iSelect Limited

ABN 48 124 302 932

Financial Report

For the Half Year Ended 31 December 2016

Financial Report
For the Half Year Ended
31 December 2016

Corporate Information

ABN 48 124 302 932

Directors
Chris Knoblanche
Brodie Arnhold
Shaun Bonètt
Bridget Fair
Damien Waller
Melanie Wilson
Scott Wilson

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 2016. Financial comparisons used in this report are for the results for the half year ended 31 December 2016 compared with the half year ended 31 December 2015 for the Consolidated Statement of Profit or Loss and Other Comprehensive Income analysis, and 31 December 2016 compared with 30 June 2016 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 AM	Non-Executive Chairman
Brodie Arnhold	Non-Executive Director
Shaun Bonètt	Non-Executive Director
Bridget Fair	Non-Executive Director
Damien Waller	Non-Executive Director
Melanie Wilson	Non-Executive Director
Scott Wilson	Managing Director – Appointed 3 January 2017

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, mortgage brokerage, energy, broadband and financial comparison, purchase and referral services. There have been no significant changes in the nature of these activities during the period.

Operating and Financial Review[1]

Summary Financial Results

	Dec-16 $000	Dec-15[2] $000	Change
Operating revenue	78,034	66,208	18%
Gross profit	25,150	16,531	52%
EBITDA	5,862	(3,640)	n.m
EBIT	2,828	(6,922)	n.m
NPAT	2,563	(4,167)	n.m
EPS (cents)	1.1	(1.6)	n.m

[1] 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.

[2] The previous half-year to 31 December 2015 included costs in relation to the business restructure and CEO exit of $2,223,000.

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.home.iselect), InfoChoice (www.infochoice.com.au) and Energy Watch (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 2016 was $78,034,000, representing an increase of 18% on the prior comparative six month period.

Gross profit for the period increased by 52% to $25,150,000. The increase in gross profit was a result of the initiatives implemented by the Group in the second half of last financial year continuing into the first half this financial year. This included the corporate restructure, improved operational disciplines and focus on maximising marketing spend efficiency with the brand relaunch, and aligning leads with the capacity to convert them.

Operating overhead expenses for the period were down on the prior half year by 4%.

EBITDA for the half year was a profit of $5,862,000 representing a significant increase on EBITDA from the prior comparative half year loss of $3,640,000.

EBIT was a profit of $2,828,000, an increase of $9,750,000 from the prior comparative half year.

A loss from associate of $213,000 (31 December 2015: $402,000) was recorded in relation to the Group's investment in iMoney.

Net finance income for the half year was $851,000, which compares with a net finance income for the previous comparative half year of $1,133,000. This decrease is reflective of the reduction in term deposit holdings as a result of capital and financing investments during the first half of 2017 financial year.

Net profit after tax was $2,563,000, representing a significant increase from the prior half year reported net loss after tax of $4,167,000.

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 2016	December 2015
Consolidated[1]		
Leads (000s)	2,039	1,732
Conversion ratio[2]	10.4%	9.5%
Average RPS[3]	$408	$428

	December 2016	December 2015
Money		
Leads (000s)	829	945
Conversion ratio (%)	n.m	n.m
Average revenue per click-through ($)	$5	$7

[1] Consolidated operating metrics are excluding Money
[2] 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).
[3] 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 2017 Half Year

The consolidated key operating metrics for the half year ended 31 December 2016 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 2017 Half Year

Leads (excluding Money) increased by 18% to 2,039,000 with the 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. This result is reflective of the business' focus to manage lead optimisation and drive marketing efficiency.

The other businesses (again excluding Money) recorded a decline in leads and was again an expected 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 and iSelect websites, 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 or iSelect 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 12% on the prior comparative period, primarily driven by competition in the sector.

Conversion Ratio for the 2017 Half Year

Conversion increased by 0.9pp to 10.4% for the half year, excluding Money, with positive growth in all businesses except for Life and Energy Watch. The increase can be attributed to improvements made through training and development and further rollout of iConnect capabilities.

Revenue Per Sale for the 2017 Half Year

RPS has decreased by 5%, ending the half year at $408 (excluding Money), driven by a changing mix in contribution from each business, in particular the Energy and Telecommunications segment. The Energy and Telecommunications segment has a lower RPS than the Group average and showed continued strong growth for the half year ended 31 December 2016, and also had a higher RPS than the previous 6 month period ending 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. 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-16 $000	Dec-15 $000	Change
Operating revenue	35,032	31,050	13%
Segment EBITDA[1]	5,153	(2,015)	n.m
Margin %	14.7%	-6.5%	n.m

Key Operating Metrics	Dec-16	Dec-15	Change
Leads (000s)	465	507	-8%
Conversion ratio (%)	9.5%	8.5%	1.0pp
Average RPS ($)	$939	$804	17%

[1] Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue increased by 13% to $35,032,000. This increase was a result of the change in operational disciplines in the contact centre, bringing back previously successful recruitment and training programs. As a result conversion increased by 1.0pp to 9.5%.

EBITDA increased by $7,168,000 to a surplus $5,153,000. This increase was a result of a reduced head count in the contact centre to optimise conversion in addition to optimising marketing spend.

RPS for the half ended 31 December 2016 improved by 17% to $939; this was driven by improved product and provider mix as well as a focus to provide customers with products that offered better value and were aligned to their needs.

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-16 $000	Dec-15 $000	Change
Operating revenue	14,386	13,317	8%
Segment EBITDA[1]	2,526	3,409	-26%
Margin %	17.6%	25.6%	-31%

Key Operating Metrics	Dec-16	Dec-15	Change
Leads (000s)	347	360	-4%
Conversion ratio (%)	8.1%	6.0%	2.1pp
Average RPS ($)	$486	$611	-20%

[1] Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue grew by 8% to $14,386,000 and was driven by growth in the General Insurance business.

RPS for the half ended 31 December 2016 decreased by 20% to $486. This was driven by the change in revenue mix towards the General Insurance business, which has a lower average RPS, now representing a higher proportion of total segment revenue when compared to this time last year.

The segment posted an EBITDA profit of $2,526,000 compared with the prior comparative period of $3,409,000. The decrease was predominantly driven by the Life business which was impacted by industry pressures and investments made in people and marketing. However, albeit the decrease in EBITDA and margins, both business units are still operating profitably.

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-16 $000	Dec-15 $000	Change
Operating revenue	24,287	17,516	39%
Segment EBITDA[1]	1,396	388	260%
Margin %	5.7%	2.2%	160%

Key Operating Metrics	Dec-16	Dec-15	Change
Leads (000s)	1,135	774	47%
Conversion ratio (%)	12.3%	12.7%	-0.4pp
Average RPS ($)	$206	$202	2%

[1] Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level.

Operating revenue grew by 39% to $24,287,000 and was driven by Energy and Broadband both showing strong growth during the period.

The segment posted an EBITDA profit of $1,396,000 compared with the prior comparative half year of $388,000. The focus on top line operating revenue growth continued through the period with reinvestment back into the Telecommunication and Energy businesses through increased marketing spend to facilitate the 47% increase in leads and additional headcount to serve them.

Conversion dipped slightly due to the changing mix of segment sales, but was still a pleasing result given the growth in head count and the speed to competency required for new staff.

Operating and Financial Review (continued)

Financial Position and Cash Flow

Summary Statement of Cash Flows	Dec-16 $000	Dec-15 $000	Change %
Net cash provided by/(used in) operating activities	9,832	(5,735)	n.m
Net cash provided by /(used in) investing activities	(4,231)	37,849	n.m
Net cash (used in)/ provided by financing activities	(19,997)	(138)	n.m
Net change in cash and cash equivalents	(14,396)	31,976	n.m

Summary Statement of Financial Position	Dec-16 $000	Jun-16 $000	Dec-15 $000
Current assets	122,552	155,606	159,405
Non-current assets	143,816	142,913	134,595
Total assets	266,368	298,519	294,000
Current liabilities	20,477	35,985	23,898
Non-current liabilities	27,752	27,927	27,117
Total liabilities	48,229	63,912	51,015
Net assets	218,139	234,607	242,985
Equity	218,139	234,607	242,985

Capital Expenditure and Cash Flow

Net operating cash inflows was $9,832,000, which was $15,567,000 higher than the last comparative half year. This can be attributed to improvements in working capital management and increase in profitability of the business compared with the prior comparative period. In addition, the Group paid income tax of $2,486,000 during the period, compared to the prior comparative half year of $5,177,000. The reduction in tax payments was driven by the reduced profits experienced in the prior period.

Net investing cash outflows for the six months to 31 December 2016 was $4,231,000. This represents increased investment in capital expenditure for the Salesforce CRM and Aspect via a customer experience platform. The previous comparative period showed a net cash inflow of $37,849,000 which included repayment of the NIA loan facility of $40,716,000.

Net financing cash outflows for the 2017 half year totalled $19,997,000. This included $16,366,000, which was paid in relation to the share buy-back initiative and $3,596,000 of dividends paid to investors.

Statement of Financial Position

Net assets have decreased to $218,139,000 at 31 December 2016 from $234,607,000 at 30 June 2016.

Current assets have decreased from 30 June 2016 by 21% to $122,552,000. This is mainly as a result of reduced cash assets from share buy-back activities and lower receivables based on business seasonality and improvements in cash collection. The current component of the trail commission receivable is $19,282,000, which is 8% lower than 30 June 2016.

Non-current assets have increased marginally from 30 June 2016 by 1% to $143,816,000 which can be attributed to increased spending in research and development. The non-current component of the trail commission receivable is $82,369,000, which has remained relatively consistent with the balance at 30 June 2016.

The total trail commission asset has remained relatively flat ending 2% lower than 30 June 2016.

Current liabilities decreased from 30 June 2016 to 31 December 2016 by 43% to $20,477,000 mainly due to payments of tax and suppliers in addition to low creditor balances post 30 June 2016.

Non-current liabilities have remained consistent with 30 June 2016.

Operating and Financial Review (continued)

Debt Position

As at 31 December 2016 the Group has nil debt (30 June 2016: nil).

Share buy-back

During the previous financial year, the Group announced its intention to commence an on-market buy-back to the value of 10% of its available share capital base. Having successfully completed its buy-back of the initial tranche, the Company proceeded to buy-back its second 10% tranche of shares which was announced on 6 July 2016. As at 31 December 2016 the Company has bought back 31,988,000 shares.

Outlook

For the financial year ending 30 June 2017, the Group expects to deliver an EBIT result in the upper range of $21 million to $24 million guidance.

The following factors are believed to be relevant for the 2017 financial year:

- The initiatives implemented after the strategic review of the business continue to yield positive results across the business and are expected to flow through the second half.
- The Energy and Telecommunications Segment is expected to continue its focus on top line growth in the second half with focus on reinvestment to remain.
- The fundamentals of the health insurance industry remain robust, in addition the Federal Government has recently announced the 2017 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 yet been approved by Parliament.
- The Group expects to continue its investment into capital expenditure through both its Salesforce CRM and Aspect via a customer experience platform

The Group is continually reviewing its capital strategy and dividend policy and has declared a fully franked ordinary dividend as a sufficient franking credit balance has 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 2017. 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

During the 6 months ended 31 December 2016, the Group paid a full year 2016 fully franked dividend of $3,596,000, representing 1.5 cents per share.

On 20 February 2017, the Group declared a fully franked interim dividend of 1.5 cents, in line with the dividend policy which was announced during the 30 June 2016 results.

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 2016 is on page 9 of this report.

Rounding

The Group is of the kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, 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 AM
Director
Melbourne,
20 February 2017

Brodie Arnhold
Director
Melbourne,
20 February 2017

Building a better working world

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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 half-year ended 31 December 2016, 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 period.

Ernst & Young

T J Coyne
Partner
20 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2016

	Note	Consolidated December-16 $'000	Consolidated December-15 $'000
Upfront revenue		68,050	51,591
Trail commission revenue		9,984	14,617
Total operating revenue		**78,034**	**66,208**
Cost of sales		(52,884)	(49,677)
Gross profit		**25,150**	**16,531**
Other income		235	59
Administrative expenses		(18,975)	(19,984)
Share-based payments expense		(548)	(246)
Depreciation and amortisation		(2,821)	(2,880)
Loss from associate, net of tax		(213)	(402)
Profit/(loss) before interest and tax		**2,828**	**(6,922)**
Finance income		886	1,431
Finance costs		(35)	(298)
Net finance income		**851**	**1,133**
Profit/(loss) before income tax expense		**3,679**	**(5,789)**
Income tax benefit/(expense)	4	(1,116)	1,622
Profit/(loss) for the period		**2,563**	**(4,167)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation movements		-	41
Other comprehensive income/(loss) for the period, net of tax		**-**	**41**
Total comprehensive income/(loss) for the period		**2,563**	**(4,126)**
Profit/(loss) attributable to owners of the Group		2,563	(4,167)
Total comprehensive income/(loss) attributable to owners of the Group		2,563	(4,126)
Earnings per share (cents per share)			
Basic for profit for the period attributable to ordinary equity holders of the parent	8	1.1	(1.6)
Diluted for profit for the period attributable to ordinary equity holders of the parent	8	1.1	(1.6)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Consolidated December-16 $'000	Consolidated June-16 $'000
ASSETS		
Current assets		
Cash and cash equivalents	73,224	87,620
Trade and other receivables	26,635	43,922
Trail commission receivable	19,282	21,052
Income tax receivable	1,100	-
Other assets	2,311	3,012
Total current assets	**122,552**	**155,606**
Non-current assets		
Trail commission receivable	82,369	82,639
Property, plant and equipment	7,404	8,768
Intangible assets	48,963	46,213
Investment in associate	5,080	5,293
Total non-current assets	**143,816**	**142,913**
Total assets	**266,368**	**298,519**
LIABILITIES		
Current liabilities		
Trade and other payables	13,943	27,760
Provisions	6,213	7,464
Income tax payable	-	236
Other	321	525
Total current liabilities	**20,477**	**35,985**
Non-current liabilities		
Provisions	1,559	1,699
Net deferred tax liabilities	26,193	26,228
Total non-current liabilities	**27,752**	**27,927**
Total liabilities	**48,229**	**63,912**
Net assets	**218,139**	**234,607**
EQUITY		
Contributed equity	134,931	150,914
Reserves	7,865	7,317
Retained earnings	75,343	76,376
Total equity	**218,139**	**234,607**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	Issued Capital $'000	Share-based Payment Reserves $'000	Business Combination Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015	**173,713**	**1,683**	**5,571**	**(49)**	**66,004**	**246,922**
Profit/(Loss) for the period	-	-	-	-	(4,167)	(4,167)
Other comprehensive income/(loss)	-	-	-	41	-	41
Total comprehensive income for the period/(loss)	**-**	**-**	**-**	**41**	**(4,167)**	**(4,126)**
Transactions with owners in their capacity as owners						
Recognition of share based payments	-	246	-	-	-	246
Issue/(buy-back) of share capital	(57)	-	-	-	-	(57)
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2015	**173,656**	**1,929**	**5,571**	**(8)**	**61,837**	**242,985**
Balance at 1 July 2016	**150,914**	**1,746**	**5,571**	**-**	**76,376**	**234,607**
Profit/(Loss) for the period	-	-	-	-	2,563	2,563
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**2,563**	**2,563**
Transactions with owners in their capacity as owners						
Recognition of share based payments	-	548	-	-	-	548
Issue/(buy-back) of share capital	(15,983)	-	-	-	-	(15,983)
Dividends paid	-	-	-	-	(3,596)	(3,596)
Balance at 31 December 2016	**134,931**	**2,294**	**5,571**	**-**	**75,343**	**218,139**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	Consolidated December-16 $'000	Consolidated December-15 $'000
Cash flows from/(used in) operating activities		
Receipts from customers	104,087	78,117
Payments to suppliers and employees	(92,687)	(81,266)
Interest received	918	2,591
Income taxes paid	(2,486)	(5,177)
Net cash provided by/(used in) operating activities	**9,832**	**(5,735)**
Cash flows from/(used in) investing activities		
Payments for property, plant and equipment and intangible assets	(4,231)	(2,867)
NIA facility received/(advanced)	-	40,716
Net cash from/(used in) investing activities	**(4,231)**	**37,849**
Cash flows from/(used in) financing activities		
Interest paid	(35)	(81)
Net proceeds/(payments) from issue/(buy-back) of shares	(16,366)	(57)
Dividends paid	(3,596)	-
Net cash (used in)/provided by financing activities	**(19,997)**	**(138)**
Net increase/(decrease) in cash and cash equivalents	(14,396)	31,976
Cash and cash equivalents at the beginning of the period	87,620	70,542
Cash and cash equivalents at the end of the period	**73,224**	**102,518**

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 2016 was authorised for issue in accordance with a resolution of Directors on 20 February 2017.

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 2016 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 2016 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 2016 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 2016/191, dated 24 March 2016, 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 2016.

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 2016 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 2016, except for the adoption of new standards and interpretations as of 1 July 2016 as disclosed in the 30 June 2016 financial accounts and noted below:

- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of the above accounting standards 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 cash 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.

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 2016.

2. Basis of Preparation and Accounting Policies (continued)

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

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 insurers 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.

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 certain deferred tax assets and 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 deferred tax 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 2016.

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 2016.

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 2016 and 31 December 2015.

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-16 $'000	December-15 $'000
Operating revenue		
Health	35,032	31,050
Life and General Insurance	14,386	13,317
Energy and Telecommunications	24,287	17,516
Other	4,329	4,325
Consolidated Group operating revenue	**78,034**	**66,208**
Profit/(loss) before interest, tax, depreciation and amortisation and loss from associate (EBITDA)		
Health	5,153	(2,015)
Life and General Insurance	2,526	3,409
Energy and Telecommunications	1,396	388
Other	(301)	138
Unallocated (Corporate)^	(2,912)	(5,560)
Consolidated Group profit/(loss) before interest, tax, depreciation and amortisation and loss from associate (EBITDA)	**5,862**	**(3,640)**
Depreciation and amortisation	(2,821)	(2,880)
Net finance income	851	1,133
Loss from associate	(213)	(402)
Consolidated Group profit/(loss) before income tax	**3,679**	**(5,789)**
Income tax benefit/(expense)	(1,116)	1,622
Consolidated Group net profit/(loss) for the period	**2,563**	**(4,167)**

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 prior period of $2,223,000.

4. Income Tax

	Consolidated December-16 $'000	Consolidated December-15 $'000
Current income tax		
Current income tax benefit/(expense)	(1,076)	2,830
Adjustment in respect of current income tax of previous years	(75)	52
Deferred income tax		
Relating to origination and reversal of temporary differences	(41)	(1,201)
Adjustments in respect of deferred income tax of previous years	76	(59)
Income tax reported in income statement	**(1,116)**	**1,622**
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	**3,679**	**(5,789)**
Statutory income tax rate of 30%	(1,104)	1,737
Adjustments in respect of current income tax of previous years	(75)	(52)
Adjustments in respect of deferred income tax of previous years	76	59
Share-based payments	(165)	(74)
Entertainment	(29)	(37)
Research and development concessional deduction	242	161
Other	(61)	(172)
Total income tax benefit/(expense)	**(1,116)**	**1,622**

Unrecognised deferred tax assets

Deferred tax asset of $2.9 million (gross tax loss of $9.6 million) in respect of losses acquired as part of the Infochoice Limited acquisition has not been recognised as at 31 December 2016.

5. 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 2016.

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 2016, 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 2016.

6. Fair Values

The fair values of all financial assets and liabilities approximates their carrying amounts shown in the Statement of Financial Position except for the trail commission receivable.

The fair value of the trail commission receivable has been calculated by discounting the expected future cash flows at prevailing interest rates. At 31 December 2016 the fair value of trail commission receivable is $105,570,000 (30 June 2016: $104,953,000) with a carrying value of $101,651,000 (30 June 2016: $103,691,000). The level of the fair value hierarchy within which the fair value measurement of trail commission receivable is categorised as Level 3 (non-market observable inputs).

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.

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 $11,312,000 (June 2016:$12,011,000). A combined premium price increase of 1% and termination rate decrease of 1% would have the effect of increasing the carrying value by $12,175,000 (June 2016: $10,854,000). Individually, the effects of these inputs would not give rise to any additional amount greater than those stated.

	Consolidated	
	December-16 $'000	December-15 $'000
7. Dividends		
Dividends provided for or paid during the half year	3,596	-
	3,596	**-**
Franking credit balance	7,138	5,177
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 2015: 30%)	7,138	5,177
Franking credits/(debits) that will arise from the payment/(refund) of income tax payable/receivable as at the end of the financial period	(1,100)	(2,566)
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	-	-
	6,038	**2,611**

8. 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-16	December-15
	$’000	$’000
Basic and dilutive earnings per share are calculated as follows:		
Profit/(loss) for the period attributable to members of the parent	2,563	(4,167)
	Shares (000)	Shares (000)
Weighted average number of ordinary shares for basic earnings per share	234,893	261,490
Effect of dilution	1,527	57
Weighted average number of ordinary shares adjusted for effect of dilution	236,420	261,547
	Cents	Cents
Earnings per share:		
Basic for profit for the period attributable to ordinary members of the parent	1.1	(1.6)
Diluted for profit for the period attributable to ordinary members of the parent	1.1	(1.6)

9. Commitments and Contingencies

	Consolidated	
	December-16	June-16
	$’000	$’000
Commitments		
Non-cancellable operating lease commitments		
Not later than 1 year	3,009	2,981
Later than 1 year and not later than 5 years	9,758	11,335
	12,767	**14,316**

The Group is party to two commercial leases for its head office premise which has an initial term of 10 years, and its East Bentleigh office which has an initial term of 3 years. Both commercial leases have the option to renew at the end of their respective contract periods.

Guarantees		
Trading guarantees	2,089	2,089
	2,089	**2,089**

The Group has issued a number of bank guarantees and letters of credit for various operational purposes. It is not expected that these guarantees will be called upon. All trading guarantees are issued in the name of iSelect Limited.

Other

On 24 October 2011, iSelect Life Pty Ltd reported to the Australian Securities and Investment Commission a breach in relation to its Australian financial services licence relating to life insurance policies sold between April 2009 and March 2011. As a result of this breach, an internal review of all life insurance policies sold during that period was undertaken. The review and remediation work commenced in October 2011. As at 31 December 2016, 100% of the initial 5,095 policies had been reviewed by iSelect with only 623 policies in relation to one provider still subject to final remediation.

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 2016.

Potential liabilities for the Group, should any obligation be identified, are expected to be covered by insurance maintained by the Group.

10. Events After Balance Sheet Date

On 20 February 2017, the Group declared a fully franked interim dividend of 1.5 cents per share.

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 2016 as set out on pages 10 to 21 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 2016 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 AM	**Brodie Arnhold**
Director	Director
Melbourne,	Melbourne,
20 February 2017	20 February 2017

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To the members of iSelect Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year condensed financial report of iSelect Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other 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 2016 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 2016 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*.

Ernst & Young

T J Coyne
Partner
Melbourne
20 February 2017