ClearView

Annual Report 2019

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30 June 2020

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August 2020

Dates are subject to change.

Chairman's address

Bruce Edwards

To our customers and shareholders:

Business overview

In 2019, ClearView continued to make progress implementing its long-term strategy, despite a challenging operating environment and a disappointing group performance.

The financial services industry is currently dealing with significant structural, regulatory and economic changes. These changes will strengthen the industry in the longer term but are challenging in the short-term.

With the benefit of hindsight ClearView made some mistakes in the early years of establishing its current business. This included instances of poor life insurance sales practices through outbound telephone based channels. Last year ClearView appeared at the Banking and Financial Services Royal Commission to answer questions about its Direct Life Insurance business which was closed in 2017.

We have recognised these mistakes and learned from them. We have remediated affected customers and at the time of writing this letter, the remediation programs are complete. This allows management to refocus on building the business.

ClearView undertook a comprehensive technology review in 2H FY19, with plans to replace our life insurance policy administration system (PAS) and underwriting engine (URE) with a modern, high efficiency platform. The material investment in technology, alongside ongoing expansion of our IFA footprint, will support medium- to long-term growth, notwithstanding short-term headwinds.

A strategic review of the wrap platform and wealth technology is also underway with a focus on the simplification of key back office systems, potentially moving to software as a service (SaaS) and Managed Services solutions.

ClearView also completed a cost-out program to realign its cost base. The business is focused on effective cost management, coupled with a reinvigorated IT strategy and road map. The FY19 cost base was set in early 2018 on the expectation of continued growth and consistent market conditions. Since inception, the business has invested and added resources ahead of the curve to keep up with growth. However, given the industry outlook and associated slowdown in sales growth, this approach needed to change.

We are also investing in our risk and compliance areas including splitting out the role of our Chief Actuary and Chief Risk Officer into two roles and recruiting a new Chief Risk Officer.

At times of industry disruption and change, there are also opportunities to be seized by companies which are entrepreneurial with a strong focus on creative ways to building out and enhancing the business. We see many opportunities and are optimistic about the future of our business.

Claims management

ClearView's largest business is life insurance, which centres on paying claims to customers at times of great need. In FY19, the group paid $69 million in life insurance claims to customers and their families, a substantial increase over the previous year.

Claims statistics published by the industry regulators for the first time in 2019 showed ClearView performed better overall than the industry average in terms of admitting claims, claims finalisation time and disputes.

Once again, ClearView was recognised by independent research house Beddoes Institute for outstanding service and support at claim time.

According to the Beddoes Claims Journey Study, ClearView is helping manage advised clients at a high standard and is a market leader in customised service and claim assessment speed; two of the most important drivers of customer advocacy.

Claimants interviewed by Beddoes Institute gave ClearView an overall satisfaction rating of 90.4% versus the industry average of 80.4%[1].

We will continue to focus on this important aspect of our business.

1 Beddoes Institute's Industry Claims Journey Study (2019) which tracked the experience of 500 customers across the industry who have had an income protection, trauma or TPD claim.

Support for financial advisers

ClearView continued expanding its distribution footprint in 2019, entering distribution agreements with 113 additional Australian Financial Services Licensees (AFSLs) including larger groups. These relationships will give ClearView access to a further pool of financial advisers.

In Financial Advice, we launched a number of key initiatives including an outsourced B2B licensee services business, LaVista Licensee Solutions and a revamped service and fee proposition across Matrix Planning Solutions (Matrix) and ClearView Financial Advice (CFA), which aim to support the dealer group's long-term sustainability.

The dealer group also continued to implement a real-time compliance and monitoring system to better manage its ongoing regulatory and reporting obligations.

To cap off the year, Matrix secured the prestigious CoreData Licensee of the Year Award for the third consecutive year, recognising the Group's commitment to supporting its aligned financial advisers.

Financial results

The Group's underlying net profit after tax of $25.1 million for the year to 30 June 2019 and reported NPAT of $4 million both represent material declines on FY18 results.

The Embedded Value (EV) also reduced to $672.7 million or $0.99 per share (including ESP loans and franking credits).

These results reflect adverse claims and lapse experience, re-setting of our best estimate assumptions (lapses, claims, expenses and discount rates) for the future and impairments of goodwill and software assets.

We have addressed these disappointing results by upgrading and re-pricing our products, reducing management expenses and ongoing investment to build a more scalable and customer-focused business.

Capital management and dividends

As at 30 June 2019 the Group is fully capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium-term growth.

The Group held $5.0 million of capital reserves above our internal benchmarks. This included $15 million drawn down from our $60 million Debt Funding Facility established in July 2017.

It is expected that the underlying business will self-fund its anticipated baseline capital needs from FY20 and subsequently.

The Board believes that the current ClearView share price, in a relatively illiquid market does not reflect the intrinsic value of the business. Accordingly it has decided to suspend the dividend payment for FY19 and instead to recommence the current 10/12 limit on market share buy-back program after the release of the full year results. This is considered to be the best use of capital and in the interests of shareholders.

The buy-back will initially be funded by a further draw-down from the Debt Funding Facility before being replaced by a longer term capital solution in FY20.

Acknowledgements

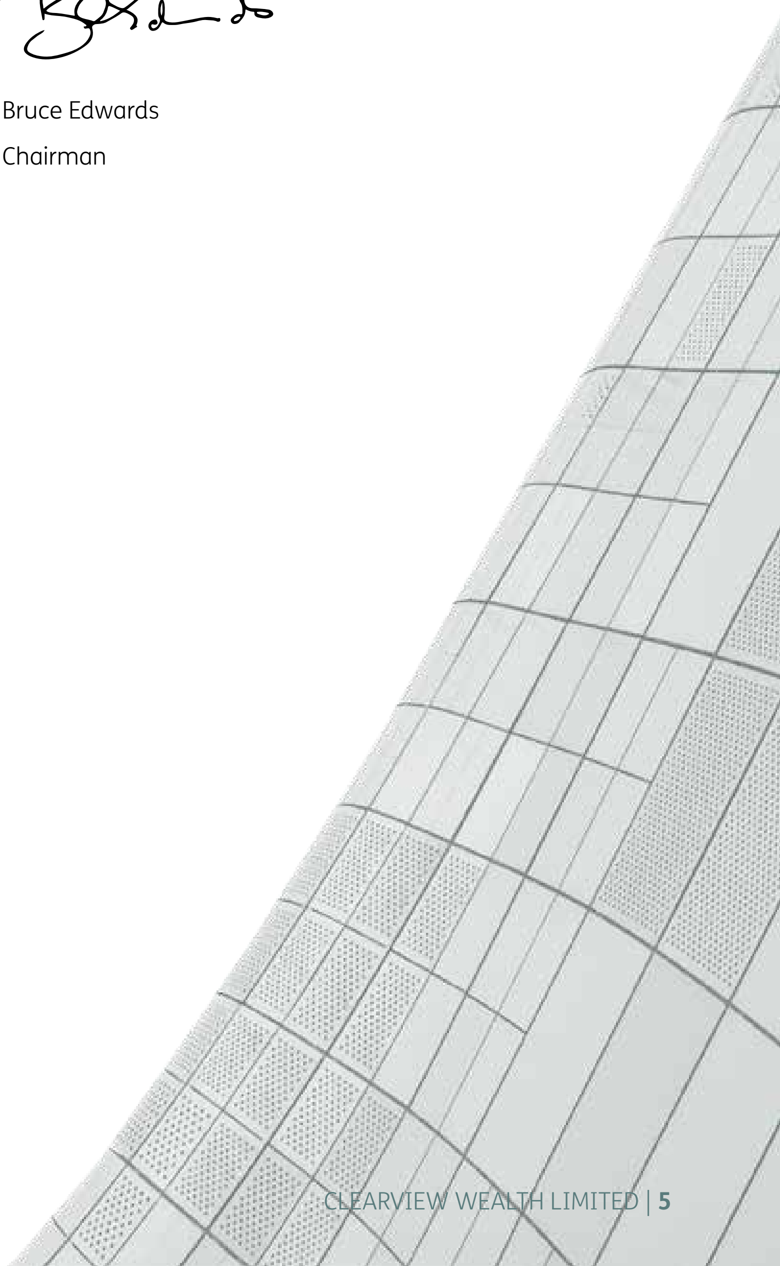
On behalf of the Board, I would like to acknowledge Simon and his team for their hard work and contribution to ClearView during a challenging year. The senior management team have established an open and transparent culture within the company which positions the business well for the future.

I would also like to thank our customers, financial advice partners and shareholders for their ongoing support.

Personally, I would like to recognise my fellow Directors for their valued counsel and support throughout the year.

Bruce Edwards

Chairman



Managing Director's report

Simon Swanson

To our shareholders, customers and advisers:

Extremely challenging market conditions led to a disappointing 2018/19 profit result for ClearView, in a year that will go down as possibly being the toughest on record for the financial services industry.

In the aftermath of the Banking and Financial Services Royal Commission, the industry faces unprecedented regulatory and structural change, and the important task of rebuilding trust in the sector.

ClearView has not been immune to the challenges affecting the broader industry.

That said, key strategic decisions made early on – in particular the business' focus on the individual life advised market – has provided clear direction and set it up for future growth.

Pleasingly, ClearView does not participate in the besieged group life insurance market, currently being impacted by the government's Protecting Your Super (PYS) reforms, or the consumer credit insurance market (CCI).

However, the one area that we would have avoided, if we had our time again, is direct life insurance telephone sales. ClearView closed its Direct Life Insurance business in mid-2017 and has devoted significant resources to ensuring that customers adversely affected by that business have been remediated. The Direct remediation program agreed with ASIC was completed in December 2018 with some follow up activity being implemented as part of 'business as usual' functions.

In the second half of FY19, ClearView focused on resetting the business and revising its underlying actuarial assumptions for valuations and business management, to take into account observed experience.

The Group's underlying net profit after tax (NPAT) of $25.1 million for the year to 30 June 2019, and reported NPAT of $4 million, represents a material decline on FY18. The FY19 result also includes the adverse impact of $1.8 million from a change in income protection claims assumptions.

The Group's life insurance distribution footprint continues to expand, with ClearView LifeSolutions on 532 Approved Product Lists (APLs), up 27% on 419 last year. ClearView is also benefiting from the breakdown of institutional vertical integration.

We are poised to continue benefiting from the subsequent opening up of APLs. A fresh wave of advisers are leaving institutionally-aligned dealer groups to join boutique groups or establish their own Australian Financial Services Licence (AFSL), which is a segment of the market where ClearView has a strong presence.

For the year to 30 June 2019, the Independent Financial Adviser (IFA) market represented 84% of new ClearView LifeSolutions sales. This is compared to 80% in 2018. This illustrates the strong progress ClearView is making towards its strategic objective of expanding its national distribution footprint.

Our investment in technology, alongside the ongoing expansion of our IFA footprint, will support medium-to-long term growth. The business remains focused on effective cost management and the efficient implementation of our reinvigorated IT strategy and roadmap.

Key decisions and actions for the FY19 year included:

- Completing material cost transformation program including a strategic IT review;
- Terminating certain poor performing life insurance distribution relationships (given elevated lapse rates). This will result in some reduced 'head line' sales in the shorter term but lift overall business quality and profitability over time;
- Repricing and enhanced our life insurance and wealth management products; and
- Reviewing our Financial Advice strategy, dealer group pricing model and launching LaVista Licensee Solutions; a dealer-to-dealer services offer targeted at the growing number of self-licensed financial advisers.

As a result, the business continues to be well positioned for future growth.

Industry performance and observations

The life insurance industry's significant underperformance in recent years has included material losses from income protection insurance.

The industry has gradually drifted from the foundational principle of 'insurable interest' with product terms becoming too generous and therefore unsustainable.

Rather than being about putting an individual (and their family) back in the same financial position had an accident, injury, illness or death not occurred, insurance has become focused on putting policyholders in a better position. This has meant that some policyholders have actually improved their financial position as a result of an insurance claim. This contributed to the life insurance industry collectively losing $2.5 billion through this product over the past five years, with no sign of improvement.

In April 2019, APRA asked the industry to urgently address the persistent problems with income protection claims. ClearView is participating in industry initiatives to drive more sustainable claims and pricing outcomes in income protection.

The wealth management industry is also under significant pressure, with steep price competition and margin compression in the past year.

This trend is being driven by four main factors:

1. The imminent ban on grandfathered platform rebates and commissions paid by platform operators to AFSLs;
2. The impact of the Royal Commission including negative publicity and poor consumer sentiment;
3. Overt competition from industry funds which has caused a fundamental realignment of pricing; and
4. Increasing pressure on fees with record low interest rates dragging down the returns investors receive from the cash they hold on platforms.

The current (long overdue) repricing of financial services is likely to set prices for the next decade.

In Financial Advice, the sector is undergoing a major transformation driven by structural change and the introduction of higher education standards, under the Financial Adviser Standards and Ethics Authority (FASEA).

It has been estimated that around 10,000 financial advisers could exit the industry ahead of 2024, when the FASEA requirements are implemented. As such, adviser numbers could shrink to around 15,000.

This presents an opportunity for the industry to attract new entrants. According to NMG, around 30,000 financial advisers will be needed to meet the growing demand for professional advice.

Perhaps the most significant change currently taking place in financial advice is the changing relationship between financial advisers and licensees.

Historically, licensees have been able to price their dealer services cheaply because their revenue has been propped up by platform rebates and grandfathered commissions from product manufacturers.

Advisers have benefited from subsidised dealer services and, in turn, clients have benefited from subsidised advice fees.

However, the focus on grandfathered commissions and other amounts paid by product manufacturers to licensees has exposed the unsustainable underlying economics of many licensees.

As a result, the cost of dealer services is rising dramatically, forcing advisers to review their revenue base, value proposition and pricing.

The launch of LaVista and the repositioning of our aligned dealer groups Matrix Planning Solutions (Matrix) and ClearView Financial Advice (CFA) reflects our intention to remove the cross subsidies that exist in our businesses to develop a sustainable Financial Advice business revenue base. This will take time to achieve but it will enable the Financial Advice segment to continue investing in the services it delivers to its financial adviser client base.

While current changes taking place in the financial advice industry will be painful for many licensees and advisers in the short-term, it will lead to a more customer-focused, sustainable and professional industry in the future.

Reform agenda and priorities

ClearView continues to push for reforms that promote the long-term sustainability of the industry and strengthen consumer protections, acknowledging key industry criticisms by the Royal Commissioner.

Our three advocacy priorities are:

- Life insurance choice of insurer;
- Stable life insurance commission rates with no additional changes; and
- Tax deductibility of financial advice fees including life insurance advice.

I'm proud that Matrix and CFA advisers enjoy unrestricted access to all APRA-regulated retail life insurers. They are empowered to use their experience and professional judgement to recommend the best solution for their clients, based on their clients' unique circumstances, needs and goals.

Problematically, too many advisers (and their clients) don't have the same autonomy.

ClearView has long advocated for the abolishment of restricted APLs for life insurance because they make it difficult for advisers to meet their Best Interest Duty (BID) obligations and they don't lead to optimal client outcomes.

Limited APLs are designed to restrict product choice in order to channel clients into inhouse products.

Despite strong IFA support for ClearView products, some institutionally-aligned advisers and their clients have been unable to access our award-winning solutions.

In an efficient market, all APRA-regulated retail insurers would have equal access to the market.

While the breakdown of institutional vertical integration is leading to progress on this front, the mandating of open APLs would significantly broaden ClearView's potential distribution footprint.

In addition to the work we are doing to pry APLs open, including a soon-to-be released report by industry commentator Jeff Morris on the consumer impact of restricted APLs, we also strongly believe that there should be no additional changes to life insurance commission rates.

While we respectfully note the life insurance recommendations contained in the Royal Commission Final Report, we believe professional advice would be out of reach for the average Australian if the cost was not partially or fully covered by the product manufacturer via commissions.

A ban on life insurance commissions could have a material impact on the advice industry and, subsequently, the life insurance industry because few households would be able to afford to pay upfront for advice out of their own hip pocket.

Given the Life Insurance Framework (LIF) is only partially implemented and will not take full effect until 1 January 2020, it is too soon for the government to consider tinkering with commission caps again.

Even after 1 January 2020, it will take some time for the effects of LIF to flow through, therefore, any review of commission caps should ideally take place in 2022, and should look at both the quality of advice and levels of underinsurance.

Looking ahead

While the industry faces significant headwinds, there are still plenty of reasons for optimism.

Fundamental demand for the financial products and services that ClearView manufactures, distributes and provides is underpinned by regulation, and socio-economic and demographic trends.

Australia has one of the highest household debt to disposable income ratios in the world, fuelled by mortgage debt[1].

This highlights the significant need for life insurance and professional advice to cover a household's exposure to debt as well as the income required to service that debt. This demand is exacerbated by Australia's burgeoning underinsurance gap.

In 2015, Rice Warner Actuaries estimated Australians were underinsured by around $471 billion for life cover and $3.435 billion for income protection cover[2].

More recent research released by Rice Warner found underinsurance costs the Australian government in social security payments an estimated[3]:

- $54 million per annum for death underinsurance
- $500 million per annum for TPD underinsurance
- $692 million per annum for income protection underinsurance

Rice Warner Actuaries estimated that only a third of the working population had income protection insurance, meaning 8.3 million Australians are completely exposed. Those with IP insurance are only covered for around 21% of their needs. The median TPD cover only met 14% of needs[3].

In wealth management, demand for competitive solutions and quality advice is also strong, underpinned by Australia's aging population, complex superannuation and tax system, and soaring household wealth.

According to the ABS' Household Income and Wealth Report, the net worth of the average Australian household has almost doubled in recent years, due largely to rising property prices, compulsory superannuation and changing work patterns[4].

Australians are working longer and retiring much later in life.

More than two-thirds of the nation's household wealth is held by Australia's 5.5 million baby boomers[4].

As the compulsory superannuation guarantee rises and more baby boomers retire, the demand for wealth management advice will only increase.

Basically, Australians are under-insured, under-advised and, when it comes to superannuation and investments, they are typically over-exposed to domestic equities and property.

They need professional help to sort out what are increasingly complex financial products, services and investment, wealth and retirement strategies.

Over half of Australian adults admit they have unmet advice needs, according to research by Investment Trends. Their top

1 RBA Research Discussion Paper June 2019. The Effect of Mortgage Debt on Consumer Spending: Evidence from Household-level Data.
2 Rice Warner: Underinsurance in Australia 2015.
3 Rice Warner: Underinsurance in Australia 2017.
4 ABS: Household Income and Wealth Australia 2017 – 2018.
5 McCrindle 2016 Wealth Transfer Report, A report for no more practice.

unmet needs include transitioning to retirement; securing adequate insurance to protect their wealth; making sure their money lasts as long as they do; and estate planning.

As they inch closer to retirement, for those not already in retirement, they'll need help navigating Australia's complex tax, superannuation and social security system. They'll also need advice on how to efficiently pass their wealth onto the future generations.

Financial advisers are ideally-positioned to help them plan for retirement and, ultimately, the smooth transfer of wealth. They're also ideally-positioned to help the beneficiaries of this impending $3.5 trillion[5] intergenerational wealth transfer; prudently invest and manage their wealth.

Demand for professional advice is set to rise, only the willingness and capacity of Australians to pay for it will need to be dramatically improved.

As a customer-focused company with strong adviser relationships and a diversified business model, ClearView is strongly-positioned to ride these tailwinds.

In the important IFA market, ClearView is recognised as an advocate for advisers and professional advice. Our brand is gaining traction.

As a relatively new player, we are not constrained by a myriad of cumbersome and expensive legacy systems, processes or thinking. Our ongoing, strategic investment in technology infrastructure and development will make ClearView more efficient and easier to do business with.

Simon Swanson

Managing Director

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 2019 (the financial year):

Directors

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

- **Bruce Edwards** (Chairman)
- **David Brown**
- **Gary Burg**
- **Michael Alscher** (Resigned as Alternate to Mr Thomson and appointed as Director on 20 November 2018)
- **Nathanial Thomson**
- **Satoshi Wakuya** (Resigned as Director on 20 November 2018)
- **Simon Swanson** (Managing Director)
- **Susan Young**

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 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.

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 recently stepped down from being a Director of the PNG Institute of Directors. He is the former Head of Private Markets for Victorian Funds Management Corporation and former Senior Funds Manager for Queensland Investment Corporation. David is a former Director of LifeHealthcare Pty Limited and a former 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 (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, Australian Clinical Laboratories Pty Limited, National Media Services Group Pty Limited and National Dental Care Pty Limited. He is also a former Chairman and Director of Cover-More Group Limited and LifeHealthCare Group Limited and a former Director of Metro Performance Glass Limited.

Since 22 October 2012 Michael has served as a Non-Executive Director and as an Alternate Director to Nathanial Thomson at different times, with the most recent appointment as Non-Executive Director being effective 20 November 2018.

Nathanial Thomson BCom (Hons), LLB (Hons)

Non-executive Director

Nathanial is a partner of Crescent Capital Partners Management Pty Limited. Nathanial has significant consulting experience for financial institutions at McKinsey & Co. He is the former deputy Chairman of Cover-More Group Limited prior to its listing on the ASX, a 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, Australian Clinical Labs and National Home Doctor Service Pty Limited.

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

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. 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.

Former Directors

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 a Governor of WWF Australia. She has served as a non-executive Director on ClearView's superannuation trustee board over the last 9 years, including holding the position as its Chairperson for two years.

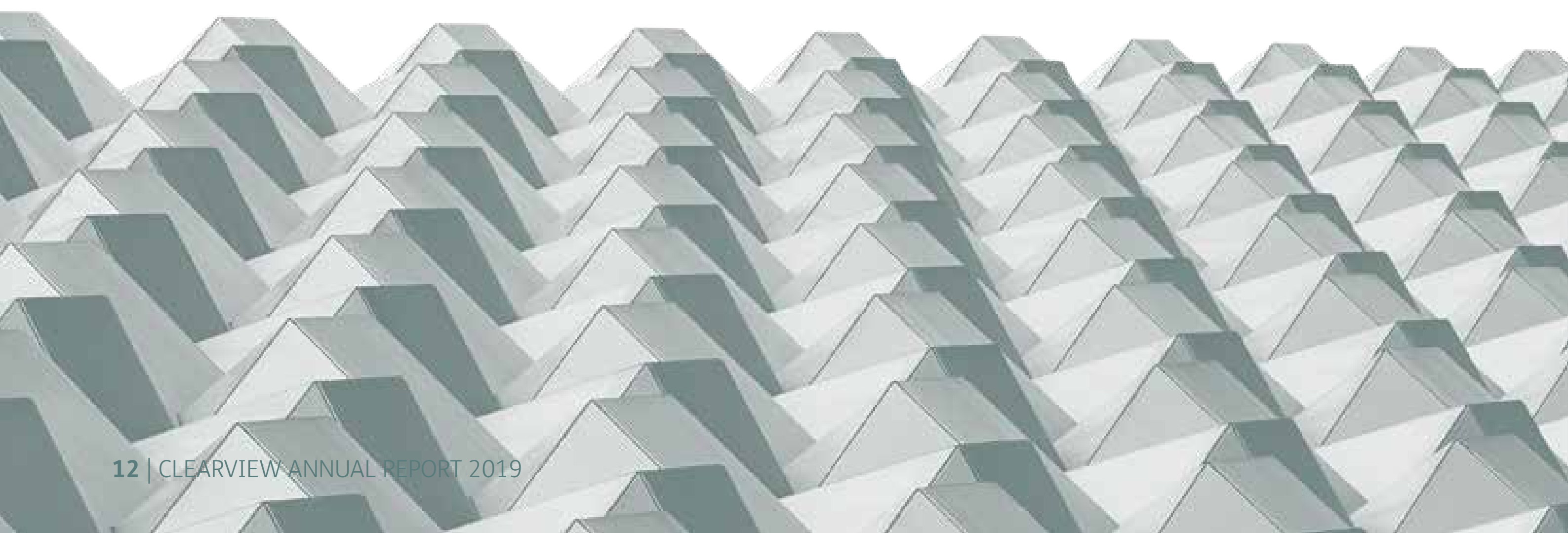
Susan was appointed to the Board on 14 December 2016 and is a member of each of the Board Committees. She was appointed Chairperson of the Nomination and Remuneration Committee and Board Risk and Compliance Committee on 1 July 2017, and Chairperson of the Board Audit Committee on 25 August 2017.

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 from 14 December 2016 until his resignation on 20 November 2018.



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 and was part of the team that founded ClearView in its current form. 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. Athol is a volunteer and contributor to a number of not for profit organisations.

Former Company Secretary

Elizabeth Briggs, BMedia LLB was appointed Company Secretary from 4 April 2018 until her resignation on 24 July 2019. She was also the General Counsel of ClearView. Elizabeth has over 10 years' experience working in financial services working across the life insurance, superannuation, wealth management and financial advice sectors. Elizabeth joined ClearView in 2012 and prior to this worked in funds management and in private practice. Her experience extends to advising multinational organisations across Europe and the United States.

Elizabeth is a member of the Law Society of NSW and ASFA, a mentor of junior lawyers through the NSW Law Society and supporter and contributor to a number of not for profit organisations.

Appointed Actuary of ClearView Life Assurance Limited

Ashutosh Bhalerao B.Ec, FIAA is the Appointed Actuary of ClearView Life Assurance Limited (ClearView Life).

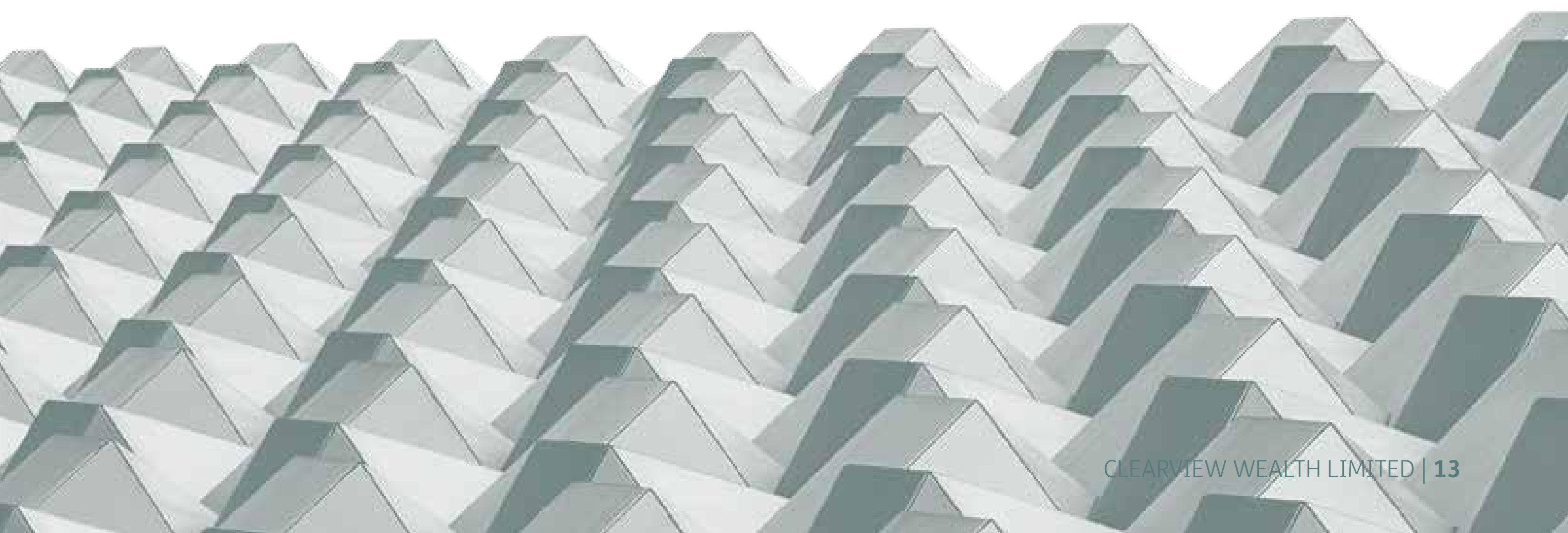
Ashutosh joined ClearView as Deputy Appointed Actuary in January 2014 and was appointed to his current role on 5 June 2014. Ashutosh has over 20 years experience in the financial services industry, specialising in life insurance.

In the five years prior to joining ClearView, Ashutosh was the Appointed Actuary for Swiss Re Life & Health Australia Limited. Ashutosh has also held other senior actuarial roles with TAL Limited, Challenger Limited and AMP Limited. He 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 35 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.



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
Gary Burg	UCW Limited	24 March 2016 - current
Michael Alscher	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 2019, and the number of meetings attended by each Director are 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	11	11	6	6	6	6	7	7
David Brown	11	9	6	5	6	4	-	-
Gary Burg	11	11	6	6	6	6	7	7
Michael Alscher[1, 2]	9	7	-	-	-	-	-	-
Nathanial Thomson	11	10	2	2	2	2	7	7
Satoshi Wakuya[3]	5	4	-	-	-	-	-	-
Susan Young	11	10	6	5	6	5	7	6
Simon Swanson	11	11	-	-	-	-	-	-

1 Michael Alscher was alternate director to Nathanial Thomson from 1 March 2018 to 20 November 2018 and was eligible and attended 3 meetings in his capacity as alternate director, this has been included in the table above.

2 Michael Alscher was appointed non-executive director effective 20 November 2018

3 Satoshi Wakuya resigned as a director effective 20 November 2018

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
Bruce Edwards	617,040	-
David Brown	-	-
Gary Burg	10,918,090	-
Michael Alscher[1]	-	-
Nathanial Thomson[1]	-	-
Susan Young	83,092	-
Simon Swanson	4,700,000	10,000,000

1 Mr Alscher and Mr Thomson represent the interests of CCP Bidco Pty Limited and its Associates that non-beneficially hold 394,493,860 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 2019.

Series	No. of shares issued	No. of shares forfeited/exercised	No. of shares total
			49,003,595
Exercised	-	(1,965,292)	(1,965,292)
Forfeited	-	(1,781,633)	(1,781,633)
	-	**(3,746,925)**	**45,256,270**

For details of the ESP see section 7 of the notes to the financial statements.

As at the date of this report, ClearView has a total of 45,256,670 ESP shares on issue. No new shares were granted in the year ended 30 June 2019.

During the financial year, 1,965,292 vested ESP shares were exercised with the outstanding ESP loan balance proceeds being received by the Company and 1,781,633 forfeited shares were bought back and cancelled.

Performance rights issued under the Long Term Incentive Plan

The following table sets out the performance rights issued under the Long Term Incentive Plan (LTIP) during the year ended 30 June 2019.

Tranche	No. of performance rights issued	No. of performance rights forfeited/exercised	No. of performance rights total
3A	1,030,768	(64,949)	965,819
3B	1,030,768	(64,949)	965,819
	2,061,535	**(129,897)**	**1,931,638**

For details of the LTIP and relative vesting see section 7 of the notes to the financial statements and pages 56 to 59 of the Remuneration Report.

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 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 68.

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 section 2 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 Section 2.6 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.

Operating and Financial Review

ClearView's current operating structure comprises of three core business segments: Life Insurance, Wealth Management and Financial Advice.

Wealth Management

ClearView **WealthSolutions**

ClearView **WealthFoundations**

ClearView is a provider of wealth management products in Australia's retail funds management industry.

Our contemporary product suite includes two investment and administration platforms, WealthSolutions and WealthFoundations.

WealthSolutions is currently an outsourced investment and administration platform issued via the ClearView Retirement Plan (super and pension) and ClearView Financial Management (IDPS).

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

Life Insurance

ClearView **LifeSolutions**

ClearView manufactures products for the Advised Life Insurance market. ClearView does not participate in the direct life, consumer credit insurance or group life market segments.

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

Financial Advice

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

LaVista Licensee Solutions also provides outsourced B2B licensee services to self-licensed and third party AFSLs.

CFA and Matrix provide licensing services and business support to 227 financial advisers. LaVista Licensee Solutions was launched in November 2018.

Royal Commission and regulatory changes

There has been an unprecedented amount of scrutiny, consolidation and disruption in the financial services industry and it continues to intensify.

This unparalleled activity will most certainly lead to once-in-a-generation change, driven by four landmark inquiries and reports:

- Banking and Financial Services Royal Commission (Royal Commission);
- Parliamentary Joint Committee (PJC) Report on the life insurance industry;
- Superannuation Productivity Commission (report into the efficiency and competitiveness of superannuation); and
- APRA Prudential Inquiry into the Commonwealth Bank of Australia.

ClearView remains committed to its core strategy of partnering with financial advisers to help more Australians protect and grow their wealth. Our focus is on delivering quality products and exceptional service to customers, and expanding our distribution footprint.

ClearView continues to push for open life insurance APLs across the industry which would give financial advisers the ability to freely choose the most appropriate solution for their clients, based on their personal circumstances, needs and goals. The industry has started to move in this direction and we are hopeful that this will lead to a substantial benefit for consumers, advisers and ClearView.

The Royal Commission Final Report, released on 4 February 2019, contained 76 recommendations (and a range of related observations) which have significant implications for financial services entities. We have outlined in the table below, an indicative summary of the key recommendations relevant to ClearView.

Lines of Business	Life Insurance	Wealth Management	Financial Advice	Other	Group
Recommendations	• Cap on life risk commissions • Duty of care to not make misrepresentations • Avoidance of life insurance contracts • Application of unfair contract terms • Removal of claims handling exemption • Enforceable code • Accountability regime	• Deduction of advice fees from choice accounts • Trustee obligations • Civil penalty provisions for trustees • One default account per person • Accountability regime	• Grandfathered commissions to cease • Further cap on life risk commissions • Annual renewal fee arrangements and authority to deduct fees • Disclosure of lack of independent advice • Creation of a single central disciplinary body • Reporting on compliance concerns and remediation of misconduct	• Mortgage brokers to have a best interest duty • Ban on broker trail commissions • Brokers to be subject to same laws that apply to financial advisers • Review on moving to borrower pays mortgage brokerage fee	• Strengthened regulatory environment • Oversight body for regulators • Changing culture and governance • Remuneration redesign • Extension of Banking Executive Accountability Regime (BEAR)

ClearView has reviewed the report's findings and is continuing to assess the potential impacts of the recommendations on our business. ClearView has already taken action to address applicable recommendations in the Final Report including the below in relation to governance, culture and remuneration:

- Completion of an externally facilitated governance review incorporating themes included in APRA's Prudential Inquiry into CBA;
- An externally facilitated Culture program is currently underway with oversight by the Board and the Senior Management Team;
- Ongoing consideration and review of management reporting and its effectiveness;
- Review of ClearView's remuneration framework. The remuneration framework continues to be developed and changes made to SMT remuneration structures include clawback arrangements for STI bonuses (from FY20) and longer vesting

arrangements and clawbacks for LTI (also for new issues). ClearView continues to review its remuneration framework with the intention of aligning it with the BEAR regime (as applies to ClearView). ClearView is also closely monitoring the regulatory guidance and changes recently issued by APRA; and

- ClearView is also currently increasing its investment in risk and compliance resourcing (quantity and expertise) to deliver an uplift in its overall risk and compliance capacity and delivery. This includes separating the current Chief Actuary & Risk Officer role and establishing a new separate Chief Risk Officer position within the ClearView executive team. The recruitment process is underway as at the time of this report.

There is a significant amount of work required of the industry to understand the detail associated with the proposed changes and any corresponding legislative reforms. On 19 August 2019, the Treasurer released an 'Implementation Roadmap' outlining a timetable for the introduction of legislative reform addressing the Banking and Financial Services Royal Commission recommendations. As we work through these and come to more informed conclusions on the potential impacts of the recommendations and reforms on our business, we will communicate these as appropriate.

In August 2019 the Treasurer referred to the House of Representatives Standing Committee on Economics the establishment of an inquiry into progress made by relevant financial institutions in implementing the recommendations of the Royal Commission.

There is no question that the Banking and Financial Services Royal Commission and the other landmark inquiries have been confronting for the entire industry, but ClearView hopes that the reforms will raise the bar on ethical behaviour and accountability in the financial services sector, and repair community issues of mistrust in financial services providers.

Regarding our appearance at the Banking and Financial Services Royal Commission, we note that ClearView closed the Direct Life insurance business in May 2017 and our top priority has been to finalise the consumer remediation program (CRP). ClearView implemented the CRP, which covered the categories of consumers and the level of remediation approved by ASIC, with the CRP implemented in December 2018 and final reports on the CRP were provided to ASIC by ClearView and the independent expert on 24 December 2018. ClearView has since agreed to a further communication (outlining details for the ability to request a call review) being sent to potentially affected consumers which is being managed as part of 'business as usual' functions.

In FY19, $2.4 million of costs (after tax) were incurred under the program and in relation to the Royal Commission. Given that the direct life insurance business is closed both these above mentioned costs are considered unusual to the ordinary activities of the business. These have been separately reported below the line in the full year result.

As outlined in the half year result, ClearView also implemented a financial advice remediation program, which involved a retrospective review of life insurance advice that focused on four key areas relating to the appropriateness of the advice. The program was approved by ASIC and final reports on the advice remediation program were provided to ASIC by the independent expert on 12 July 2019. This program has now completed with residual activity being closed out under 'business as usual' functions.

In FY19, a further $0.8 million of program and remediation costs (after tax and net of recoverable amounts) were incurred under the program. These costs have been included as part of Underlying NPAT given that the dealer groups continue to operate.

Material business and operational 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 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 section 1 of the 30 June 2019 Annual Report.

FY19 Results overview

Overview of result

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

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

1 % movement, FY18 to FY19 unless otherwise stated.

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

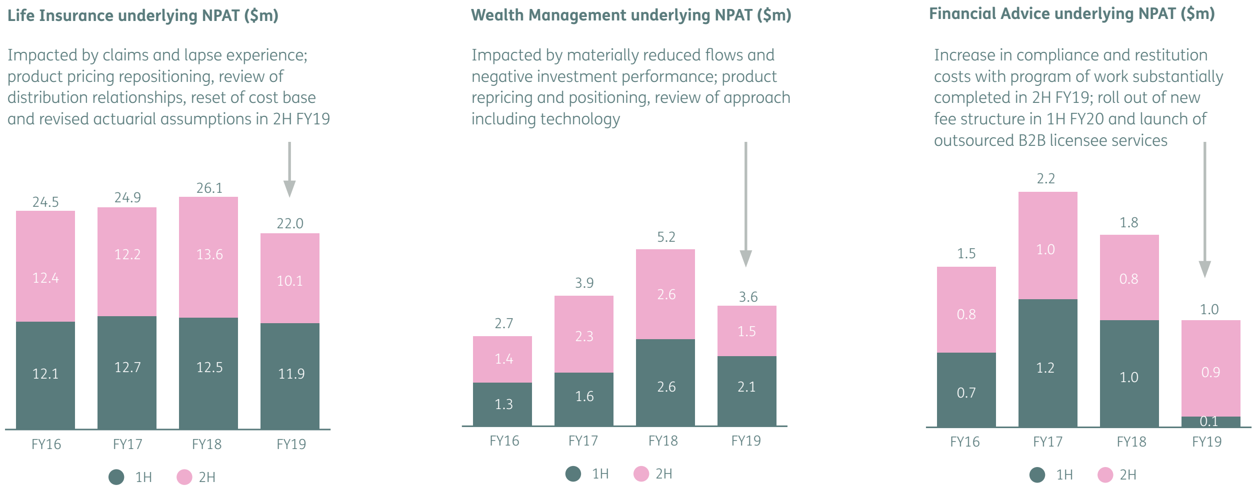
3 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans. Embedded Value as at 30 June 2018 restated to remove Financial Advice client book including franking credits. Embedded Value at 30 June 2019 includes various assumption changes from 30 June 2018 calculations. Refer to further detail in the sections that follow.

4 Net Asset Value as at 30 June 2019 excluding ESP Loans.

5 Impacted by the dilutive effect of shares issued under the DRP, ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.

6 Considered unusual to the ordinary activities of the business. See further details on page 24.

Chart 1: Segment performance Underlying NPAT FY16-FY19



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

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

- A challenging market environment (increased market volatility, uncertainty and negative consumer sentiment);
- Poor lapse and claims experience (-$10.8 million negative experience; FY18 -$7.6 million). The claims experience includes a $1.8 million impact from the change in income protection claims assumptions in FY19; and
- Reducing interest rates and a lower discount rate in policy liability, offset by impairment write-offs of Goodwill, Intangibles and other costs considered unusual to the ordinary activities (see table on page 24).

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

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

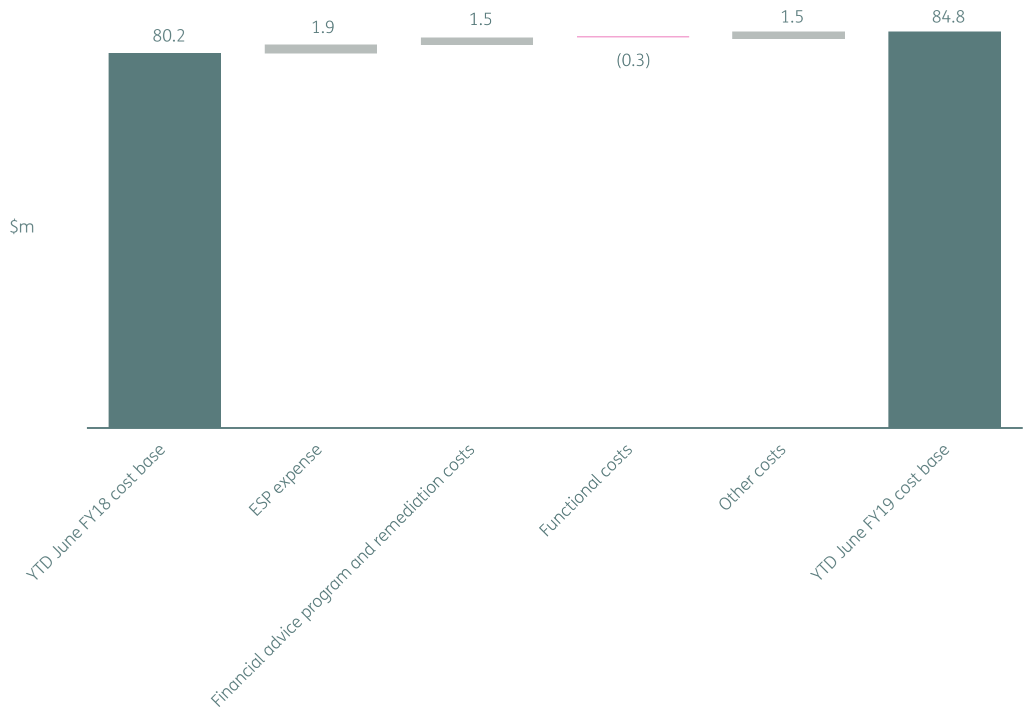
The investment in technology, alongside ongoing expansion of our IFA footprint, is likely to drive medium-to-long term growth, notwithstanding short-term headwinds. ClearView has growth embedded in its expanding distribution footprint which underpins the growth profile but, in the near term is focused on new business quality.

A further analysis of the FY19 result by segment is provided in the sections that follow.

Cost base, technology review & changes

The chart below shows a 6% increase in the operating cost base from $80.2 million in FY18 to $84.8 million in FY19.

Chart 2: Operating expense analysis FY18 vs FY19 cost base



Key components of the movements include:

- **Employee share expense (ESP) –** reflects the increased costs associated with the issue of performance rights to the Senior Management Team (SMT) as outlined in the Remuneration report (including relevant vesting and service conditions).
- **Financial advice program and remediation costs –** reflects the program, compliance and restitution costs incurred in FY19. The program of work involved a retrospective review of life insurance advice in the dealer groups that focused on four key areas relating to the appropriateness of the advice. This is now substantially complete with the costs of finalising the program included in the FY19 result.
- **Functional costs –** overall had a marginal decrease that was partially offset by increases, in areas that support business growth including administration, contact centre, claims and underwriting. This predominantly reflects underlying volume growth in the in-force base. These were offset by reduced distribution costs. Financial advice support costs were broadly in line with FY18.
- **Other costs –** increase in other costs including additional shared services resourcing, software amortisation and costs associated with the launch of LaVista. Software amortisation includes the acceleration of the existing amortisation profile due to a change in the expected useful life of existing capitalised software.

The FY19 cost base was set in early 2018 on the expectation of continued growth and consistent market conditions. The business had since inception, invested and added resources ahead of the curve to support growth. This includes prioritising incremental costs above those required for ClearView's scale (expense overruns) to build capability for the future. In this context, initial start-up costs and business investment costs have been incurred prior to achieving scale.

Expense overruns initially lower reported profits but this reverses as scale is achieved, the in-force portfolio increases and underlying profit is realised. In FY19, the non-deferred expense overruns across the Life Insurance and Wealth Management 'manufacturing' businesses had a negative impact on UNPAT of $2.0 million (FY18: $2.5 million).

The increase in the Life Insurance in-force premium over time has progressively reduced expense overruns in the Life Insurance segment with the actual Life Insurance non-deferred overruns reflecting an experience profit of $1.1 million for the year (FY18: $0.5 million).

Investment in WealthFoundations and the contemporary wealth platform is however causing overruns in the Wealth Management segment; $3.1 million (FY18: $3.0 million). This is driven by a fixed cost structure that is yet to achieve scale. Furthermore, the expense allowances for the Master Trust (expressed as a percentage of FUM balances) are higher than contemporary products, in particular WealthSolutions where information technology and administration is outsourced. As the Master Trust business runs off, this will impact expense overruns until WealthFoundations can support its cost base.

Given the industry outlook and associated slowdown in growth, the approach of investing ahead of the curve needed to change.

Furthermore, ease of doing business, online and mobile engagement, and adviser business efficiency are key themes across the industry. ClearView's rate of improvement in its life insurance customer facing technology has not been fast enough. The technology supporting our outsourced wealth management wrap platform has also fallen behind the market.

In response, ClearView has in 2H FY19:

- Implemented a cost transformation program to rebalance the group's cost base in light of current market conditions and align with the strategic objectives. The impact of this includes:
    - Annualised cash cost savings of $10 million per annum (including capitalised IT costs and acquisition costs in life insurance that impacts profit over time);
    - An upfront implementation after tax cost of $3.8 million (see table that follows in next section);
    - Some reinvestment back into the business with the strengthening of the risk and compliance team to support ongoing regulatory change and risk management functions.
- Reviewed our approach to technology with completion of an IT strategic review. The impact of this includes:
    - Plans to replace the life insurance policy administration system (PAS) and underwriting engine (URE) to a modern, high efficiency platform; and
    - Commencement of a strategic review of the wrap platform and wealth technology with a focus on the simplification of key back office systems, potentially moving to software as a service (SaaS) and Managed Services solutions.

The business is focused on effective cost management, coupled with a reinvigorated IT strategy and road map. The investment in technology (over time), alongside ongoing expansion of the IFA footprint is expected to drive medium to long-term growth.

The table below reconciles the FY19 operating expenses analysed in Chart 2 with the reported operating expenses in the annual financial statements.

Reconciliation of operating expenses to reported operating expenses per financial statements	FY19 $M	FY18 $M
Operating expenses per chart 2	**84.8**	**80.2**
Custody and investment management expenses	9.8	9.5
Depreciation and software amortisation	(7.8)	(6.4)
Stamp duty	10.4	8.8
Medical costs	2.2	2.1
Interest expense	0.7	0.4
Strategic review costs	-	1.1
Cost out program implementation costs	5.4	-
Recoverable adviser related costs	2.4	3.6
Direct remediation and Royal Commission costs	3.4	-
Retention bonuses	2.1	-
Other expenses	1.1	2.4
Operating expenses per financial statements	**114.6**	**101.7**

Other adjustments, impairment and amortisation

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

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

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

Amortisation of acquired intangibles

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

Policy liability discount rate effect

The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities. The life insurance policy liability (based on AIFRS) is discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities, and consequently, earnings. ClearView separately reports this volatility which represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect. The reduction in long-term discount rates over FY19 caused an increase in after-tax reported profit of $6.6 million (FY18: -$0.9 million).

Cost out program implementation costs

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

Capitalised software impairment

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

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

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

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

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

Impairment of acquired Financial Advice client books and goodwill

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

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

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

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

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

Other costs considered unusual to the ordinary activities

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

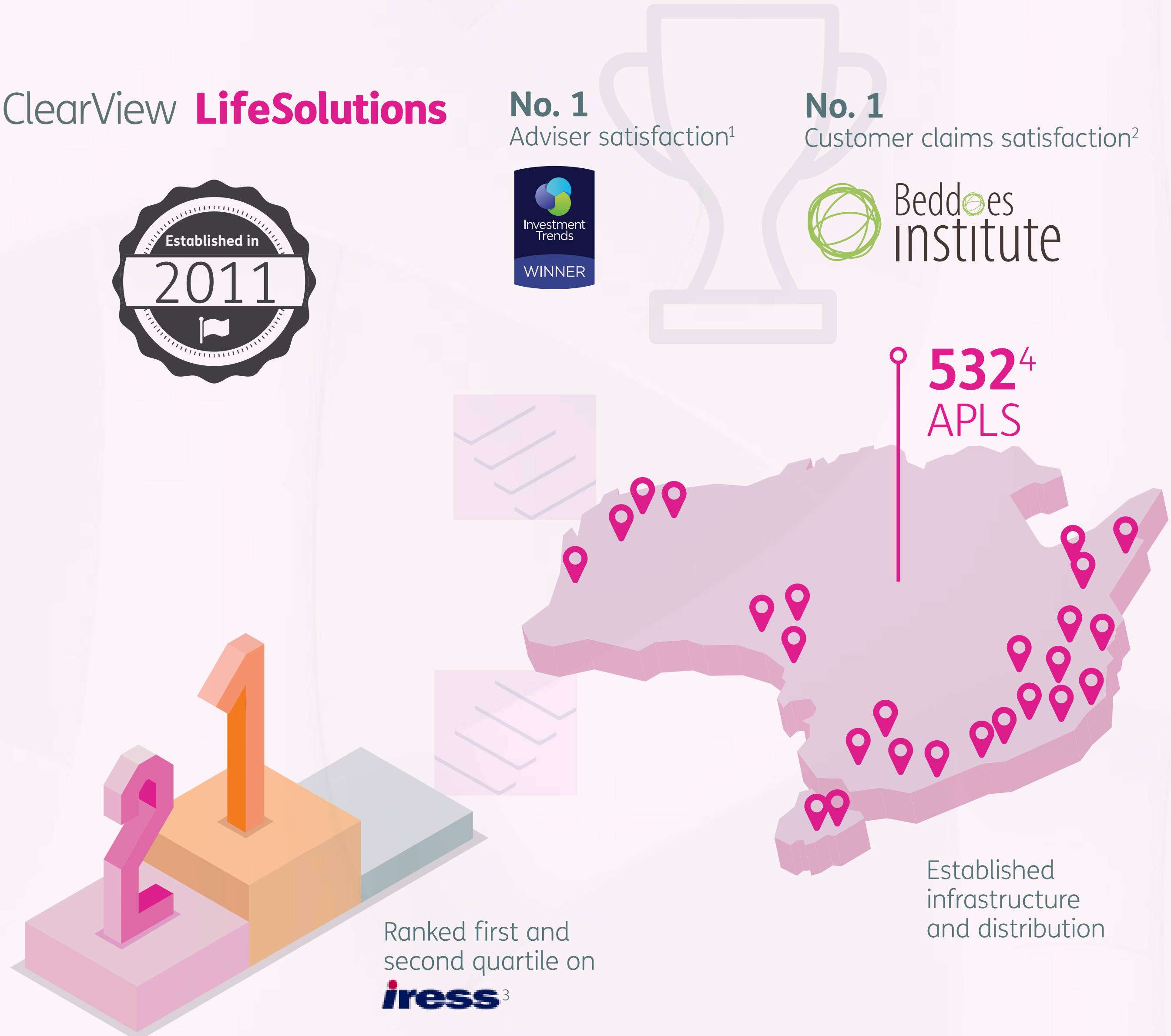
Operating segment review

Life Insurance

Where are we today?

ClearView LifeSolutions is our single, contemporary product series. It is designed to meet the unique needs of our customers today but flexible enough to adapt, as their needs change over time.

ClearView LifeSolutions is available through financial advisers in conjunction with personal advice.



Highly-rated by Investment Trends, DEXX&R/Money Management/Canstar/Money Magazine/Beddoes Institute

1 Investment Trends 2017 and 2018 Planner Risk Report.
2 Rated Number 1 in claims customer satisfaction in the Beddoes Institute's Industry Claims Journey Study (2019) which tracked the experience of 500 customers across the industry who have had an income protection, trauma or TPD claim.
3 Risk research houses generally rate our product on the 1st or 2nd quartile. This assists advisers in formulating their advice and product comparisons.
4 APLs are where ClearView products are placed on third party dealer group approved product lists.

Operating review

The FY19 financial performance is discussed below.

Life Insurance result:

12 Months to 30 June 2019 ($M)[1]	2018			2019			%
	1H	2H	FY18	1H	2H	FY19	Change[2]
Gross life insurance premiums	104.7	110.5	215.2	117.0	116.6	233.6	12%
Interest income	1.1	1.2	2.3	1.5	1.4	2.9	27%
Net claims incurred	(16.9)	(16.0)	(32.9)	(17.0)	(18.9)	(35.9)	9%
Reinsurance premium expense	(27.2)	(30.0)	(57.2)	(34.1)	(37.5)	(71.6)	25%
Commission and other variable expenses	(33.7)	(30.0)	(63.7)	(30.6)	(25.6)	(56.2)	(12%)
Operating expenses	(24.3)	(24.9)	(49.2)	(26.9)	(25.0)	(51.9)	5%
Movement in policy liabilities	14.2	8.9	23.1	7.1	3.9	11.0	(52%)
Underlying NPBT	**17.9**	**19.6**	**37.5**	**17.0**	**14.9**	**31.9**	**(15%)**
Income tax (expense) / benefit	(5.4)	(6.0)	(11.4)	(5.1)	(4.8)	(9.9)	(13%)
Underlying NPAT	**12.5**	**13.6**	**26.1**	**11.9**	**10.1**	**22.0**	**(16%)**
Amortisation of acquired intangibles	(1.4)	(1.4)	(2.8)	-	-	-	(100%)
Policy liability discount rate effect	(0.7)	(0.2)	(0.9)	2.2	4.4	6.6	Large
Impairments	-	-	-	-	(5.0)	(5.0)	Large
Cost out program implementation costs	-	-	-	-	(1.5)	(1.5)	Large
Direct Remediation Program and Royal Commission costs	-	-	-	-	(2.0)	(2.0)	Large
Other costs	-	-	-	-	(0.9)	(0.9)	Large
Reported NPAT	**10.4**	**12.0**	**22.4**	**14.1**	**5.1**	**19.2**	**(14%)**

Analysis of Profit ($M)	2018			2019			%
	1H	2H	FY18	1H	2H	FY19	Change[2]
Expected Underlying NPAT[3]	**16.0**	**16.2**	**32.2**	**16.0**	**15.9**	**31.9**	**(1%)**
Claims experience	(3.2)	(2.3)	(5.5)	(2.1)	(3.1)	(5.2)	(6%)
Lapse experience	(0.8)	(1.3)	(2.1)	(2.9)	(2.7)	(5.6)	168%
Expense experience	0.2	0.3	0.5	0.6	0.5	1.1	106%
Other	0.2	0.7	0.9	0.2	(0.4)	(0.2)	(125%)
Underlying NPAT	**12.5**	**13.6**	**26.1**	**11.9**	**10.1**	**22.0**	**(16%)**

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. Gross life insurance premiums reflected net of variable stamp duty costs.

2 % change represents the movement from FY18 to FY19.

3 Expected Underlying NPAT of $31.9 million reflects expected profit margins on in-force portfolios based on actuarial assumptions. FY19 reflects the impacts on margin of LIF reforms (as the commission caps reduce, margin improves), the changes to claims assumptions at 30 June 2018 (in particular the increase in the IP claims assumption), pricing changes (including reinsurance costs) and shifts in business mix between periods.

Life Insurance Underlying NPAT down 16% to $22.0 million (FY18: $26.1 million), Reported NPAT down 14% to $19.2 million (FY18: $22.4 million):

Life Insurance remains the key profit driver. The expanding distribution footprint and new business volumes relative to the size of the in-force portfolio led to a material increase in the in-force portfolio (+12%) which underpins the growth profile.

The key negatives impacting on the FY19 Life Insurance result include:

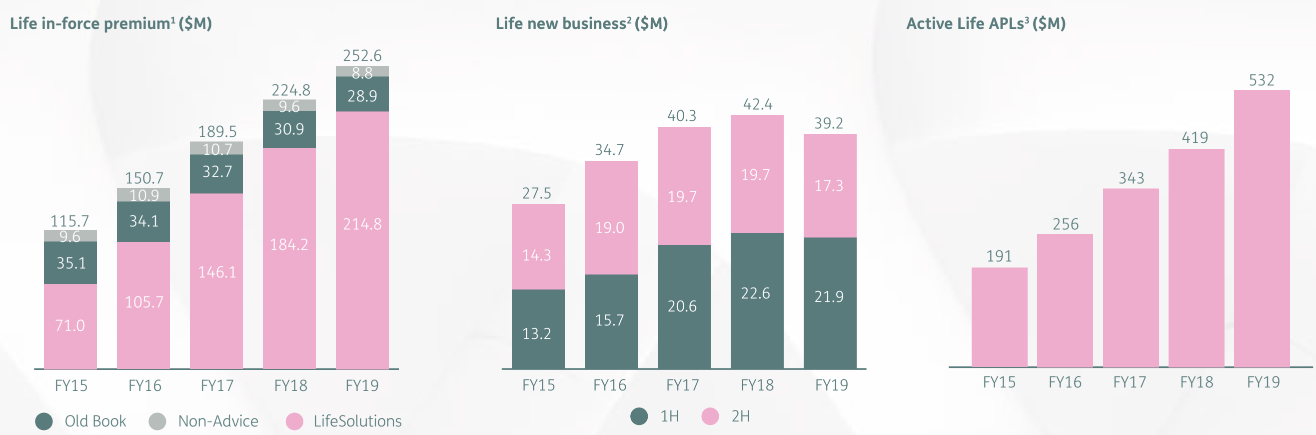
- Reduction in overall industry sales and elevated lapses. Weak market conditions are due largely to changes to adviser remuneration and poor consumer sentiment.
- Some poor performing distribution relationships from a relatively small number of AFSLs.
- Some pricing issues in ClearView's pricing structures versus competitors.
- Net adverse claims performance is mainly attributed to the income protection (IP) portfolio (94% or $4.9 million).
- Margins have been impacted by mix of business and pricing versus competitors.
- ClearView's technology (access and ease of doing business).

In response, ClearView has:

- Implemented a revised pricing structure from March 2019 and the inforce portfolio began transitioning to the new rates (subject to a 10% cap on the increase) from April 2019. These pricing changes reflect both evolving market relativities and underlying claims and reinsurance costs developments.
- Terminated certain distribution relationships with poor lapse experience. These actions will result in some reduced 'head line' sales in the shorter term, but overall business quality and profitability is expected to improve.
- Implemented a project to replace its main life insurance technology.
- Reset the cost base of the business to current market conditions as opposed to investing ahead of the curve.
- Further work on product pricing and positioning and retention initiatives are planned for FY20.
- Revised its expense, lapse and claims assumptions for valuations and business management to take into account recent observed experience.

The investment in technology, alongside ongoing expansion of the distribution footprint, is likely to drive medium-to-long term growth, notwithstanding short-term headwinds. The business is now focused on effective cost management, coupled with a reinvigorated IT strategy and road map.

Chart 4: Life Insurance key performance indicators



1 In-force premium is defined as annualised premium in-force at the balance date.
2 Life Insurance contemporary new business or sales represents the amount of new LifeSolutions annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases.
3 APLs are where ClearView products that are placed on third party dealer group approved product lists.

ClearView LifeSolutions is now on 532 APLs (up 27% on 419 last year) and remains well positioned to capitalise on the opening up of APLs. The advice market is starting to broaden their APLs, driven by changing client expectations, adviser demand and consolidation or closure of the larger dealer groups. Gaining access to larger licensees will materially expand ClearView's distribution footprint over time.

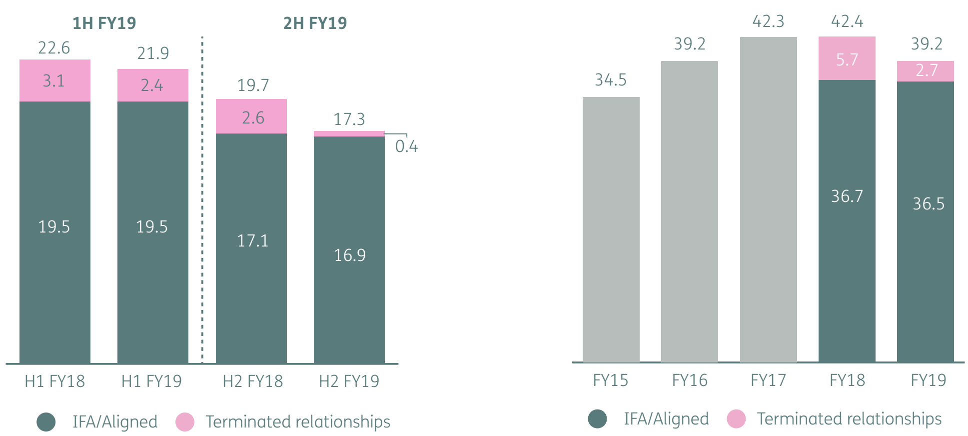
In-force premiums increased 12% to $252.6 million in FY19. The Life Insurance in-force movement is driven by the net impacts of new business, price increases, lapse and CPI/aged-based variances. The Life Insurance in-force portfolio at 30 June 2019 is made up of ClearView LifeSolutions, ($214.8 million; +17%); non-advice ($8.9 million; -9%) and the Old Life Book ($28.9 million -6%).

Key observations include:

- The mix of products making up the in-force portfolio has changed materially with the flagship product ClearView LifeSolutions, now representing 85% of total in-force premiums. This links to the margin shifts across the portfolio.
- The direct business was closed in 2H FY17 which means the in-force portfolio is in run off.
- The increased scale is driven by sales of new contemporary products. This has progressively reduced expense overruns with actual non-deferred overruns reflecting an experience profit of $1.1 million in FY19.

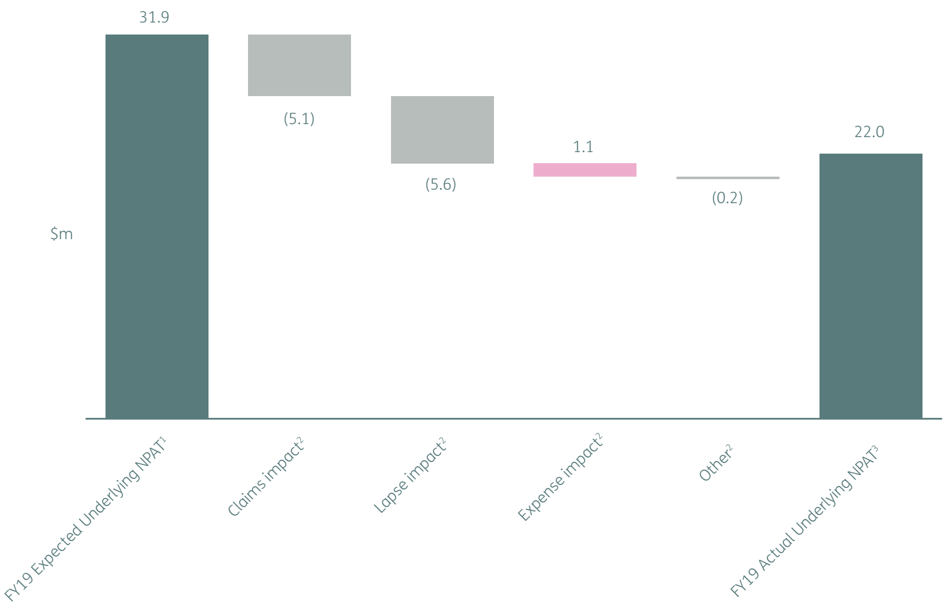
Gross premiums increased 12% to $233.6 million with Life Insurance sales of contemporary products down 7% to $39.2 million. As noted earlier, a key component of the retention strategy to improve lapse performance is a review of certain distribution relationships (adviser groups) that have elevated lapse rates. Through the course of the year, ClearView has strategically terminated some relationships with high lapse distributors. The impacts on new business (looking back on FY19) and breakdown of sales are illustrated in the graph below.

Chart 5: Life Insurance new business by half and full year by channel



After adjusting for terminated relationships, overall new business volumes are broadly inline between FY19 and FY18, with sales of $36.5 million (FY18: $36.7 million). This follows a similar pattern in the view of new business volumes by half year period.

Chart 6: Life Insurance Underlying NPAT analysis



Claims experience

The poor claims experience (relative to the claims assumptions in the life insurance policy liability determined at 30 June 2018) across products resulted in an experience loss in FY19 of $5.1 million (FY18: $5.5 million loss). This is broken down by product as follows:

- ClearView LifeSolutions lump sum portfolio reflects a broadly neutral experience in FY19 (FY18: $1.4 million adverse experience).
- ClearView LifeSolutions IP portfolio reflects adverse experience of $4.9 million in FY19 (FY18: $1.9 million adverse experience). This includes the $1.8 million impact from the change in the IP claims assumptions in June 2019.
- Direct portfolios (closed to new business) reflects adverse experience in FY19 of $0.2 million (FY18: $2.2 million adverse experience).

Overall net claims adverse performance is mainly attributed to the IP book, with the lump sum portfolio having a net neutral experience over the same period. Actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

Key observations include:

- The ClearView LifeSolutions lump sum portfolio has been profitable over the six-year period (average annual experience profits of $0.1 million), albeit with some volatility between periods, in particular 2H FY18. Given the size of the portfolio and reinsurance arrangements in place, some statistical volatility can be expected.
- Overall, the direct portfolios, including the book that was closed to new business in FY17, had an average annual experience loss of $0.1 million. This offsets the profits made on the ClearView LifeSolutions lump sum portfolio.
- The surplus reinsurance program of the Old Book (acquired in 2010) retains more risk than ClearView LifeSolutions products but has historically reflected claims profits over a long period of time, albeit with some volatility between periods.
- An enhanced actuarial reserving basis was adopted for IP claims in FY17 resulting in a $2.6 million loss in that year.

1 Expected Underlying NPAT of $31.9 million reflects expected profit margins on in-force portfolios based on actuarial assumptions. FY19 reflects the impacts on margin of LIF reforms (as the commission caps reduce, margin improves), the changes to claims assumptions at 30 June 2018 (in particular the increase in the IP claims assumption), pricing changes (including reinsurance costs) and shifts in business mix between periods.

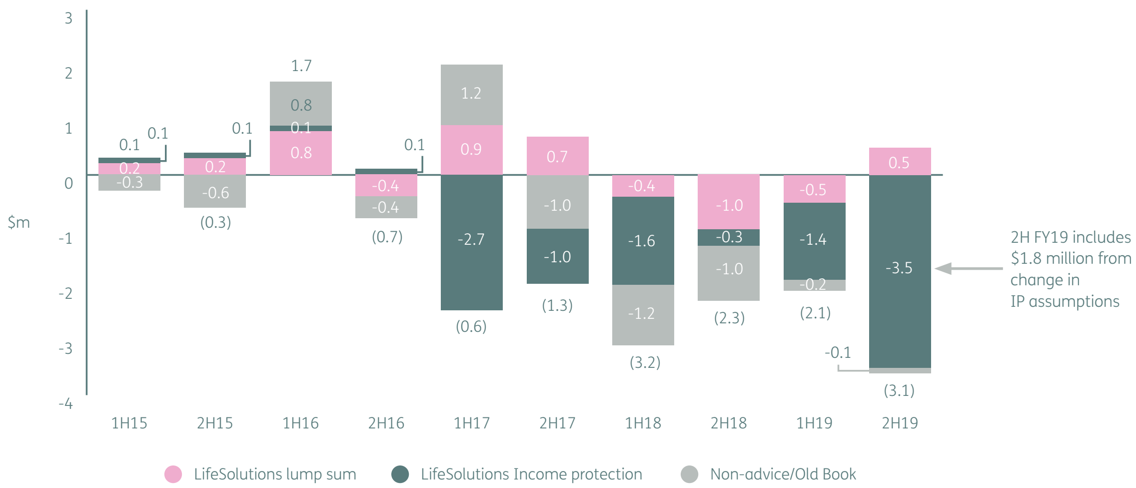
2 Reflects actual experience for the relevant item in the FY19 result and the difference between actual and expected experience for the relevant period.

3 FY19 Underlying NPAT for the relevant segment. 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.

The following graphs reflect the claims experience over the last five years.

Chart 7: Claims experience ($M)

Claims experience[1]



Key actions that have been adopted to improve the claims performance include:

- ClearView adjusted the pricing of ClearView LifeSolutions in 2H FY19. Stepped death and TPD cover rates were reduced, with IP and trauma rates increased, reflecting both evolving market relativities and underlying claims and reinsurance costs developments.
- We also note that APRA has called on the industry to address the persistent problems with IP claims. ClearView is engaging in industry initiatives to drive a more sustainable claims and pricing outcome for these products.
- As at 30 June 2019, the claims assumptions have been increased taking into account observed experience. The following changes have been made:
  - ClearView LifeSolutions Death claims rate assumptions increased by 10%;
  - ClearView LifeSolutions IP cost of claims increased by 10% (predominantly by decreasing claims termination rates); and
  - Non-advice claims rate assumptions increased by 3%.

The net impact of these claims changes reduced the Embedded Value at 30 June 2019 by $10.9 million.

Lapse experience

The adverse lapse experience (relative to the lapse assumptions in the Life Insurance policy liability determined at 30 June 2018) across products resulted in an experience loss in FY19 of $5.6 million (FY18: $2.1 million loss). This is broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects adverse experience in FY19 of $2.9 million (FY18: $1.4 million adverse experience);
- ClearView LifeSolutions IP portfolio reflects adverse experience in FY19 of $2.0 million (FY18: $0.4 million adverse experience); and
- Direct portfolios (closed to new business) reflects adverse experience in FY19 of $0.7 million (FY18: $0.3 million adverse experience).

1 Experience measured against the assumptions applicable at each reporting date.

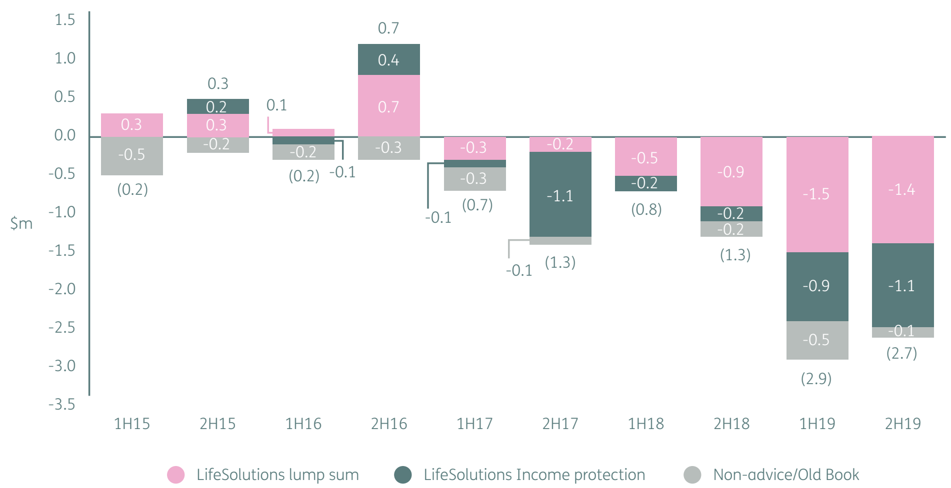
The recent adverse lapse experience and trend has been driven by:

- Lump sum pricing issues in certain cohorts of ClearView LifeSolutions that is intended to be addressed in part by the pricing changes. Given that lump sum and IP products are for the most part sold as a 'bundle' this has also impacted lapses on the income protection products.
- Certain distribution relationships with some adviser groups have experienced elevated lapse rates.
- There are suggestions of some heightened lapses in the first year of the LIF reforms (it takes a year for the two-year responsibility period to kick in) which went live on 1 January 2018, in particular for policies with upfront commission.
- Anecdotally, given recent consumer sentiment around the Royal Commission, this may have had some impacts throughout FY19, coupled with general economic conditions.

The following graphs reflect the lapse experience over the last five years:

Chart 8: Lapse experience ($M)

Lapse experience[1]



Key actions that have been adopted to improve the lapse performance include:

- A review of certain distribution relationships (adviser groups) resulting in the termination of certain relationships. These actions will result in some reduced 'head line' sales in the shorter term, but overall business quality and profitability is expected to improve.
- A revised pricing structure from March 2019 and the inforce portfolio is transitioning to the new rates (subject to a 10% cap on the increase) from April 2019.
- Further work on product pricing and positioning and retention initiatives are planned for FY20 given competitor pricing positions.
- Retention strategies and effects in life insurance, will take time to fully implement and flow through to overall lapse performance.
- As at 30 June 2019, the lapse assumptions have been increased and re-shaped. In particular, the inforce portfolio has been segmented with assumptions adjusted for various underlying components. This includes higher lapse experience for already-terminated relationships. The 'contagion' run-off of these in-force portfolios has therefore been factored into the resetting of the lapse assumptions. The following changes have been made to the lapse assumptions (in broad terms):
  - ClearView LifeSolutions - assumptions increased by circa 1% p.a.;
  - Non-advice - assumptions increased by 2% p.a.; and
  - Old Book - assumptions to remain unchanged.

The net impact of these changes reduced the Embedded Value at 30 June 2019 by $15.5 million.

1 Experience measured against the assumptions applicable at each reporting date.

Other key points in FY19 Life Insurance result

- Non-deferred expense experience improved from a $0.5 million profit in FY18 to a $1.1 million profit in FY19, demonstrating that expense overruns are being absorbed as scale is achieved.
- The Life Insurance maintenance expense assumption has been reduced in the Embedded Value calculations, given the expenses now being achieved, and implementation of the cost out program and budgeted expenses in the FY20 business plan. The net impact of the change in expense assumption increased the Embedded Value at 30 June 2019 by $11.2 million.
- Investment earnings are impacted by the reallocation of shareholder capital 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 and reflects the upfront reinsurance support provided in the first year of a policy by the reinsurer.
- Lower Life Insurance initial commission in FY19 was driven by the implementation of the LIF reforms (the upfront commission cap reduced to 80% in calendar year 2018 and 70% in calendar year 2019). These acquisition costs are deferred and amortised within the policy liability over the expected life of the policies, in accordance with accounting standards.
- In the short-term, the implementation of the LIF reforms will reduce profit margins given the shift to a hybrid commission model but will unwind and improve as the upfront commission cap reduces from 80% to 60% in 2020.
- Changes in variable expenses relate to stamp duty and medical policy acquisition costs driven by increased new business volumes.
- The growth in the in-force portfolios of contemporary products is partially offset by the run-off of the higher margin Old Life insurance book. This has more recently become less of an impact given the proportion of ClearView LifeSolutions portfolio to the overall in-force base (85%).

Operating segment review

Wealth Management

Where are we today?

ClearView is focused on building a material wealth management business by manufacturing, administering and distributing investment solutions, and leveraging existing Life Insurance relationships.

ClearView **WealthSolutions**

ClearView **WealthFoundations**

Contemporary technology platform for WealthFoundations; Private label[1] for WealthSolutions.

WealthFoundations upgraded to include 24 model portfolios including 9 index models for five different risk profiles.

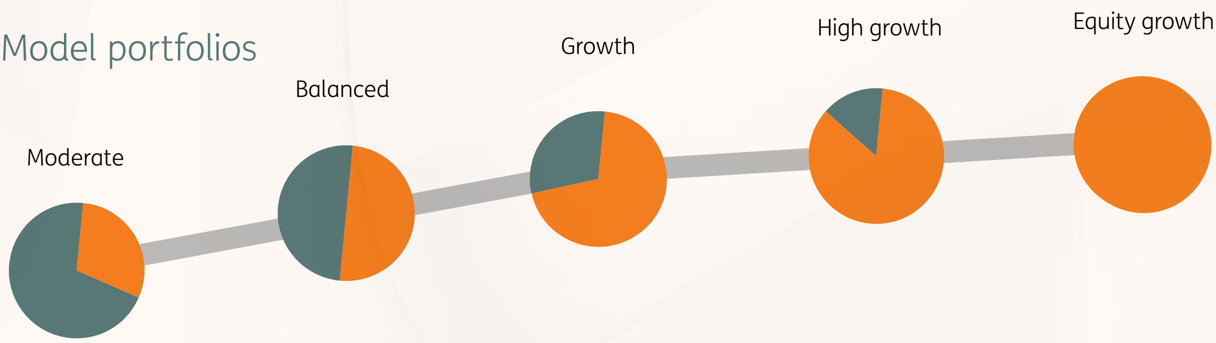
(Wealth migration of Master Trust Product onto new platform completed in FY18)

Highly rated by Chant West

Chant West 2019 rating of 4 Apples for ClearView WealthFoundations Super and Pension, and ClearView WealthSolutions Super and Pension.

A 4 Apples rating reflects a "high quality fund".

Model portfolios



1 Private label relates to WealthSolutions product where information technology and administration services are outsourced to Avanteous with ClearView being the relevant licenced operator.

Operating review

The FY19 financial performance is discussed below.

Wealth Management result

12 Months to June ($M)[1]	2018			2019			%
	1H	2H	FY18	1H	2H	FY19	Change[2]
Fund management fees	18.0	18.2	36.2	17.7	16.7	34.4	(5%)
Interest income	0.2	0.2	0.5	0.3	0.2	0.5	17%
Variable expenses[3]	(3.3)	(3.2)	(6.4)	(3.0)	(2.9)	(5.9)	(8%)
Funds management expenses	(4.7)	(4.8)	(9.5)	(4.9)	(4.6)	(9.5)	0%
Operating expenses	(7.0)	(7.5)	(14.5)	(7.5)	(7.8)	(15.3)	5%
Underlying NPBT	**3.3**	**3.0**	**6.2**	**2.6**	**1.7**	**4.3**	**(31%)**
Income tax (expense)/benefit	(0.7)	(0.4)	(1.1)	(0.5)	(0.2)	(0.6)	(40%)
Underlying NPAT	**2.6**	**2.6**	**5.2**	**2.1**	**1.5**	**3.6**	**(30%)**
Amortisation of acquired intangibles	-	(0.1)	(0.1)	-	(0.1)	(0.1)	0%
Impairments	-	-	-	-	(1.1)	(1.1)	Large
Cost out program implementation costs	-	-	-	-	(0.4)	(0.4)	Large
Other costs	-	-	-	-	(0.2)	(0.2)	Large
Reported NPAT	**2.6**	**2.5**	**5.1**	**2.1**	**(0.3)**	**1.8**	**(63%)**

Wealth Management Underlying NPAT down 30% to $3.6 million (FY18: $5.2 million), Reported NPAT down 63% to $1.8 million (FY18: $5.1 million):

ClearView began investing significantly in its Wealth Management business in FY15. The premise behind ClearView's initial foray into wealth management remains in tact - the convergence of life insurance and wealth management creates a unique opportunity for companies that manufacture and distribute both products.

ClearView's contemporary wealth management solutions, which include a range of model portfolios and investment administration platforms, are only accessible through financial advisers.

The aligned adviser network has provided a solid distribution base for Wealth Management, but the independent financial adviser (IFA) segment represents ClearView's largest opportunity. Gaining support from both the aligned and IFA network is important for diversifying sales and growing funds under management (FUM).

Average FUM balances (and fee margin earned) is the key profit driver in wealth management. ClearView does not invest directly in assets but outsources the selection and ongoing management of underlying shares and securities to third party fund managers.

The FY19 result reflects:

- Materially reduced flows, investment under-performance and pricing changes in 2H FY19, leading to a reduction in fees. This, coupled with the fixed cost base, and a lack of scale on the in-house contemporary platform had a negative impact on the result.
- Net outflows of $25 million in contemporary products ($15 million in 2H FY19); materially below net inflows of $332 million in FY18. Net outflows from the closed Master Trust product is $136 million in FY19, up 8% on FY18 (net outflows of $126 million). This resulted in a decrease in FUM of 1% to $2.76 billion.

Key contributing factors to the disappointing performance have been:

- Outsourced wrap technology falling behind competitors;
- Underperforming model portfolios versus peers;
- Delays in achieving the life insurance and wealth management integration objectives;
- Response to competitive platform pricing changes; and
- General adverse sentiment to the retail section of financial services during FY19.

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 FY18 to FY19.
3 Variable expenses include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product

In response, ClearView has:

- Repositioned and lowered its wrap platform pricing from February 2019. This also flowed through the in-force portfolios.
- Changed a number of models and fees on its contemporary WealthFoundations product in November 2018. Further work on product pricing and positioning are in train for 1H FY20.
- Strategic review of the wrap platform and wealth technology is underway with a focus on the simplification of key back office systems. The life insurance and wealth management integration strategy is linked to the life insurance technology project.
- Reviewing the approach to investment products to broaden their market appeal and remove the dependency on short-term peer relative performance and to develop market differentiated products.
- Commenced a project related to its superfund[1] (part of the broader wealth strategy review) including any potential impacts on its trustee licence.

These initiatives are expected to be a core part of the focus of the business in FY20.

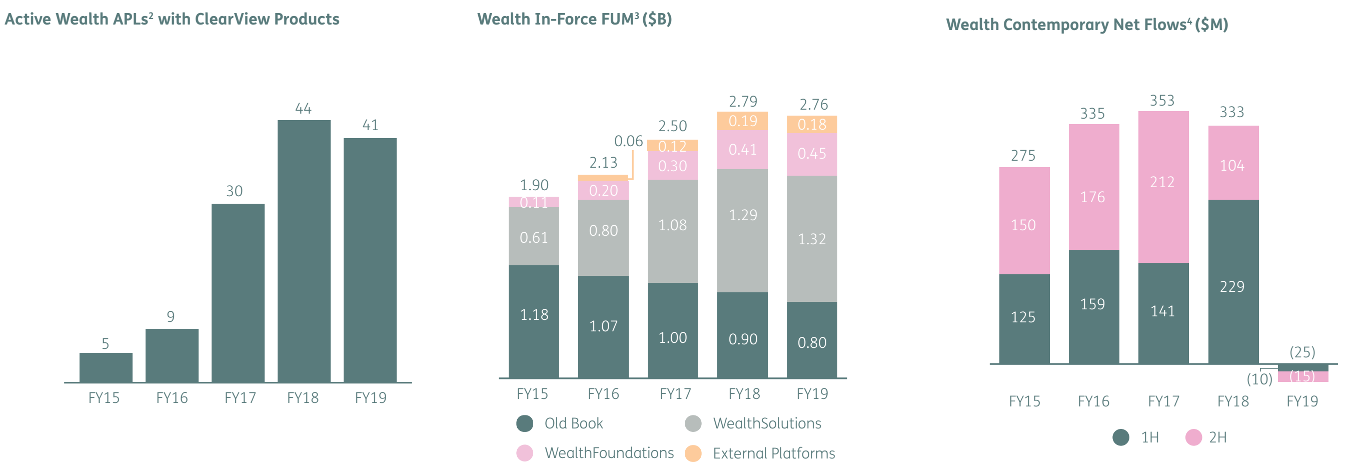
Longer term, the business will continue to benefit from the consumer shift away from the institutions and banks, albeit with some shorter term competitive pricing pressures.

The unprecedented level of merger and acquisition activity in the Australia financial services industry in the past few years has resulted in fewer companies now providing both life and wealth solutions. A number of ClearView's key competitors have, or are in the process of, divesting assets. This structural change, and the subsequent distraction, provides a significant competitive advantage for ClearView.

Manufacturers that offer both life insurance and wealth management solutions have a unique opportunity to maximise their relationship with financial advisers.

The following graphs illustrate the performance of the Wealth Management business.

Chart 9: Wealth Management key performance indicators



1 ClearView Retirement Plan.

2 APLs are where ClearView products are placed on third-party dealer group approved product lists.

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 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.

FUM balances are down 1% to $2.76b at 30 June 2019 (average FUM balances are up 1%). The movement is driven by the net impacts of net flows, funds management fees and investment market movement-based variances:

- Made up of WealthSolutions ($1.3 billion; average FUM +7%), WealthFoundations ($0.5 billion; average FUM +14%), External Platforms ($0.2 billion; average FUM +6%) and Master Trust ($0.8 billion; average FUM -12%).
- The mix of products making up the portfolio has changed materially with contemporary products (including ClearView platform funds on external platforms) now representing 70% of total FUM. This links to the margin shifts across the portfolio.
- Performance of investment markets remains key to attracting flows and supporting the Master Trust FUM given the product is not actively marketed to new customers. Performance has lagged in the shorter term given the defensive positioning of the portfolios.

The repricing of WealthSolutions in 2H FY19 has two key objectives:

- Improve the fee competitiveness, particularly to price appropriately given competitor solutions and product positioning. The market continues to be fluid with regard to pricing.
- Progressively enhance model portfolios and platform funds to increase the suite of models available and create a compelling value proposition for customers and advisers.

Inflows represent a material portion of overall FUM balances. Gross inflows of $294 million were achieved in FY19 predominantly into contemporary products (-48%).

Key observations include:

- The Master Trust product is effectively a closed book with a portion of FUM in pension phase. The FY19 result includes impacts from the margin compression of the gradual run-off of the Master Trust product that is being replaced by lower margin new business written for new contemporary products (fee income down 12% to $18.2 million in line with average FUM balances (FY18: $20.6 million)).
- WealthSolutions fee income is up 3% compared to an increase in average FUM balances of 6%; WealthSolutions fees are up to $12.0 million (includes external platforms of $1.8 million) (FY18: $11.7 million). This was adversely impacted by a lower net average fee rate of 0.80% (vs 0.86% in FY18) reflective of the price changes.
- WealthFoundations fee income is up 6% to $4.2 million (FY:18 $4.0 million) compared to an increase in average FUM of 14%. This was adversely impacted by a lower net average fee rate of 0.96% (vs 1.1% in FY18) reflective of the launch of new products and price changes.
- Overall the average fee margin earned between periods was down to 1.23% from 1.36% in FY18.
- Investment market performance was up 7% compared to a positive 6% investment return in FY18.
- The decrease in variable expenses (-8%) can be attributed to a reduction in the inter-segment advice fee (50bps) paid to Financial Advice on Master Trust FUM (down 12% in line with average Master Trust FUM). Platform fees payable on the WealthSolutions portfolio were broadly flat albeit with average FUM increasing 7%. This was driven by a reduction in pricing in 2H FY19 to reposition the portfolio and remain competitive. Funds management expenses were broadly flat in line with the average FUM balances (+1%) between periods.
- The increase in operating expenses (+5%) can be attributed to the costs incurred to enhance the contemporary platform and product (including increased technology and software amortisation costs). This has been partially offset by a reduction in wealth administration costs due to greater efficiencies from the improved scale of business (between periods) and migration of the Master Trust product onto a single administration platform (completed at end of FY18).
- Expense overruns (after tax) are broadly flat at $3.1 million (FY18:$3.0 million). The current overruns reflect the investment in the contemporary platform and WealthFoundations product that is yet to achieve scale relative to initial system and ramp up costs. This remains a key consideration.
- The tax expense includes a tax benefit of $0.7 million in FY19 (FY18:$0.3 million) comprising exempt fees in the Master Trust product range and the positive impact from a tax benefit arising from superannuation insurance premium deductions.
- Investment earnings are impacted by the reallocation of shareholder capital between segments and movement in market interest rates earned on the capital invested in short-term deposits and fixed interest assets between periods.

Operating segment review

Financial Advice

Where are we today?

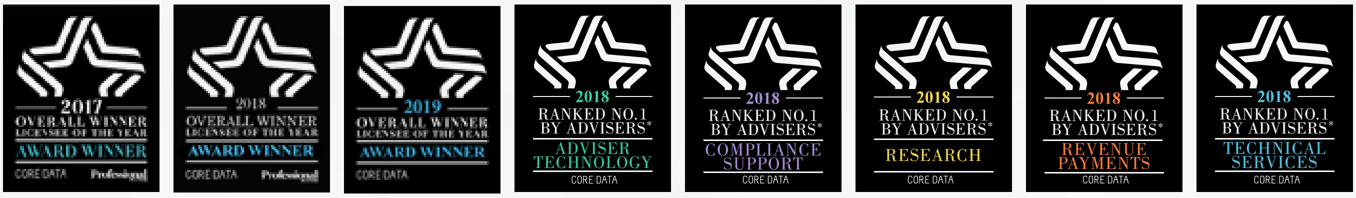
ClearView has established itself as a provider of licensing solutions to the Australian market.

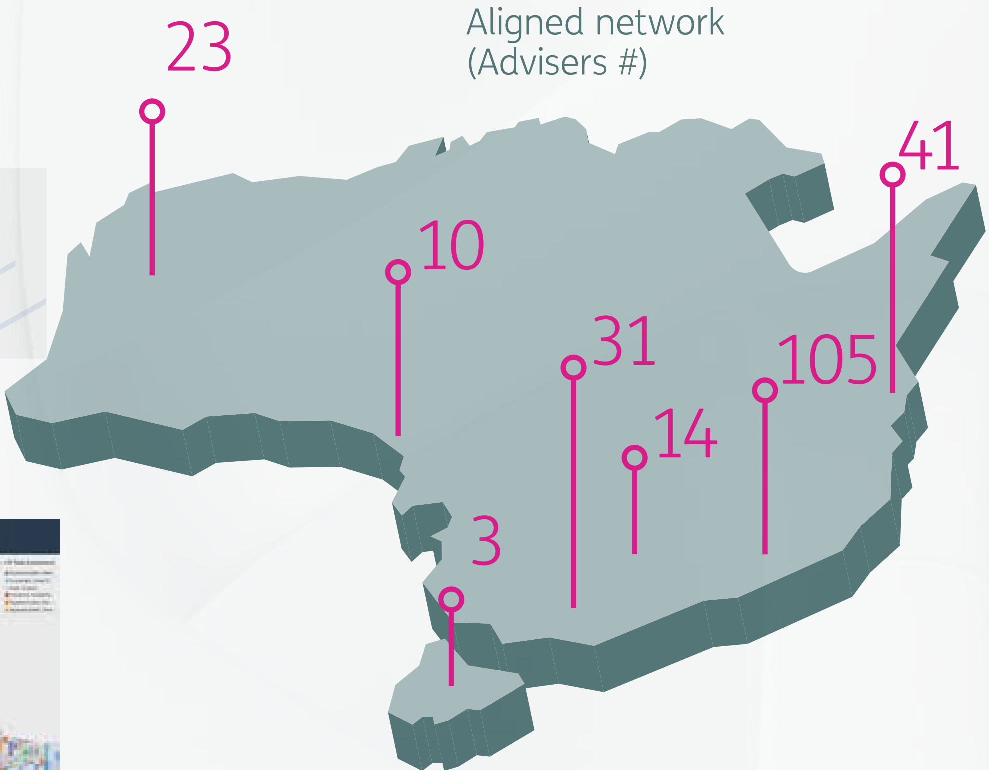
Our comprehensive offer features two aligned dealer groups providing traditional licensing and dealer services plus the recently-launched LaVista Licensee Solutions which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

ClearView Financial Advice

MATRIX PLANNING SOLUTIONS

LaVista LICENSEE SOLUTIONS





No. 1
Australia's leading licensee[1]

1 CoreData Licensee Report 2017, 2018 and 2019.

The FY19 financial performance is discussed below.

Financial Advice result

12 months to June ($M)[1]	2018 1H	2018 2H	FY18	2019 1H	2019 2H	FY19	% Change[2]
Net financial planning fees	8.8	8.7	17.4	8.8	8.4	17.2	(1%)
Interest and other income	0.2	0.3	0.5	0.4	0.2	0.6	37%
Operating expenses	(7.6)	(7.7)	(15.3)	(9.1)	(7.2)	(16.4)	7%
Underlying NPBT	**1.3**	**1.3**	**2.6**	**0.1**	**1.3**	**1.4**	**(44%)**
Income tax (expense) / benefit	(0.4)	(0.4)	(0.8)	-	(0.4)	(0.4)	(44%
Underlying NPAT	**1.0**	**0.8**	**1.8**	**0.1**	**0.9**	**1.0**	**(44%)**
Amortisation of acquired intangibles	(0.6)	(0.5)	(1.1)	(0.6)	(0.5)	(1.1)	0%
Cost out program implementation costs	-	-	-	-	(0.4)	(0.4)	Large
Impairment of goodwill and intangibles	-	-	-	-	-	(12.9)	Large
Other costs	-	-	-	-	(0.3)	(0.3)	Large
Reported NPAT	**0.4**	**0.3**	**0.7**	**(0.5)**	**(0.3)**	**(13.7)**	**Large**

Financial Advice Underlying NPAT down 44% to $1.0 million (FY18: $1.8 million), Reported NPAT reflects a loss of $13.7 million (FY18 profit: $0.7 million)

The aligned dealer groups, together have 227 financial advisers operating under their licences.

Key issues in the segment have been growing compliance costs, risks managing advice sector exposure (resulting in limited growth in adviser numbers) and a general reduction in adviser productivity over time.

The future state for dealer groups requires the removal of cross subsidisation between the manufacturer and advice business and the replacement of grandfathered revenue streams which have supported economic value in the industry for some time.

The grandfathered revenue streams total circa $1.8 million per annum in our dealer groups are the net amounts retained (predominantly related to rebates and dealer service fees). These exclude the financial support from our manufacturing businesses (see details that follow).

The institutional model of vertical integration - whereby institutions own each part of the value chain from manufacturing to distribution (advice) - has been under increasing pressure with both financial advisers and clients agitating for greater independence.

This is resulting in vertical disintegration across the industry with some institutions voluntarily selling or closing their dealer group businesses. At the same time a large number of professional financial advisers are seeking to leave institutional dealer groups and gain their own Australian Financial Services Licence (AFSL).

In response, ClearView has:

- Recently launched LaVista, a new outsourced B2B licensee services offer to meet the needs of the growing number of self-licensed financial advisers and support services to third party dealer groups. This positions ClearView to capture opportunities arising from structural change. ClearView now offers comprehensive licensing and dealer services to professional financial advisers who want the backing of a well-resourced company but don't want to be aligned to a bank or institution.
- A new, flat membership fee structure was announced in August 2019 and will be rolled out across the Matrix and CFA dealer groups from 1 November 2019. The new fee arrangement represents a fairer, more sustainable pricing model and better reflects the actual cost of providing licensing services.
- Continued investment in the rollout of front-end compliance and monitoring technology (Lumen) across the dealer groups.
- As part of the LaVista roll out and repositioning of our dealer groups over time, the intention is to replace the grandfathered revenue streams and remove the cross subsidies that exist in our businesses and develop a sustainable revenue base that allows the dealer groups and LaVista to continue to invest and support its financial adviser client base.

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 FY18 to FY19.

The group's revised dealer group fees will be market competitive and are in line with broader changes across the industry. Key industry developments include:

- Increased compliance and regulation to ensure AFSLs and their authorised representatives manage their legal obligations.
- Heightened litigation and rising Professional Indemnity insurance premiums across the industry.
- Higher consumer expectations including more personalised, regular and proactive service and advice.
- The imminent removal of grandfathered commissions and rebates.

Underlying NPAT for Financial Advice was $1.0 million (-44%). Key drivers of financial performance in the Financial Advice segment are as follows:

- Net adviser service fees and membership fees earned (circa $7 million per annum prior to repricing);
- Financial support from ClearView's manufacturer businesses;
- Grandfathered platform rebates (likely sunset date of January 2021); and
- Dealer Service Fees (DSF) earned on third party platforms.

Underlying NPAT was impacted by increased operating expenses (+7%) driven by compliance program and restitution costs that were incurred in FY19 ($1.1 million after tax).

Other key points to note in the result are as follows:

- Net financial planning fees are broadly neutral; and
- Interest income reflects the reallocation of shareholder capital between segments and changes in market interest rates between periods.

Reported NPAT for Financial Advice was a loss of $13.7 million (FY18: Reported NPAT of $0.7 million) and was impacted by the impairment of Goodwill and Intangibles ($12.9 million as outlined earlier in the report).

Operating segment review Listed Entity/Other

Listed Entity/Other result

12 months to June 2019 ($M)[1]	2018			2019			%
	1H	2H	FY18	1H	2H	FY19	Change[2]
Interest income	0.1	0.2	0.3	0.2	0.2	0.4	3%
Operating expenses	(0.7)	(0.5)	(1.2)	(0.7)	(0.6)	(1.2)	7%
Operating earnings NPBT	**(0.6)**	**(0.2)**	**(0.8)**	**(0.5)**	**(0.4)**	**(0.9)**	**8%**
Income tax (expense) / benefit	(0.1)	0.5	0.4	-	(0.1)	(0.2)	(135%)
Operating earnings NPAT	**(0.7)**	**0.3**	**(0.4)**	**(0.5)**	**(0.5)**	**(1.0)**	**172%**
Interest expense on corporate debt (after tax)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.5)	71%
Underlying NPAT	**(0.8)**	**0.1**	**(0.7)**	**(0.7)**	**(0.8)**	**(1.5)**	**129%**
Cost out program implementation costs	-	-	-	-	(1.5)	(1.5)	100%
Direct Remediation and Royal Commission costs	-	-	-	(0.4)	-	(0.4)	100%
Other costs	(0.3)	(0.5)	(0.8)	-	-	-	-
Reported NPAT	**(1.1)**	**(0.4)**	**(1.5)**	**(1.1)**	**(2.3)**	**(3.4)**	**125%**

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. Certain costs incurred in 1H19 were reclassified between segments in 2H19 and are shown on a net basis.

2 % change represents the movement from FY18 to FY19.

This segment includes the 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.

The Listed segment financial results for the year ended 30 June 2019 are shown in the table above. Underlying NPAT was -$1.5 million (FY18: -$0.7 million) and Reported NPAT of -$3.4 million (FY18: -$1.5 million). Notable items include:

- Investment earnings which are broadly in line between periods, albeit with some reallocation of physical cash between segments.
- Interest on corporate debt relating to loan establishment and line fees on the $60 million NAB debt facility that was refinanced in June 2017. $15 million has been drawn down to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as treasury shares).
- Costs that are considered unusual to ClearView's ordinary activities include expenses incurred in relation to costs associated with the cost out program implemented in 2H FY19 and costs associated with the Sony Cooperation Agreement in the prior year.

Statement of financial position

The Group's Statement of financial position, which is set out on page 71, reflects the key metrics below.

- Net assets at 30 June 2019 decreased to $439.1 million (June 2018: $444.3 million) comprising:
  - Reported profit of $4.0 million;
  - Opening balance adjustments on adoption of AASB 9 (-$1.0 million);
  - FY18 net cash dividend (-$8.9 million);
  - Movements in the Share Based Payments Reserve due to the treatment of the ESP in accordance with the accounting standards (+$4.1 million) and ESP loans settled through the FY18 final dividend (+$0.8 million); and
  - The cash payment (-$4.2 million) for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as treasury shares).
- Net asset value per share (including ESP loans) of 69.2 cents per share (June 2018: 71.3 cents per share).

The net asset value per share is reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 30 June 2019 (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

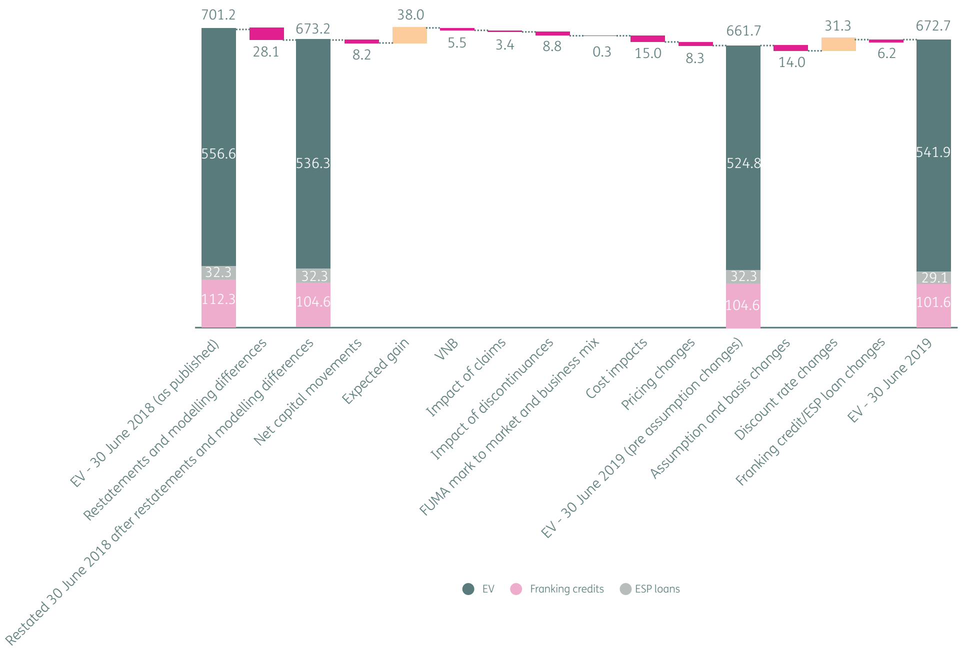
Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client balances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

As noted earlier in the report, an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment. Only the net assets of the Financial Advice segment is now included in the Embedded Value calculations.

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

Risk margin over risk free rate: ($M), (unless stated otherwise)	3% DM	4% DM	5% DM
Life Insurance	481.6	452.5	426.6
Wealth Management	66.8	63.1	59.8
Financial Advice	-	-	-
Value of In-Force (VIF)	**548.4**	**515.6**	**486.4**
Net Worth	26.4	26.4	26.4
Total EV	**574.7**	**541.9**	**512.8**
ESP Loans	29.1	29.1	29.1
Total EV Incl. ESP Loans	**603.9**	**571.1**	**541.9**
Franking Credits:			
Life Insurance	69.1	65.3	61.9
Wealth Management	17.5	16.5	15.7
Financial Advice	-	-	-
Net Worth	19.8	19.8	19.8
Total Franking Credits	**106.4**	**101.6**	**97.4**
Total EV Incl. Franking Credits and ESP Loans	**710.2**	**672.7**	**639.3**
EV per Share Incl. ESP Loans (cents)	**89.2**	**84.3**	**80.0**
EV per Share Incl. Franking Credits and ESP Loans (cents)	**104.9**	**99.4**	**94.4**

Chart 10: Embedded Value movement analysis



The key movements in the EV between FY18 and FY19 are described in detail below.

Restatements (-$28.1 million)

- Restatement predominantly driven by removal of Financial Advice client books (value of inforce) from the Embedded Value calculation and valuation of business at net assets (-$30.7 million including $7.7 million franking credits).

Net capital applied (-$8.2 million)

- FY18 final cash dividend (-$20.0 million) paid in September 2018 with $11.1 million reinvested as part of the Dividend Reinvestment Plan.
- Movements in the Share Based Payments Reserve (+$4.9 million).
- Cash payment (-$4.2 million) related to the on-market purchase of ClearView shares to support the SMT LTIP share plan (recognised as treasury shares).

Expected gain (+$38.0 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 (-$5.5 million)

- The value added by new business written (VNB) over the period.
- The current value of new business is suppressed by the acquisition costs incurred (relative to lower new business volumes). The acquisition cost overruns should decrease over time as the cost transformation program takes effect and ClearView benefits from the breakdown of vertical integration and the opening up of APL's.
- ClearView LifeSolutions VNB has also been adversely impacted due to the hybrid commission model under the LIF reforms (noting VNB will improve as the upfront commission cap reduces from 80% in calendar year 2018 to 60% in 2020).
- The Life Insurance business has been repriced to target more profitable segments.
- The Wealth Management business is being repriced given competitive pressures (reduction in inflows), which is expected to result in increased and improved flows over time.

Claims experience (-$3.4 million)

- Adverse claims experience loss (relative to planned margins) predominately due to higher than expected IP claims. Excludes $1.8 million impact from change in claims assumptions which is reflected under assumptions and basis changes. See further commentary on claims experience on page 31.

Lapse experience on the life insurance book and FUM discontinuances (-$8.8 million)

- Life Insurance lapse impact of -$8.1 million reflects the EV impact of lapses. Recent adverse lapse experience and trend is outlined on page 32. The overall retention strategy will take time to flow through to overall lapse performance.
- For the Wealth Management business, discontinuance rates (outflows) were slightly higher than expected (impact of -$0.7 million), mainly related to competitive pricing pressures.

FUM mark to market and business mix (-$0.3 million)

- Investment under performance on FUM (due to positioning of portfolios) and mix of businesses, resulted in lower fee income relative to expectations over the period and a lower present value of future fees at the end of the period.

Cost impacts (-$15.0 million)

- This includes costs considered unusual to the ordinary activities of the business (-$13.6 million).
- Listing and interest costs on corporate debt (-$1.9 million) were impacted by the Group's listed overhead costs and amounts drawn down under the corporate debt facility which are not allowed for in the EV.
- Maintenance expense positive experience (+$0.5 million) which reflects the increase in the Life Insurance in-force premium over time that has progressively reduced non-deferred expense overruns (experience profit of $1.1 million). This is offset by the investment in WealthFoundations and the contemporary wealth platform that is causing overruns in the Wealth Management segment (-$0.6 million).

Assumption and basis changes (-$14.0 million)

- Reduction in the maintenance expense assumption due to the actual expense rates now achieved in life insurance and the cost transformation program completed in 2H FY19 (+$11.2 million). The business is now focused on effective cost management, coupled with a reinvigorated IT strategy and road map.
- Increased claims assumptions based on observed experience in particular income protection claims (-$10.9 million). ClearView LifeSolutions IP cost of claims increased predominantly by adjusting the claims termination rates.
- Increased lapse assumptions to take into account recent observed experience (-$15.5 million). The lapse assumptions have been increased and re-shaped. In particular, the in-force portfolio has been segmented with assumptions adjusted for underlying experience. This includes higher lapse rates for already-terminated relationships. The "contagion" run-off of these in-force portfolios has therefore been factored into the resetting of the lapse assumption.
- Commission rate and other modelling changes (+$1.2 million).

Discount rate changes (+$31.3 million)

- The discount rate risk margin, refers to the margin above the 10-year bond yield. The 10-year bond yield adopted for the Embedded Value has been 4% for a substantial period of time. The rationale has been to keep the Embedded Value overall discount rate adopted consistent between periods to remove any volatility from smaller movements between periods.
- Given the substantial reduction in long-term rates over the last year, the risk free discount rate has now been reduced to be closer to the yield curve as at 30 June 2019. In addition, the inflation assumption has also been reviewed.
- The net impact of the change in risk free assumption (from 4% to 2%) and linked inflation assumptions is to increase the Embedded Value at 30 June 2019 by $31.3 million.

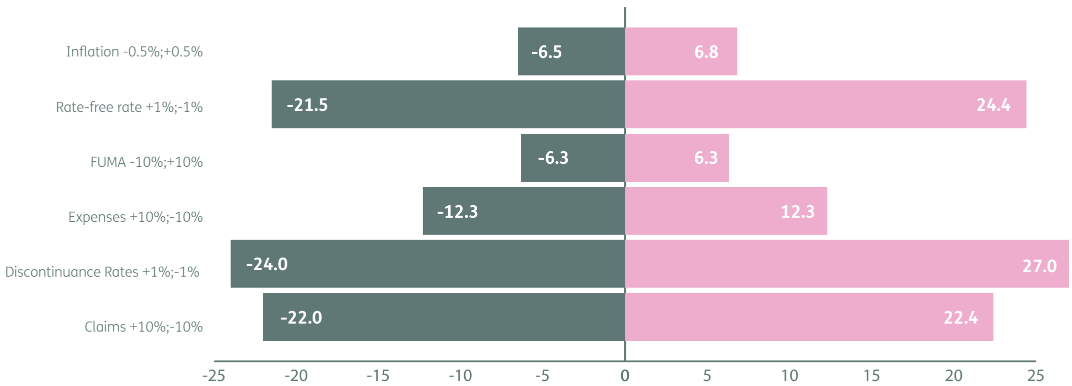
Pricing and other impacts (-$8.3 million)

- This includes a -$2.7 million impact due to the repricing of ClearView LifeSolutions (including reinsurance repricing impacts) and -$5.2 million impact due to repricing and repositioning of the Wealth Management contemporary products as noted earlier in the report.
- The balance of -$0.3 million relates to tax impacts of the policy liability discount rate effects in the period and other experience items.

ESP and franking credits: (-$6.2 million)

- Net movement in ESP loans and franking credits between periods. The franking credit movement includes the impact of modelling enhancements, repricing, credits distributed with the FY18 final dividend and other items.

Chart 11: Embedded Value sensitivity analysis @ 4%DM



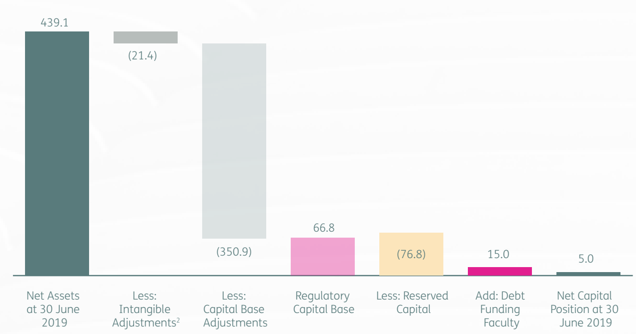
Capital Management

Capital Position at 30 June 2019

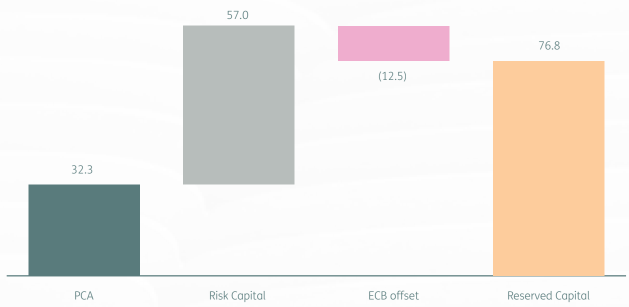
The following charts reflect the net capital position of the Group as at 30 June 2019:

Chart 12: Capital position as at 30 June 2019

Capital Position ($m) – 30 June 2019



Reserved capital ($m)[1] – 30 June 2019



1 Reserved capital includes the minimum regulatory capital, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve held to support the capital needs of the business beyond the risk reserving basis.
2 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software.

Capital position as at 30 June 2019 by segment and regulated entity

	Life Insurance	Wealth Management	Other	APRA Regulated Entities	Wealth Management	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC[2]/Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net Assets as at 30 June 2019	402.9	10.7	4.0	417.7	7.6	6.0	13.5	431.2	7.8	439.1
Intangible adjustments[4]	(5.1)	(3.4)	-	(8.5)	(0.2)	-	(0.2)	(8.7)	(12.7)	(21.4)
Net assets after intangible adjustments as at 30 June 2019	**397.8**	**7.4**	**4.0**	**409.2**	**7.4**	**6.0**	**13.3**	**422.6**	**(4.9)**	**417.6**
Capital base adjustment										
Deferred Acquisition Costs (DAC)	(336.3)	-	-	(336.3)	-	-	-	(336.3)	-	(336.3)
Other adjustments to capital base[3]	(14.1)	-	-	(14.2)	(0.1)	(0.1)	(0.2)	(14.4)	(0.2)	(14.6)
Regulatory Capital Base	**47.4**	**7.3**	**4.0**	**58.7**	**7.3**	**5.9**	**13.2**	**71.9**	**(5.1)**	**66.8**
Prescribed capital amount	(20.0)	(3.3)	(3.4)	(26.6)	(5.0)	(0.6)	(5.6)	(32.3)	-	(32.3)
Available Enterprise Capital	**27.4**	**4.1**	**0.6**	**32.1**	**2.3**	**5.2**	**7.5**	**39.6**	**(5.1)**	**34.5**
Enterprise capital benchmark (ECB)										
ECB offset[3]	12.5	-	-	12.5	-	-	-	12.5	-	12.5
Risk capital[1]	(42.0)	(2.4)	-	(44.4)	(1.9)	(3.1)	(5.0)	(49.4)	(7.6)	(57.0)
Excess (Deficit) over Internal Benchmark as at 30 June 2019	**(2.1)**	**1.7**	**0.6**	**0.2**	**0.4**	**2.2**	**2.6**	**2.8**	**(12.7)**	**(10.0)**
Debt funding facility	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.0**	**15.0**
Net Capital position as at 30 June 2019	**(2.1)**	**1.7**	**0.6**	**0.2**	**0.4**	**2.2**	**2.6**	**2.8**	**2.3**	**5.0**

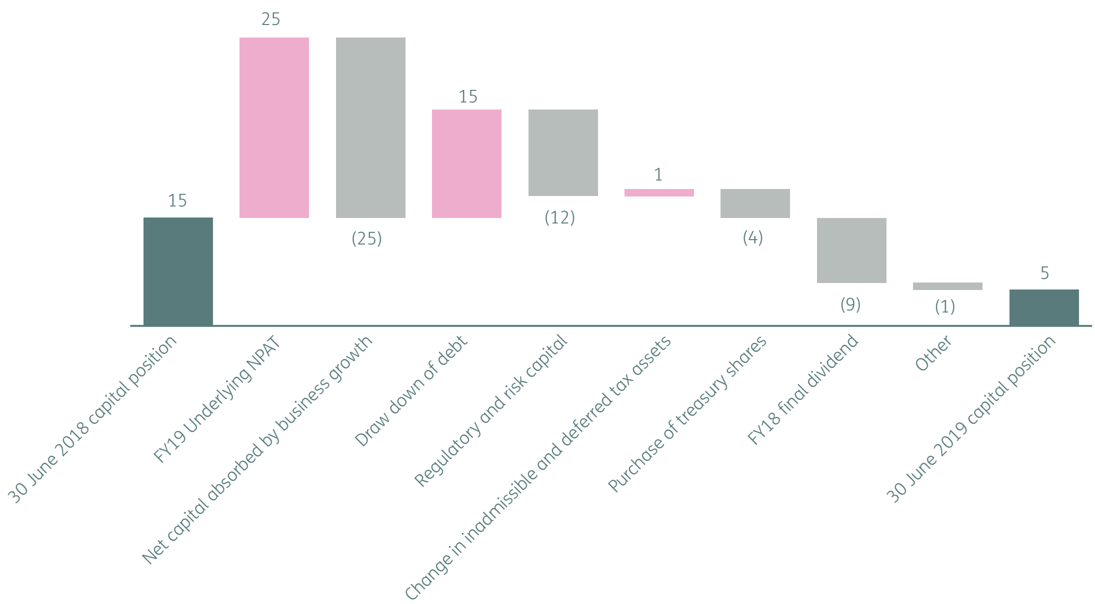
1 As at 30 June 2019, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC[2].
2 NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.
3 Regulatory capital includes a $12.5 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CVRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CVRP currently to utilise these tax credits. While strategies to utilise the carried forward losses in the CVRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CVRP (part of a broader wealth strategy review), has commenced. For this reason an offset is held against the ECB risk reserve for $12.5 million.
4 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software.

The net capital position of the Group, after including amounts drawn down under the Debt Funding Facility, was $5.0 million at 30 June 2019. ClearView is fully capitalised with Common Equity Tier 1 capital to fund its current business plans and anticipated medium-term growth. Key points to note:

- 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).
- The regulated entities had $2.8 million of net assets in excess of internal benchmarks as at 30 June 2019.
- 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.
- A working capital reserve has historically been held to support the capital needs of the business beyond the risk-reserving basis. This included the net capital that was required to support the medium-term new business plans (in accordance with the Internal Capital Adequacy Process).
- ClearView generates positive cash flows from its in-force portfolio which is subsequently reinvested to generate new business. Given the quantum of new business written relative to the size of the in-force book during the 'start-up phase' of the business, the cash flows generated were insufficient to fund new business growth. This strain has reduced materially with the underlying business now approaching self-funding capability from the in-force portfolio flows. This is expected to occur from FY20 onwards. As a result no further capital is held as a working capital reserve at 30 June 2019 ($3.4 million utilised in FY19).

The net capital position of the Group as at 30 June 2019 represents a decrease of $9.6 million since 30 June 2018. This reflects the following key items.

Chart 13: Capital position waterfall



The Company entered into a $60 million Debt Facility Agreement in July 2017 (Debt Funding Facility) for the following key reasons:

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

To date, $15 million of the Debt Funding Facility has been drawn down to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares on market to support the ClearView SMT LTIP share plan (recognised as treasury shares). The Board has to date, determined that entering into the Debt Funding Facility is both the most cost effective and efficient way to support the current funding needs of ClearView over the short- to medium-term.

Dividends and on-market buyback

The Board has historically sought to pay dividends at sustainable levels with a target payout ratio of between 40% and 60% of Underlying NPAT. Furthermore it has been the intention to maximise the use of its franking account by paying fully franked dividends.

ClearView has also previously operated a Dividend Reinvestment Plan (DRP):

- Shareholders have been provided the opportunity to reinvest into the Company while retaining capital within the Group;
- Given ClearView's preference to retain capital and the illiquidity of the share trading, it was not considered appropriate to minimise the dilutive impact of the DRP through the on-market purchase of the number of shares to satisfy the DRP participation; and
- ClearView has at times sought support for any shortfall in shareholder participation by underwriting the shortfall to maintain the capital base within the group.

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading and general economic conditions, business growth, and regulation. The Board has decided not to declare a full year dividend in 2019 (2018: $20.05 million or 3.00 cents per share).

- Given the illiquidity of the share, the share price does not always reflect the Company's view of intrinsic value, which is particularly relevant when the business is undergoing a significant transformation process, under challenging conditions. In such circumstances, the Board believes that buying back shares below intrinsic value is in the best interests of ClearView shareholders.
- In December 2018, the Board determined to extend its on market buy-back within the 10/12 limit for a period up until December 2019. Since January 2014, the total number of shares bought back and cancelled under the scheme is 593,824. No shares were bought back under the scheme in the full year ended 30 June 2019. Effective Friday 30 August 2019, the Board has approved the recommencement of this 10/12 limit on market buy-back program and ClearView's appointed broker for the buy-back is Blue Ocean Equities Pty Limited.
- Furthermore, the Board is considering alternative capital management initiatives that would allow the Debt Funding Facility to be replaced with one or more longer term capital solutions that would make the capital structure of the overall group more efficient.
- In the interim, and until such time as this more permanent capital solution is implemented, the Debt Funding Facility will be utilised to fund the on market buy-back program)[1]. Given the positive cash flow generation under the FY20 business plan, the funding drawn down under the Debt Funding Facility can also be repaid from cash flows expected to be generated by the in-force portfolios over the medium-term.
- The ongoing operation of the buyback is subject to market conditions and ClearView's capital management requirements from time to time. See capital position risks outlined below.

Selective buy-back

As approved by Shareholders at the ClearView 2018 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2018. 1,781,633 were selectively bought-back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Shares purchased on-market for performance rights

As previously disclosed, the Board determined that a Long Term Incentive (LTIP) structure delivered via a grant of Performance Rights to the Senior Management Team (SMT) was the most appropriate structure to achieve its key remuneration objectives.

An Employee Share Trust (EST) was created and Performance Rights were granted in FY18 and HY19 on the terms described in the FY18 Annual Report. Computershare is the appointed Trustee for the EST and during FY19, in accordance with ClearView's Securities Trading Policy, their broker was instructed to undertake an on-market purchase of shares to be held in Trust until such time as the Performance Rights vest or are forfeited. A total of 4,840,566 shares were purchased on-market in FY19 at an overall average price of 87 cents per share. Further details are provided in the Remuneration Report.

Capital Position Risks

As at 30 June 2019, ClearView has two capital reserving risks as follows:

- As noted at note 3 under chart 12 on page 45, the ClearView Retirement Plan has a $12.5 million deferred tax asset related to accumulated tax losses carried forward. ClearView Life is holding a regulatory inadmissible asset reserve against this pending its recovery. A project is in progress to recover this amount in FY20. Given the intended recovery , a credit has been taken against the internal capital benchmark in the short term (and included in the capital movement waterfall on page 46). There is a risk this recovery is delayed or not fully achieved which could result in a long term capital requirement and/or write off of the asset.

1 Debt funding facility has a $15 million buy-back cap as at the date of this report.

- ClearView has a substantial credit exposure to Swiss Re that exceeds regulatory admissibility limits from APRA which applies until 31 December 2019 and provides relief of $31 million to its regulatory capital requirements. A project to replace the temporary extension with a permanent capital support mechanism is in progress to be completed before 31 December 2019. There is a risk that delay in implementing this solution could increase ClearView Life's regulatory capital requirements until a solution is implemented. An amount of $4 million is included in the regulatory and capital movement in the waterfall on page 46.

Business outlook

Current challenging market conditions are expected to persist in the short to medium term, which is likely to impact on:

- Overall industry sales volumes, lapse rates, competitor pricing and performance;
- Consumer sentiment due largely to negative publicity related to the Banking and Financial Services Royal Commission but also the broader economy; and
- Financial advisers given consequences of FASEA, the Life Insurance Framework (LIF) commission caps and rules.

The business strategy and focus has been reset, positioning ClearView to take advantage of structural changes in the market, notwithstanding significant short-term headwinds.

Key areas of focus for FY20 include:

- Upgrading major elements of the core Life Insurance and desktop technology.
- Repositioning the Financial Advice segment and rolling out LaVista to create a sustainable revenue model without cross subsidies over time.
- Completing a strategic review of Wealth Management platforms and technology with a focus on the simplification of key back-office systems. A project related to its superfund[1] (part of a broader wealth strategy review) has commenced.
- Additional work on the pricing, positioning and retention strategies for Life Insurance and Wealth Management.
- Further investment in the risk and compliance functions.

Life Insurance remains the key profit driver. Our growth profile is underpinned by our in-force book and embedded growth in our expanding distribution footprint. IFA support for ClearView LifeSolutions continues to grow, with ClearView ranked number one for overall adviser satisfaction in 2018 by independent research house, Investment Trends.

The breakdown of institutional vertical integration and the subsequent opening up of APLs is creating opportunities for ClearView to reach new audiences. Additional distribution relationships, combined with the maturation of our existing life insurance APLs, will lead to a material increase in our in-force portfolio.

The company's near term focus is on lifting business quality. This is likely to result in flat short-term new business sales (excluding terminated relationships) but more profitable business.

While ClearView remains profitable - adverse claims and lapse experience in recent years is holding the company back from translating solid growth in the inforce book into corresponding profit growth. Shorter term profit growth will be achieved by effective cost management, improving lapse and claims performance, and the execution of our distribution strategy.

- Key initiatives and actions are being implemented, which are expected to improve lapse performance over time. Lapse assumptions have also been increased and reshaped, factoring higher lapse rates for already-terminated relationships.
- Increased claims assumptions, in particular on the income protection portfolio, have also been made.

Support for the mandating of life insurance product choice from industry associations, consumer organisations and the media is growing. This would see our addressable market expand materially.

In Financial Advice, industry consolidation and the effective exit of the banks from personal advice has displaced hundreds of advisers who are looking for alternative licensing arrangements. As the CoreData Licensee of the Year for three consecutive years, Matrix is strongly positioned to pick up quality advisers looking for an experienced, well-resourced dealer group. The launch of LaVista Licensee Solutions in late 2018 gives IFAs another way to engage with ClearView. In addition to access to life insurance and wealth management products, advisers can now leverage ClearView's back-office infrastructure and licensee support services of our dealer groups via LaVista.

1 ClearView Retirement Plan

Early interest in LaVista is encouraging with a strong pipeline of potential clients.

ClearView maintains a positive longer term outlook.

Our three segments; Life Insurance, Wealth Management and Financial Advice are well-positioned to capture opportunities from a rebound in market conditions and consumer sentiment. There is a clear strategy in place for adapting to the changing financial services landscape and we continue to build, expand and strengthen our relationships with IFAs. This, combined with our investment in technology, is likely to drive medium to long term growth.

Changes in state of affairs

There were no other significant changes in the state of affairs of the Group apart from than those discussed above, during the year ended 30 June 2019.

Auditor's independence declaration

The auditor's independence declaration is included on page 68.

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 2019.

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)
- **David Brown**
  (Independent Non-executive Director)
- **Gary Burg**
  (Independent Non-executive Director)
- **Michael Alscher**
  (Alternate Non-executive Director to Mr Thomson until 20 November 2018; Appointed Non-executive Director on 20 November 2018)
- **Nathanial Thomson**
  (Non-executive Director)
- **Satoshi Wakuya (Resigned 20 November 2018)**
  (Non-executive Director)
- **Susan Young**
  (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
- **Todd Kardash**
  General Manager, Licensee Services
- **Deborah Lowe**
  General Manager, People and Operations
- **Greg Martin**
  Chief Actuary and Risk Officer
- **Justin McLaughlin**
  Chief Investment Officer

Former Executive KMP

- **Elizabeth Briggs (Ceased 24 July 2019)**
  General Counsel and Company Secretary
- **Louise Hulley (Ceased 11 March 2019)**
  General Manager, Technology

Overview of Remuneration Strategy and Objectives

ClearView's remuneration approach has the following objectives:

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

Remuneration Framework

Remuneration Governance

ClearView's Remuneration Policy (Policy) was updated in 2019 and is compliant with the obligations set out by the Australian Prudential Regulatory Authority (APRA) 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).

ClearView is closely monitoring the regulatory guidance and changes recently issued by APRA. Changes will be made to the remuneration policy and internal policies to ensure ongoing compliance once more information is known and the changes take effect.

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 and clawbacks 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 2019 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 2019 Fixed Remuneration.

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 Board (on recommendation of the Remuneration Committee).

For FY19, the award of the STI component for KMP is based on the achievement of two company goals weighted, as on the table on the following page and personal targets and objectives.

For FY20 the value of the bonus pool will be determined by company goals and awarded based on personal targets and objectives set for the KMP by the Managing Director. Any payment of KMP bonuses is recommended by the Remuneration Committee and approved by the Board.

Company Goal	Description	Min %	Target %	Max %	% Achieved FY19
1. Underlying Net Profit after Tax (UNPAT)[1]	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%	0%
2. Embedded Value Growth	Life insurance and wealth management are long term businesses that involve long term contracts with customers and complex accounting treatments. Embedded Value calculations are used as key measures to assess the performance of the business from period to period. An Embedded Value represents the discounted value of the future cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.	0%	50%	60%	0%
		0%	**100%**	**120%**	**0%**

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

Overall 0% of the target STI range for company goals was achieved based on the range of outcomes. The result may vary from reported Underlying NPAT and Embedded Value 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.

The FY19 STI on financial outcomes were adversely impacted by the poor claims and lapse experience across each of the key contributors to the STI calculation. Whilst KMP had personal targets and objectives in FY19, given the company results each KMP was assessed as not meeting their personal targets and objectives, hence 0% of the personal target was achieved.

This resulted in no STI being made payable to the SMT. However, this does not reflect the numerous achievements made in FY19 that will underpin the future financial results. The underlying fundamentals of the business remains strong with the expanding distribution footprint and related new business volumes leading to a material increase in the in-force portfolios which underpins the growth profile.

Sound risk management practices act 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. 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. This however will change from FY20 for both STI and LTI components for KMP, with appropriate clawback arrangements being considered.

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%	0%
Athol Chiert	30%	36%	0%	0%
Christopher Blaxland-Walker	30%	36%	0%	0%
Elizabeth Briggs	30%	36%	0%	0%
Louise Hulley	30%	36%	0%	0%
Deborah Lowe	30%	36%	0%	0%
Gregory Martin	30%	36%	0%	0%
Justin McLaughlin	30%	36%	0%	0%
Todd Kardash	30%	36%	0%	0%

Long Term Incentive Plan (LTIP)

Background

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, consumer credit insurance 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 originally 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;
- 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 Board decided to initially 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 (refer to STI section above).

In June 2019 the Board determined that interest would be payable on loan extensions for fully vested ESP shares for contractor participants. This will be implemented in FY20.

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
- 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.
- "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.

In 2017, it was considered appropriate for the Remuneration Committee to engage AON Hewitt Associates Pty Ltd. (Aon Hewitt) to benchmark overall remuneration for the SMT and non-executive Directors. 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.

An outcome of the Aon Hewitt review highlighted that the existing LTIP for the SMT was 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.

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. The first awards under the new LTI were made in FY18. The key terms of the LTIP plan are set out in the table below.

Performance rights granted as compensation

The number of performance rights granted as compensation to each participant, in accordance with the LTIP (as noted earlier in the Report), is as follows:

SMT Member	2018 issue[1]	2019 issue[2]	Total	Vested[3]	Forfeited
Simon Swanson[4]	1,142,857	718,899	1,861,756	791,246	1,070,510
Athol Chiert	357,143	224,656	581,799	247,265	334,534
Christopher Blaxland-Walker	285,714	179,725	465,439	197,812	267,627
Deborah Lowe	114,286	71,890	186,176	79,125	107,051
Gregory Martin	428,571	269,587	698,158	296,717	401,441
Justin McLaughlin	250,000	157,259	407,259	173,085	234,174
Todd Kardash	285,714	179,725	465,439	197,812	267,627
Elizabeth Briggs[5]	44,643	129,897	174,540	74,180	100,360
Louise Hulley[6]	44,643	129,897	174,540	-	174,540
Total	**2,953,571**	**2,061,535**	**5,015,106**	**2,057,242**	**2,957,864**

1 Number of performance rights issued to participants in October 2017 and April 2018.
2 Number of performance rights issued to participants in September 2018.
3 Number of shares to be vested based on actual achievement. Board approved in August 2019.
4 Performance rights to be granted to Simon Swanson were satisfied by the on-market purchase of ClearView ordinary shares.
5 Performance rights vested in accordance with Plan Rules.
6 Louise Hulley departed on 11 March 2019. In accordance with the Plan Rules her performance rights were forfeited.

Key Scheme Details	Description
1. Instruments	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met. The awards also have the ability to be cash settled in certain circumstances.
2. Eligibility	Open to nominated SMT members.
3. Quantum	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, being the share price at grant date and a notional value applied to the award, based on typical performance or valuation discounts derived from remuneration consultants research.
4. Performance Period	The Performance Rights are be subject to a performance period that ends on 30 June 2019.
5. Vesting Conditions	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. The specifics of the vesting conditions include: • 50% of the Performance Rights will be measured against an Embedded Value target as set out in the FY18 Business Plan and measured immediately after the financial year 30 June 2019. At 90% achievement of embedded value, 50% of the awards will vest with straight line vesting between 90% and 100%. • 50% of the Performance Rights will be measured against a relative Total Shareholder Return target, based on an agreed basket of peer companies (ranked against the S&P ASX 200 Diversified Financials Index). To measure the performance against the TSR condition: • The TSR of the companies in the peer group is calculated for the relevant period, with the share price at the start and end based on a 5 day VWAP price; and • The companies in the peer group are ranked according to their TSR performance. ClearView's TSR is calculated for the relevant period and ranked based on its percentile performance against the peer group. The number of rights that vest are determined according to a vesting scale: at less than the 50th percentile no rights vest, at the 50th percentile 50% vests and at the 75th percentile 100% vests. Straight line vesting applies between the 50th and 75th percentiles.
6. Change of Control	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. The TSR falls away in these circumstances.

Achievement of the performance rights are as follows:

Vesting condition	Outcome	Vesting scale	Weighting	Allocation of CVW shares
Embedded Value target at 30 June 2019	Achievement of 97% of Embedded Value target	85%	50%	42.5%
TSR target	Below the 50th percentile	0%	50%	0%
Total				**42.5%**

This resulted in the awarding of 42.5% of the performance rights issued with the balance being forfeited. This will result in the allocation of 2.1 million shares held in the ESS Trust to participants as outlined in the table on the previous page. The remaining 2.7 million shares will be held in the ESS Trust for future issues.

The number of performance rights that were approved to be granted as compensation to each participant on 21 August 2019 is as follows:

SMT Member	2020 issue[2]
Simon Swanson[1]	897,868
Athol Chiert	280,584
Christopher Blaxland-Walker	224,467
Deborah Lowe	196,408
Gregory Martin	336,700
Justin McLaughlin	196,408
Todd Kardash	224,467
Total	**2,356,902**

Key terms of the FY20 issue under the LTIP scheme are as follows:

Key Scheme Details	Description
1. Instruments	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met. The awards also have the ability to be cash settled in certain circumstances.
2. Eligibility	Open to nominated SMT members.
3. Quantum	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 at grant date based on an agreed value per share, being 90% of the Embedded Value per share of $0.99[3].
4. Performance Period	The Performance Rights are be subject to a performance period that ends on 30 June 2022.
5. Vesting Conditions	The participants must remain employed by the ClearView Group as at the vesting date (30 June 2022), in addition to meeting performance based vesting conditions. The specifics of the vesting conditions include: • 100% of the Performance Rights will be measured against an Underlying NPAT target for the year ended 30 June 2022 (adjusted for interest on corporate debt), as set out in the three year FY20 Business Plan and measured immediately after the financial year 30 June 2022. • At 90% achievement of the Underlying NPAT target, 0% of the Awards will vest with straight line vesting between 90% and 100%.
6. Change of Control	If there is a change of control event then the unvested Performance Rights will remain on foot and continue to be tested against the Underlying NPAT performance hurdle and a continuing employment service condition as noted above.
7. Other	The performance rights vesting includes compliance and risk management stage gates and will be subject to an appropriate claw back mechanism that is in the process of being developed.

Further details on the FY20 LTI cash based scheme will be provided in the FY20 Remuneration Report.

1 Performance rights to be granted to Simon Swanson were satisfied by the on-market purchase of ClearView ordinary shares.
2 Number of performance rights approved on 21 August 2019 to be issued to participants but not yet granted.
3 Embedded Value at 30 June 2019 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

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 2019:

	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Revenue[1] ($'000)	385,755	372,207	333,503	295,828	253,640
Net profit after tax ($'000)	3,959	26,596	13,150	23,615	12,572
Underlying Net Profit after Tax	25,090	32,353	30,362	27,235	20,533
Dividend (Final) (cents)	-	3.00	2.75	2.50	2.10
Basic EPS (cents)	0.63	4.33	2.20	4.39	2.43
Diluted EPS (cents)	0.62	4.14	2.11	4.27	2.36
Fully diluted Underlying EPS (cents)	3.94	5.03	4.88	4.92	3.85
Embedded Value[2] ($m)	673	701	662	624	494
Embedded Value per share (cents)[2]	99.4	104.9	100.6	94.8	84.7
Share Price at the beginning of the year (cents)	116.0	145.0	95.0	95.0	80.0
Share Price at the end of the year (cents)	66.0	116.0	145.0	95.0	95.0

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

2 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 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 (2018: $1,000,000). Directors' fees can be paid as superannuation contributions. The fee pool is the only source of remuneration for Non-executive Directors.

The compensation of each Non-executive Director for the year ended 30 June 2019 is set out below:

	Short term employee benefits				Post employment	Share based payments	Total
2019	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan of total remuneration $	$
Non-executive Directors							
B Edwards	150,000	-	-	-	-	-	150,000
D Brown	77,626	-	-	-	7,374	-	85,000
G Burg	85,000	-	-	-	-	-	85,000
N Thomson[1]	85,000	-	-	-	-	-	85,000
M Alscher[1]	49,077	-	-	-	-	-	49,077
S Wakuya[2]	31,111	-	-	-	-	-	31,111
S Young	86,758	-	-	-	8,242	-	95,000
	564,572	**-**	**-**	**-**	**15,616**	**-**	**580,188**

1 Mr Alscher's appointment as alternate Director to Mr Thomson was revoked and he was appointed as Director on 20 November 2018. Mr Thomson and Mr Alscher have agreed they will receives no fees as Director although fees are payable to Crescent Partners Management Pty Ltd of which they are employees.

2 Mr Wakuya resigned as Director on 20 November 2018.

The compensation of each Non-executive Director for the year ended 30 June 2018 is set out below:

	Short term employee benefits				Post employment	Share based payments	Total
2018	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan of total remuneration $	$
Non-executive Directors							
B Edwards	150,000	-	-	-	-	-	150,000
D Brown	77,626	-	-	-	7,374	-	85,000
G Burg	85,000	-	-	-	-	-	85,000
M Lukin[1]	-	-	-	-	-	-	-
N Thomson[2]	85,000	-	-	-	-	-	85,000
A Sneddon[3]	58,145	-	-	-	-	-	58,145
M Alscher[4]	53,333	-	-	-	-	-	53,333
S Wakuya[5]	80,000	-	-	-	-	-	80,000
S Young	86,758	-	-	-	8,242	-	95,000
	675,862	**-**	**-**	**-**	**15,616**	**-**	**691,478**

1 Mr Lukin received no fees as an Alternate Director. Mr Lukin's appointment as Alternate Director for Mr Alscher was revoked 1 March 2018.

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

3 Mr Sneddon resigned as a Director on 1 March 2018.

4 Mr Alscher resigned as a Director and was appointed as an Alternate Director to Mr Thomson on 1 March 2018. During he tenure as a Director Mr Alscher agreed that he will receive no fees as a Director although fees are payable to Crescent Partners Pty Limited of which he is an employee. Mr Alscher receives no fees as an Alternate Director.

5 Mr Wakuya has agreed he will receive no fees as a Director although fees are payable to Sony Life Insurance Co., Ltd.

Managing Director and Senior Management Team remuneration

The compensation of each member of the KMP of the Group for the year ended 30 June 2019 is set out below:

	Short term employee benefits				Post employment		Share based payments			Total
2019	Salary & Fees $	Bonus $	Retention Bonus[3] $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan[4] $	Long Term Incentive Plan $	Performance based %	$
S Swanson	694,642	-	300,000	15,235	-	20,531	-	804,549	60.2%	1,834,957
A Chiert	409,596	-	210,000	11,806	-	20,531	40,250	251,422	53.2%	943,605
G Martin	425,596	-	210,000	15,235	-	20,531	40,250	301,705	54.5%	1,013,317
J McLaughlin	347,783	-	180,000	-	-	27,333	-	175,995	48.7%	731,110
T Kardash	349,085	-	200,000	11,806	-	25,019	43,816	201,137	53.6%	830,863
C Blaxland-Walker	359,601	-	200,000	11,806	-	20,531	15,792	201,137	51.5%	808,867
D Lowe	344,323	-	180,000	7,364	-	20,531	29,307	80,455	43.8%	661,980
E Briggs[1]	309,757	-	160,000	-	-	20,531	8,792	106,440	45.5%	605,520
L Hulley[2]	210,689	-	160,000	-	144,734	16,754	-	-	30.1%	532,178
	3,451,072		**1,800,000**	**73,252**	**144,734**	**192,292**	**178,207**	**2,122,841**	**51.5%**	**7,962,397**

1 Ceased as General Counsel and Company Secretary on 24 July 2019. Repayment of the portion of the retention bonus paid to Elizabeth Briggs, relevant to the portion of the retention period not worked, has been requested.

2 Ceased as General Manager, Technology on 11 March 2019. The portion of the retention bonus paid to Louise Hulley, relevant to the portion of the retention period not worked, was not recouped as determined by the Remuneration Committee and Board.

3 As reported in the 2018 remuneration report, in August 2018 the Board considered that there was a period of uncertainty given the decision to end the Collaboration Agreement with Sony Life and agreed to a retention plan to retain key individuals. The retention plan was payable on 1 September 2018 with a clawback agreement in place until 31 August 2020.

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

The compensation of each member of the KMP of the Group for the year ended 30 June 2018 is set out below:

	Short term employee benefits			Post employment		Share based payments			Total
2018	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan[1] $	Long Term Incentive Plan $	Performance based %	$
S Swanson	678,756	-	14,635	-	20,032	-	352,859	33.1%	1,066,282
A Chiert	398,456	-	11,476	-	20,032	48,300	110,269	26.9%	588,533
G Martin	414,564	-	14,635	-	20,032	48,300	132,322	28.7%	629,853
J McLaughlin	337,897	-	-	-	26,833	-	77,188	17.5%	441,918
T Kardash	344,160	-	11,476	-	20,032	19,564	88,215	22.3%	483,447
C Blaxland-Walker	347,566	-	11,476	-	20,032	8,697	88,215	20.4%	475,986
D Lowe	303,577	-	4,764	-	23,432	16,100	35,286	13.4%	383,159
S Cummings[2]	178,314	-	-	144,976	13,092	13,496	-	3.9%	349,878
E Briggs[3]	264,673	22,321	-	-	20,032	4,830	5,333	10.2%	317,189
L Hulley[4]	255,732	21,657	-	-	21,347	-	5,333	8.9%	304,069
	3,523,695	**43,978**	**68,462**	**144,976**	**204,896**	**159,287**	**895,020**	**21.8%**	**5,040,314**

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

2 Ceased General Manager, Development on 31 January 2018.

3 Appointed as General Counsel and Company Secretary on 4 April 2018. Bonus relates to period from 1 July 2017 to 3 April 2018.

4 Appointed as General Manager, Technology on 4 April 2018. Bonus relates to period from 1 July 2017 to 3 April 2018.

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 2019 and 30 June 2018:

2019	Balance at beginning	Loans Granted $	Interest charged[1] $	Repay-ments $	Loan Cancelled $	Balance at end $	Highest in period $
S Swanson	5,953,803	-	172,468	(159,000)	-	5,967,271	5,967,271
A Chiert	2,024,514	-	45,306	(39,750)	-	2,030,070	2,030,070
G Martin	2,525,704	-	59,942	(47,700)	-	2,537,946	2,537,946
J McLaughlin	1,268,824	-	36,960	(23,850)	-	1,281,524	1,281,524
T Kardash	1,262,851	-	29,971	(23,850)	-	1,268,972	1,268,972
C Blaxland-Walker	1,247,103	-	29,929	(19,836)	-	1,257,195	1,257,195
D Lowe	494,051	-	1,326	(8,324)	-	487,053	494,051
E Briggs	146,776	-	394	(2,497)	-	144,673	146,776
L Hulley	67,936	-	1,225	(69,161)	-	-	67,936
	15,049,802	**-**	**377,521**	**(393,968)**	**-**	**14,974,710**	

From August 2018, the Board resolved that interest would only be charged on vested shares for SMT participants. The Board further resolved and acknowledged, given the length of time between the initial ESP share issues, that SMT are likely to start selling vested shares on the ASX during the appropriate trading windows going forward.

The following tables outlines the ESP loans made to KMP or their related entities as at 30 June 2018 and 30 June 2017:

2018	Balance at beginning	Loans Granted $	Interest charged[1,2] $	Repay-ments $	Loan Cancelled $	Balance at end $	Highest in period $
S Swanson	5,998,853	-	100,700	(145,750)	-	5,953,803	5,998,853
A Chiert	2,026,710	-	34,242	(36,438)	-	2,024,514	2,026,710
G Martin	2,526,710	-	42,719	(43,725)	-	2,525,704	2,526,710
J McLaughlin	1,268,824	-	21,453	(21,863)	-	1,268,415	1,268,824
T Kardash	1,263,355	-	21,359	(21,863)	-	1,262,851	1,263,355
C Blaxland-Walker	1,244,192	-	21,093	(18,183)	-	1,247,103	1,247,103
D Lowe	493,325	-	8,356	(7,630)	-	494,051	494,051
S Cummings	358,728	-	6,056	(6,754)	-	358,030	358,728
E Briggs	147,998	-	1,067	(2,289)	-	146,776	147,998
L Hulley	69,628	-	494	(2,186)	-	67,936	69,628
	15,398,323	**-**	**316,190**	**(306,681)**	**-**	**15,407,832**	

Shares granted to KMP and equity holdings

During and since the end of the financial year no shares (2018: Nil) 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[1])	Fair value at grant date (post-modification[1])	Exercise price per share ($)	Aggregate value at grant date ($)	Expiry date[9]
Series 6[1,2,6,8]	Justin McLaughlin	0.10	0.10	0.59	51,500	30/06/2013
Series 7[1,2,6,8]	Athol Chiert / Justin McLaughlin	0.07	0.10	0.49	98,057	29/09/2014
Series 10[1,3,6,8]	Simon Swanson	0.11	0.11	0.50	224,074	26/03/2015
Series 11[1,4,6,8]	Simon Swanson	0.08	0.08	0.58	323,295	26/03/2015
Series 12[1,5,6,8]	Simon Swanson	0.06	0.06	0.65	241,927	26/03/2015
Series 15[1,5,6,8]	Greg Martin	0.10	0.13	0.50	196,271	01/07/2015
Series 16[1,5,6,8]	Todd Kardash	0.10	0.13	0.50	127,366	01/09/2016
Series 16[1,5,6,8]	Chris Blaxland-Walker	0.10	0.13	0.50	127,366	01/09/2016
Series 26[7]	Athol Chiert	0.29	n/a	0.57	289,798	Change in control
Series 26[7]	Greg Martin	0.29	n/a	0.57	289,798	Change in control
Series 26[7]	Todd Kardash	0.29	n/a	0.57	144,899	Change in control
Series 43[8]	Chris Blaxland-Walker	0.20	n/a	1.01	16,718	25/11/2018
Series 44	Chris Blaxland-Walker	0.23	n/a	1.01	19,372	25/11/2019
Series 45	Chris Blaxland-Walker	0.27	n/a	1.01	21,883	25/11/2020
Series 51a	Deborah Lowe	0.19	n/a	0.96	49,733	Change in control
Series 51b	Deborah Lowe	0.22	n/a	0.96	57,586	Change in control

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 Guiness 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 Vesting conditions have been met up to the date of this report.

9 Expiry represents either the relevant vesting or holding lock period.

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[1]	Nil
Series 7 – 29 September 2009 Issue	Nil[1]	Nil
Series 10 – 25 June 2010 Issue	Nil[2]	Nil
Series 11 – 25 June 2010 Issue	Nil[2]	Nil
Series 12 – 25 June 2010 Issue	Nil[2,4]	Nil
Series 15 – 18 August 2011 Issue	Nil[4]	Nil
Series 16- 6 October 2011 Issue	Nil[4]	Nil
Series 24- 22 August 2012 Issue	Nil[4]	Nil
Series 26- 16 April 2013 Issue	Upon a change in control of the company[3]	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%.

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.

LTIP Awards

The following LTIP Awards were in existence at the end of the current reporting period:

Tranche	Issue Date	Number	Grant date	Vesting date	Vesting conditions	Fair value at grant date
1A	20 October 2017	1,432,143	20 October 2017	30 June 2019	Embedded Value (EV) target	$1.38
1B	20 October 2017	1,432,143	20 October 2017	30 June 2019	Total shareholder return (TSR) performance	$0.03
2A	4 April 2018	22,321	4 April 2018	30 June 2019	Embedded Value (EV) target	$1.38
2B	4 April 2018	22,321	4 April 2018	30 June 2019	Total shareholder return (TSR) performance	$0.03
3A	1 September 2018	965,819	1 September 2018	30 June 2019	Embedded Value (EV) target	$0.95
3B	1 September 2018	965,819	1 September 2018	30 June 2019	Total shareholder return (TSR) performance	$0.50

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 2019:

2019	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	-	-	599,900	-	17,140	617,040	-	-	-	-
G Burg	-	-	10,918,090	-	-	10,918,090	-	-	-	-
S Swanson	-	10,000,000	14,639,019	-	60,981	14,700,000	-	10,000,000	-	10,000,000
A Chiert	1,000,000	1,500,000	2,899,247	-	25,265	2,924,512	1,000,000	1,500,000	-	1,500,000
S Young	-	-	80,783	-	2,309	83,092	-	-	-	-
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	-	20,000	1,667,059	500,000	1,000,000	-	1,000,000
G Martin	1,000,000	2,000,000	3,734,141	-	90,976	3,825,117	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
D Lowe	523,505	-	588,445	-	-	588,445	523,505	-	-	-
E Briggs	157,052	-	172,754	-	-	172,754	157,052	-	-	-

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	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the National Employment Standards (NES)).	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%
Christopher Blaxland-Walker	Ongoing	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Deborah Lowe	Ongoing	6 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Greg Martin	Ongoing	6 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Justin McLaughlin	Ongoing	6 months	In the case of redundancy, a severance payment of 26 weeks' base salary (or any greater payment required under the NES).	30%	36%
Todd Kardash	Ongoing	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	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

28 August 2019

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

28 August 2019

Dear Directors

Auditor's Independence Declaration to 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 2019, 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 Rt Murray
Max Murray
Partner
Chartered Accountants

2019 financial report contents

Notes to the financial statements

The Financial Report was authorised for issue by the Directors on 28 August 2019.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Continuing operations					
Revenue from continued operations					
Premium revenue from insurance contracts		243,114	215,171	-	-
Outward reinsurance expense		(71,613)	(56,741)	-	-
Net life insurance premium revenue		**171,501**	**158,430**	-	-
Fee and other revenue	2.4	123,116	127,744	-	-
Investment income	2.5	91,138	86,033	8,029	23,845
Operating revenue before net fair value gains on financial assets		**385,755**	**372,207**	**8,029**	**23,845**
Net fair value gains on financial assets		68,082	41,195	-	-
Net operating revenue		**453,837**	**413,402**	**8,029**	**23,845**
Claims expense		(116,257)	(94,161)	-	-
Reinsurance recoveries revenue		80,345	61,244	-	-
Commission and other variable expenses		(127,718)	(129,903)	-	-
Operating expenses	2.6	(114,561)	(101,687)	(4,521)	(2,735)
Depreciation and amortisation expense	2.6	(9,006)	(10,432)	-	-
Impairment	2.6	(21,509)	-	(37,681)	-
Change in life insurance policy liabilities	5.4	1,319	17,234	-	-
Change in reinsurers' share of life insurance liabilities	5.4	19,212	4,599	-	-
Change in life investment policy liabilities	5.4	(95,896)	(72,041)	-	-
Movement in liability of non-controlling interest in controlled unit trusts		(64,840)	(55,733)	-	-
Profit/loss before income tax expense		**4,926**	**32,522**	**(34,173)**	**21,110**
Income tax (expense) benefit	2.7	(967)	(5,926)	1,463	1,085
Total comprehensive income/loss for the year		**3,959**	**26,596**	**(32,710)**	**22,195**
Attributable to:					
Equity holders of the parent		3,959	26,596	(32,710)	22,195
Earnings per share	2.2				
Basic (cents per share)		0.63	4.33	-	-
Diluted (cents per share)		0.62	4.14	-	-

To be read in conjunction with the accompanying Notes.

Consolidated statement of financial position

For the year ended 30 June 2019

		Consolidated		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets					
Cash and cash equivalents		200,197	176,363	11,038	8,047
Investments	3.3	1,981,312	2,057,192	389,078	412,359
Receivables	3.1	38,786	43,088	3,404	17,682
Fixed interest deposits		104,515	98,685	-	-
Reinsurers' share of life insurance policy liabilities	5.4	95,669	38,243	-	-
Deferred tax asset	2.7	8,848	10,979	237	179
Property, plant and equipment		934	1,150	-	-
Goodwill	4.1	12,511	20,452	-	-
Intangible assets	4.1	8,893	24,710	-	-
Total assets		**2,451,665**	**2,470,862**	**403,757**	**438,267**
Liabilities					
Payables	3.2	51,955	31,106	6,857	9,241
Current tax liabilities	2.7	2,178	8,146	2,177	8,145
Provisions	4.3	7,320	6,634	24	26
Life insurance policy liabilities	5.4	(151,652)	(197,116)	-	-
Life investment policy liabilities	5.4	1,152,535	1,198,780	-	-
Liability to non-controlling interest in controlled unit trusts		933,155	976,079	-	-
Deferred tax liabilities	2.7	2,122	2,924	803	1,042
Borrowings		15,000	-	15,000	-
Total liabilities		**2,012,613**	**2,026,553**	**24,861**	**18,454**
Net assets		**439,052**	**444,309**	**378,896**	**419,813**
Equity					
Issued capital	6.1	446,043	438,289	446,043	438,289
Retained losses	6.2	(26,372)	(9,274)	(105,479)	(64,969)
Executive Share Plan Reserve	6.2	16,087	12,509	16,087	12,509
Profit reserve	6.2	-	-	18,952	31,200
General reserve	6.2	3,294	2,785	3,294	2,785
Total equity		**439,052**	**444,309**	**378,896**	**419,813**

To be read in conjunction with the accompanying Notes.

Consolidated statement of changes in equity

For the year ended 30 June 2019

Consolidated	Share capital $'000	Share based payments reserve $'000	General reserve $'000	Profit reserve $'000	Retained losses $'000	Attributable to the owners of the parent $'000
Balance at 30 June 2017	**421,717**	**10,068**	**(487)**	**-**	**(15,648)**	**415,650**
Profit for the year	-	-	-	-	26,595	26,595
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**26,595**	**26,595**
Recognition of share based payments	-	2,174	-	-	-	2,174
Dividend paid (inclusive of costs)	-	-	-	-	(18,136)	(18,136)
Dividend Reinvestment Plan (inclusive of costs)	12,181	-	-	-	-	12,181
ESP loans settled through dividend	-	771	-	-	-	771
ESP shares vested/(forfeited)	4,391	(504)	1,187	-	-	5,074
Transfers	-	-	2,085	-	(2,085)	-
Balance at 30 June 2018	**438,289**	**12,509**	**2,785**	**-**	**(9,274)**	**444,309**
Change on initial application of AASB 9	-	-	-	-	(1,008)	(1,008)
Restated balance as at 1 July 2019	**438,289**	**12,509**	**2,785**	**-**	**(10,282)**	**443,301**
Profit for the year	-	-	-	-	3,959	3,959
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3,959**	**3,959**
Recognition of share based payments	-	2,889	-	-	-	2,889
Dividend paid (inclusive of costs)	-	-	-	-	(20,048)	(20,048)
Dividend Reinvestment Plan (inclusive of costs)	11,119	-	-	-	-	11,119
ESP loans settled through dividend	-	746	-	-	-	746
ESP shares vested/(forfeited)	821	(57)	509	-	-	1,273
Treasury shares	(4,186)	-	-	-	-	(4,186)
Balance at 30 June 2019	**446,043**	**16,087**	**3,294**	**-**	**(26,372)**	**439,052**

To be read in conjunction with the accompanying Notes.

Company	Share capital $'000	Share based payments reserve $'000	General reserve $'000	Profit reserve	Retained losses $'000	Attributable to the owners of the parent $'000
Balance at 30 June 2017	**421,717**	**10,068**	**(487)**	**25,636**	**(61,379)**	**395,554**
Profit for the year	-	-	-	23,700	(1,505)	22,195
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**23,700**	**(1,505)**	**22,195**
Recognition of share based payments	-	2,174	-	-	-	2,174
Dividend paid (inclusive of costs)	-	-	-	(18,136)	-	(18,136)
Dividend Reinvestment Plan (inclusive of costs)	12,181	-	-	-	-	12,181
ESP loans settled through dividend	-	771	-	-	-	771
ESP shares vested/(forfeited)	4,391	(504)	1,187	-	-	5,074
Transfers	-	-	2,085	-	(2,085)	-
Balance at 30 June 2018	**438,289**	**12,509**	**2,785**	**31,200**	**(64,969)**	**419,813**
Profit for the year	-	-	-	7,800	(40,510)	(32,710)
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**7,800**	**(40,510)**	**(32,710)**
Recognition of share based payments	-	2,889	-	-	-	2,889
Dividend paid (inclusive of costs)	-	-	-	(20,048)	-	(20,048)
Dividend Reinvestment Plan	11,119	-	-	-	-	11,119
ESP loans settled through dividend	-	746	-	-	-	746
ESP shares vested/(forfeited)	821	(57)	509	-	-	1,273
Treasury shares	(4,186)	-	-	-	-	(4,186)
Balance at 30 June 2019	**446,043**	**16,087**	**3,294**	**18,952**	**(105,479)**	**378,896**

To be read in conjunction with the accompanying Notes.

Consolidated statement of cash flows

For the year ended 30 June 2019

		Consolidated		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash flows from operating activities					
Receipts from clients and debtors		583,827	610,882	-	-
Payments to suppliers and other creditors		(327,441)	(347,754)	(4,500)	(280)
Receipts from/(payments to) Group entities		-	-	22,602	17,890
Withdrawals paid to life investment clients		(344,563)	(299,786)	-	-
Dividends and trust distributions received		26,275	20,441	-	-
Interest received		27,900	25,306	229	145
Interest on borrowings and other costs of finance		(1,461)	(1,129)	(712)	(419)
Income taxes paid		(12,576)	(3,502)	(12,576)	(3,502)
Net cash (utilised)/generated by operating activities	**9.1**	**(48,039)**	**4,457**	**5,043**	**13,834**
Cash flows from investing activities					
Net cash movement due to investment in subsidary		-	-	(14,400)	(35,200)
Payments for investment securities		(1,821,876)	(1,402,009)	-	-
Proceeds from sales of investment securities		2,008,545	1,253,078	-	-
Acquisition of property, plant and equipment		(399)	(426)	-	-
Acquisition of capitalised software		(6,076)	(10,263)	-	-
Fixed interest deposits redeemed/(invested)		(5,830)	(20,358)	-	-
Loans (granted)/repaid		623	(2,124)	(102)	(57)
Dividends received from subsidiary		-	-	7,800	23,700
Net cash generated (utilised) by investing activities		**174,987**	**(182,102)**	**(6,702)**	**(11,557)**
Cash flows from financing activities					
Net movement in liability of non-controlling interest in unit trusts		(107,764)	131,920	-	-
Treasury shares		(4,186)	-	(4,186)	-
Repayment of ESP loans		746	771	746	771
ESP shares vested/(forfeited)		1,273	5,074	1,273	5,074
Dividend paid (net of costs)		(8,183)	(5,954)	(8,183)	(5,954)
Debt drawn down		15,000	-	15,000	-
Net cash (utilised) generated in financing activities		**(103,114)**	**131,811**	**4,650**	**(109)**
Net increase/(decrease) in cash and cash equivalents		23,834	(45,834)	2,991	2,167
Cash and cash equivalents at the beginning of the financial year		176,363	222,197	8,047	5,880
Cash and cash equivalents at the end of the financial year		**200,197**	**176,363**	**11,038**	**8,047**

To be read in conjunction with the accompanying Notes.

1. About this report

1. About this report

(a) 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 2.1.

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

The financial statements were authorised for issue by the Directors on 28 August 2019.

(c) 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 102 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 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.

(d) 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

1. About this report continued

- 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 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially

1. About this report continued

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.

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.

(f) Materiality

Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the ClearView group;
- it helps explain the impact of significant changes in the ClearView group; and/or
- it relates to an aspect of the ClearView group's operations that is important to its future performance.

(g) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated.

(h) Critical judgements and estimates

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 (section 5.7);
- Assets arising from reinsurance contracts (section 5.7);
- Recoverability of intangible assets and goodwill (section 4.2);
- Deferred tax assets (section 2.7).

1. About this report continued

(i) 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 it 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 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.

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 section 3).

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

1. About this report continued

Insurance risks are controlled through the use of underwriting procedures, appropriate premium rating methods and approaches, appropriate reinsurance arrangements, effective claims management procedures and sound product terms and conditions due diligence.

(a) Risk management objectives and policies for mitigating insurance risk

ClearView Life issues term life insurance contracts and disability insurance contracts. The performance of 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 reinsurers 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);
- The assets held to support the capital guaranteed units in the ClearView Life 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

1. About this report continued

maintained, in accordance with the Board's investment Policy and Guidelines, in high quality, fixed interest assets and cash that closely match those policy liabilities and capital reserves.

Expense and discontinuance risks

Expense risks and discontinuance risks involve:

- The extent to which the expenses of the business are not maintained at a level commensurate with premium and fee flows of the business, including the level of business growth and new business and client acquisition; and
- The extent to which the rate of loss of policyholders, investment clients and other customers exceed benchmark standards and pricing targets, result in the loss of future profit margins, current period expense support, and loss of opportunity to recover historic acquisition costs incurred.

The risks are principally managed via the Group's:

- Budgeting and expense management reporting and management processes;
- Modelling of anticipated client loss rates and ongoing monitoring of discontinuance rates;
- Adoption of appropriate business retention strategies; and
- Maintaining strong distribution partner relationships.

Non-Financial Risks – regulatory environment, 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. This is a core area of focus with investment in the team increasing in FY20;
- A Breach and Incident Management process which ensures that breaches and 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, and information security 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, detailed information technology 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.

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
- 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.

2. Results for the year

This section provides information about the Group's financial performance in the period, including:

2. Results for the year

2.1 Segment performance

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, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the ClearView Retirement Plan as superannuation; and
- An in-force portfolio of Non-Advice life protection products that were previously sold through direct marketing, and related channels. Products include term life, accidental death, injury covers, trauma and critical illness and funeral insurance. These products are no longer marketed to customers. The direct life insurance business was closed in May 2017.

(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 broad menu of investment funds, ASX listed shares, term deposits, ClearView managed funds and 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 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). Our comprehensive financial advice offering features two aligned dealer groups providing traditional licensing and dealer services plus the recently launched LaVista Licensee Solutions (LaVista) which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

(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.

Information regarding these segments is provided on the following page.

2. Results for the year continued

The accounting policies of the reportable segments are the same as the Company's accounting policies.

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Segment revenue						
Life Insurance	174,353	160,702	-	-	174,353	160,702
Wealth Management	129,185	126,350	-	-	129,185	126,350
Financial Advice	110,348	114,546	(28,483)	(29,734)	81,865	84,812
Listed entity/Other	352	343	-	-	352	343
Consolidated segment revenue	**414,238**	**401,941**	**(28,483)**	**(29,734)**	**385,755**	**372,207**

Underlying profit is the Groups key measure of business performance and is disclosed below by segment:

2019	Life Insurance	Wealth Management	Financial Advice	Listed Entity/ Other	Total
Underlying net profit/(loss) after tax	**21,994**	**3,635**	**1,005**	**(1,544)**	**25,090**
Amortisation of acquired intangibles[1]	-	(90)	(1,121)	-	(1,211)
AIFRS policy liability discount rate effect (net of tax)[2]	6,638	-	-	-	6,638
Cost out program implementation costs[3]	(1,547)	(397)	(402)	(1,471)	(3,817)
Impairments[3]	(4,952)	(1,081)	(12,890)	-	(18,923)
Royal Commission and direct remediation costs[3]	(2,060)	-	-	(324)	(2,384)
Other costs[3]	(900)	(205)	(330)	-	(1,435)
Reported profit/(loss) after tax	**19,174**	**1,862**	**(13,739)**	**(3,340)**	**3,958**
2018					
Underlying net profit/(loss) after tax	**26,085**	**5,163**	**1,780**	**(676)**	**32,352**
Amortisation of acquired intangibles[1]	(2,833)	(90)	(1,121)	-	(4,044)
AIFRS policy liability discount rate effect (net of tax)[2]	(906)	-	-	-	(906)
Strategic review cost (net of tax)[4]	-	-	-	(806)	(806)
Reported profit/(loss) after tax	**22,346**	**5,073**	**659**	**(1,481)**	**26,596**

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 dealer group. 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 underlying net profit 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 cost out program implementation costs, impairment of capitalised software, goodwill and client books, the Royal Commission, direct remediation program and retention bonuses. These costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT. Further details are provided on page 24 of the Operating and Financial Review. Amounts stated are after tax.

4 Certain costs were recognised predominantly in relation to Cooperation Agreement entered into with Sony Life and 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 Underlying NPAT.

2. Results for the year continued

2.2 Earnings per share

	Consolidated	
	2019	2018
Earnings per share (cents)		
Basic earnings (cents)	0.63	4.33
Diluted earnings (cents)	0.62	4.14

Basic earnings per share

Basic earnings per share is calculated based on profit attributable to shareholders of ClearView Wealth Limited and the weighted average number of ordinary shares outstanding. The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019	2018
Profit for the year attributable to owners of the Company ($'000)	3,959	26,596
Earnings used in the calculation of basic earnings per share ($'000)	**3,959**	**26,596**
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000's)	**623,778**	**614,309**

Diluted earnings per share

Diluted earnings per share is based on profit attributable to shareholders of ClearView Wealth Limited and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights issued under the employee share plan. The earnings used in the calculation of diluted earnings per share are as follows:

	2019	2018
Profit for the year attributable to owners of the Company ($'000)	3,959	26,596
Earnings used in the calculation of total diluted earnings per share	**3,959**	**26,596**

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:

	2019	2018
Weighted average number of ordinary shares used in the calculation of basic earnings per share (000's)	623,778	614,309
Shares deemed to be dilutive in respect of the employee share plan (000's)[1]	13,300	28,414
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures) (000's)	**637,077**	**642,723**

1 Performance rights have been determined to be dilutive, however as the performance rights are fully backed by treasury shares there is no dilutive effect on the value of ClearView Wealth Limited's shares.

2. Results for the year continued

2.3 Dividends

	Consolidated and Company			
		2019		2018
	Per share	$'000	Per share	$'000
Dividend payments on Ordinary shares				
2018 final dividend (2018: 2017 final dividend) (cps)	3.00	20,048	2.75	18,136
Total dividends on ordinary shares paid to owners of the Company	**3.00**	**20,048**	**2.75**	**18,136**
Dividends not recognised in the consolidated statement of financial position				
Dividends declared since balance date				
2019 final dividend (2018: 2018 final dividend) (cps)	-	-	3.0	20,048
Dividend franking account				
Amount of franking credit available for use in subsequent financial years		28,272		29,520

The Directors have not declared a dividend for the year ended 30 June 2019 (2018: $20.05 million).

2.4 Fee and other revenue

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial advice fees	81,155	83,379	-	-
Funds management fees	41,501	43,312	-	-
Other income	460	1,053	-	-
Total fee and other revenue	**123,116**	**127,744**	**-**	**-**

Revenue from contracts from customers

Revenue from contracts with customers arises primarily from the provision of investment management and financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which ClearView is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

Investment management and related fees

Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and recognised when it becomes not highly probable that the performance obligations will be met and a reversal will not occur in the future.

Financial advice fees

Financial advice fees consist of commissions and fee-for-service revenue and are earned for providing customers with financial advice and performing related advisory services. These performance obligations are a series of distinct services that are substantially the same and have the same pattern of transfer. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

2. Results for the year continued

2.5 Investment income

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income	27,856	25,202	229	145
Dividend income	26,275	20,441	7,800	23,700
Distribution income	37,007	40,390	-	-
Total investment income	**91,138**	**86,033**	**8,029**	**23,845**

Dividend income - accounting policy

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

Interest income - accounting policy

Interest income 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.

Distribution income - accounting policy

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

2.6 Operating expense

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Administration expenses				
Administration and other operational costs	41,075	36,113	3,440	595
Custody and investment management expenses	9,517	9,505	-	-
Total administration expenses	**50,592**	**45,618**	**3,440**	**595**
Employee costs and directors' fees				
Employee expenses	50,547	50,713	10	10
Share based payments	2,812	1,880	-	-
Employee termination payments (excluding cost out program)	188	376		-
Directors' fees	857	819	617	559
Total employee costs and directors' fees	**54,404**	**53,788**	**627**	**569**
Other expenses				
Interest and other costs of finance	706	1,129	304	419
Strategic review costs	-	1,152	-	1,152
Royal Commission and direct remediation costs	3,406	-	-	-
Cost out program implementation costs	5,453	-	150	-
Total other expenses	**9,565**	**2,281**	**454**	**1,571**
Total operating expenses	**114,561**	**101,687**	**4,521**	**2,735**

2. Results for the year continued

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Depreciation and amortisation expenses				
Depreciation expenses	680	677	-	-
Software amortisation	7,113	5,711	-	-
Amortisation of acquired intangibles	1,211	4,044	-	-
Impairment	21,508	-	37,681	-
Total amortisation and depreciation expenses	**30,512**	**10,432**	**37,681**	**-**

	Consolidated		Company	
	2019 $	2018 $	2019 $	2018 $
Remuneration of auditors				
Auditor of the parent entity				
Audit and review of financial reports	298,410	323,350	104,200	105,750
Audit of APRA and ASIC regulatory returns	127,680	101,350	-	-
Audit of Managed Investment Schemes	130,910	130,100	-	-
Total remuneration for audit services	**557,000**	**554,800**	**104,200**	**105,750**
Preparation and lodgement of tax returns	114,000	133,450	114,000	133,450
Other non-audit services - taxation advice	-	121,950	-	121,950
Other non-audit services - compliance	584,770	417,134	-	-
Other non-audit services - consulting	80,000	135,400	20,000	-
Total remuneration for non-audit services	**778,770**	**807,934**	**134,000**	**255,400**
Total remuneration	**1,335,770**	**1,362,734**	**238,200**	**361,150**

2.7 Taxes

Income tax

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
a) Income tax recognised in profit or loss				
Income Tax expense/(benefit) comprises:				
Current tax expense	542	6,564	(364)	(398)
Deferred tax expense	673	(203)	(923)	(379)
Over provided in prior years – current tax expense	(980)	(1,566)	(804)	(1,269)
Under provided in prior years – deferred tax expense	733	1,131	627	961
Income tax expense/(benefit)	**968**	**5,926**	**(1,464)**	**(1,085)**
b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	32,635	40,998	32,635	32,635
Potential tax benefit	9,790	10,627	9,790	9,790

2. Results for the year continued

2.7 Taxes continued

The prima facie income tax expense/(benefit) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
c) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	4,926	32,522	(34,173)	21,110
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	6,904	5,991	-	-
Profit before income tax excluding tax charged to policyholders	**11,830**	**38,513**	**(34,173)**	**21,110**
Prima facie tax calculated at 30%	3,549	11,554	(10,252)	6,333
Tax effect of amounts which are non deductible/assessable in calculating taxable income:				
Franking credits on dividends received	-	-	(2,340)	(7,110)
Non assessable income	(629)	(765)	-	-
Non deductible expenses	4,560	1,334	11,304	-
Under/(over) provision in prior years	391	(206)	(176)	(308)
Income tax expense/(benefit) attributable to shareholders	**7,781**	**11,917**	**(1,464)**	**(1,085)**
Income tax expense/(benefit) attributable to policyholders	**(6,904)**	**(5,991)**	**-**	**-**
Income tax expense/(benefit)	**968**	**5,926**	**(1,464)**	**(1,085)**
d) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or (credited) to equity:				
Current tax	**-**	**-**	**-**	**-**
Deferred tax	**(77)**	**(294)**	**-**	**-**

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Franking account				
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.	28,272	29,520	28,272	29,520
Deferred tax balances				
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Accruals not currently deductible	376	519	51	40
Depreciable and amortisable assets	1,623	1,606	-	-
Provisions not currently deductible	3,263	3,195	106	-
Unrealised losses carried forward	3,405	4,825	-	-
Capital business expense	79	139	79	139
Rental lease incentives	100	132	-	-
Share trust funding costs	-	563	-	-
Deferred tax asset	**8,847**	**10,979**	**236**	**179**

2. Results for the year continued

2.7 Taxes continued

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Unrealised gains on investments	385	396	-	-
Prepaid expenses	474	526	-	-
Fees not derived	459	960		-
Research and development capitalised assets	803	1,042	803	1,042
Deferred tax liability	**2,122**	**2,924**	**803**	**1,042**

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 $32.6 million (tax effected $9.8 million) consolidated and $32.6 million (tax effected $9.8 million) for the Company.

Taxation

Income tax expense represents the sum of the tax currently payable (or receivable) and deferred tax. The Group's current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period or the relevant period in which the liability is settled or the asset realised. Current tax is net of any tax instalment paid.

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.

Deferred tax

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

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.

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.

2. Results for the year continued

2.7 Taxes continued

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.

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 includes subsidiaries as identified in 8.1.

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.

Critical accounting estimates and key sources of uncertainty

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. ClearView has a Deferred Tax Asset (DTA) policy in place to cap the upper limit on the deferred tax asset amount recognised on balance sheet. This DTA cap is based on the capital losses estimated to be utilised in the foreseeable future and is expressed as a percentage of the value of the investments held. Any amount exceeding the cap will not be recognised on balance sheet. The same methodology has been adopted for unit pricing purposes and this financial report.

As at the reporting date, the DTA cap is above the DTA amount recognised in respect of the carried forward realised and unrealised capital losses and it is likely that these losses can be fully recovered in the foreseeable future. There is no unrecognised DTA on these losses.

In addition to the above, the Group has accumulated capital losses that arose within the Company that relate to the capital losses realised on the historic disposal of a subsidiary entity. At the current time, it is unlikely that the capital losses can be recouped and no DTA is recognised in respect of these losses.

Tax credits on insurance premiums

Since 2017, the income tax expenses and charges in the ClearView Retirement Plan (CVRP) were no longer sufficient to support the tax benefits and credits on the insurance premiums paid by policyholders via LifeSolutions Super rollovers in full. As a result, part of the premium (tax credit) is currently being supported by ClearView Life Assurance (CLAL) and ClearView Wealth Limited Group (CWL) shareholders and is carried as a receivable in the financial statements ($12.5 million as at 30 June 2019). While strategies to utilise the carried forward losses in the CVRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CVRP (part of a broader wealth strategy review), has been commenced.

3. Receivables, payables and investments

This note provides information about the Group's receivables, payables and investments including:

- an overview of the financial instruments held by the Group
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

3. Receivables, payables and investments

3.1 Receivables

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	327	391	-	-
Outstanding life insurance premium receivable	7,809	6,148	-	-
Provision for outstanding life insurance premiums	(1,043)	(956)	-	-
Accrued dividends	1,418	2,512	-	-
Investment income receivable	496	917	-	-
Outstanding settlements	1,056	6,643	-	-
Prepayments	3,201	4,050	17	31
Receivables from controlled entities	-	-	158	6,464
Related party receivables	13,396	8,638	-	7,719
Loans receivable	10,113	10,736	3,570	3,468
Provision for loans receivable	(1,372)	-	(356)	-
Other debtors	3,385	4,009	15	-
Total receivables	**38,786**	**43,088**	**3,404**	**17,682**

$16.7 million (2018: $15.5 million) of Total consolidated receivables are expected to be recovered more than 12 months from the reporting date and nil (2018: $7.7 million) of Total receivables for the Company are expected to be recovered more than 12 months from the reporting date.

Receivables - accounting policy

Receivables are measured at amortised cost, less any allowance for Expected Credit Losses (ECL's), except for prepayments which are measured at historical cost.

The Group has recognised ECL's of $1.4 million (Company $0.3 million) on loans receivable. There were no other material ECL's on financial assets at the balance date.

The Group applies a simplified approach to calculating ECL's therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.2 Payables

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	5,451	4,881	345	197
Reinsurance premium payable	36,494	15,162	-	-
Employee entitlements	3,739	5,021	5	6
Life insurance premiums in advance	877	672	-	-
Life investment premium deposits	469	856	-	-
Lease incentive in advance	780	847	-	-
Payables to controlled entities	-	-	6,410	9,035
Outstanding investment settlements	2,935	2,766	-	-
Other creditors	1,210	901	97	3
Total payables	**51,955**	**31,106**	**6,857**	**9,241**

3. Receivables, payables and investments continued

$1.3 million (2018: $1.6 million) of Total consolidated payables are expected to be settled more than 12 months from the reporting date and $nil million (2018: nil) of total payables of the Company are expected to be settled more than 12 months from the reporting date.

Payables - accounting policy

Payables are measured at the nominal amount payable. Given the short term nature of most payables, the nominal amount payable approximates fair value.

3.3 Investments

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Equity securities				
Investment in Group Companies	-	-	389,078	412,359
Held directly	242,920	303,467	-	-
Held indirectly via unit trust	673,425	545,055	-	-
	916,345	**848,522**	**389,078**	**412,359**
Debt securities/fixed interest securities				
Held directly	441,715	483,205	-	-
Held indirectly via unit trust	369,950	393,339	-	-
	811,665	**876,544**	**-**	**-**
Property/Infrastructure				
Held directly	-	-	-	-
Held indirectly via unit trust	253,302	332,126	-	-
	253,302	**332,126**	**-**	**-**
Total investments	**1,981,312**	**2,057,192**	**389,078**	**412,359**

Accounting policy – financial instruments

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the Group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as and subsequently measured at fair value through profit or loss, fair value through other comprehensive income (OCI), and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities

Financial assets measured at fair value through profit or loss

Financial assets measured on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value, determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in profit or loss in the period in which they arise.

3. Receivables, payables and investments continued

The Group has elected to use their fair value option for investments as there would otherwise be an accounting mismatch as the assets are held against investment policy liabilities.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual term of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment testing. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loans receivables.

Impairment of financial assets

The adoption of AASB 9 changes the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

FV 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).

3. Receivables, payables and investments continued

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
2019				
Equity Securities	242,920	-	-	242,920
Fixed Interest Securities	-	441,715	-	441,715
Unit Trusts	1,296,678	-	-	1,296,678
Total	**1,539,598**	**441,715**	**-**	**1,981,313**
2018				
Equity Securities	303,467	-	-	303,467
Fixed Interest Securities	-	483,205	-	483,205
Unit Trusts	1,270,520	-	-	1,270,520
Total	**1,573,987**	**483,205**	**-**	**2,057,192**
Financial Liabilities				
2019				
Life investment policy liability	-	1,152,535	-	1,152,535
Total	**-**	**1,152,535**	**-**	**1,152,535**
2018				
Life investment policy liability	-	1,198,780	-	1,198,780
Total	**-**	**1,198,780**	**-**	**1,198,780**

3.4 Financial Risk Management

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.

(a) 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.

3. Receivables, payables and investments continued

(b) 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.

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 2019, 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 reserves are held in accordance with the ICAAP with respect to the Group's residual fee risk exposure.

(c) 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.

The Group does not expect any of its material counterparties to fail to meet their obligations and does not currently 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.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

The following table reflects the shareholder financial assets with credit risk exposure monitored by the CIC. It excludes policy holder financial assets and therefore represents shareholder assets invested in interest bearing securities at the balance date.

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and cash equivalents and debt securities/fixed interest securities				
Rating				
AAA to AA-	202,898	169,406	11,038	8,047
	202,898	**169,406**	**11,038**	**8,047**

In addition to the credit risk exposures above, the Group's balance sheet as at 30 June 2019 reflects a $95.7 million (2018: $38.2 million) exposure to Swiss Re Life & Health Australia Ltd in relation to reinsurer's share of policy liabilities. Further details on the Swiss Re credit exposure are provided on page 48. 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, outstanding settlements and related party receivables. The concentration of other receivables is spread across the various debtors with no single significant debtor except for related party receivables. Further details on the related party receivable recoverability is outlined on page 47.

(d) 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.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

The risks in respect of external (third party) funds are controlled via the Group's product options list and Approved Product List, which restricts the external funds available to investment managers and funds that are assessed to be reputable and financially sound.

The following tables summarise the realisation profile of financial assets at the reporting date. There were no financial assets past due or impaired at the reporting date other than those provided for.

						Consolidated
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2019	$'000	$'000	$'000	$'000	$'000	$'000
Receivables	3,154	52	1,531	31	-	4,768
Outstanding life insurance premiums net of provision	6,738	27	1	-	-	6,766
Accrued dividends	1,418	-	-	-	-	1,418
Investment income and distribution income	496	-	-	-	-	496
Loan receivables	629	176	3,970	3,966	-	8,741
Prepayments	1,938	647	451	165	-	3,201
Related party receivable	850	-	-	12,546	-	13,396
Total	**15,223**	**902**	**5,953**	**16,700**	**-**	**38,786**
2018						
Receivables	7,645	442	1,770	1,185	-	11,042
Outstanding life insurance premiums net of provision	5,167	25	2	-	-	5,194
Accrued dividends	2,514	-	-	-	-	2,514
Investment income and distribution income	917	-	-	-	-	917
Loan receivables	442	172	4,019	5,498	604	10,735
Prepayments	2,169	671	748	462	-	4,050
Related party receivable	917	-	-	7,719	-	8,636
Total	**19,771**	**1,310**	**6,539**	**14,864**	**604**	**43,088**

						Company
	Less than 3 months	3 to 6 months	6 months to a year	1 year and over	Over 5 years	Total
2019	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	19	5	6	1	-	31
Receivables from controlled entities	158	-	-	-	-	158
Loan receivables	-	-	-	3,214	3	3,214
Total	**177**	**5**	**6**	**3,215**	**-**	**3,404**
2018						
Trade receivables	6	5	8	13	-	32
Receivables from controlled entities	6,464	-	-	-	-	6,464
Related party receivables	-	-	-	7,719	-	7,719
Loan receivables	-	-	3,468	-	-	3,468
Total	**6,470**	**5**	**3,476**	**7,732**	**-**	**17,683**

3. Receivables, payables and investments continued

3.4 Financial Risk Management 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
2019	Less than 3 months $'000	3 to 6 months $'000	6 months to a year $'000	1 year and over $'000	Over 5 years $'000	Total $'000
Payables	13,425	479	223	1,250	83	15,460
Current tax liabilities	-	2,178	-	-	-	2,178
Provisions	1,095	1,876	2,007	1,497	846	7,321
Reinsurance payable[1]	36,494	-	-	-	-	36,494
Total	**51,014**	**4,533**	**2,230**	**2,747**	**929**	**61,453**
2018						
Payables	13,315	486	570	1,487	85	15,943
Current tax liabilities	-	8,146	-	-	-	8,146
Provisions	954	1,883	1,685	1,149	963	6,634
Reinsurance payable[1]	15,162	-	-	-	-	15,162
Total	**29,431**	**10,515**	**2,255**	**2,636**	**1,048**	**45,885**

						Company
2019	Less than 3 months $'000	3 to 6 months $'000	6 months to a year $'000	1 year and over $'000	Over 5 years $'000	Total $'000
Payables	6,747	109	-	-	-	6,856
Current tax liabilities	-	2,177	-	-	-	2,177
Provisions	-	24	-	-	-	24
Total	**6,747**	**2,310**	**-**	**-**	**-**	**9,057**
2018						
Payables	7,843	81	1,316	-	-	9,241
Current tax liabilities	-	8,146	-	-	-	8,146
Provisions	-	26	-	-	-	26
Total	**7,843**	**8,253**	**1,316**	**-**	**-**	**17,413**

1 Reinsurance payable represents reinsurance premium payable on reinsurance due in respect of life insurance premium.

3. Receivables, payables and investments continued

3.4 Financial Risk Management 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	
2019	Weighted average interest rate %	Less than 6 months $'000	Weighted average interest rate %	Less than 6 months $'000
Financial assets				
Variable interest rate instruments:				
Cash and cash equivalents	0.10	98,383	0.10	11,038
Fixed interest securities	2.58	104,515	-	-
Total		**202,898**		**11,038**
2018				
Financial assets				
Variable interest rate instruments:				
Cash and cash equivalents	0.61	70,723	0.60	8,047
Fixed interest securities	2.39	98,683	-	-
Total		**169,406**		**8,047**

Interest rate sensitivity analysis for floating rate financial instruments

The sensitivity analysis below has 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% (2018: 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.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

The following table illustrates the effect on 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
±0.5% (2018: ±0.5%)	+281	±537	+281	±537	+39	±28	±39	±28

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.

(j) 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.

4. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - Goodwill and intangibles
  - Provisions
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

4. Non-financial assets and liabilities

4.1 Goodwill and intangibles

					Consolidated
2019	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the financial year	20,452	40,946	65,017	200	106,163
Acquired directly during the year	-	6,076	-	-	6,076
Balance at the end of the financial year	**20,452**	**47,022**	**65,017**	**200**	**112,239**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	-	22,634	58,819	-	81,453
Amortisation expense in the current year	-	7,113	1,211	-	8,326
Impairment expense in the current year	7,941	8,618	4,949	-	13,567
Balance at the end of the financial year	**7,941**	**38,365**	**64,981**	**-**	**103,345**
Net book value					
Balance at the beginning of the financial year	20,452	18,312	6,198	200	24,710
Balance at the end of the financial year	**12,511**	**8,657**	**36**	**200**	**8,893**
2018	Goodwill $'000	Capitalised software $'000	Client Book $'000	Matrix Brand $'000	Total intangibles $'000
Gross carrying amount					
Balance at the beginning of the financial year	20,452	30,683	65,017	200	95,900
Acquired directly during the year	-	10,263	-	-	10,263
Balance at the end of the financial year	**20,452**	**40,946**	**65,017**	**200**	**106,163**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	-	16,923	54,775	-	71,698
Amortisation expense in the current year	-	5,711	4,044	-	9,755
Balance at the end of the financial year	**-**	**22,634**	**58,819**	**-**	**81,453**
Net book value					
Balance at the beginning of the financial year	20,452	13,760	10,242	200	24,202
Balance at the end of the financial year	**20,452**	**18,312**	**6,198**	**200**	**24,710**

As required under accounting standards the Group completes an impairment assessment at each reporting date. As at 30 June 2019, an impairment charge of $21.5 million was recognised in relation to goodwill ($7.9 million), capitalised software ($8.6 million) and client books ($4.9 million). This is discussed further in section 4.2.

4. Non-financial assets and liabilities continued

Goodwill and Intangibles accounting policy

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Client books

Client book intangibles represent the value of the in-force insurance and investment contracts, and value of the existing financial advice and funds management revenues. 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.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

	2019	2018
Software	Up to 3 years	Up to 4 years
Client books	6–10 years	6–10 years
Brand	indefinite	indefinite
Goodwill	indefinite	indefinite

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount.

4.2 Recoverability of intangible assets and goodwill

Goodwill and client book intangibles

The goodwill and intangibles primarily arose from the acquisition of ClearView Group Holdings Pty Limited in June 2010, the business of Community and Corporate Pty Limited in April 2009 and Matrix Planning Solutions Limited in October 2014 as well as other business combinations where ClearView Wealth Limited was the acquirer.

The goodwill that arose on acquisition was allocated across the Financial Advice, Life Insurance and Wealth Management CGU's of the Group based on the expected synergies expected to be gained by each CGU within the Group. At the balance date goodwill was allocated $4.0 million to the Life Insurance segment and $8.5 million to the Wealth Management segment.

The goodwill recognised within the Life Insurance and Wealth Management CGU's is tested for impairment triggers using the embedded value methodology by comparing the carrying value of goodwill to the in-force portfolios written to date.

The recoverable amount for the Wealth Management and Life Insurance CGU's has been determined based on the embedded value calculations as at 30 June 2019. The embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars. No account is taken of future new business in the embedded value calculations.

The estimated embedded value of the business has been calculated based on the following key assumptions and estimates:

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

The embedded value uses assumptions that are consistent with those adopted for policy liabilities in this financial report. See section 5.6 for actuarial estimates and assumptions.

As at 30 June 2019, no impairment was required to the carrying value of goodwill within the Life Insurance and Wealth Management CGU's.

4. Non-financial assets and liabilities continued

Impairment of acquired Financial Advice Client Books and Goodwill

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

Given the structural changes in the financial advice business, future expected banning of grandfathered revenue streams, and the implementation of a proposed new fee structure (shift to a 'flat fee' model paid by practices as opposed to the historical industry practice of a client fee split), an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment. The Financial Advice client book previously reported has been removed from the embedded value calculations at 30 June 2019.

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the dealer group review, the carrying values of Goodwill and Client Books in this segment have been revised. Goodwill and the Client Books have been assessed and tested based on a discounted cash flow model (value-in use). This has been prepared assuming a set of assumptions including the repricing of dealer services fees and removal of grandfathered rebates and cross subsidies (over time), LaVista rollout and discount rates consistent with those adopted in the embedded value calculation for the Life Insurance and Wealth Management segments.

Based on the testing performed, the $7.9 million carrying value of Goodwill and $4.9 million of Client Books in the Financial Advice cash generating unit was impaired at 30 June 2019.

Capitalised software impairment

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 is estimated. The impairment indicators for software intangibles 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 Group no longer sells the products that are administered on the PAS or utilises the provided functionality.

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

As a result, certain software development costs were impaired at 30 June 2019 for obsolete or reduced functionality, or had their useful life reduced due to changes in the IT direction. This resulted in a software impairment of $8.6 million at 30 June 2019.

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

This resulted in a reduction of the software carrying cost from $18.3 million at 30 June 2018 to $8.7 million as at 30 June 2019.

4. Non-financial assets and liabilities continued

4.3 Provisions

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current and non current				
Make good provision	508	374	-	-
Employee leave provisions	4,115	4,342	-	-
Provision for restructuring	1,800	-	-	-
Provision for remediation	625	1,815	-	-
Other provisions	272	103	24	26
Total	**7,320**	**6,634**	**24**	**26**
Make good provision[1]				
Balance at the beginning of the financial year	374	419	-	-
Additional provisions raised	137	136	-	-
Utilised during the period	(3)	(49)	-	-
Unutilised provisions transferred	0	(132)	-	-
Balance at the end of the financial year	**508**	**374**	**-**	**-**
Employee leave provision[2]				
Balance at the beginning of the financial year	4,342	3,849	-	-
Additional provisions raised	832	1,093	-	-
Utilised during the period	(1,059)	(600)	-	-
Balance at the end of the financial year	**4,115**	**4,342**	**-**	**-**
Provision for Restructuring[3]				
Balance at the beginning of the financial year	-	1,407	-	-
Additional provisions raised	1,800	-	-	-
Utilised during the period	-	(1,407)	-	-
Balance at the end of the financial year	**1,800**	**-**	**-**	**-**
Provision for remediation[4]				
Balance at the beginning of the financial year	1,815	1,623	-	-
Additional provisions raised	888	576	-	-
Utilised during the period	(2,078)	(385)	-	-
Balance at the end of the financial year	**625**	**1,815**	**-**	**-**
Other provisions				
Balance at the beginning of the financial year	103	1,161	26	18
Additional provisions raised	392	95	17	18
Utilised during the period	(223)	(1,153)	(19)	(10)
Balance at the end of the financial year	**272**	**103**	**24**	**26**

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 IT transformation project and onerous lease provision.

4 The provision for remediation relates to the direct remediation program, remaining compensation and program costs not yet paid as at 30 June 2019.

4. Non-financial assets and liabilities continued

Accounting policy - Provisions

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

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

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

Onerous contracts

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

Restructurings

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

5. Life insurance and investment contracts

The Group's life insurance activities are conducted through its registered life insurance company ClearView Life Assurance Limited. This section explains how ClearView Life Assurance measures its life insurance and investment contracts, including the methodologies and key assumptions applied. It also details the key components of the profits that are recognised in respect of the life insurance contracts and the sensitivities of those profits to variations in assumptions.

5. Life insurance and investment contracts

5.1 Accounting for life insurance and investment contracts

Principles underlying the conduct of life insurance business

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

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

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

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

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

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

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.

Claims

Life insurance contracts

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

Life investment contracts

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

5. Life insurance and investment contracts continued

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.

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.

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. These expenses are related to non-participating business as ClearView Life only write this category of business.

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 held within statutory fund No.1. 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).

Policy liabilities

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

Life insurance contracts

The value of life insurance policy liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group, with future cash flows determined using best estimate assumptions and discounted to the reporting date. Profit margins are systemically released over the term of the policies in line with the pattern of services to be provided. The future planned profit margins are deferred and recognised over time by including the value of the future planned profit margins within the value of the policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in Note 5.6.

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.

5. Life insurance and investment contracts continued

5.2 Disaggregated information by Statutory 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				
2019	$'000	$'000	$'000	$'000	$'000
Life insurance premium revenue	-	243,114	-	-	243,114
Outwards reinsurance expense	-	(71,613)	-	-	(71,613)
Fee revenue	-	-	9	20,150	20,159
Investment revenue	5	2,870	7	60,346	63,228
Net fair gains/(losses) on financial assets at fair value	-	-	(4)	29,002	28,998
Net revenue and income	**5**	**174,371**	**12**	**109,498**	**283,886**
Claims expense	-	(116,257)	-	-	(116,257)
Reinsurance recoveries	-	80,346	-	-	80,346
Change in life insurance policy liabilities	-	1,319	-	-	1,319
Change in life investment policy liabilities	-	-	(9,622)	(86,274)	(95,896)
Change in reinsurers' share of life insurance liabilities	-	19,212	-	-	19,212
Other expenses	-	(131,161)	(23)	(21,816)	(153,000)
Profit for the year before income tax	**5**	**27,830**	**(9,633)**	**1,408**	**19,610**
Income tax expense	(2)	(8,655)	10,070	(2,132)	(719)
Net profit attributable to members of ClearView Life Assurance Limited	**3**	**19,175**	**437**	**(724)**	**18,891**

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				
2019	$'000	$'000	$'000	$'000	$'000
Investments in subsidiaries and controlled unit trusts	3,450	-	476	1,153,420	1,157,346
Policy liabilities ceded under reinsurance	-	95,669	-	-	95,669
Other assets	5,244	194,508	701	9,940	210,393
Total assets	**8,694**	**290,177**	**1,177**	**1,163,360**	**1,463,408**
Gross policy liabilities – Life insurance contracts	-	(151,652)	-	-	(151,652)
Gross policy liabilities – Investment insurance contracts	-	-	374	1,152,161	1,152,535
Other liabilities	4,859	38,908	345	909	45,021
Total liabilities	**4,859**	**(112,744)**	**719**	**1,153,070**	**1,045,904**
Net assets	**3,835**	**402,921**	**458**	**10,290**	**417,504**
Shareholder's retained profits					
Opening retained profits	(68,293)	221,846	1,021	9,414	163,988
Operating profit	3	19,175	437	(724)	18,891
Capital transfer between funds	-	1,200	(1,200)	-	-
Dividend paid	(5,000)	-	-	-	(5,000)
Shareholders' retained profits	**(73,290)**	**242,221**	**258**	**8,690**	**177,879**
Shareholders' capital	77,125	160,700	200	1,600	239,625
Total equity	**3,835**	**402,921**	**458**	**10,290**	**417,504**

5. Life insurance and investment contracts 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
2018	$'000	$'000	$'000	$'000	$'000
Life insurance premium revenue	-	214,905	266	-	215,171
Outwards reinsurance expense	-	(56,696)	(45)	-	(56,741)
Fee revenue	-	-	15	22,135	22,150
Investment revenue	12	2,293	5	54,977	57,287
Net fair gains/(losses) on financial assets at fair value	-	-	-	11,333	11,333
Net revenue and income	**12**	**160,502**	**241**	**88,445**	**249,200**
Claims expense	-	(94,161)	-	-	(94,161)
Reinsurance recoveries	-	61,244	-	-	61,244
Change in life insurance policy liabilities	-	17,185	49	-	17,234
Change in reinsurers' share of life insurance liabilities	-	-	(7,705)	(64,336)	(72,041)
Change in life investment policy liabilities	-	4,829	(230)	-	4,599
Other expenses	-	(113,424)	(36)	(19,804)	(133,264)
Profit for the year before income tax	**12**	**36,175**	**(7,681)**	**4,305**	**32,811**
Income tax expense	(11)	(10,983)	8,272	(2,260)	(4,982)
Net profit attributable to members of ClearView Life Assurance Limited	**1**	**25,192**	**591**	**2,045**	**27,829**

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
2018	$'000	$'000	$'000	$'000	$'000
Investments in subsidiaries and controlled unit trusts	3,450	-	433	1,198,109	1,201,992
Policy liabilities ceded under reinsurance	-	38,243	-	-	38,243
Other assets	3,129	163,446	(904)	13,992	179,663
Total assets	**6,579**	**201,689**	**(471)**	**1,212,101**	**1,419,898**
Gross policy liabilities – Life insurance contracts	-	(197,116)	-	-	(197,116)
Gross policy liabilities – Investment insurance contracts	-	-	383	1,198,397	1,198,780
Other liabilities	2,747	25,557	(2,075)	2,691	28,920
Total liabilities	**2,747**	**(171,559)**	**(1,692)**	**1,201,088**	**1,030,584**
Net assets	**3,832**	**373,248**	**1,221**	**11,013**	**389,314**
Shareholder's retained profits					
Opening retained profits	(48,293)	193,256	2,267	8,931	156,161
Operating profit	1	25,192	591	2,045	27,829
Capital transfer between funds	-	3,400	(1,837)	(1,563)	-
Dividend paid	(20,000)	-	-	-	(20,000)
Shareholders' retained profits	**(68,293)**	**221,848**	**1,021**	**9,413**	**163,989**
Shareholders' capital	72,125	151,400	200	1,600	225,325
Total equity	**3,832**	**373,248**	**1,221**	**11,013**	**389,314**

5. Life insurance and investment contracts continued

5.3 Sources of profit

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Components of profit related to movements in life insurance liabilities				
Planned profit margins released	23,786	24,816	-	-
Profit arising from the difference between actual investment income and expected interest on policy liabilities	4,774	3,835	-	-
Profit arising from the difference between actual and expected experience[1]	(18,944)	(5,913)	-	-
Impact of change in economic assumptions	9,559	2,441	-	-
Life insurance	**19,175**	**25,179**	**-**	**-**
Components of profit related to movements in life investment liabilities				
Profit arising from life investment contracts[1]	(287)	2,623	-	-
Life investment	**(287)**	**2,623**	**-**	**-**
Profit for the statutory funds	18,887	27,828	**-**	**-**
Profit for the shareholders fund	3	1	-	-
Profit for ClearView Life Assurance Limited	**18,891**	**27,829**	**-**	**-**

1 Includes costs considered unusual to the ordinary activities relevant to the segment.

5. Life insurance and investment contracts continued

5.4 Policy liabilities

Reconciliation of movements in policy liabilities

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Life investment policy liabilities				
Opening gross life investment policy liabilities	1,198,780	1,177,290	-	-
Net increase in life investment policy liabilities reflected in the income statement	95,896	72,041	-	-
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(20,159)	(22,150)	-	-
Life investment policy contributions recognised in policy liabilities	153,132	269,366	-	-
Life investment policy withdrawals recognised in policy liabilities	(275,114)	(296,766)	-	-
Closing gross life investment policy liabilities	**1,152,535**	**1,198,780**	**-**	**-**
Life insurance policy liabilities				
Opening gross life insurance policy liabilities	(197,116)	(207,632)	-	-
Movement in outstanding claims	46,783	27,750	-	-
Decrease in life insurance policy liabilities reflected in the income statement	(1,319)	(17,234)	-	-
Closing gross life insurance policy liabilities	**(151,652)**	**(197,116)**	**-**	**-**
Total gross policy liabilities	**1,000,883**	**1,001,664**	**-**	**-**
Reinsurers' share of life insurance policy liabilities				
Opening balance	(38,243)	(15,338)	-	-
Movement in outstanding reinsurance	(38,214)	(18,300)	-	-
(Increase)/decrease in reinsurance assets reflected in the income statement	(19,212)	(4,599)	-	-
Closing balance	**(95,669)**	**(38,243)**	**-**	**-**
Net policy liabilities at balance date	**905,214**	**963,421**	**-**	**-**

Components of net life insurance policy liabilities

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Future policy benefits	317,336	350,316	-	-
Future expenses and commissions	482,115	449,010	-	-
Less future revenues	(1,399,856)	(1,384,891)	-	-
Best estimate liability	**(600,404)**	**(585,565)**	**-**	**-**
Present value of future planned profit margins	353,083	350,205	-	-
Net life insurance policy liabilities	**(247,321)**	**(235,360)**	**-**	**-**

5. Life insurance and investment contracts continued

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.

5.5 Capital adequacy

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
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Net Assets (Common Equity Tier 1 Capital)	3,836	402,921	458	10,291	417,505
Intangible adjustments[2]	-	(5,112)	-	(3,368)	(8,480)
Net tangible assets after intangible adjustments	**3,836**	**397,809**	**458**	**6,924**	**409,024**
Capital base adjustments					
Deferred tax assets	-	(1,590)	-	(41)	(1,631)
Investment in subsidiaries	(3,450)	-	-	-	(3,450)
Deferred acquisition costs	-	(336,303)	-	-	(336,303)
Other adjustments to capital base[1]	-	(12,547)	-	-	(12,547)
Regulatory capital base	**386**	**47,368**	**457**	**6,882**	**55,094**
Prescribed Capital Amount (PCA)	**(34)**	**(19,966)**	**(5)**	**(3,260)**	**(23,266)**
Available Enterprise Capital (AEC)	**352**	**27,403**	**452**	**3,622**	**31,828**
Capital Adequacy Multiple	**11.4**	**2.4**	**91.4**	**2.1**	**2.4**
Prescribed capital amount comprises of:					
Insurance Risk	-	(6,720)	-	-	(6,720)
Asset Risk	(34)	(3,854)	(4)	(380)	(4,272)
Asset Concentration Risk	-	(4,284)	-	-	(4,284)
Operational Risk	-	(7,293)	(1)	(2,880)	(10,175)
Aggregation benefit	-	2,185	-	-	2,185
LPS110 CLAL Minimum	-	-	-	-	-
Prescribed Capital Amount	**(34)**	**(19,966)**	**(5)**	**(3,260)**	**(23,266)**

1 Regulatory capital includes a $12.5 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CVRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CVRP currently to utilise these tax credits. While strategies to utilise the carried forward losses in the CVRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CVRP (part of a broader wealth strategy review), has commenced. For this reason an offset is held against the ECB risk reserve for $12.5 million.

2 Intangible adjustments relate to capitalised software.

5. Life insurance and investment contracts continued

5.5 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
	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000
Net Assets (Common Equity Tier 1 Capital)	3,832	373,248	1,221	11,013	389,314
Intangible adjustments[1]	-	(13,486)	-	(4,827)	(18,313)
Net tangible assets after intangible adjustments	**3,832**	**359,762**	**1,221**	**6,186**	**371,001**
Capital base adjustments					
Deferred tax assets	-	(1,643)	-	(34)	(1,677)
Investment in subsidiaries	(3,450)	-	-	-	(3,450)
Deferred acquisition costs	-	(304,658)	-	-	(304,658)
Regulatory capital base	**382**	**53,461**	**1,221**	**6,152**	**61,216**
Prescribed Capital Amount (PCA)	**(19)**	**(11,849)**	**(14)**	**(3,425)**	**(15,307)**
Available Enterprise Capital (AEC)	**363**	**41,612**	**1,208**	**2,727**	**45,910**
Capital Adequacy Multiple	**20.1**	**4.5**	**93.9**	**1.8**	**4.0**
Prescribed capital amount comprises of:					
Insurance Risk	-	(4,115)	-	-	(4,115)
Asset Risk	(19)	(2,678)	(5)	(429)	(3,131)
Asset Concentration Risk	-	-	-	-	-
Operational Risk	-	(6,509)	(9)	(2,996)	(9,514)
Aggregation benefit	-	1,453	-	-	1,453
LPS110 CLAL Minimum	-	-	-	-	-
Prescribed Capital Amount	**(19)**	**(11,849)**	**(14)**	**(3,425)**	**(15,307)**

1 Intangible adjustments relate to capitalised software.

5. Life insurance and investment contracts continued

5.6 Actuarial methods and assumptions

Actuarial methods and assumptions

The effective date of the actuarial report on life insurance policy liabilities and life investment policy liabilities is 30 June 2019. 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 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 1.4% (2018: 2.7%).

Acquisition expenses: Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 12 months to 30 June 2019.

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 2020 business plan. Expense inflation of 1.4% p.a. (2018: 2.5% p.a.) was assumed. These were updated at 30 June 2019 based on recent actual expense rate experience and the implementation of the cost out program.

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. The lapse assumptions have been increased and reshaped as at 30 June 2019 to take into account recent observed experience.

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. The mortality claims assumptions have been updated to take into account recent observed 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. The morbidity claims assumptions have been updated at 30 June 2019 to take into account recent observed experience.

(b) Effects of changes in actuarial assumptions (over 12 months to 30 June 2019)

	Effect on profit margins Increase/ (decrease) $'000	Effect on policy liabilities Increase/ (decrease) $'000
Assumption category		
Discount rates and inflation	25,793	(13,825)
Maintenance expenses	25,099	-
Lapses	(41,134)	-
Mortality and morbidity	(21,577)	2,551[1]
Total	**(11,820)**	**(11,274)**

1. Composed of a change in termination assumptions on Income Protection policies which are currently under assessment or in the course of payment. For claims that are currently being assessed, the underlying duration on claims assumptions was also changed. Both of these changes had an increase in the policy liability.

5. Life insurance and investment contracts continued

(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. 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 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.

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. Similar to mortality above, a change in the morbidity assumptions is absorbed in the policy liability profit margin in the first instance. For policyholders who are currently on claim there is no profit margin. Therefore, any change in claims costs due to a change in expectation around claims duration is reflected through a change in the policy liability.
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.

5. Life insurance and investment contracts continued

The table below illustrates how outcomes during the financial year ended 30 June 2019 in respect of the key actuarial variables, would have impacted the reported life insurance policy liabilities, profit and equity for that financial year.

		Impact on policy liabilities		Impact on net profit and shareholder equity	
Variable	Change in variable	Gross of reinsurance $'000	Net of reinsurance $'000	Gross of reinsurance $'000	Net of reinsurance $'000
Interest rates	+ 100 bp	18,040	17,413	(12,628)	(12,189)
	- 100 bp	(16,830)	(16,246)	11,781	11,372
Mortality and morbidity	110.0%	-	-	(6,722)	(1,943)
	90.0%	-	-	6,722	1,943
Lapses	110.0%	-	-	(2,934)	(2,817)
	90.0%	-	-	2,934	2,817
Maintenance expenses	110.0%	-	-	(1,775)	(1,775)
	90.0%	-	-	1,775	1,775

* 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.

5.7 Critical accounting judgements and key sources of estimation uncertainty

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 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.

6. Capital structure

This sections provides information in relation to the Group's capital structure and financing facilities

6. Capital structure and financial risk management

6.1 Issued capital

				Company
	2019 No. of Shares	2019 $'000	2018 No. of Shares	2018 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the financial year	619,259,012	438,289	603,266,050	421,717
Dividend Reinvestment Plan (inclusive of costs)	10,593,144	11,119	8,789,480	12,181
Treasury Shares	(4,840,566)	(4,186)	-	-
Shares issued during the year (ESP vested/forfeited)	1,965,292	821	7,203,482	4,391
Balance at the end of the financial year	**626,976,882**	**446,043**	**619,259,012**	**438,289**
Executive share plan				
Balance at the beginning of the financial year	49,003,595	-	56,207,077	-
Shares granted under employee share plan (section 7.2)	-	-	-	-
Shares forfeited during the year	(1,781,633)	-	(2,521,437)	-
Shares exercised during the year	(1,965,292)	-	(4,682,045)	-
Balance at the end of the financial year	**45,256,670**	**-**	**49,003,595**	**-**
Treasury shares				
Balance at the beginning of the financial year	-	-	-	-
Treasury shares bought back	4,840,566	4,186	-	-
Balance at the end of the financial year	**4,840,566**	**4,186**	**-**	**-**

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 7.2.

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.

6.2 Movements in reserves

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Retained losses				
Balance at the beginning of the financial year	(9,274)	(15,648)	(64,969)	(61,379)
Change on initial application of AASB 9	(1,008)	-	-	
Restated balance as at 1 July 2019	**(10,282)**	**(15,648)**	**(64,969)**	**(61,379)**
Net profit/(loss) attributable to members of the parent entity	3,959	26,595	(40,510)	(1,505)
Transfer from General Reserve[3]	-	(2,085)	-	(2,085)
Dividend paid during the year	(20,048)	(18,136)	-	-
Balance at the end of the financial year	**(26,372)**	**(9,274)**	**(105,479)**	**(64,969)**
Executive share plan reserve[1]				
Balance at the beginning of the financial year	12,509	10,068	12,509	10,068
Recognition of share based payments	2,889	2,174	2,889	2,174
ESP loans settled through dividend	746	771	746	771
Proceeds from sale of ESP shares vested/forfeited (net of tax)	(57)	(504)	(57)	(504)
Balance at end of the financial year	**16,087**	**12,509**	**16,087**	**12,509**

6. Capital structure and financial risk management continued

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit Reserve				
Balance at the beginning of the financial year	-	-	31,200	25,635
Net profit attributable to the parent entity	-	-	7,800	23,700
Dividend paid during the year	-	-	(20,048)	(18,136)
Balance at end of the financial year	**-**	**-**	**18,952**	**31,200**
General Reserve[2]				
Balance at the beginning of the financial year	2,785	(487)	2,785	(487)
Transfer to retained losses[3]	-	2,085	-	2,085
Gain on sale of unvested ESP shares (net of tax)	509	1,187	509	1,187
Balance at end of the financial year	**3,294**	**2,785**	**3,294**	**2,785**

1 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 section 7.2.

2 The general reserve comprises the profit on sale of forfeited ESP shares ($2.8 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.

3 $2.1m had previously been recognised in the general reserve in relation to a fair value adjustment for contingent consideration on the acquisition of Matrix Planning Solutions Limited. In 2018 the contingency period ended with the consideration (ClearView Wealth Limited Shares held in Trust) being released to the beneficiaries of the Trust. Subsequent to this, the general reserve was transferred to retained earnings.

6.3 Shares granted under the executive share plan

In accordance with the provisions of the ESP, as at 30 June 2019, key management, members of the senior management team, the managing director and contractor participants have acquired 45,256,670 (2018: 49,003,595) ordinary shares. Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $29,120,042 (2018: $32,270,871) was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP.

Since 2018, a total of 5,014,106 performance rights were issued to SMT members with a vesting period ending 30 June 2019. 2,057,242 of these performance rights vested having met the performance conditions with the balance being forfeited as at the date of this report. Vested shares will be allocated from the ESS trust (held as treasury shares) with the balance of the trust shares (2,783,324) being held for future issues. For further details see section 7.2

6.4 Financing facilities

Financing Facilities

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
The Group has access to the following facilities:				
Bank Guarantees				
– amount used	1,598	1,598	-	-
Overdraft and credit				
– amount used	-	-	-	-
– amount unused	2,000	2,000	-	-
Bank Revolving Facility				
– amount used	15,000	-	-	-
– amount unused	45,000	60,000	-	-

6. Capital structure and financial risk management continued

As at the reporting date the Company had a $60 million facility agreement with the National Bank Australia. $15 million has been drawn down with the balance available for immediate use. Interest on the loan accrued at BBSY plus a margin of 0.67% per annum, and was payable monthly. Furthermore, a line fee of 0.65% per annum was payable on the facility on a quarterly basis. The facility is repayable on 23 August 2021, three years from the initial draw down. The covenants of the loan state that the Group's debt must not exceed 35% of the Group's total debt and equity and the Group's EBITDA must not be less than 3x interest expense. The facility was secured by a number of cross guarantees, refer to section 9.5 for 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 2019. There is an additional $0.25 million credit card facility with National Australia Bank in the name of ClearView Administration Services Pty Limited.

6.5 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 note 6.2).

The Company entered into a $60 million Debt Facility Agreement in July 2017 (Debt Funding Facility) for the following key reasons:

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

To date, $15 million of the Debt Funding Facility has been drawn down to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares on market to support the ClearView SMT LTIP share plan (recognised as treasury shares). The Board has to date determined that entering into the Debt Funding Facility is both the most cost effective and efficient way to support the current funding needs of ClearView over the short- to medium-term.

Given the illiquidity of the share, the share price does not always reflect the Company's view of intrinsic value, which is particularly relevant when the business is undergoing a significant transformation process, under challenging conditions. In such circumstances, the Board believes that buying back shares below intrinsic value is in the best interests of ClearView shareholders.

In December 2018, the Board determined to extend its on market buy-back within the 10/12 limit for a period up until December 2019. Since January 2014, the total number of shares bought back and cancelled under the scheme is 593,824. No shares were bought back under the scheme in the full year ended 30 June 2019. Effective Friday 30 August 2019, the Board has approved the recommencement of this 10/12 limit on market buy-back program and ClearView's appointed broker for the buy-back is Blue Ocean Equities Pty Limited.

Furthermore, the Board is considering alternative capital management initiatives that would allow the Debt Funding Facility to be replaced with one or more longer term capital solutions that would make the capital structure of the overall group more efficient.

In the interim, and until such time as this more permanent capital solution is implemented, the Debt Funding Facility will be utilised to fund the on market buy-back program[1]. Given the positive cash flow generation, the funding drawn down under the Debt Funding Facility can also be repaid from cash flows generated by the in-force portfolios over the medium-term.

The ongoing operation of the buyback is subject to market conditions and ClearView's capital management requirements from time to time.

1 Debt Funding Facility agreement has a $15 million buy-back cap.

7. Employee disclosures

This section provides information on the remuneration of key management personnel and the Group's employee share plan

7. Employee disclosures

7.1 Key management personnel compensation

Transactions with KMP

Key management personnel compensation

Details of Key Management Personnel compensation are disclosed in the Directors' Report on pages 50 to 67 of the Annual Report. The aggregate compensation made to Key Management Personnel (KMP) of the Company and the Group is set out below:

	Consolidated	
	2019	2018
Short-term employee benefits	5,888,896	4,311,997
Post-employment benefits	352,642	365,488
Share based payments	2,301,047	1,054,307
Total	**8,542,585**	**5,731,792**

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 became interest bearing from 30 November 2017 at 3 month BBSY rate plus a margin of 1%. This limited recourse facility is reflected as loans on balance sheet of the listed entity.

In accordance with AASB 9, an expected credit loss (ECL) of $0.4m was recognised against the limited recourse loans given the decrease in ClearView's share price subsequent to the issue of the loans. The loans were granted up to a maximum of $1 per vested ESP share held.

7.2 Share based payments

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.

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.

Executive Share Plan

ClearView operates the ClearView Executive Share Plan (ESP or Plan). In accordance with the provisions of the Plan, as approved by shareholders at the 2018 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.

7. Employee disclosures continued

7.2 Share based payments continued

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).

ESP loans to SMT members became interest bearing at 3 months BBSY rate plus a margin of 1% from 30 November 2017. Since 1 August 2018, the limited recourse loans secured by unvested shares held by SMT members have become interest free.

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 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.

7. Employee disclosures continued

7.2 Share based payments continued

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.

Long Term Incentive Plan

Since October 2017, ClearView operates the ClearView Long Term Incentive Plan (LTIP). The LTIP underpins the Group's strategy of rewarding performance and retaining its key talent.

7. Employee disclosures continued

7.2 Share based payments continued

Offer and consideration

Under the LTIP, the Board may invite Eligible Employees to participate in an offer of performance rights in ClearView (Awards). Each Award represents a right to receive one ordinary share in the capital of the Company (Share) or to receive a cash payment equal to the value of one ordinary share, subject to the rules of the LTIP Plan (LTIP Rules) and the terms and conditions which an Eligible Employee is invited to participate in the Plan (Invitation).

Vesting and exercise conditions

The Awards are divided into tranches but may be subject to separate vesting conditions. The rights will vest only where the Eligible Employees Recipient (Recipient) remains employed by the Company and the vesting conditions are satisfied.

The Awards are not subject to any Exercise Conditions. A Recipient will be able to exercise their vested Awards, in accordance with the LTIP Rules upon receiving a vesting notice.

Settlement mechanism

Upon exercise the Board will determine whether the Awards will be Equity Settled and/or Cash Settled.

If an Award is to be Equity Settled, the Company will arrange for the Recipient to receive the requisite number of shares.

If an Award is to be Cash Settled, the Recipient will receive a cash payment equal to:

- the volume weighted average share price (VWAP) at which the Company's Shares were traded on the ASX in the 90 days up to and including the day on which the Award is validly exercised, or as otherwise determined by the Board (acting reasonably); or
- if the cash payment is calculated at a time of a Change of Control Event, the price per share paid by the entity acquiring the Company under the Change of Control Event, or such other higher amount as otherwise determined by the Board (acting reasonably).

Change of control and expiry date

On the occurrence of a 'Change of Control Event' (as defined in the LTIP Rules, which includes when a bona fide takeover bid is made to the holders of Shares), the Board may in its absolute discretion determine (having regard to various factors) the manner in which any or all of the Recipient's Award to be dealt with.

The expiry date of the Award is the fifth (5th) anniversary of the Grant Date of the Award.

Employee share trust (EST)

The Board may elect to use such terms and conditions as determined by the Board in its absolute discretion an employee share trust for the purposes of holding Shares before or after the exercise of an Award or delivering any shares under these Rules. Under an employee share trust structure, the trustee of the employee share trust would be registered as the legal owner of the shares but the recipient would be the beneficial owner.

Administration of the LTIP and EST

The LTIP and EST (where used) is administrated by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the LTIP.

The Company pays all costs and expenses of operating the LTIP and EST (where used) as well as the funding for the EST (where used). Employees are liable for any brokerage and tax payable associated with their participation in the Awards.

Termination of the LTIP

The Board may resolve at any time to terminate, suspend, or reinstate the operation of the LTIP.

7. Employee disclosures continued

7.2 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[8]	Number	Grant date	Expiry date[9]	Issue price at grant date $	Fair value at grant date (pre modifica-tion[1]) $	Fair value at grant date (post modifica-tion[1]) $
Series 6[6]	30/06/2008	KMP	500,000	30/06/2008	30/06/2013	0.59	0.10	0.10
Series 7[2,6]	29/09/2009	KMP	2,600,000	29/09/2009	29/09/2014	0.49	0.07	0.10
Series 10[3,6]	25/06/2010	MD	2,000,000	25/06/2010	26/03/2015	0.50	0.11	0.11
Series 11[4,6]	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.58	0.08	0.08
Series 12[5,6]	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.65	0.06	0.06
Series 15[5,6]	18/08/2011	KMP	2,000,000	1/07/2011	1/07/2015	0.50	0.10	0.13
Series 16[5,6]	6/10/2011	KMP and SM	2,750,000	1/09/2011	1/09/2016	0.50	0.10	0.13
Series 18[6]	1/03/2012	CP	2,500,000	10/02/2012	10/02/2017	0.50	0.12	0.15
Series 21[6]	25/05/2012	CP	1,375,000	7/05/2012	7/05/2017	0.50	0.13	0.17
Series 23[6]	6/08/2012	CP	1,281,650	6/08/2012	6/08/2017	0.54	0.17	0.21
Series 24[5,6]	22/08/2012	SM	300,000	22/08/2012	22/08/2017	0.55	0.16	0.19
Series 25[6]	21/12/2012	CP	950,000	21/12/2012	21/12/2017	0.58	0.16	0.20
Series 26[6,7]	16/04/2013	KMP and SM	2,575,000	12/04/2013	50% Change in Control; 50% 1 year after	0.57	n/a	0.29
Series 27[6]	16/04/2013	SM	75,000	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	1,328,335	31/05/2013	31/05/2018	0.68	n/a	0.22
Series 30	27/06/2013	CP	1,136,088	27/06/2013	27/06/2018	0.64	n/a	0.21
Series 31	14/10/2013	SM	275,000	14/10/2013	Change in Control	0.61	n/a	0.17
Series 32	14/10/2013	SM	275,000	14/10/2013	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	1,473,283	31/01/2014	31/01/2019	0.65	n/a	0.17
Series 38	30/05/2014	SM	621,667	30/05/2014	30/05/2018	0.75	n/a	0.17
Series 39	30/05/2014	SM	621,667	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 40	30/05/2014	SM	621,667	30/05/2014	30/05/2020	0.75	n/a	0.22
Series 41	30/05/2014	CP	285,925	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 42	9/07/2014	CP	3,406,814	9/07/2014	8/07/2019	0.79	n/a	0.17
Series 43	26/11/2014	KMP and SM	2,396,866	26/11/2014	25/11/2018	1.01	n/a	0.19
Series 44	26/11/2014	SM including KMP and CP	132,013	26/11/2014	25/11/2019	1.01	n/a	0.22
Series 45	26/11/2014	KMP and SM	132,013	26/11/2014	25/11/2020	1.01	n/a	0.24

7. Employee disclosures continued

7.2 Share based payments continued

Series	Issue Date	Type of Arrangement[8]	Number	Grant date	Expiry date[9]	Issue price at grant date $	Fair value at grant date (pre modification[1]) $	Fair value at grant date (post modification[1]) $
Series 46	30/03/2015	SM	75,000	30/03/2015	30/03/2019	1.00	n/a	0.22
Series 47	30/03/2015	SM	75,000	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 47	30/03/2015	CP	1,150,000	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 48	30/03/2015	SM	141,667	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	25,773	30/07/2015	30/07/2019	0.97	n/a	0.17
Series 50b	30/07/2015	SM	25,773	30/07/2015	30/07/2020	0.97	n/a	0.19
Series 50c	30/07/2015	SM	25,773	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	602,032	23/12/2015	23/12/2021	0.96	n/a	0.22
Series 52	27/04/2016	SM	134,365	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	79,601	20/06/2016	20/06/2021	0.94	n/a	0.20
Series 55	14/06/2017	CP	1,300,000	14/06/2017	14/06/2022	1.38	n/a	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.

9 Expiry date represents either the relevant vesting or holding lock period.

7. Employee disclosures continued

7.2 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 35**	**Series 36**
Grant date share price ($)	0.64	0.61	0.61	0.65	0.65
Anticipated vesting price ($)	0.64	0.61	0.61	0.65	0.65
Expected volatility (%)	36.90	22.20	22.20	22.01	22.01
Anticipated option life (years)	5.00	5.00	6.00	5.00	6.00
Inputs into the model	**Series 37**	**Series 38**	**Series 39**	**Series 40**	**Series 41**
Grant date share price ($)	0.65	0.75	0.75	0.75	0.75
Anticipated vesting price ($)	0.65	0.75	0.75	0.75	0.75
Expected volatility (%)	22.01	21.12	21.12	21.12	21.12
Anticipated option life (years)	5.00	4.00	5.00	6.00	5.00
Inputs into the model	**Series 42**	**Series 43**	**Series 44**	**Series 45**	**Series 46**
Grant date share price ($)	0.79	1.01	1.01	1.01	1.00
Anticipated vesting price ($)	0.79	1.01	1.01	1.01	1.00
Expected volatility (%)	16.78	19.79	21.56	24.18	20.84
Anticipated option life (years)	5.00	4.00	5.00	6.00	4.00
Inputs into the model	**Series 47**	**Series 48**	**Series 49**	**Series 50a**	**Series 50b**
Grant date share price ($)	1.00	1.00	0.97	0.97	0.97
Anticipated vesting price ($)	1.00	1.00	0.97	0.97	0.97
Expected volatility (%)	20.84	20.84	20.15	20.15	20.15
Anticipated option life (years)	5.00	6.00	5.00	4.00	5.00
Inputs into the model	**Series 50c**	**Series 51a**	**Series 51b**	**Series 52**	**Series 53**
Grant date share price ($)	0.97	0.96	0.96	0.93	0.93
Anticipated vesting price ($)	0.97	0.96	0.96	0.93	0.93
Expected volatility (%)	20.15	20.03	20.03	20.31	20.31
Anticipated option life (years)	6.00	5.00	6.00	5.00	5.00

7. Employee disclosures continued

7.2 Share based payments continued

Inputs into the model	Series 54	Series 55			
Grant date share price ($)	0.94	1.38			
Anticipated vesting price ($)	0.94	1.38			
Expected volatility (%)	20.55	20.11			
Anticipated option life (years)	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.

	2019		2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance at the beginning of the financial year	49,003,595	0.57	56,207,077	0.61
Issued during the financial year	-	-	-	-
Forfeited during the year	(1,781,633)	1.03	(2,521,437)	1.39
Exercised during the year	(1,965,292)	0.63	(4,682,045)	0.53
Balance at the end of the financial year	**45,256,270**	**0.55**	**49,003,595**	**0.57**

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

As at the date of this report, ClearView has a total of 45,256,670 ESP shares on issue. No new shares were granted in the year ended 30 June 2019.

During the financial year, 1,965,292 vested ESP shares were exercised with the outstanding ESP loan balance proceeds being received by the Company and 1,781,633 forfeited ESP shares were bought back and cancelled.

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[1]	Nil
Series 7 – 29 September 2009 Issue	Nil[1]	Nil
Series 10 – 25 June 2010 Issue	Nil[2]	Nil
Series 11 – 25 June 2010 Issue	Nil[2]	Nil
Series 12 – 25 June 2010 Issue	Nil[2,4]	Nil
Series 15 – 18 August 2011 Issue	Nil[4]	Nil
Series 16 - 6 October 2011 Issue	Nil[4]	Nil
Series 17 - 1 March 2012	Nil[4]	Nil
Series 24 - 22 August 2012 Issue	Nil[4]	Nil
Series 26 - 16 April 2013 Issue	Upon a change in control of the company[3]	Nil
Series 27 - 16 April 2013 Issue	First year anniversary upon the change in control	Nil

7. Employee disclosures continued

7.2 Share based payments continued

Series	Vesting Conditions	Performance Conditions
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[5]	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[5]	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[5]	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[5]	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%.

5 Vested as at the date of the report.

7. Employee disclosures continued

7.2 Share based payments continued

Contractor participants

Series	Vesting conditions [1]	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 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

1 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 employees 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 issues 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.

7. Employee disclosures continued

7.2 Share based payments continued

Shares that were forfeited during the year

The following table shows the shares that were fortfeited due to the vesting conditions not being met.

Date	Number of share cancelled	Cancelled from
22/11/2018	1,781,633	Series 42, 43, 47, 49, 53, 55
Total	**1,781,633**	

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
12/07/2018	498,625	Series 30
31/08/2018	650,000	Series 25
19/09/2018	500,000	Series 29
9/11/2018	16,667	Series 38
18/04/2019	150,000	Series 16
10/05/2019	150,000	Series 16
Total	**1,965,292**	

LTIP Awards

The following LTIP Awards were in existence at the end of the current reporting period:

Tranche	Issue Date	Number	Grant date	Vesting date	Vesting conditions	Fair value at grant date
1A	20 October 2017	1,432,143	20 October 2017	30 June 2019	Embedded Value (EV) target	$1.38
1B	20 October 2017	1,432,143	20 October 2017	30 June 2019	Total shareholder return (TSR) performance	$0.03
2A	4 April 2018	22,321	4 April 2018	30 June 2019	Embedded Value (EV) target	$1.38
2B	4 April 2018	22,321	4 April 2018	30 June 2019	Total shareholder return (TSR) performance	$0.03
3A	1 September 2018	965,819	1 September 2018	30 June 2019	Embedded Value (EV) target	$0.95
3B	1 September 2018	965,819	1 September 2018	30 June 2019	Total shareholder return (TSR) performance	$0.50

Performance rights vested and forfeited as at the date of this report

Achievement of the performance rights are as follows:

Vesting condition	Outcome	Vesting scale	Weighting	Allocation of CVW shares
Embedded Value target at 30 June 2019	Achievement of 97% of Embedded Value target	85%	50%	42.5%
TSR target	Below the 50th percentile	0%	50%	0%
Total				**42.5%**

This resulted in the awarding of 42.5% of the performance rights issued with the balance being forfeited. This will result in the allocation of 2.1 million shares held in the ESS Trust to participants. The remaining 2.7 million shares will be held in the ESS Trust for future issues.

8. Related parties and other Group entities

This section provides information on the Group's structure and how it affects the financial position and performance of the Group as a whole. In particular, there is information about:

8. Related parties and other Group entities

8.1 Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries.

Name of Entity	Principal Activity	Parent Entity	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Parent entity					
ClearView Wealth Limited (CWL)	Holding Company	-	Australia		
Subsidiaries					
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
Matrix Planning Investments Pty Limited (MPI)	Non operating	MPS	Australia	100	100
Affiliate Financial Planning Pty Limited	Non operating	CFA	Australia	100	100
ClearView Employee Share Trust (CVEST)	Trustee	CWL	Australia	100	0
LaVista Licensee Solutions Pty Limited	Service Company	CWL	Australia	100	0
Controlled unit trusts					
CVW Index Fund Interest Fund (previously CVW International Bonds Fund)	Wholesale Fund	CLAL	Australia	100	95
CVW Schroder Equity Opportunities Fund	Wholesale Fund	CLAL	Australia	43	42
CVW Fixed Interest Fund	Wholesale Fund	CLAL	Australia	54	56
CVW Index International Shares Fund (previously CVW SSGA International Shares Fund)	Wholesale Fund	CLAL	Australia	95	93
CVW Listed Property Fund	Wholesale Fund	CLAL	Australia	61	67
CVW Cash Fund	Wholesale Fund	CLAL	Australia	70	70
CVW CFS Infrastructure Fund	Wholesale Fund	CLAL	Australia	57	50
CVW RARE Emerging Markets Fund	Wholesale Fund	CLAL	Australia	47	49
CVW Antipodes Global Fund	Wholesale Fund	CLAL	Australia	23	21
CVW Hyperion Australian Shares Fund	Wholesale Fund	CLAL	Australia	100	94
CVW Index Property and Infrastructure Fund (previously CVW Vanguard Listed International Infrastructure Fund)	Wholesale Fund	CLAL	Australia	100	99
CVW Index Emerging Markets Fund (previously Vanguard Emerging Markets Fund)	Wholesale Fund	CLAL	Australia	100	99
CVW Index Australian Shares Fund (previously CVW Plato Australian Shares Fund)	Wholesale Fund	CLAL	Australia	81	77
CVW Stewart Investors Worldwide Sustainability Fund	Wholesale Fund	CLAL	Australia	45	21

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).

8. Related parties and other Group entities continued

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 Australian 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).

8.2 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 2019 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. until Mr Wakuya's resignation from the Board on 20 November 2018.

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

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	LaVista Licensee Solutions	CFML Managed Investment Schemes	Total
2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
ClearView Wealth Limited	-	(5,098,974)	1,055,051	364,567	282,174	(2,878,825)	15,593	-	8,776	-	(6,251,638)
ClearView Life Assurance Limited	5,098,974	-	(345,515)	(661,055)	7,651	(2,434,891)	-	12,546,734	-	-	14,211,898
ClearView Financial Management Limited	(1,055,051)	345,515	-	(43,970)	-	(87,033)	191,021	-	-	849,443	199,925
ClearView Financial Advice Pty Limited	(364,567)	661,055	43,970	-	-	(1,685,187)	-	-	-	-	(1,344,729)
Matrix Planning Solutions Limited	(282,174)	(7,651)	-	-	-	730,058	-	-	-	-	440,233

8. Related parties and other Group entities 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	LaVista Licensee Solutions	CFML Managed Investment Schemes	Total
ClearView Administration Services Pty Limited	2,878,825	2,434,891	87,033	1,685,187	730,058	-	-	-	-	-	6,355,878
ClearView Life Nominees Pty Limited	(15,593)	-	(191,021)	-	-	-	-	-	-	-	(206,614)
Lavista Licensee Solutions Pty Limited	(8,776)	-	-	-	-	-	-	-	-	-	(8,776)
ClearView Retirement Plan[1]	-	(12,546,734)	-	-	-	-	-	-	-	-	(12,546,734)
CFML Managed Investment Schemes	-	-	(849,443)	-	-	-	-	-	-	-	(849,443)
	6,251,638	**(14,211,898)**	**(199,925)**	**1,314,729**	**(440,233)**	**(6,355,878)**	**206,614**	**12,546,734**	**8,776**	**849,443**	**-**
2018	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
ClearView Wealth Limited	-	(3,757,852)	1,089,188	604,816	(278,190)	(242,824)	14,567	7,718,520	-	-	5,148,224
ClearView Life Assurance Limited	3,757,853	-	(239,290)	(637,743)	9,220	(4,338,103)	-	-	-	-	(1,448,063)
ClearView Financial Management Limited	(1,089,188)	239,290	-	(36,002)	-	(327,725)	231,459	-	-	916,510	(65,656)
ClearView Financial Advice Pty Limited	(604,816)	637,743	36,002	-	-	(1,207,563)	-	-	-	-	(1,138,634)
Matrix Planning Solutions Limited	278,190	(9,220)	-	-	-	(335,579)	-	-	-	-	(66,609)
ClearView Administration Services Pty Limited	242,824	4,338,103	327,725	1,207,563	335,579	-	-	-	-	-	6,451,794
ClearView Life Nominees Pty Limited	(14,567)	-	(231,459)	-	-	-	-	-	-	-	(246,026)
ClearView Retirement Plan	(7,718,520)	-	-	-	-	-	-	-	-	-	(7,718,520)

1 The non-current receivable from ClearView Retirement Plan relates to contribution tax funding payments for tax benefits on the life insurance premium. Due to the tax loss position in ClearView Retirement Plan, settlement of this amount is subject to the utilisation of tax losses. Various options for the ClearView Retirement Plan are being considered.

8. Related parties and other Group entities 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	LaVista Licensee Solutions	CFML Managed Investment Schemes	Total
CFML Managed Investment Schemes	-	-	(916,510)	-	-	-	-	-	-	-	(916,510)
	(5,148,224)	**1,448,063**	**65,656**	**1,138,634**	**66,609**	**6,451,794**	**246,026**	**7,718,520**	**-**	**916,570**	**-**

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.

8.3 Investment in controlled unit trusts

		Consolidated 2019		Consolidated 2018	
Name	**Type**	**$'000**	**%**	**$'000**	**%**
Controlled unit trusts					
CVW Index Fixed Interest Fund (previously CVW Pimco International Bonds Fund)	Debt	42,744	100.00	19,741	95.45
CVW Schroder Equity Opportunities Fund	Equities	109,351	43.42	112,758	42.36
CVW Fixed Interest Fund	Debt	312,295	54.43	356,281	55.70
CVW Index International Shares Fund (previously CVW SSGA International Shares Fund)	Equities	86,649	95.11	96,536	92.99
CVW Listed Property Fund	Property	20,151	61.44	21,465	66.51
CVW Cash Fund	Debt	201,032	70.14	222,097	70.19
CVW CFS Infrastructure Fund	Property	122,087	56.67	146,017	50.29
CVW RARE Emerging Markets Fund	Equities	53,593	46.59	90,883	48.72
CVW Antipodes Global Fund	Equities	46,727	22.96	31,656	21.08
CVW Hyperion Australian Shares Fund	Equities	13,738	100.00	17,736	93.72
CVW Index Property and Infrastructure Fund (previously CVW Vanguard Listed International Infrastructure Fund)	Property	11,334	100.00	14,701	99.00
CVW Index Emerging Markets Fund (previously CVW Vanguard Emerging Markets Fund)	Equities	5,932	100.00	10,520	98.70
CVW Index Australian Shares Fund (previously CVW Plato Australian Shares Fund)	Equities	43,801	81.37	44,284	77.49
CVW Stewart Investors Worldwide Sustainability Fund	Equities	84,463	44.58	13,867	20.70
Total		**1,153,897**		**1,198,542**	

9. Other disclosures

9. Other disclosures

9.1 Notes to the Consolidated Statement of cash flows

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net profit/(loss) for the year	**3,959**	**26,596**	**4,971**	**22,195**
Fair value gains on financial assets at fair value through profit and loss	(68,082)	(41,194)	-	-
Amortisation, depreciation and impairment	30,515	10,432	-	-
Employee share plan expense	2,889	2,174	2,889	2,174
Other non cash items	-	23	-	-
Interest and dividend received from controlled entity	-	-	(7,800)	(23,700)
Reinvested trust distribution income/interest income	(37,241)	(49,681)	-	-
Movement in provisions	(2,058)	(1,826)	-	-
Movements in liabilities to non-controlling interest in controlled unit trust	64,840	55,733	-	-
(Increase)/decrease in receivables	(4,204)	(5,685)	11,394	5,163
Decrease/(increase) in deferred tax asset	1,329	635	(58)	131
Increase/(decrease) in payables	24,186	(9,474)	(385)	249
Increase/(decrease) in policy liabilities	(58,207)	9,101	-	-
Increase/(decrease) in current tax liability	(5,967)	7,623	(5,967)	7,622
Net cash (utilised)/generated by operating activities	**48,039**	**4,457**	**5,044**	**13,834**

Cash and cash equivalents – accounting policy

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.

9.2 Contingent liabilities and contingent assets

There may be 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.

Buyback arrangements

ClearView has contractual arrangements with a limited number of financial advice businesses to purchase its book of business at an agreed multiple to recurring revenues subject to certain conditions being met. This buy-back arrangement is known as Buyer of Last Resort (BOLR). It is anticipated that one adviser on this contractual arrangement may initiate the purchase of their book of business in the coming year at a price that is not yet determined, may include deferred or uncertain components, or may be commercially settled with the adviser retaining ownership of the business. It is possible that the market value or resale value of such a business may be less than the cost to the Group. Due to the uncertainty of these circumstances, no value can be reliably placed on the contingent liability at 30 June 2019.

9. Other disclosures continued

Industry and regulatory compliance investigations

ClearView is subject to review from time to time by regulators. ClearView's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to ClearView and the outcomes of those reviews and investigations can vary and may lead, for example, to the imposition of penalties, variations or restrictions to licences, the compensation of customers, enforceable undertakings or recommendations and directions.

ClearView has recently undertaken remediation programs in relation to its closed Direct Life insurance business and a retrospective review of life insurance advice in its dealer groups. These remediation programs are now substantially complete and compensation has been paid to affected customers where possible. The costs of completing the programs have been included in the FY19 result.

Other

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 Company in the ordinary course of business has provided a letter of financial support to its subsidiary ClearView Administration Services, the centralised administration entity of the group.

Other than the above, the Directors are not aware of any other contingent liabilities in the Group at the year end.

9.3 Leases

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Not longer than 1 year	2,397	2,168	-	-
Longer than 1 year and not longer than 5 years	1,503	2,606	-	-
Total	**3,900**	**4,774**	**-**	**-**

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.

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

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Make good provision				
Current	200	100	-	-
Non-current	308	274	-	-
Total	**508**	**374**	**-**	**-**

9. Other disclosures continued

9.4 Capital commitments

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

	Consolidated		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Technology projects and service agreements	3,195	5,526	-	-
Total	**3,195**	**5,526**	**-**	**-**

9.5 Guarantees

The facility entered into with the National Australia Bank is guaranteed jointly and severally by:

- ClearView Group Holdings Pty Limited ACN 107 325 388
- ClearView Administration Services Pty Limited ACN 135 601 875
- ClearView Financial Management Limited[1] ACN 067 544 549
- Matrix Planning Solutions Limited[1] ACN 087 470 200
- ClearView Financial Advice Pty Ltd[1] ACN 133 593 012

The guarantees are supported by collateral (in the form of the shares) of the entities.

9.6 New 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.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2018. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

Standard/Interpretation
AASB 9 Financial Instruments and related amending Standards
AASB 15 Revenue from Contracts with Customers and related amending Standards
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Impact of changes to Australian Accounting Standards and interpretations adopted in the current year

AASB 9 'Financial Instruments'

AASB 9 Financial Instruments replaces AASB 139 Financial Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard became mandatory for reporting periods beginning on or after 1 January 2018.

1 For entities that hold an Australian Financial Services License (AFSL) the recovery granted from the guarantee is limited to the extent that it does not result in the Company breaching it's AFSL conditions.

9. Other disclosures continued

The adoption of AASB 9 changes the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. AASB 9 requires an allowance to be recognised for ECLs on all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that are expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has undertaken an assessment of the impact to classification and measurement and the accounting for impairment losses under the new standard below:

- The Group's investments are designated at fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date. The Group's other financial instruments (i.e. loans, receivables and payables) are held at amortised cost. Under the current business model, the adoption of AASB 9 does not materially change the accounting for investments and other financial instruments; For Contract assets and Trade and Other Receivables, the Group has adopted the simplified approach to calculate ECLs based on lifetime expected credit losses. A provision model has been established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
- For other debt financial assets (such as adviser loans), the ECL impact analysis is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting (or assessment) date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Upon adoption of AASB 9 the Group has assessed its loans and other receivables under the 12-month ECL model and recognised a provision of $1.0 million. The ECL impact analysis is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting (or assessment) date.

It is the Group's policy, on adoption of the new standard, to recognise the initial increase in allowance through opening retained earnings with any future impairment allowances recognised through profit or loss.

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

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

AASB 15 applies to annual periods beginning on or after 1 January 2018. AASB 15 introduces a single model for the recognition of revenue based on when control of goods and services transfers to a customer. Revenues derived under the Insurance Contracts and Financial Instruments standards, which represents a large proportion of the Groups revenue, are excluded from AASB 15 and hence, that revenue is not impacted by the adoption of the standard.

The Group has assessed its contracts with customers and the key revenues impacted by the adoption of the standard are derived from contracts entered into with clients to provide advisory services and asset management services. Our assessment of these contracts and the requirements under the standard regarding the estimation and constraint of variable consideration noted that the transaction price is highly susceptible to factors outside ClearView's influence such as client retention, changes in-force premiums, flows of funds under management and investment market movements.

9. Other disclosures continued

Prior experience with contracts of this nature is considered of little predictive value in determining the transaction price and it is the Group's view that these revenues are constrained until those uncertainties are resolved over the passage of time.

This earnings pattern is consistent will the Group's current accounting policy and does not result in any material changes upon initial recognition.

The Group adopted the modified approach. Under this approach opening balance of equity is adjusted at the date of initial application but not the prior year comparatives. The adoption of AASB 15 does not result in a material adjustment to the opening retained earnings.

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 16 'Leases'	1 January 2019	30 June 2020

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
AASB 17 - Insurance Contracts	1 January 2022	30 June 2023

Impact of changes to Australian Accounting Standards and interpretations in issue not yet adopted

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 supersedes 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 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 Group has completed its assessment of the impact of AASB 16 on its existing leases and effective 1 July 2019 expects to recognise a value in use asset and corresponding lease liability of circa $4m. There is no material profit impact on the adoption of the new standard.

9. Other disclosures continued

9.7 Other significant accounting policies

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.

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 cost.

9.8 Subsequent events

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.

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 section 1 ; 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
28 August 2019

Independent Auditor's Report

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

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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 2019, 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 2019 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.

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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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Actuarial Valuations

As at 30 June 2019 the Group's life insurance policy liabilities was $(151.7) million calculated on the basis of recognised actuarial methods and assumptions, as disclosed in Note 5.

Significant management judgement is involved, including assumptions that have been identified as having high estimation uncertainty and include:

• Appropriateness of assumptions used in valuations, especially in respect of ClearView experience vs market experience;
• Accuracy of the expense allocation basis and its impact on the policy liability;
• Basis of determination of the Best Estimate Liabilities and Profit Margin Liabilities components of the policy liabilities;
• Allowances for discretions; and
• Quality of data used for the valuation.</td><td>In conjunction with our actuarial specialists our procedures included, but were not limited to:

• Assessing the valuation methodology, valuation process and the valuation model to ensure compliance with APRA's Life Prudential Standard 340, "Valuation of Policy Liabilities";
• Validating the assumptions used by management (including interest rates, lapse rates, mortality, morbidity and expense ratios);
• Testing the mathematical accuracy of the model;
• Comparing model outputs to results of experience studies for reasonableness;
• Evaluating the appropriateness of technical and peer review;
• Reviewing the reasonableness of the year's changes in reserves and analysis of profit conducted by management;
• Assessing management's expense allocation basis, including the allocation to statutory funds and determination of policy liability;
• Challenging the appropriateness of management's selection of profit carriers and product groupings in respect of the policy liabilities; and
• Assessing the appropriateness of the disclosures in Note 5.4 to the financial statements.</td></tr>
</table>

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Impairment of intangible assets including goodwill	

As at 30 June 2019 the carrying amount of intangible assets and goodwill for the Group was $21.4 million as disclosed in Note 4.1. The intangible assets and goodwill are allocated between three cash-generating units (CGUs) which are tested separately for impairment.
 	
For the Life and Wealth CGUs the Entity performs an Embedded Value (EV) calculation to support its impairment analysis. For the Financial Advice the Entity performs a Discounted Cashflow (DCF).
 	
The evaluation of the recoverable amount of the goodwill and intangible assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business.
 	
The key EV 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.
 	
The key DCF assumptions include:
• Future cash flows;
• Discount rate; and
• Terminal growth rate.
 	
As a result of a change in business model for the Financial Advice business driven by a new fee structure an impairment of $12.8m has been recognised.
	In conjunction with our valuation specialists our procedures included, but were not limited to:
	
	• Assessing the methodology used by management;
	• Evaluating the documented basis for key assumptions used in the EV and DCF calculations;
	• Reviewing management's assessment of indicators of impairment by:
	    • Challenging the identification of the CGU's;
	    • Comparing assumptions used in the models to historical performance, future business strategy plans, and the assumptions used in the policy liability calculation;
	    • Challenging the key assumptions utilised in the models 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;
	    • 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; and
	    • Assessing the appropriateness of the disclosures in Note 4.1 and Note 4.2 to the financial statements.

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Impairment of capitalised software	
As at 30 June 2019, the Group has \$8.66m of software intangibles, which have been internally generated and capitalised. Determining the effectiveness and utilisation of the developed software assets requires significant judgement. When capitalising software development costs, in accordance with the relevant accounting standards management assess if the development will generate future probable economic benefit. Software intangibles are subsequently measured at cost less accumulated amortisation and any impairment. In the current reporting period, the Group performed a strategic IT review which revealed indicators of impairment. On that basis management performed an impairment analysis, determining that the recoverable amount of the capitalised software was less than the carrying amount and recognised an impairment of \$8.62m. In addition, the useful life of a number of software intangibles were adjusted resulting in \$1.5m of accelerated amortisation.	Our procedures included, but were not limited to; • Assessing management's recognition of development costs as capitalised software complied with the requirements of the relevant accounting standards, specifically focusing on whether it is probable that the assets will generate future economic benefits; • Evaluating management's assessment of the software intangibles useful life; • Reviewing management's impairment assessment and challenging the level at which the recoverable amount was determined by management; • Evaluating whether management's determination of the recoverable amount complies with the requirements of the relevant accounting standards; • Assessing the mathematical accuracy of management's impairment model; • Performing procedures to address the completeness and accuracy of the data used in the impairment model; and • Comparing the higher of the recoverable amount determined by management to the current carrying value, assessing the appropriateness of the amount impaired; and • Assessing the appropriateness of the disclosures in Note 4.1 and Note 4.2 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 2019, 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.

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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.

- 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.

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- 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 pages 50 to 67 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ClearView Wealth Limited, for the year ended 30 June 2019, 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

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 28 August 2019

Shareholder's Information

As at 15 August 2019

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[1]	394,493,860	58.26%
2	Perpetual Corporate Trust Limited	199,699,801	29.49%
3	Sony Life Insurance Co., Ltd[2]	101,254,639	14.95%

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 29.49% is therefore included in the 58.26% 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 and under the Option Agreement signed with Crescent and therefore also included in the 58.26% holding of CCP Bidco in the table above.

Twenty largest shareholders (as at August 2019)

Rank	Name	No. of shares as per notice	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	130,651,835	19.30%
2	Perpetual Corporate Trust Limited	66,950,844	9.89%
3	CCP Bidco Pty Ltd	57,252,851	8.46%
4	CCP Trusco 4 Pty Limited	43,582,632	6.44%
5	Citicorp Nominees Pty Limited	39,554,404	5.84%
6	CCP Bidco Pty Limited	33,786,569	4.99%
7	CCP Trusco 5 Pty Limited	30,893,528	4.56%
8	CCP Trusco 1 Pty Limited	28,458,809	4.20%
9	BNP Paribas Noms Pty Ltd	18,347,733	2.71%
10	Portfolio Services Pty Ltd	18,300,838	2.70%
11	CCP Trusco 3 Pty Limited	16,262,175	2.40%
12	CCP Trusco 2 Pty Limited	13,551,813	2.00%
13	J P Morgan Nominees Australia Pty Limited	13,169,338	1.95%
14	National Nominees Limited	10,844,571	1.60%
15	Portfolio Services Pty Ltd	10,304,057	1.52%
16	Mr Simon Swanson	10,000,000	1.48%
17	Salamanca Group Trust (Switzerland) SA	8,235,295	1.22%
18	Perpetual Corporate Trust Ltd	7,500,000	1.11%
19	Wintol Pty Ltd	6,302,827	0.93%
20	CPU Share Plans Pty Ltd	4,840,566	0.71%

Ordinary share capital

There are 677,074,118 fully paid ordinary shares held by 1,655 shareholders. All the shares carry one vote per share.

Distribution of shareholders

The distribution of Shareholders as at 31 July 2019 is as follows:

Range	Total holders	Units	% of issued capital
1 - 1,000	298	100,487	0.01
1,001 - 5,000	399	1,144,702	0.17
5,001 - 10,000	257	1,947,184	0.29
10,001 - 100,000	493	16,280,075	2.40
100,001 - 9,999,999,999	208	657,601,670	97.12
Total	**1,655**	**677,074,118**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.6750 per unit	741	236	43,825

Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2019.

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Directory

Current Directors

Bruce Edwards (Chairman)

David Brown

Gary Burg

Michael Alscher

Nathanial Thomson

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
Website: www.clearview.com.au

Share Registry

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registry:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne VIC 3001

Telephone: 1300 850 505
+61 3 9415 4000

Facsimile: +61 3 9473 2500

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

ClearView Wealth Limited

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ClearView

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