

# APPENDIX 4D

For the half year ended 31 December 2015

**iSelect**  
.com.au

## iSelect Limited

ABN 48 124 302 932

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### Revenue and Net Profit

		31 December 2015 \$'000	% change from year ended 31 December 2014	31 December 2014 \$'000
Revenue from ordinary activities	up	66,208	1 %	65,570
Profit/(loss) from ordinary activities after tax	down	(4,167)	-177 %	5,402

### Dividend Information

	Amount per security (cents)	Franked amount per security (cents)
Interim dividend	1.0	1.0

### Net Tangible Assets Per Security

	31 December 2015 \$	31 December 2014 \$
Net tangible assets per security	0.75	0.75

Net tangible assets are defined as the Net Assets of the iSelect Limited group less any intangible assets.

Other information requiring disclosure to comply with listing rule 4.3A is contained in, and should be read in conjunction with, the notes to the Half Year Financial Statements and the Directors' Report for the six month period ended 31 December 2015.

This report is based on the consolidated Financial Statements and Notes of iSelect Limited which have been reviewed by Ernst & Young.

# iSelect Limited

ABN 48 124 302 932

## Financial Report

For the Half Year Ended 31 December 2015

**Financial Report**  
**For the Half Year Ended**  
**31 December 2015**

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## **Corporate Information**

ABN 48 124 302 932

### **Directors**

Chris Knoblanche  
Brodie Arnhold  
Shaun Bonètt  
Bridget Fair  
Damien Waller

### **Company Secretary**

David Christie

### **Registered Office**

294 Bay Road  
Cheltenham Victoria 3192  
Australia  
Phone: +61 3 9276 8000

### **Principal Place of Business**

294 Bay Road  
Cheltenham Victoria 3192  
Australia  
Phone: +61 3 9276 8000

### **Share Register**

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067  
Australia

iSelect Limited shares are listed on the Australian Securities Exchange (ASX: ISU)

### **Solicitors**

Clayton Utz  
18/333 Collins Street  
Melbourne Victoria 3000  
Australia

### **Bankers**

Commonwealth Bank of Australia  
385 Bourke Street  
Melbourne Victoria 3000  
Australia

### **Auditors**

Ernst & Young  
8 Exhibition Street  
Melbourne Victoria 3000  
Australia

## Directors' Report

The Directors of iSelect Limited and its controlled entities (**the Group**) submit herewith the financial report of the Group for the half year ended 31 December 2015. Financial comparisons used in this report are for the results for the half year ended 31 December 2015 compared with the half year ended 31 December 2014 for the Consolidated Statement of Profit or Loss and Other Comprehensive Income analysis, and 31 December 2015 compared with 30 June 2015 for the Consolidated Statement of Financial Position analysis.

### Directors

The names of the Directors in office during or since the end of the period are:

Chris Knoblanche	Non-Executive Chairman
Brodie Arnhold	Non-Executive Director
Shaun Bonètt	Non-Executive Director
Bridget Fair	Non-Executive Director
Alex Stevens	Managing Director – ceased effective 13 October 2015
Damien Waller	Non-Executive Director
Leslie Webb	Non-Executive Director – ceased effective 28 August 2015

The above named Directors held office for the whole of the period unless otherwise specified.

### Company Secretary

David Christie

### Principal Activities

The principal activities during the financial period within the Group were health, life and car insurance sales, mortgage brokerage, energy, broadband and financial referral services. There have been no significant changes in the nature of these activities during the period.

### Operating and Financial Review<sup>1</sup>

#### Summary Financial Results - Reported

	Dec-15 \$000	Dec-14 \$000	Change %
Operating revenue	66,208	65,570	1%
Gross profit	16,531	26,357	-37%
EBITDA	(3,640)	8,379	-143%
EBIT	(6,922)	5,062	-237%
NPAT	(4,167)	5,402	-177%
EPS (cents)	(1.6)	2.1	-176%

#### Summary Financial Results – Normalised<sup>2</sup>

	Dec-15 \$000	Dec-14 \$000	Change %
Operating revenue	66,208	65,570	1%
Gross profit	16,531	26,357	-37%
EBITDA	(1,417)	8,379	-117%
EBIT	(4,699)	5,062	-193%
NPAT	(2,611)	5,402	-148%
EPS (cents)	(1.0)	2.1	-148%

<sup>1</sup> Throughout this report, certain non-IFRS information, such as EBITDA, EBIT, Conversion Ratio, Leads and Revenue Per Sale (RPS) are used. Earnings (profit/(loss)) before interest and income tax expense (EBIT) reflects profit/(loss) for the half year prior to including the effect of net finance costs and income taxes. Earnings (profit/(loss)) before interest, income tax expense, depreciation and amortisation and loss on associate (EBITDA) reflects profit/(loss) for the half year prior to including the effect of net finance costs, income taxes, depreciation and amortisation and loss on associate. The individual components of EBITDA and EBIT are included as line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-IFRS information is not audited.

<sup>2</sup> The current half-year to 31 December 2015 has been normalised for restructure costs and CEO exit costs. Refer to Note 5 for further details.

## Operating and Financial Review (continued)

### Group Financial Performance and Reported Results

The Group operates in the online product comparison sector and compares private health insurance, life insurance, car insurance, broadband, energy, home loans and personal financial products. The Group maintains three brands, iSelect ([www.iselect.com.au](http://www.iselect.com.au)), InfoChoice ([www.infochoice.com.au](http://www.infochoice.com.au)) and Energy Watch ([www.energywatch.com.au](http://www.energywatch.com.au)). The Group's business model is comprised of four key pillars that are linked: brand, lead generation, conversion and product providers. The Group derives the majority of its revenue from fees or commissions paid by product providers for successful sale of their products.

Operating revenue for the half year ended 31 December 2015 was \$66,208,000, representing an increase of 1% on the prior comparative six month period.

Gross profit for the period decreased by 37% to \$16,531,000. The decline in gross profit was a result of both increases in direct staffing costs and deterioration of sales conversion in the first half primarily in the Health division. In addition, direct marketing expenditure increased, particularly in the Energy businesses to support expected future growth.

Operating overhead expenses for the period were up on the prior half year by 12%. Normalising for CEO exit and restructure costs in the half year ended 2015, normalised overhead expenses remained flat.

Reported EBITDA for the half year was a loss of \$3,640,000 representing a decrease on reported EBITDA from the prior comparative half year of \$12,019,000, and a decrease on normalised EBITDA from the prior comparative half year of \$9,796,000.

Reported EBIT was a loss of \$6,922,000 a decrease of \$11,984,000 on reported EBIT for the prior comparative half year, and a decrease on normalised EBIT for the prior comparative half year of \$9,761,000.

A loss from associate of \$402,000 (31 December 2014: \$88,000) was recorded in relation to the Group's investment in iMoney.

Net finance income for the half year was \$1,133,000, which compares with a net finance income for the previous comparative half year of \$2,716,000. This decrease is reflective of the facility the Group had with NIA Health Pty Ltd ceasing in July 2015.

Reported net loss after tax was \$4,167,000, representing a decrease from the prior half year reported net profit after tax (NPAT) of \$9,569,000. Normalised net loss after tax was \$2,611,000 representing a decrease from the prior half year normalised NPAT of \$8,013,000.

### Consolidated Key Operating Metrics

The Group's key operating metrics are considered to be "leads", "conversion ratio" and "RPS". Throughout this report consolidated key operating metrics are provided.

	December 2015	December 2014		December 2015	December 2014
<b>Consolidated<sup>1</sup></b>			<b>Money</b>		
Leads (000s)	<b>1,732</b>	1,669	Leads (000s)	<b>945</b>	1,086
Conversion ratio (%) <sup>2</sup>	<b>9.5%</b>	9.5%	Conversion ratio (%)	<b>n.m</b>	n.m.
Average RPS (\$) <sup>3</sup>	<b>\$428</b>	\$427	Average revenue per click-through (\$)	<b>\$7</b>	\$7

<sup>1</sup> Consolidated operating metrics are excluding Money

<sup>2</sup> Conversion ratio is calculated as the number of gross sales divided by sales leads (i.e. the average percentage of sales leads that are converted into sales).

<sup>3</sup> Average RPS is calculated as gross referred revenue divided by the number of gross sales.

n.m. = not meaningful

### Discussion of Consolidated Key Operating Metrics for the 2016 Half Year

The consolidated key operating metrics for the half year ended 31 December 2015 are discussed in more detail on the next page. Key operating metrics by segment are also discussed in this Operating and Financial Review, in the section on Segment Performance.

## Operating and Financial Review (continued)

### Consolidated Key Operating Metrics (continued)

#### Leads Growth for the 2016 Half Year

Leads (excluding Money) increased by 4% to 1,732,000 with the Energy, Energy Watch and Broadband businesses in particular showing strong growth. The Health business overall had a small decline in leads compared with the same half last year, reflective of the increased competition and increased cost per lead.

The other businesses (again excluding Money) recorded a decline in leads, though this was a managed result with the primary focus for the current period being on improving conversion and aligning leads to the operational capacity to convert them.

Leads for the Money business unit are sourced via the InfoChoice website, which unlike the other businesses, operates a lead generation model that provides a low cost source of leads to third parties. On this basis, a lead for Money is considered a visit to the InfoChoice website and is reported separately to leads for the other businesses where a lead is a second-page visit to the website, with consumers having entered a level of personal information. Money leads were down 13% on the prior comparative period.

#### Conversion Ratio for the 2016 Half Year

Conversion remained flat at 9.5% for the half year, excluding Money, with positive growth in the Life and General Insurance segment being offset by deterioration in the Health segment. The decline in the Energy and Telecommunications segment can be attributed to the investment made in people to facilitate the positive revenue growth and the transition of the Energy Watch business into Australia.

#### Revenue Per Sale for the 2016 Half Year

RPS remained relatively flat, ending the half year at \$428 (excluding Money), driven by a changing mix in contribution from each business in particular the Energy and Telecommunications segment. The Energy and Telecommunications segment which has a lower RPS than the Group average showed strong growth for the half year ended 31 December 2015.

### Segment Performance

The Group reports segment information on the same basis as the Group's internal management reporting structure at reporting date. Post a business restructure in October 2015, the segments were also restructured to align to the internal reporting framework. Commentary on the performance of the three reportable segments follows.

#### **Health**

The Health segment offers comparison, purchase and referral services across the private health insurance category.

Financial Performance	Dec-15 \$000	Dec-14 \$000	Change	Key Operating Metrics	Dec-15	Dec-14	Change
Operating revenue	<b>31,050</b>	36,857	-16%	Leads (000s)	<b>507</b>	524	-3%
Segment EBITDA <sup>1</sup>	<b>(2,015)</b>	6,435	-131%	Conversion ratio (%)	<b>8.5%</b>	9.6%	-11%
Margin %	<b>-6.5%</b>	17.5%	-137%	Average RPS (\$)	<b>\$804</b>	\$779	3%

<sup>1</sup> Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue decreased by 16% to \$31,050,000. This decline was a result of off trend reductions in the sales conversion, which saw sales units decline by 14%. The decline in conversion can be attributed to decisions made to replace previously successful recruitment and training programs within the contact centre. In addition, delays in investing in new iSelect brand creative and increased cost per lead pressures had a direct impact on the lower leads result.

RPS for the 2016 half improved by 3%; this was driven by improved product and provider listings as well as a focus to provide customers with better value products.

## Operating and Financial Review (continued)

### Segment Performance (continued)

#### Life and General Insurance

The Life and General Insurance segment offers comparison, purchase and referral services across a range of life insurance, car insurance and other general insurance products.

Financial Performance	Dec-15 \$000	Dec-14 \$000	Change	Key Operating Metrics	Dec-15	Dec-14	Change
Operating revenue	<b>13,317</b>	11,141	20%	Leads (000s)	<b>360</b>	406	-11%
Segment EBITDA <sup>1</sup>	<b>3,409</b>	2,738	25%	Conversion ratio (%)	<b>6.0%</b>	4.0%	50%
Margin %	<b>25.6%</b>	24.6%	4%	Average RPS (\$)	<b>\$611</b>	\$657	-7%

<sup>1</sup> Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue grew by 20% to \$13,317,000 and was driven by the Life and Car businesses both showing strong growth during the period.

The segment posted an EBITDA profit of \$3,409,000 compared with the prior comparative period of \$2,738,000. Although leads declined by 11% over the period, this was a managed result with the focus on improving conversion and aligning leads to the operational capacity to convert them. This is the key driver behind the significant improvement in conversion across the segment for the half.

#### Energy and Telecommunications

The Energy and Telecommunications segment offers comparison, purchase and referral services across a range of household utilities including electricity and broadband products.

Financial Performance	Dec-15 \$000	Dec-14 \$000	Change	Key Operating Metrics	Dec-15	Dec-14	Change
Operating revenue	<b>17,516</b>	13,049	34%	Leads (000s)	<b>774</b>	639	21%
Segment EBITDA <sup>1</sup>	<b>388</b>	579	-33%	Conversion ratio (%)	<b>12.7%</b>	14.2%	-10%
Margin %	<b>2.2%</b>	4.4%	-50%	Average RPS (\$)	<b>\$202</b>	\$171	18%

<sup>1</sup> Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue grew by 34% to \$17,516,000 and was driven by Energy and Broadband both showing strong growth during the period.

The segment posted an EBITDA profit of \$388,000 compared with the prior comparative half year of \$579,000. Although this is a decline in EBITDA and margin, it is reflective of investments in both staffing and marketing costs to support the growth in both the Energy and Broadband businesses.



## Operating and Financial Review (continued)

### Financial Position and Cash Flow

Summary Statement of Cash Flows	Dec-15 \$'000	Dec-14 \$'000	Change %
Net cash provided by/(used in) operating activities	(8,326)	8,461	-198%
Net cash provided by/(used in) investing activities	40,440	(26,348)	253%
Net cash (used in)/provided by financing activities	(138)	690	-120%
<b>Net change in cash and cash equivalents</b>	<b>31,976</b>	<b>(17,197)</b>	<b>286%</b>

Summary Statement of Financial Position	Dec-15 \$'000	Jun-15 \$'000	Dec-14 \$'000
Current assets	159,405	176,235	156,714
Non-current assets	134,595	131,012	129,390
<b>Total assets</b>	<b>294,000</b>	<b>307,247</b>	<b>286,104</b>
Current liabilities	23,898	33,960	17,438
Non-current liabilities	27,117	26,365	25,895
<b>Total liabilities</b>	<b>51,015</b>	<b>60,325</b>	<b>43,333</b>
<b>Net assets</b>	<b>242,985</b>	<b>246,922</b>	<b>242,771</b>
<b>Equity</b>	<b>242,985</b>	<b>246,922</b>	<b>242,771</b>

### Capital Expenditure and Cash Flow

Net operating cash outflows were \$8,326,000, which was \$16,787,000 lower than the last comparative half year, and can be attributed to the decline in profitability of the business compared with prior comparative period. In addition, the Group paid income tax of \$5,177,000 during the period, which when compared to the prior comparative half year was nil.

Net investing cash inflows for the six months to 31 December 2015 included the repayment of the NIA loan facility of \$40,716,000. The prior comparative period included cash advances by the Group under the NIA facility agreement of \$13,110,000 in funds in the six month period ended 31 December 2014. In addition, the prior comparative period included \$9,701,000 relating to the acquisition of the Energy Watch business and an investment in iMoney of \$4,578,000.

Net financing cash outflows for the 2016 half year totalled \$138,000. This included \$57,000, which was paid in relation to the share buy-back.

Capital expenditure for the 2016 half year was \$2,867,000 compared with \$1,745,000 for the 2015 half year.

### Statement of Financial Position

Net assets have decreased to \$242,985,000 at 31 December 2015 from \$246,922,000 at 30 June 2015 and \$242,771,000 at 31 December 2014.

Current assets have decreased from 30 June 2015 by 10% to \$159,405,000. This is mainly as a result of the repayment of the NIA facility receivable in July 2015 and lower receivables based on business seasonality and trading performance. The current component of the trail commission receivable is \$24,197,000, which is 14% lower than 30 June 2015.

Non-current assets have remained consistent from 30 June 2015. The non-current component of the trail commission receivable at \$77,449,000 is 5% higher than the balance at 30 June 2015.

The total trail commission asset has remained relatively flat from 30 June 2015.

Current liabilities decreased from 30 June 2015 to 31 December 2015 by 30% to \$23,898,000 mainly due to payments of tax and seasonally high creditor balances post 30 June 2015.

Non-current liabilities increased slightly to 31 December 2015 by 3% to \$27,117,000. This is mainly due to an increase in deferred tax balances partially offset by a decrease in lease incentives.

## **Operating and Financial Review (continued)**

### ***Debt Position***

As at 31 December 2015 the Group has nil debt (30 June 2015: nil; 31 December 2014: nil).

### ***Share buy-back***

During the period, the Group announced its intention to commence an on-market buy-back to the value of 10% of the available share capital base. As at 31 December the company had bought back 89,000 shares at a value of \$101,722 (\$57,000 cash settled).

### ***Outlook***

For the financial year ending 30 June 2016, the Group expects to deliver an EBIT result in the range of \$15,000,000 to \$18,000,000 on a normalised basis.

The following factors are believed to be relevant for the 2016 financial year:

- The strategic review that was undertaken and the announcement to the market on 11 January 2016 outlined the factors that contributed to the challenging first half result along with the plans to mitigate them. Early signs of improvement, particularly around Health call centre performance, are positive.
- The fundamentals of the health insurance industry remain robust and at the time of writing, the Federal Government is expected to shortly announce the 2016 private health insurance premium price increase outcome.
- The Federal Government is continuing to review all aspects of the health care model within Australia. While a number of possible changes have been flagged, no recommendations have been made to Parliament.
- Energy is expected to continue its strong performance, with the business expanding into new channels such as a Movers Team and Small and Medium Enterprise businesses. Furthermore, the Energy Watch brand, which was relocated back on-shore during the first half, continues to perform well.

The Group is reviewing its capital strategy and dividend policy and has declared a fully franked ordinary dividend as sufficient franking credit balance have been accumulated. In addition, the Group is continuing with its on-market buy-back to return excess capital back to shareholders.

The Group also remains cognisant of potential risks to its business and will continue to closely monitor and work to mitigate these throughout financial year 2016. These risks include potential changes in government policy and legislation with regard to private health insurance, lower than expected cash receipts from future trail commissions, and any adverse decisions taken by product providers currently listed on the Group's websites. However, the Group is also continuing to invest in the business strategically.

### ***Dividends***

On the 25<sup>th</sup> February 2016, the Group declared a fully franked interim dividend of 1.0 cent. There were no dividend payments for the year ended 30<sup>th</sup> June 2015.

### ***Auditor's Independence Declaration***

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the half year ended 31 December 2015 is on page 9 of this report.

**Rounding**

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

This Directors' Report is signed in accordance with a resolution of the Directors.

On behalf of the Directors



**Chris Knoblanche**  
Director  
Melbourne,  
25 February 2016



**Brodie Arnhold**  
Director  
Melbourne,  
25 February 2016



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## Auditor's Independence Declaration to the Directors of iSelect Limited

As lead auditor for the review of iSelect Limited for the financial half year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of iSelect Limited and the entities it controlled during the financial half year.

Ernst & Young

Denis Thorn  
Partner  
25 February 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

	Note	Consolidated December-15 \$'000	Consolidated December-14 \$'000
Upfront fees		49,057	48,439
Click-through fees		1,248	1,682
Advertising and subscription fees		1,286	1,010
<b>Upfront Revenue</b>	5	<b>51,591</b>	<b>51,131</b>
Current period trail commission sales		11,779	11,477
Change in value of future trail cash flow expectations		-	-
Discount unwind		2,838	2,962
<b>Trail Commission Revenue</b>	5	<b>14,617</b>	<b>14,439</b>
<b>Total Operating revenue</b>		<b>66,208</b>	<b>65,570</b>
Cost of sales		(49,677)	(39,213)
<b>Gross Profit</b>		<b>16,531</b>	<b>26,357</b>
Other income		59	75
Administrative expenses		(19,984)	(17,702)
Share-based payments expense		(246)	(351)
Depreciation and amortisation	5	(2,880)	(3,229)
Loss from associate, net of tax	13	(402)	(88)
<b>Profit/(Loss) Before Interest and Tax</b>		<b>(6,922)</b>	<b>5,062</b>
Net finance income		1,133	2,716
<b>Profit/(Loss) Before Income Tax Expense</b>		<b>(5,789)</b>	<b>7,778</b>
Income tax benefit/(expense)	6	1,622	(2,376)
<b>Profit/(Loss) for the Period</b>		<b>(4,167)</b>	<b>5,402</b>
<b>Other Comprehensive Income</b>			
Other comprehensive income/(loss) for the period, net of tax		41	(28)
<b>Total Comprehensive Income/(Loss) for the Period</b>		<b>(4,126)</b>	<b>5,374</b>
Total comprehensive income/(loss) attributable to owners of the Group		<b>(4,126)</b>	<b>5,374</b>
<b>Earnings per Share (cents per share)</b>			
Basic for profit for the period attributable to ordinary equity holders of the parent	12	(1.6)	2.1
Diluted for profit for the period attributable to ordinary equity holders of the parent	12	(1.6)	2.1

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2015

	Note	Consolidated December-15 \$'000	Consolidated June-15 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	102,518	70,542
Trade and other receivables	8	27,792	73,761
Trail commission receivable	9	24,197	28,174
Income tax receivable		2,566	-
Other assets		2,332	3,758
<b>Total Current Assets</b>		<b>159,405</b>	<b>176,235</b>
<b>Non-Current Assets</b>			
Trail commission receivable	9	77,449	73,451
Property, plant and equipment		7,253	7,096
Intangible assets		46,030	46,200
Investment in associate	13	3,863	4,265
<b>Total Non-Current Assets</b>		<b>134,595</b>	<b>131,012</b>
<b>Total Assets</b>		<b>294,000</b>	<b>307,247</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		16,321	21,050
Provisions		6,589	11,828
Other		988	1,082
<b>Total Current Liabilities</b>		<b>23,898</b>	<b>33,960</b>
<b>Non-Current Liabilities</b>			
Provisions		1,827	2,276
Net deferred tax liabilities		25,290	24,089
<b>Total Non-Current Liabilities</b>		<b>27,117</b>	<b>26,365</b>
<b>Total Liabilities</b>		<b>51,015</b>	<b>60,325</b>
<b>Net Assets</b>		<b>242,985</b>	<b>246,922</b>
<b>EQUITY</b>			
Contributed equity		173,656	173,713
Share-based payment reserve		1,929	1,683
Business combination reserve		5,571	5,571
Foreign currency translation reserve		(8)	(49)
Retained earnings		61,837	66,004
<b>Total Equity</b>		<b>242,985</b>	<b>246,922</b>

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Issued Capital \$'000	Shared- based Payment Reserves \$'000	Business Combination Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>172,963</b>	<b>1,396</b>	<b>5,571</b>	<b>-</b>	<b>56,366</b>	<b>236,296</b>
Profit/(Loss) for the period	-	-	-	-	5,402	5,402
Other comprehensive income/(loss)	-	-	-	(28)	-	(28)
<b>Total comprehensive income for the period/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>5,402</b>	<b>5,374</b>
<b>Transactions with owners in their capacity as owners</b>						
Recognition of share based payments	-	351	-	-	-	351
Issue/(buy-back) of share capital	750	-	-	-	-	750
<b>Balance at 31 December 2014</b>	<b>173,713</b>	<b>1,747</b>	<b>5,571</b>	<b>(28)</b>	<b>61,768</b>	<b>242,771</b>
<b>Balance at 1 July 2015</b>	<b>173,713</b>	<b>1,683</b>	<b>5,571</b>	<b>(49)</b>	<b>66,004</b>	<b>246,922</b>
Profit/(Loss) for the period	-	-	-	-	(4,167)	(4,167)
Other comprehensive income/(loss)	-	-	-	41	-	41
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(4,167)</b>	<b>(4,126)</b>
<b>Transactions with owners in their capacity as owners</b>						
Recognition of share based payments	-	246	-	-	-	246
Issue/(buy-back) of share capital	(57)	-	-	-	-	(57)
<b>Balance at 31 December 2015</b>	<b>173,656</b>	<b>1,929</b>	<b>5,571</b>	<b>(8)</b>	<b>61,837</b>	<b>242,985</b>

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

	Note	Consolidated December-15 \$'000	Consolidated December-14 \$'000
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers		78,117	79,586
Payments to suppliers and employees		(81,266)	(71,125)
Income taxes paid		(5,177)	-
<b>Net cash provided by/(used in) operating activities</b>		<b>(8,326)</b>	<b>8,461</b>
<b>Cash flows from/(used in) investing activities</b>			
Payments for property, plant and equipment and intangible assets		(2,867)	(1,745)
Net payments of acquisition of subsidiary and associate		-	(14,279)
NIA facility received/(advanced)		40,716	(13,110)
Interest received		2,591	2,786
<b>Net cash from/(used in) investing activities</b>		<b>40,440</b>	<b>(26,348)</b>
<b>Cash flows from/(used in) financing activities</b>			
Interest paid		(81)	(60)
Net proceeds/(payments) from issue/(buy-back) of shares		(57)	750
<b>Net cash (used in)/provided by financing activities</b>		<b>(138)</b>	<b>690</b>
Net increase/(decrease) in cash and cash equivalents		31,976	(17,197)
Cash and cash equivalents at the beginning of the period		70,542	75,906
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>102,518</b>	<b>58,709</b>

The accompanying notes form part of these consolidated financial statements.



## **1. Corporate Information**

The interim condensed half year consolidated financial report of iSelect Limited for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of Directors on 25 February 2016.

iSelect Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The interim condensed consolidated financial statements of the company as at and for the half year ended 31 December 2015 comprise the financial statements of the company and its subsidiaries, together referred to in these financial statements as the Group and individually as Group entities.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

## **2. Basis of Preparation and Accounting Policies**

### **(a) Basis of Preparation**

This interim condensed half year consolidated financial report for the six months ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half year consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by iSelect Limited during the half year in accordance with the continuous disclosure obligations of the ASX listing rules.

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

### **(b) Seasonality of Operations**

The Group offers comparison, purchase and referral services across a number of insurance, utility and financial products. Due to the seasonal nature of the Health business in particular, significantly lower revenues and operating profits are usually expected in the first half of the Group's financial year than in the second six months.

Significantly higher customer sales during the months of March and June each year are mainly attributed to the increased demand for health products as a result of customers looking to optimise their health rebates before the health insurance rate rise and prior to 30 June each year.

### **(c) Accounting Policies**

The Group has had regard to Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group, as outlined in iSelect's annual report for the year ended 30 June 2015.

The Group has determined that they do not impact the accounting policies applied in the preparation of the Group's consolidated financial statements. There are no new accounting standards effective from 1 July 2015 that have a material impact on the financial results of the Group.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

**2. Basis of Preparation and Accounting Policies (continued)**

**(d) New and Amended Standards and Interpretations**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2015, except for the adoption of new standards and interpretations as of 1 July 2015 as disclosed in the 30 June 2015 financial accounts and noted below:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*.

The adoption of the above accounting standard had no material impact on the Group. The Group has chosen not to early adopt any other standard, interpretations or amendments that has been issued but is not yet effective.

**(e) Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***Revenue Recognition***

Revenue is recognised at the point in time where the Group has essentially completed its contracted service with its product providers and it is probable that the Group will receive the revenue in relation to the underlying consumer. This point in time is where a consumer is referred to a product provider. As such, the Group determines a reliable measurement of its revenue on the basis of the probability of a 'referred' sale becoming a 'financial' or paid sale on the basis of extensive historical statistical and trend data. Revenue is recognised on a net basis of the historical percentage of 'referred' sales expected to become 'financial' and is adjusted to actual percentages experienced at each reporting date. Where this information cannot be reliably measured, the Group recognises revenue at the time the consumer makes its first payment to the product provider.

***Trail Commission Receivable***

The Group has elected to account for trail commission revenue at the time of selling a product to which trail commission attaches, rather than on the basis of actual payments received from the relevant fund or providers involved. This method of revenue recognition requires the Directors and management to make certain estimates and assumptions based on industry data and the historical experience of the Group. In undertaking this responsibility, the Group engages Deloitte Actuaries and Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions for health, general, mortgages and life trail revenue. These estimates and assumptions include, but are not limited to: termination or lapse rates, mortality rates, inflation, risk free and other discount rates, counter party credit risk, forecast fund premium increases and the estimated impact of known Australian Federal and State Government policy.

**2. Basis of Preparation and Accounting Policies (continued)**

**(e) Significant Accounting Judgements, Estimates and Assumptions (continued)**

***Trail Commission Receivable (continued)***

The Directors consider this method of trail commission recognition to be a more accurate representation of the Group's financial results. This method is further detailed in Note 3(f) to the most recently issued annual financial statements for the financial year ended 30 June 2015.

***Clawback Provisions***

Upfront fees received from certain insurance funds, broadband providers and mortgage brokers can be clawed back in the event of early termination of membership. They vary across the insurance industry and are usually triggered where a referred member terminates their policy. Each relevant product provider has an individual agreement and the clawback period ranges between 0 and 12 months, depending on the agreement. The Group provides for this liability based upon historic average rates of attrition and recognises revenue net of these clawback amounts.

***Provisions for Employee Benefits***

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using the discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as interest expense.

***Research and Development Costs***

Internal project costs are classified as research or development based on management's assessment of the nature of each cost and the underlying activities performed. Management performs this assessment against the Group's development costs policy which is consistent with the requirements of AASB 138 *Intangible Assets*.

***Taxation***

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit or loss and other comprehensive income in future periods.

***Share-Based Payments***

Accounting estimates and assumptions in relation to share-based payments are discussed in Note 31 to the most recently issued annual financial statements for the financial year ended 30 June 2015.

***Initial Recognition of Identifiable Assets and Liabilities Upon Acquisition.***

On 1 July 2014, the Group obtained control of General Brokerage Services Pty Ltd and its controlled entities (**Energy Watch**), an online comparison company dealing in energy products. Accounting estimates and assumptions in relation to the initial recognition of the identifiable assets and liabilities at fair value are discussed in Note 4.

## 2. Basis of Preparation and Accounting Policies (continued)

### (e) Significant Accounting Judgements, Estimates and Assumptions (continued)

#### ***Determination of Value-In-Use of Goodwill, Brand names and Trademarks***

As part of the Group's annual impairment testing for indefinite life intangible assets, accounting estimates and assumptions have been applied in determining the value-in-use of cash-generating units where such intangible assets have been allocated. Further information of these estimates and assumptions are discussed in detail in Note 13 to the most recently issued annual financial statements for the financial year ended 30 June 2015.

## 3. Segment Information

For management purposes, the Group is organised based on its products and services and has three reportable segments as follows:

- Health, which offers comparison, purchase and referral services across private health insurance;
- Life and General Insurance, which offers comparison, purchase and referral services across car, life and general insurance; and
- Energy and Telecommunications, which offers comparison, purchase and referral services across energy and broadband.

Other, comprises of comparison, purchase and referral services but predominantly offer financial service products including home loans. The Group considers these to be insignificant to warrant separate disclosure.

The following table presents revenue and results by operating segments for the half years ended 31 December 2015 and 31 December 2014.

#### **Geographical locations**

All revenue and operating assets are attributed to a geographic location based on the location of customers, which are entirely in Australia.

	December-15 \$'000	December-14 \$'000
<b>Operating revenue</b>		
Health	31,050	36,857
Life and General Insurance	13,317	11,141
Energy and Telecommunications	17,516	13,049
Other	4,325	4,523
<b>Consolidated Group operating revenue</b>	<b>66,208</b>	<b>65,570</b>
<b>Profit before interest, tax, depreciation and amortisation and loss from associate (EBITDA)</b>		
Health	(2,015)	6,435
Life and General Insurance	3,409	2,738
Energy and Telecommunications	388	579
Other	138	829
Unallocated (Corporate)^	(5,560)	(2,202)
<b>Consolidated Group profit/(loss) before interest, tax, depreciation and amortisation and loss from associate (EBITDA)</b>	<b>(3,640)</b>	<b>8,379</b>
Depreciation and amortisation	(2,880)	(3,229)
Net finance income	1,133	2,716
Loss from associate	(402)	(88)
<b>Consolidated Group profit/(loss) before income tax</b>	<b>(5,789)</b>	<b>7,778</b>
Income tax benefit/(expense)	1,622	(2,376)
<b>Consolidated Group net profit/(loss) for the period</b>	<b>(4,167)</b>	<b>5,402</b>

As outlined in Note 2(b), due to the seasonal nature of the Health business in particular, significantly lower revenues and operating profits are usually expected in the first half of the Group's financial year than in the second half. Significantly higher customer sales during the months of March and June each year are mainly attributed to the increased demand for health products as a result of customers looking to optimise their health rebates before the health insurance rate rise and prior to June 30 each year.

^ Unallocated corporate costs include restructuring and CEO exit costs in the current year and in the prior period include costs associated with integration of Energy Watch. These are further explained in Note 5.

#### 4. Business Combinations

##### Energy Watch acquisition

On 1 July 2014, the Group obtained control of General Brokerage Services Pty Ltd and its controlled entities (**Energy Watch**), an online comparison company dealing in energy products.

##### Purchase consideration

The Group paid cash consideration of \$9,701,000 for the purchase of Energy Watch, and has recognised assets and liabilities assumed at the acquisition date.

##### Details of net assets and liabilities acquired

The fair value of the assets and liabilities arising from the acquisition are as follows:

	Fair value \$'000
Cash	423
Trade debtors	56
Accrued Income	1,358
Property, plant and equipment	-
Brand name	1,754
Other assets	110
Deferred taxes	298
Trade and other payables	(1,269)
Prepaid Income	(202)
Provisions	(808)
<b>Net identifiable assets</b>	<b>1,720</b>
Add goodwill acquired	7,981
Purchase consideration transferred	<b>9,701</b>

##### Fair value of assets

The following fair values have been determined by management:

- The brand names acquired as part of the Energy Watch Group acquisition were initially recognised at fair value and this intangible asset has been determined to have an indefinite useful life; and
- The fair value of property, plant and equipment as well as any development and software assets have been determined to be nil at acquisition.

##### Acquisition related costs

The Group incurred acquisition related costs of \$983,000 relating to external legal fees, due diligence costs, consultancy costs, redundancy and staff associated costs which were expensed in the consolidated statement of profit or loss and other comprehensive income in the previous financial periods. There were no acquisition costs in the 6 months ended 31 December 2015.

**5. Revenue and Expenses**

**Upfront revenue**

	Consolidated December-15 \$'000	Consolidated December-14 \$'000
Upfront fees	49,057	48,439
Click-through fees	1,248	1,682
Advertising and subscription fees	1,286	1,010
	<b>51,591</b>	<b>51,131</b>

**Trail commission revenue**

Trail commission revenue – current period trail commission sales	11,779	11,477
Trail commission revenue – change in value of future trail cash flow expectations	-	-
Trail commission revenue – discount unwind	2,838	2,962
	<b>14,617</b>	<b>14,439</b>

**Employee benefits expense**

Cost of sales and administration expenses include the following employee benefits expenses:

Remuneration, bonuses, on-costs and amounts provided for benefits (i)	27,697	23,972
Superannuation (i)	2,697	1,931
Share-based payments	246	351
	<b>30,640</b>	<b>26,254</b>

**Restructure and CEO exit costs (ii)**

Restructure costs	1,427	-
CEO exit costs	796	-
	<b>2,223</b>	<b>-</b>

**Acquisition and integration costs (iii)**

Acquisition costs	-	45
Integration costs	-	365
	<b>-</b>	<b>410</b>

**Depreciation and amortisation**

Depreciation	1,302	1,349
Amortisation of previously capitalised development costs	1,578	1,880
	<b>2,880</b>	<b>3,229</b>

**Occupancy related expenses**

Operating lease rental expense	963	934
	<b>963</b>	<b>934</b>

- (i) Employee benefits expense is net of amounts capitalised as website development costs of \$1,148,000 (2014: \$966,000).
- (ii) These costs relate to the expenditure and associated on-costs incurred as a result of the exit of Alex Stevens, former CEO, and costs associated with the restructure of the business.
- (iii) Acquisition and integration costs relate to the purchase of the Energy Watch business and investment in the iMoney business in the previous financial period.

## 6. Income Tax

### *Current income tax*

Current income tax benefit/(expense)	2,830	(1,046)
Adjustment in respect of current income tax of previous years	52	-

### *Deferred income tax*

Relating to origination and reversal of temporary differences	(1,201)	(1,330)
Adjustments in respect of deferred income tax of previous years	(59)	-
<b>Income tax reported in income statement</b>	<b>1,622</b>	<b>(2,376)</b>

A reconciliation of income tax benefit/(expense) applicable to account profit before income tax at the statutory income tax rate is as follows:

### **Accounting profit/(loss) before income tax**

Statutory income tax rate of 30%	1,737	(2,333)
Adjustments in respect of current income tax of previous years	(52)	-
Adjustments in respect of deferred income tax of previous years	59	-
Share based payments	(74)	(105)
Entertainment	(37)	(136)
Research and development concessional deduction	161	198
Other	(172)	-
<b>Total income tax benefit/(expense)</b>	<b>1,622</b>	<b>(2,376)</b>

### Unrecognised deferred tax assets

Deferred tax assets of \$2.9 million (gross tax loss of \$9.6 million) and \$0.2 million (gross tax loss of \$0.7 million) in respect of losses acquired as part of the Infochoice Limited and Energy Watch acquisitions have not been recognised as at 31 December 2015.

## 7. Cash and Cash Equivalents

	Consolidated December-15 \$'000	Consolidated June-15 \$'000
Cash at bank and on hand	27,518	25,542
Term deposits	75,000	45,000
	<b>102,518</b>	<b>70,542</b>

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## 8. Trade and Other Receivables

### *Current*

	Consolidated December-15 \$'000	Consolidated June-15 \$'000
Trade receivables	27,813	33,066
Allowance for credit losses	(21)	(21)
Trade receivable (NIA receivable)	-	40,716
	<b>27,792</b>	<b>73,761</b>

### **Impaired trade receivables**

As at 31 December 2015, current trade receivables with a nominal value of \$21,000 (June 2015: \$21,000) were impaired.

Movements in the allowance account for credit losses were as follows:

Carrying value at the beginning of the period	21	80
Allowance for credit losses recognised during the period	-	-
Receivables written off during the period as uncollectable	-	(59)
Unused amount reversed	-	-
Carrying value at the end of the period	<b>21</b>	<b>21</b>

### **Trade receivables past due but not impaired**

As at 31 December 2015, trade receivables of \$3,093,000 (June 2015: \$1,129,000) were past due but not impaired. These relate to customers for whom there is no recent history of default or other indicators of impairment.

The ageing analysis of trade and other receivables that were not impaired is as follows:

Neither past due nor impaired	24,699	72,632
Past due 1 – 30 days	1,666	281
Past due 31 – 90 days	1,088	403
Past due 90+ days	339	445
	<b>27,792</b>	<b>73,761</b>

With respect to trade receivables that are neither past due nor impaired, there are no indications as of the reporting date that the debtors will not meet their payment obligations. It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.



## 8. Trade and Other Receivables (continued)

### Secured NIA facility (NIA receivable)

NIA Limited launched health.com.au in April 2012, which was the first major new health insurance fund in Australia for over 20 years. health.com.au has an online-focused marketing strategy and a suite of products that have been designed to appeal to underserved consumer segments within online comparison. NIA Limited has appointed the Group as a distributor of health.com.au's private health insurance products.

The Group had provided a secured facility to NIA Health Pty Ltd (**NIA Health**) for the sole purpose of allowing NIA Health to defer the time at which it is required to make commission payments under distribution arrangements with the Group. The facility did not allow NIA Health to draw down cash amounts, rather, it created a deferred payment obligation for which NIA Health provides security and pays interest.

The key terms of the facility were as follows:

- (i) NIA Health must pay interest every three months to the Group on the amount outstanding under the facility. Interest is payable at variable rates.
- (ii) Unless repaid earlier by NIA Health, all amounts drawn under the facility shall be finally repaid by NIA Health on 31 July 2014, unless:
  - a. An extension is requested by NIA Health to 31 July 2015 by NIA Health giving notice that it is unable to refinance the facility;
  - b. An event of default or review event occurs under the facility which will entitle the Group to accelerate repayment of the facility.
- (iii) The maximum size of the facility is \$75 million.
- (iv) NIA Health has provided a fixed and floating charge over all its present and after-acquired property. In addition, NIA Health's parent company, NIA Limited, has provided a share of mortgage over all the present and after-acquired shares in NIA Health and a guarantee from NIA Limited to the Group in respect of the facility.

On 31 July 2015, the Group received a cash settlement of \$42,133,667 in full satisfaction of interest owing with the balance being applied to remaining amounts owed under the NIA Health loan facility, subject to the terms and certain conditions of an agreement entered into on 25 July 2015, under which GMHBA will acquire health.com.au Pty Ltd.

The Group has adjusted for an impairment to the NIA Health loan facility of \$9,987,000 plus additional one-off costs of approximately \$837,000 within its 30 June 2015 financial report.

	Consolidated December-15 \$'000	Consolidated June-15 \$'000
<b>9. Trail Commission Receivable</b>		
<i>Current</i>		
Trail commission receivable	24,197	28,174
	<b>24,197</b>	<b>28,174</b>
<i>Non-Current</i>		
Trail commission receivable	77,449	73,451
	<b>77,449</b>	<b>73,451</b>
<b>Total trail commission receivable</b>	<b>101,646</b>	<b>101,625</b>
<b>Reconciliation of movement in trail commission receivable<sup>1</sup>:</b>		
<b>Opening balance</b>	<b>101,625</b>	<b>98,996</b>
Trail commission revenue – current period	11,779	26,189
Trail commission revenue – expected cash flow adjustment to historical trail receivables	-	-
Trail commission revenue – interest income relating to the unwind of discount on historical trail receivables	2,838	5,858
Cash receipts	(14,596)	(29,418)
<b>Closing balance</b>	<b>101,646</b>	<b>101,625</b>

<sup>1</sup> Reconciliation relates to 6 months ended 31 December 2015, comparative relates to the 12 months ended 30 June 2015.

## 9. Trail Commission Receivable (continued)

### ***Sensitivity of trail commission receivable***

A combined premium price decrease of 1% and termination rate increase of 1% would have the effect of reducing the carrying value by \$10,490,000 (June 2015: \$9,269,000). A combined premium price increase of 1% and termination rate decrease of 1% would have the effect of increasing the carrying value by \$11,451,071 (June 2015: \$11,303,000). Individually, the effects of these inputs would not give rise to any additional amount greater than those stated.

## 10. Impairment of goodwill and intangible assets with indefinite lives

The Group performs impairment testing annually (as at 30 June) and when circumstances are indicative of impairment.

The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 30 June 2015.

When reviewing for indicators of impairment, the Group considers estimated cash flow projections and growth rates for each cash generating unit (CGU) to which goodwill is allocated.

### **Sensitivity to changes in assumptions**

As at 30 June 2015, and with regard to the assessment of 'value-in-use' of the CGUs, management concluded that no reasonable change in any of the above key assumptions would cause the carrying value of the units to materially exceed its recoverable amount. There are no significant changes to the sensitivity information disclosed in the annual financial statements for the year ended 30 June 2015.

## 11. Dividends

Dividends provided for or paid during the half year

Franking credit balance

### ***Franking credit balance***

The amount of franking credits available for the subsequent financial period are:

Franking account balance as at the end of the period at 30% (31 December 2014: 30%)  
 Franking credits/(debits) that will arise from the payment/(refund) of income tax payable/receivable as at the end of the financial period  
 Franking debits that will arise from the payment of dividends as at the end of the financial period  
 Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Consolidated	
December-15 \$'000	December-14 \$'000
-	-
-	-
5,177	-
5,177	-
(2,566)	-
-	-
-	-
<b>2,611</b>	<b>-</b>

## 12. Earnings Per Share

Basic earnings per share is calculated as net profit/(loss) for the period attributable to members of the parent by the weighted average number of ordinary shares outstanding during the half year. Diluted earnings per share is calculated as above with an adjustment for the weighted number of ordinary shares that would be issued on conversion of all dilutive ordinary shares.

	Consolidated	
	December-15	December-14
	\$'000	\$'000
Basic and dilutive earnings per share are calculated as follows:		
Profit/(loss) for the period attributable to members of the parent	(4,167)	5,402
	Shares (000)	Shares (000)
Weighted average number of ordinary shares for basic earnings per share	261,490	261,002
Effect of dilution	57	261
Weighted average number of ordinary shares adjusted for effect of dilution	261,547	261,263
	Cents	Cents
Earnings per share:		
Basic for profit for the period attributable to ordinary members of the parent	(1.6)	2.1
Diluted for profit for the period attributable to ordinary members of the parent	(1.6)	2.1

## 13. Investment in Associate

On 10 October 2014, the Group acquired a 20% interest on a fully dilutive basis for \$4.58 million in the Intelligent Money Group (**iMoney**), an online comparison company dealing in financial products, across South East Asia. The Group also has 20% of the voting rights on the Board of Directors, and as such has determined it has significant influence. However, it has also determined that the investment in associate is immaterial in nature for the Group's overall operations.

The following table analyses, in aggregate, the carrying amount of the share of profit and other comprehensive income of this investment.

	Consolidated	Consolidated
	December-15	June-15
	\$'000	\$'000
<b>Carrying amount of interest in associate</b>	<b>3,863</b>	<b>4,265</b>
Share of:		
- Loss from continuing operations	(402)	(313)
- Other comprehensive income	-	-
<b>Total</b>	<b>(402)</b>	<b>(313)</b>

The reconciliation relates to 6 months ended 31 December 2015, comparative relates to the 12 months ended 30 June 2015. The share of the loss from continuing operations for the 6 month period ended 31 December 2015 was \$402,000 (6 months ended 31 December 2014: \$88,000).

#### 14. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. It does not operate internationally and is not exposed to either securities price risk or commodity price risk. Foreign exchange risk is limited to minimal transactional currency exposure for some purchases in currencies other than the functional currency.

The main risks arising from the Group's financial instruments are:

- Market risk (including interest rate risk and foreign currency risk);
- Credit risk; and
- Liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates and exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts and comprehensive capital management planning.

The Board of Directors continues to review the Group's risk and capital management framework and has an Audit and Risk Management Committee to aid and oversee this process.

The Group's policies in relation to financial risks to which it has exposure are detailed below.

##### (a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, trail commission receivables, deposits, available-for-sale investments and derivative financial instruments.

##### (i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents and trail commission. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

	Consolidated	
	December-15 \$'000	June-15 \$'000
<b>Financial Assets</b>		
<b>Current</b>		
Cash and cash equivalents	102,518	70,542
Trade and other receivables	27,792	73,761
Trail commission receivable	24,197	28,174
<b>Non-Current</b>		
Trail commission receivable	77,449	73,451
	<b>231,956</b>	<b>245,928</b>
<b>Financial Liabilities</b>		
<b>Current</b>		
Trade and other payables	16,321	21,050
	<b>16,321</b>	<b>21,050</b>
<b>Net Exposure</b>	<b>215,635</b>	<b>224,878</b>

#### 14. Financial Risk Management Objectives and Policies (continued)

##### (a) Market Risk (continued)

###### (i) Cash flow and fair value interest rate risk (continued)

At 31 December 2015, if interest rates had moved as illustrated in the table below, with all other variables being held constant, post-tax profit for the half year period would have been higher/(lower) as follows:

	December-15 \$'000	June-15 \$'000
<b>TOTAL</b>		
<b>Consolidated</b>		
+1% (100 basis points)	718	494
-1% (100 basis points)	(718)	(494)
<b>CASH AT BANK</b>		
<b>Consolidated</b>		
+1% (100 basis points)	718	494
-1% (100 basis points)	(718)	(494)

###### Judgements of reasonably possible movements

The movements in profit are due to higher/lower interest income from cash balance.

###### (ii) Foreign currency risk

The Group has minimal transactional currency exposure. Such exposure arises from purchases by an operating entity in currencies other than the functional currency. No hedging instruments have been or are in place.

##### (b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash management equivalents, trade and other receivables and trail commission receivable in future periods. The Group's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position.

###### *Exposure to credit risk*

The carrying amount of the financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was as follows:

	December-15 \$'000	June-15 \$'000
Cash and cash equivalents	102,518	70,542
Trade and other receivables	27,792	33,045
NIA Receivable	-	40,716
Trail commission receivable	101,646	101,625
	<b>231,956</b>	<b>245,928</b>

###### *Credit risk related to trade receivables and future trail commission*

The Group has exposure to credit risk associated with the health, life and general funds and mortgage providers, with regard to the calculation of the trail commissions. Estimates of the likely credit risk associated with the health, life and general funds and mortgage providers are incorporated into the discount rates (one of the assumptions used in the fair value and amortised cost calculation). Any risk in relation to other revenue has been reflected in allowance for credit losses.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. Note 8 provides an ageing of receivables past due.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The Group otherwise does not require collateral in respect of trade and other receivables.

## 14. Financial Risk Management Objectives and Policies (continued)

### (b) Credit Risk (continued)

#### *Credit risk related to cash and cash equivalents*

Investments of surplus funds are made only with approved counterparties and for approved amounts, to minimise the concentration of risks and mitigate financial loss through potential counterparty failure.

### (c) Liquidity Risk

The Group aims to maintain the level of its cash and cash equivalents at an amount to meet its financial obligations. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables through rolling forecasts. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's internal policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount \$'000	Contract- ual Cash Flows \$'000	<3 months \$'000	3–12 months \$'000	1–2 years \$'000	2–5 years \$'000	>5 years \$'000
<b>As at 31 December 2015</b>							
Non-derivative financial liabilities							
Trade payables	16,321	16,321	16,321	-	-	-	-
<b>Total</b>	<b>16,321</b>	<b>16,321</b>	<b>16,321</b>	-	-	-	-
<b>As at 30 June 2015</b>							
Non-derivative financial liabilities							
Trade payables	21,050	21,050	21,050	-	-	-	-
<b>Total</b>	<b>21,050</b>	<b>21,050</b>	<b>21,050</b>	-	-	-	-

The Group also has a debt facility, which contains a debt covenant. A breach of this covenant may require the Group to repay the loan, however as at 31 December 2015, iSelect has not drawn down on this facility and has met its debt covenants.

#### 14. Financial Risk Management Objectives and Policies (continued)

##### (d) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows.

		\$'000			
		Carrying Amount		Fair Value	
Note		December 2015	June 2015	December 2015	June 2015
<b>Financial Assets</b>					
Cash and cash equivalents (i)	7	102,518	70,542	102,518	70,542
Trade and other receivables – current (i)	8	27,792	73,761	27,792	73,761
Trail commission receivable (ii)	9	101,646	101,625	102,922	103,164
		<b>231,956</b>	<b>245,928</b>	<b>233,232</b>	<b>247,467</b>
<b>Financial Liabilities</b>					
Trade and other payables		16,321	21,050	16,321	21,050
		<b>16,321</b>	<b>21,050</b>	<b>16,321</b>	<b>21,050</b>

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

- (i) For financial assets and financial liabilities with a short term to maturity the carrying amount is considered to approximate fair value.
- (ii) The fair value has been calculated by discounting the expected future cash flows at prevailing interest rates.

	Note	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non-market observable inputs (Level 3) \$'000	Total
<b>31 December 2015</b>					
<b>Financial Assets</b>					
Trail commission receivable	9	-	-	102,922	102,922
		-	-	<b>102,922</b>	<b>102,922</b>
<b>Financial Liabilities</b>					
		-	-	-	-
<b>30 June 2015</b>					
<b>Financial Assets</b>					
NIA Receivable	8	-	-	40,716	40,716
Trail commission receivable	9	-	-	103,164	103,164
		-	-	<b>143,880</b>	<b>143,880</b>
<b>Financial Liabilities</b>					
		-	-	-	-

For financial instruments not quoted in the active markets, the Group used valuation techniques such as present value techniques (which include lapse and mortality rates, commission terms, premium increases and credit risk), comparison to similar instruments for which market observable prices exists and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

##### (e) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain operations and future development of the business. Capital consists of ordinary shares and retained earnings. The Board of Directors monitors the return on capital and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

**Other**

The amount, if any, of liability associated with those policies yet to be remediated cannot be reliably determined at this time, and accordingly no amounts have been recorded in the condensed interim consolidated financial statements for the period ended 31 December 2015.

## 16. Events After Balance Sheet Date

As part of the additional investment, the Group has also obtained a call option to purchase additional interest for a period of 12 months from the 19<sup>th</sup> February 2016.

No other matters or circumstances have arisen since the end of the period that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



## **Directors' Declaration**

In accordance with a resolution of the Directors of iSelect Limited we state that:

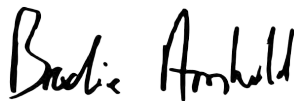
1. In the opinion of the directors:
  - a. the consolidated financial statements and notes for the half year ended 31 December 2015 as set out on pages 10 to 29 and the Directors' report, are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, for the half year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



**Chris Knoblanche**  
Director

Melbourne,  
25 February 2016



**Brodie Arnhold**  
Director

Melbourne,  
25 February 2016



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To the members of iSelect Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of iSelect Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of iSelect Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.



### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of iSelect Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Denis Thorn'.

Denis Thorn  
Partner  
Melbourne  
25 February 2016