between funds	-	7,000	(2,500)	(4,500)	-
Dividend paid	(18,000)	-	-	-	(18,000)
Shareholders' retained profits	(48,293)	193,256	2,267	8,931	156,161
Shareholders' capital	52,125	137,200	200	1,600	191,125
<b>Total equity</b>	<b>3,832</b>	<b>330,456</b>	<b>2,467</b>	<b>10,531</b>	<b>347,286</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 34. Disaggregated information by fund continued

Abbreviated income statement

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	137,959	330	-	138,289
Outwards reinsurance expense	-	(30,095)	(51)	-	(30,146)
Fee revenue	-	-	870	22,268	23,138
Investment revenue	104	2,821	1,103	69,409	73,437
Net fair gains/(losses) on financial assets at fair value	-	-	64	(18,161)	(18,097)
<b>Net revenue and income</b>	<b>104</b>	<b>110,685</b>	<b>2,316</b>	<b>73,516</b>	<b>186,621</b>
Claims expense	-	(44,034)	(450)	-	(44,484)
Reinsurance recoveries	-	25,461	235	-	25,696
Change in life insurance policy liabilities	-	55,375	(1)	-	55,374
Change in reinsurers' share of life insurance liabilities	-	(10,796)	-	-	(10,796)
Change in life investment policy liabilities	-	-	(4,373)	(52,010)	(56,383)
<b>Other expenses</b>	<b>-</b>	<b>(90,732)</b>	<b>(434)</b>	<b>(19,919)</b>	<b>(111,085)</b>
Profit for the year before income tax	104	45,959	(2,707)	1,587	44,943
<b>Income tax expense</b>	<b>(31)</b>	<b>(13,733)</b>	<b>3,642</b>	<b>444</b>	<b>(9,678)</b>
<b>Net profit attributable to members of ClearView Life Assurance Limited</b>	<b>73</b>	<b>32,226</b>	<b>935</b>	<b>2,031</b>	<b>35,265</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 34. Disaggregated information by fund continued

Abbreviated statement of financial position

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Investments in subsidiaries and controlled unit trusts	2,950	-	49,267	1,104,494	1,156,711
Policy liabilities ceded under reinsurance	-	(1,184)	481	-	(703)
Other assets	3,400	114,659	2,997	20,318	141,373
<b>Total assets</b>	<b>6,350</b>	<b>113,475</b>	<b>52,745</b>	<b>1,124,812</b>	<b>1,297,382</b>
Gross policy liabilities – Life insurance contracts	-	(204,378)	548	-	(203,830)
Gross policy liabilities – Investment insurance contracts	-	-	49,175	1,103,379	1,152,554
Other liabilities	31	18,978	(951)	8,562	26,620
<b>Total liabilities</b>	<b>31</b>	<b>(185,400)</b>	<b>48,772</b>	<b>1,111,941</b>	<b>975,344</b>
<b>Net assets</b>	<b>6,319</b>	<b>298,875</b>	<b>3,973</b>	<b>12,871</b>	<b>322,038</b>
<b>Shareholder's retained profits</b>					
Opening retained profits	(13,379)	135,449	2,839	9,239	134,148
Operating profit	73	32,226	934	2,031	35,265
Dividend paid	(17,000)	-	-	-	(17,000)
Shareholders' retained profits	(30,306)	167,675	3,773	11,271	152,413
Shareholders' capital	36,625	131,200	200	1,600	169,625
<b>Total equity</b>	<b>6,319</b>	<b>298,875</b>	<b>3,973</b>	<b>12,871</b>	<b>322,038</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 35. Investment in controlled unit trusts

Name	Type	Consolidated 2017		Consolidated 2016	
		\$'000	%	\$'000	%
<b>Controlled unit trusts</b>					
CVW Pimco International Bonds Fund	Debt	21,890	95.65	25,422	95.89
CVW Schroder Equity Opportunities Fund	Equities	111,715	46.76	115,966	53.77
CVW Fixed Interest Fund	Debt	339,119	57.71	332,846	61.77
CVW SSGA International Shares Fund	Equities	101,746	92.89	84,315	93.44
CVW Listed Property Fund	Property	25,882	51.26	47,854	68.80
CVW Cash Fund	Debt	226,100	72.16	232,183	75.43
CVW CFS Infrastructure Fund	Property	145,571	55.59	111,422	59.34
CVW RARE Emerging Markets Fund	Equities	102,814	56.25	106,321	64.60
CVW Platinum International Shares Fund	Equities	19,434	30.32	13,419	98.98
CVW Hyperion Australian Shares Fund	Equities	11,937	92.49	9,012	89.97
CVW Vanguard Listed International Infrastructure Fund	Property	10,585	98.57	6,784	97.68
CVW Vanguard Emerging Markets Fund	Equities	7,897	98.06	6,562	97.83
CVW Plato Australian Shares Fund	Equities	41,722	77.43	46,936	80.66
CVW MFS International Shares Fund	Equities	9,865	20.71	14,719	33.04
<b>Total</b>		<b>1,176,277</b>		<b>1,153,761</b>	

## 36. Leases

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not longer than 1 year	2,007	2,591	-	-
Longer than 1 year and not longer than 5 years	3,356	6,144	-	-
Longer than 5 years	-	-	-	-
<b>Total</b>	<b>5,363</b>	<b>8,735</b>	<b>-</b>	<b>-</b>

Lease commitments relate to:

- ClearView Group's offices in various locations. Under these arrangements ClearView generally pays rent on a periodic basis at rates agreed at the inception of the lease;
- 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; and
- Printers and copiers utilised in the business. The Group does not have an option to purchase the leased assets at expiry of the leases.

# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 36. Leases continued

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

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Make good provision (note 23)</b>				
Current	109	37	-	-
Non-current	310	233	-	-
<b>Total</b>	<b>419</b>	<b>270</b>	<b>-</b>	<b>-</b>

## 37. Contingent liabilities and contingent assets

There are outstanding claims and potential claims against the ClearView Group in the ordinary course of business. The ClearView group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate is likely to have a material effect on its operations or financial position. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust's assets for all liabilities incurred on behalf of the trusts.

In the ordinary course of business, certain ClearView subsidiaries enter into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposure.

The Group has contractual agreements with a limited number of advisers to purchase the adviser's business should the adviser want to sell their business and on the satisfaction of certain criteria. The terms and conditions provide that on the satisfaction of specific requirements, the adviser's book of business will be purchased for a price based on the adviser's recurring income stream from the Group. It is anticipated that one or more advisers may initiate the purchase of their book of business in the coming financial year at a price that is not yet determined and that includes deferred uncertain components. It is possible that the market value or resale value of such a business purchased may be

less than the cost to the Group. Due to the uncertainty of these circumstances arising no value can be reliably placed on the contingent liability.

The Company in the ordinary course of business has guaranteed the obligations of one of its subsidiaries in respect of its obligations for leasehold premises.

The Company has guaranteed the obligations of one of its subsidiaries in respect of employee entitlements of employees who were previously employed by MBF Holding Pty Limited (Bupa Australia).

The Board had previously announced that it had considered several alternatives in relation to its major shareholder, Crescent Capital Partners and its Associates (Crescent) selling down its 52.9% shareholding. This process resulted in Sony Life Insurance Co., Ltd (Sony Life) becoming a new strategic shareholder in October 2016 following their agreement with Crescent to acquire a 14.9% stake in ClearView.

The Board has appointed Morgan Stanley Australia Securities Limited (Morgan Stanley) to assist in evaluating any strategic options and potential future proposals in relation to a change in control.

Under the terms of the engagement with Morgan Stanley, there are a range of circumstances and related outcomes that may result in a success fee being payable to Morgan Stanley by the Company. Due to the uncertainty of these circumstances arising no value can be reliably placed on the existing liability at the date of this report.

Other than the above, the Directors are not aware of any other contingent liabilities in the Group at the year end.



# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

## 38. Capital commitments

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

	Consolidated		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Technology projects	385	1,360	-	-
<b>Total</b>	<b>385</b>	<b>1,360</b>	<b>-</b>	<b>-</b>

## 39. Guarantees

The facility entered into with the Commonwealth Bank of Australia is guaranteed jointly and severally by:

- ClearView Wealth Limited ACN 106 248 248
- ClearView Group Holdings Pty Limited ACN 107 325 388
- ClearView Administration Services Pty Limited ACN 135 601 875
- ClearView Financial Management Limited\* ACN 067 544 549
- Matrix Planning Solutions Limited\* ACN 087 470 200
- ClearView Financial Advice Pty Ltd\* ACN 133 593 012

\*These entities provide a limited guarantee. The recovery granted from the guarantee is limited to the extent that it does not result in the entities breaching their Australian Financial Services Licence conditions.

The guarantees are supported by collateral (in the form of the shares) of the entities.

## 40. Subsequent events

### Dividends

On 24 August 2017, the Group proposed a final dividend of \$18.14 million representing 2.75 cents per share fully franked. The record date for determining entitlement to the dividend is 13 September 2017 and the dividend will be paid on 29 September 2017. Since the dividend has not been declared at year end it has not been recognised as payable in these accounts.

### Debt facility agreement

On 25 July 2017 the Company entered into a \$60 million facility agreement with National Australia Bank. As at the date of this Annual Report the facility is unused and available for immediate use. Interest on the loan accrues at BBSY plus a margin of 0.67% per annum, and is payable quarterly. Furthermore, a line fee of 0.65% per annum is payable on the facility on a quarterly basis. The facility is secured by the following cross guarantees

- ClearView Group Holdings Pty Limited ACN 107 325 388
- ClearView Administration Services Pty Limited ACN 135 601 875
- ClearView Financial Management Limited ACN 067 544 549
- Matrix Planning Solutions Limited ACN 087 470 200
- ClearView Financial Advice Pty Ltd ACN 133 593 012

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

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# Notes to the Financial Statements

For the year ended 30 June 2017

Continued

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including the compliance with accounting standards and giving a true and fair view of the financial position and the performance of the Company and the consolidated entity;
- (c) In the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in Note 3; and
- (d) The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr Bruce Edwards

Chairman

24 August 2017



Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the members of ClearView Wealth Limited

### Report on the Audit of the Financial Report

#### **Opinion**

We have audited the financial report of ClearView Wealth Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company and Group's financial position as at 30 June 2017 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## Deloitte.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Actuarial Valuations</b></p> <p>As at 30 June 2017 the Group's life insurance policy liabilities are \$(207.6) million calculated on the basis of recognised actuarial methods and assumptions, as disclosed in note 4.</p> <p>Significant management judgement is involved, including assumptions that have been identified as having high estimation uncertainty and include:</p> <ul style="list-style-type: none"> <li>• Appropriateness of assumptions used in valuations, especially in respect of ClearView experience vs market experience;</li> <li>• Accuracy of the expense allocation basis and its impact on the policy liability;</li> <li>• Basis of determination of the Best Estimate Liabilities and Profit Margin Liabilities components of the policy liabilities;</li> <li>• Allowances for discretions; and</li> <li>• Quality of data used for the valuation.</li> </ul>	<p>In conjunction with our actuarial specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the valuation methodology, valuation process and the valuation model to ensure compliance with APRA's Life Prudential Standard 340, "Valuation of Policy Liabilities";</li> <li>• Validating the assumptions used by management (including interest rates, lapse rates, mortality, morbidity and expense ratios);</li> <li>• Comparing model outputs to results of experience studies for reasonableness;</li> <li>• Evaluating the appropriate technical review, peer review;</li> <li>• Assessing a sample of valuation calculations for reasonableness;</li> <li>• Assessing management's expense allocation basis, including the allocation to statutory funds and determination of policy liability;</li> <li>• Challenging the appropriateness of management's selection of profit carriers and product groupings in respect of the policy liabilities; and</li> <li>• Assessing the appropriateness of the disclosures in note 25 to the financial statements.</li> </ul>
<p><b>Valuation of Intangibles</b></p> <p>As at 30 June 2017 the Groups carrying amount of intangible assets and goodwill was \$44.7 million as disclosed in note 4. The intangible assets are allocated to three cash-generating units (CGUs) which are tested separately for impairment.</p> <p>The Entity performs an Embedded Value (EV) calculation to support its impairment analysis. As a result of the</p>	<p>In conjunction with our valuation specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the methodology used by management;</li> <li>• Evaluating their documented basis for key assumptions used in the EV calculation;</li> </ul>

## Deloitte.

acquisition of Matrix, management are also leveraging the use of the EV to support the carrying value of goodwill and intangibles.

The evaluation of the recoverable amount of the intangible assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business.

The key assumptions include:

- Life insurance intangible: morbidity/ mortality rates, lapse rates, discount rates, maintenance costs; and
- Wealth management and financial planning intangible: investment returns, lapse rates and maintenance costs.

- Reviewing management's assessment of indicators of impairment by:
  - Challenging the identification of the CGU's;
  - Comparing assumptions used in the model to historical performance, future business strategy plans, and the assumptions used in the policy liability calculation;
  - Challenging the key assumptions utilised in the model including the revenue and expense growth rates and the discount rate by comparing them to corroborating support including historical results, economic and other forecasts;
  - Performing a sensitivity analysis on the key assumptions to support the assessment of impairment indicators and its impact on the headroom in the EV;
  - Testing on a sample basis the mathematical accuracy of the discounted cash flow model, agreeing budgeted cash flows to the latest Board approved budget and assessing the performance against budget/forecasts in prior periods;
  - Assessing the assumptions for the Value of New Business ('VNB') factors supporting the goodwill impairment analysis; and
  - Assessing the appropriateness of the disclosures in notes 19 and 20 to the financial statements.

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

## **Deloitte.**

### ***Responsibilities of the Directors for the Financial Report***

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

## Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in page 48 to 64 of the Directors' Report for the year ended 30 June 2017.

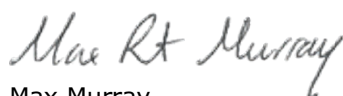
In our opinion, the Remuneration Report of ClearView Wealth Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

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.



DELOITTE TOUCHE TOHMATSU



Max Murray  
Partner  
Chartered Accountants  
Sydney, 24 August 2017



# Shareholders' Information

As at 04 August 2017

## Substantial shareholders

As at the date of this Annual Report, the following entities have notified ClearView that they hold a substantial holding in shares.

Rank	Name	No. of shares as per notice	% of issued capital
1	CCP Bidco Pty Ltd and Associates <sup>1</sup>	252,897,269	38.4%
2	Perpetual Corporate Trust Limited	63,828,308	9.7%
3	Sony Life Insurance Co., Ltd <sup>2</sup>	98,067,795	14.9%

1 Crescent Capital Partners Management Pty Limited represent the interests of CCP Bidco Pty Limited (CCP Bidco) and Perpetual Corporate Trust Limited (Perpetual) as manager. Perpetual's 9.7% is therefore included in the 38.4% holding of CCP Bidco in the table above.

2 Sony Life Insurance Co., Ltd's (Sony Life) 14.9% shareholding is held through its custodian, HSBC Custody Nominees (Australia) Limited.

## Twenty largest shareholders (as at 04 August 2017)

Rank	Name	No. of shares as per notice	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	130,265,304	19.75
2	Perpetual Corporate Trust Limited	48,631,777	7.37
3	Citicorp Nominees Pty Limited	32,337,594	4.90
4	CCP Trusco 4 Pty Limited	31,657,567	4.80
5	CCP Bidco Pty Ltd	30,300,523	4.59
6	CCP Bidco Pty Limited	24,541,899	3.72
7	CCP Trusco 5 Pty Limited	22,440,451	3.40
8	CCP Trusco 1 Pty Limited	20,671,919	3.13
9	BNP Paribas Noms Pty Ltd	20,100,002	3.05
10	Portfolio Services Pty Ltd	17,945,796	2.72
11	Pacific Custodians Pty Limited	15,432,642	2.34
12	Perpetual Corporate Trust Ltd	15,196,532	2.30
13	J P Morgan Nominees Australia Limited	13,915,895	2.11
14	RBC Investor Services Australia Nominees Pty Ltd	11,954,858	1.81
15	CCP Trusco 3 Pty Limited	11,812,524	1.79
16	Mr Simon Swanson	10,000,000	1.52
17	UBS Nominees Pty Ltd	10,000,000	1.52
18	CCP Trusco 4 Pty Limited	9,892,405	1.50
19	CCP Trusco 2 Pty Limited	9,843,771	1.49
20	Salamanca Group Trust (Switzerland) SA	8,235,295	1.25

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## Shareholders' Information

As at 04 August 2017

### Ordinary share capital

There are 659,473,127 fully paid ordinary shares held by 1,910 shareholders. All the shares carry one vote per share.

### Distribution of shareholders

The distribution of Shareholders as at 31 July 2017 is as follows:

Range	Total holders	Units	% of issued capital
1 - 1,000	353	143,598	0.02
1,001 - 5,000	493	1,414,522	0.21
5,001 - 10,000	299	2,261,631	0.34
10,001 - 100,000	548	16,755,299	2.54
100,001 and over	217	638,898,077	96.88
<b>Total</b>	<b>1,910</b>	<b>659,473,127</b>	<b>100.00</b>

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$1.4350 per unit	349	168	7,745

### Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2017.

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# Directory

## Current Directors

Bruce Edwards (Chairman)  
Andrew Sneddon  
David Brown  
Gary Burg  
Michael Alscher  
Michael Lukin  
(Alternate to Mr Alscher)  
Nathaniel Thomson  
Satoshi Wakuya  
Susan Young  
Simon Swanson

## Managing Director

Simon Swanson

## Company Secretary

Athol Chiert

## Appointed Actuary

Ashutosh Bhalerao

## Chief Actuary and Risk Officer

Greg Martin

## Registered Office and Contact Details

Level 15, 20 Bond Street  
Sydney NSW 2000  
GPO Box 4232  
Sydney NSW 2001  
Telephone: +61 2 8095 1300  
Facsimile: +61 2 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 4, 60 Carrington Street  
Sydney NSW 2000

GPO Box 2975  
Melbourne VIC 3001

Telephone: 1300 850 505  
+61 3 9415 4000

Facsimile: +61 3 9473 2500  
[www.computershare.com.au](http://www.computershare.com.au)

## Auditors

Deloitte Touche Tohmatsu

## Stock Listing

ClearView Wealth Limited is listed on the Australian Securities Exchange (ASX) under the ASX code "CVW".

## Annual Corporate Governance Statement

The ClearView Annual Corporate Governance Statement may be viewed at [www.clearview.com.au/about-clearview/corporate-governance](http://www.clearview.com.au/about-clearview/corporate-governance)



ClearView Wealth Limited  
ABN 83 106 248 248  
[www.clearview.com.au](http://www.clearview.com.au)  
ASX code CVW