

iSelect Limited

ABN 48 124 302 932

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

iSelect



Directors' Report

The Directors present their report with the condensed consolidated interim financial statements of the Group comprising iSelect Limited and its subsidiaries for the half year ended 31 December 2018 and the auditor's report thereon. Financial comparisons used in this report are for the results for the half year ended 31 December 2017 for the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and 30 June 2018 for the Consolidated Statement of Financial Position.

DIRECTORS

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

Chris Knoblanche AM
Non-Executive Chairman

Brodie Arnhold
Executive Director & Chief Executive Officer

Shaun Bonett
Non-Executive Director

Bridget Fair
Non-Executive Director

Melanie Wilson
Non-Executive Director

Geoff Stalley (appointed 1 December 2018)
Non-Executive Director

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

COMPANY SECRETARY

David Christie (resigned 26 October 2018)

Mark Licciardo (appointed 26 October 2018)

PRINCIPAL ACTIVITIES

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

REVIEW OF RESULTS AND OPERATIONS¹

Summary of financial results

	DEC-18	DEC-17	
	\$'000	\$'000	CHANGE
	RESTATED		
Operating revenue ²	74,254	80,375	(8%)
Gross profit ²	26,420	20,418	29%
EBITDA ²	(2,568)	2,478	(204%)
EBIT ²	(6,857)	(2,137)	(221%)
NPAT ²	(6,934)	(1,484)	(367%)
EPS (cents) ²	(3.0)	(0.6)	(400%)
Underlying EBITDA	10,248	7,049	45%
Underlying EBIT	6,238	3,473	80%
Underlying NPAT	4,825	2,804	72%
Underlying EPS (cents)	2.2	1.3	69%

¹ Throughout this report, certain non-IFRS information, such as EBITDA, EBIT, Net Profit after Tax (NPAT), Earnings Per Share (EPS), Conversion Ratio, Leads and Revenue Per Sale (RPS) are used. Earnings before interest and income tax expense (EBIT) reflects profit for the half year prior to including the effect of net finance costs and income taxes. Earnings before interest, income tax expense, depreciation and amortisation and loss on associate (EBITDA) reflects profits 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. Reference to underlying results excludes the financial impacts of the iMoney performance, impairment losses and write-offs from discontinued assets and operations, and material once-off transactions resulting from operations which are no longer core to the business.

² Results include Infochoice trading, which is classified as "discontinued operation" for statutory reporting purposes.

REVIEW OF RESULTS AND OPERATIONS (CONT'D)

Summary of financial results (cont'd)

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), Energy Watch (www.energywatch.com.au) and iMoney (www.imoney.my). 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 a successful sale of their products.

Operating revenue for the half year ended 31 December 2018 was \$74,254,000, representing a decrease of 8% on the prior comparative six month period.

Gross profit for the period increased by 29%; up on prior period by \$6,002,000. The increase in gross profit is a reflection of the following key areas for the half:

- Successful implementation of ROI-driven marketing expenditure, reflecting strategic marketing investment prioritising working media (primarily digital). This led to an increase in return on marketing spend of 26% year on year.
- Continued focus on customer ease and experience, improving contact centre flexibility and capability through increasing base of multi-skilled consultants.
- Investment in supporting our back-end and customer facing technology platforms, with strategic focus on optimisation of customer experience.

Reported operating overheads for the half year was \$20,145,000. Costs relating to impairment losses and capital write-offs from discontinued operations, material once-off transactions resulting from operations which are no longer core to the business, and iMoney group performance, were excluded from the underlying result. On an underlying basis, operating overheads reduced from last half year by 8%, a result of cost control and prioritising value-add spend.

Reported EBITDA for the half year was a loss of \$2,568,000, a decrease of \$5,046,000 against 2018 half year result. On an underlying basis, EBITDA ended the half 45% above prior comparative period.

Reported EBIT was a loss of \$6,857,000, a decrease of \$4,720,000 on reported EBIT for the prior comparative half year. Underlying EBIT of \$6,238,000 has been adjusted for implementation of new Accounting Standards, costs relating to impairment losses, capital write-offs, once-off transactions from operations which are no longer core to the business, and iMoney group performance, totalling \$13,095,000.

Net finance costs for the half year were \$260,000, which compares with net finance costs for the previous comparative half year of \$47,000. This increase reflects the reduction in term deposit holdings due to additional investment in iMoney, and adoption of Accounting Standard AASB 16.

Reported NPAT was \$6,934,000 loss, representing a decrease from the prior half year reported NPAT of \$1,484,000 loss. Underlying NPAT increased from the prior half year by \$2,021,000.

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.

	DEC-18	DEC-17 RESTATE
Consolidated¹		
Leads (000s)	1,969	2,150
Conversion ratio ²	10.0%	10.4%
Average RPS ³	\$414	\$389

	DEC-18	DEC-17 ⁴
iMoney		
Leads (000s)	798	96
Conversion ratio ²	20.6%	17.5%
Average revenue per click through	\$10	\$12

¹ Consolidated operating metrics exclude Money and iMoney

² Conversion ratio is calculated as the number of gross sales divided by sales leads (ie. 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

⁴ iMoney shown from date of control on 1 December 2017.

REVIEW OF RESULTS AND OPERATIONS (CONT'D)

Consolidated key operating metrics (cont'd)

Discussion of consolidated key operating metrics for the 2019 half year

The consolidated key operating metrics for the half year ended 31 December 2018 are discussed in more detail below. Key operating metrics by segment are also discussed in this Operating and Financial Review, in the section on Segment Performance.

Leads for the 2019 half year

Leads (excluding Money and iMoney) decreased by 8% to 1,969,000, a reflection of focus on sustainable profitability. The Health and Energy businesses had volume declines of 7% and 21%, respectively, while the Life and General segment had an increase of 30%. The decline for the Health business was the result of ROI-driven marketing decisions. Volumes for the Energy & Telecommunications segment declined as a result of unprecedented demand in FY18, and the uplift in Life & General was due to the growth in the newer General Insurance verticals (Home & Contents, Pet and Travel Insurance).

In the case of the iMoney group, the iMoney website has various capture points on the online consumer journey. Through this process, a lead is captured only when a consumer has entered a certain level of personal information. Total leads for the half year period was 798,000, an overall 29% increase year on year (compared to the same reporting period). It must be noted that from a group perspective, prior year comparatives only start at 1 December 2017, being the effective date of control.

Conversion ratio for the 2019 half year

Conversion (excluding Money and iMoney) declined slightly at 10.0% for the half year. The Health segment experienced strong growth with an increase of 0.7pp, reflecting investment in higher quality leads. The Energy & Telecommunications segment experienced a decline of 0.7pp, reflecting deterioration in Cape Town performance. Conversion increased by 0.3pp in the Life & General segment, driven primarily by improvements in the Life business.

Conversion for the iMoney group ended the half year at 20.7%.

Revenue per sale for the 2019 half year

RPS has increased by 6%, ending the half year at \$414 (excluding Money and iMoney). This was driven by a changing mix in contribution from each business, with the Health and Life businesses increasing their share of revenue within the Group.

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 are based on reported results as follows.

Health

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

FINANCIAL PERFORMANCE	DEC-18 \$'000	DEC-17 \$'000	CHANGE
	RESTATED		
Operating revenue	33,950	35,936	(6%)
Segment EBITDA ¹	4,612	3,495	32%
Margin %	13.6%	9.7%	3.9pp

KEY OPERATING METRICS	DEC-18	DEC-17	CHANGE
	RESTATED		
Leads (000s)	410	442	(7%)
Conversion ratio	9.7%	9.0%	0.7pp
Average RPS	\$975	\$985	(1%)

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

The Health segment showed operating revenue declining by \$1,986,000 (or 6%) to \$33,950,000 when compared to prior comparative period. This was due to the deliberate marketing strategy to reduce spend on unprofitable lead volumes, the focus to provide customers with products that offered better value aligned to their needs, along with lower annual rate increases in industry premiums. As a result, average RPS decreased by 1% taking it to \$975 for the half year.

The improvement in lead quality along with the restructure of the contact centre in South Africa contributed to an increase of 0.7pp in conversion. Operational initiatives continue to be deployed to ensure margins are optimised, especially in light of the upcoming regulatory changes in private health insurance.

EBITDA increased by 32% to \$4,612,000. The 6% decline in operating revenue was more than offset at EBITDA level due to efficiencies in marketing spend and conversion, a result of focus on sustainable profitability.

REVIEW OF RESULTS AND OPERATIONS (CONT'D)

Segment performance (cont'd)

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-18 \$'000	DEC-17 \$'000 RESTATED	CHANGE
Operating revenue	13,239	11,822	12%
Segment EBITDA ¹	3,212	943	241%
Margin %	24.3%	8.0%	16.3pp

KEY OPERATING METRICS	DEC-18	DEC-17	CHANGE
Leads (000s)	587	453	30%
Conversion ratio	7.8%	7.5%	0.3pp
Average RPS	\$299	\$324	(8%)

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

Operating revenue for the Life and General segment increased by \$1,417,000 (or 12%) from the last comparative period due to growth in the new General Insurance verticals and a stable result in the Life business. We continue to focus on initiatives to adapt to the changing market and regulatory environment impacting Life Insurance, maintaining strong compliance and optimising performance in our contact centre.

Performance from the new General Insurance businesses was in line with expectations, demonstrating our ability to capitalise from opportunities in the growing general insurance market.

The Life and General segment's RPS for the half year decreased by 8% as a result of increased share of business from General Insurance.

The segment posted an EBITDA profit of \$3,212,000 compared with the prior comparative period of \$943,000. The significant year on year EBITDA improvement can be attributed to growth in the General Insurance businesses, some of which launched throughout FY18.

Energy and Telecommunications

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

FINANCIAL PERFORMANCE	DEC-18 \$'000	DEC-17 \$'000 RESTATED	CHANGE
Operating revenue	23,309	28,583	(18%)
Segment EBITDA ¹	3,642	2,253	62%
Margin %	15.6%	7.9%	7.7pp

KEY OPERATING METRICS	DEC-18	DEC-17	CHANGE
Leads (000s)	927	1,179	(21%)
Conversion ratio	12.0%	12.7%	(0.7pp)
Average RPS	\$250	\$228	10%

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

The Energy and Telecommunications segment delivered a revenue result of \$23,309,000, which was \$5,274,000 or 18% lower than previous period. This top-line result reflected a combination of lower lead volumes (due to unprecedented market demand in FY18 and exit of Your Porter), new strategy for marketing spend and reduction in conversion from deterioration in performance from the South Africa contact centre.

Despite the decrease in operating revenue, the segment posted an EBITDA profit of \$3,642,000 compared with the prior comparative half year result of \$2,253,000 (a 62% increase). This reflects the efficiency in marketing spend strategy, a result of the Group's focus on sustainable profitability.

REVIEW OF RESULTS AND OPERATIONS (CONT'D)

Financial position and cash flow

CASH FLOW SUMMARY	DEC-18 \$'000	DEC-17 \$'000 RESTATED	CHANGE
Net cash provided / (used in) operating activities	1,391	(480)	390%
Net cash used in investing activities	(3,407)	(14,982)	(77%)
Net cash used in financing activities	(1,849)	(30,747)	(94%)
FX changes	19	(3)	n.m
Net change in cash and cash equivalent	(3,846)	(46,212)	(92%)

FINANCIAL POSITION SUMMARY	DEC-18 \$'000	JUN-18 \$'000 RESTATED
Current assets	74,902	91,457
Non-current assets	140,462	147,234
Total assets	215,364	238,691
Current liabilities	28,678	43,336
Non-current liabilities	29,082	31,418
Total liabilities	57,760	74,754
Net assets	157,604	163,937
Equity	157,604	163,937

Capital expenditure and cash flow

Net operating cash inflow was \$1,391,000, which was \$1,871,000 higher than last comparative half year. This was attributed primarily to efficiencies in marketing spend and operational costs, which offset the increase in trail to upfront revenue mix. The Group received a net tax refund of \$2,325,000 during the half year, compared to the prior year refund of \$935,000. This was a result of the loss position reported for FY18.

Net investing cash outflows for the six months to 31 December 2018 was \$3,407,000. The \$11,575,000 decrease in spend in investing activities relates to the Group's controlling interest acquisition in iMoney in December 2017.

Net financing cash outflows for the 2019 half year totalled \$1,849,000. This included \$1,536,000 lease payments and \$313,000 interest expense related to leases. The material decrease against the prior year comparative period relates to \$29,554,000 paid in share buy-backs and dividends in the prior period.

Statement of Financial Position

Net assets have decreased to \$157,604,000 at 31 December 2018 from \$163,937,000 at 30 June 2018.

Current assets have decreased from 30 June 2018 by 18% to \$74,902,000. This is mainly a result of reduced cash assets and lower receivables based on business seasonality and improvements in cash collection. The current component of the trail commission receivable is \$23,419,000, which is consistent with 30 June 2018.

Non-current assets have decreased from 30 June 2018 by 5% to \$140,462,000 which is mainly due to capital asset write-offs and Home Loans Goodwill impairment. The non-current component of the trail commission receivable is \$84,537,000, which increased by 5% since 30 June 2018. This can be attributable to provider sales mix.

Current liabilities decreased from 30 June 2018 to 31 December 2018 by 34% to \$28,678,000 mainly due to payments to suppliers in addition to trade related payable balances post 30 June 2018.

Non-current liabilities have decreased by 7% ending on \$29,082,000. This is mainly due to a decrease in lease liabilities, with deferred tax liabilities relatively flat year on year.

Outlook

For the financial year ending 30 June 2019 the Group remains positive about its future performance and continues its strategic focus on sustainable profitability.

Over the first half of FY19, the Group's business review initiatives were implemented and their execution is on track.

The following factors are believed to be relevant for the 2019 financial year:

- The government reforms impacting the private health insurance sector are due in the second half. The Group expect this to be positive and are well prepared through website updates and contact centre training to assist customers through this change.
- With increased regulatory activity impacting the Energy and Telecommunications segment, the Group continues to work with providers and regulatory bodies to adapt to market and customer needs.
- The Group has benefited from growth opportunities in the new General Insurance verticals and continues to capitalise on opportunities in the Life Insurance market post Royal Commission, with strong ongoing focus on independence and compliance.
- Over the second half the Group will continue to address Cape Town conversion performance.
- The Group expects to continue to evolve its Home Loans model before the end of the financial year to ensure customer ease and strengthen market position.
- The Group expects to continue its investment into capital expenditure, anticipating cost efficiencies stemming from the rollout of tech improvements over the next 6 – 18 months.
- Continued investment in iMoney is also expected in the second half, with investment velocity required to enable continued top-line growth and drive increased valuation.

REVIEW OF RESULTS AND OPERATIONS (CONT'D)

Outlook (cont'd)

The Group also remains aware of potential risks to its business and will continue to closely monitor and work to mitigate these throughout FY19. 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.

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

CHANGES IN THE STATE OF AFFAIRS

In the Directors' opinion there have been no significant changes in the state of affairs of the Group during the period.

SIGNIFICANT EVENTS AFTER BALANCE DATE

DIVIDEND

No interim dividend has been declared for the half year ended 31 December 2018. The Group has a dividend policy of 50%-80% of reported net profit after tax, subject to the availability of franking credits and cash reserves.

OTHER

On 25 January 2019, the Group entered into a share purchase agreement with an external shareholder of the iMoney Group to purchase a further 124,869 shares in the iMoney Group, increasing its ownership interest to 84.3% for cash consideration of \$3.4 million (US \$2.5 million).

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.

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 review for the half year ended 31 December 2018 is on page 7 of this report.

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

On behalf of the Directors



Chris Knoblanche AM

Director

Melbourne,

18 February 2019



Melanie Wilson

Director

Melbourne,

18 February 2019

Auditor's Independence Declaration



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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 2018, 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

18 February 2019

Financial Statements

ABOUT THIS REPORT

This is the financial report for iSelect Limited and its controlled entities. iSelect Limited (the “Company”) is a for-profit entity limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (Code: ISU). The condensed consolidated interim financial statements of the Company as at and for the half year ended 31 December 2018 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”.

Our half year financial report does not include all of the information required for the full year financial report. It should be read in conjunction with our 2018 Annual Report and together with any public announcements made by us in accordance with the continuous disclosure obligations arising under the ASX rules and the Corporations Act 2001, up to the date of the Directors’ declaration.

The financial report of iSelect Limited for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of Directors on 18 February 2019.

READING THE FINANCIALS

SECTION INTRODUCTION

Introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2018

	NOTE	CONSOLIDATED DEC 2018 \$'000	DEC 2017 \$'000 RESTATED (SECTION 1.3)
Revenue from contracts with customers - continuing operations			
Upfront revenue		57,808	66,116
Trail commission revenue		16,067	13,549
Total revenue from contracts with customers		73,875	79,665
Cost of sales		(47,736)	(59,775)
Gross Profit		26,139	19,890
Other income		546	446
Administrative expenses		(19,590)	(17,934)
Loss on disposal of plant & equipment and other intangibles		(3,246)	-
Impairment of plant & equipment and other intangibles		(4,967)	-
Share-based payments expense		(573)	(232)
Share of loss from associate, net of tax		-	(215)
Depreciation and amortisation		(4,231)	(4,347)
Loss Before Interest and Tax		(5,922)	(2,392)
Finance income		50	331
Finance costs		(313)	(384)
Net Finance Costs		(263)	(53)
Loss Before Income Tax Expense		(6,185)	(2,445)
Income tax benefit/(expense)	2.3	(50)	777
Loss for the Period from Continuing Operations		(6,235)	(1,668)
Discontinued Operations			
Profit/(loss) before tax for the period from discontinued operations		(932)	261
Income tax benefit/(expense)	2.3	233	(77)
Profit/(loss) after tax for the period from discontinued operations	5.1	(699)	184
Loss for the Period		(6,934)	(1,484)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the half year ended 31 December 2018

		CONSOLIDATED DEC 2018 \$'000	DEC 2017 \$'000 RESTATE (SECTION 1.3)
	NOTE		
Other Comprehensive Income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation movements		28	52
Other Comprehensive Income Net of Tax		28	52
Total Comprehensive Income for the Period		(6,906)	(1,432)
Profit attributable to			
Owners of the company		(6,567)	(1,414)
Non-controlling interests		(367)	(70)
		(6,934)	(1,484)
Total comprehensive income attributable to			
Owners of the company		(6,547)	(1,367)
Non-controlling interests		(359)	(65)
		(6,906)	(1,432)
Earnings per share (cents per share)			
Basic profit for the year attributable to ordinary equity holders of the parent	2.2	(3.0)	(0.6)
Diluted profit for the year attributable to ordinary equity holders of the parent	2.2	(3.0)	(0.6)

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	CONSOLIDATED DEC 2018 \$'000	JUN 2018 \$'000 RESTATE (SECTION 1.3)
ASSETS		
Current Assets		
Cash and cash equivalents	29,199	33,045
Trade and other receivables	17,996	28,710
Trail commission receivable	23,419	22,103
Income tax receivable	679	3,006
Other assets	3,609	4,593
Total Current Assets	74,902	91,457
Non-Current Assets		
Trail commission receivable	84,537	80,817
Property, plant and equipment	5,008	8,198
Goodwill and other intangible assets	48,984	56,257
Net deferred tax assets	1,908	1,937
Other assets	25	25
Total Non-Current Assets	140,462	147,234
Total Assets	215,364	238,691
LIABILITIES		
Current Liabilities		
Trade and other payables	20,235	33,978
Lease liabilities	2,401	2,599
Provisions	5,185	5,701
Other	811	1,058
	28,632	43,336
Liabilities directly associated with the assets held for sale	46	-
Total Current Liabilities	28,678	43,336
Non-Current Liabilities		
Lease liabilities	3,791	5,934
Provisions	335	343
Net deferred tax liabilities	24,956	25,141
Total Non-Current Liabilities	29,082	31,418
Total Liabilities	57,760	74,754
Net Assets	157,604	163,937
EQUITY		
Contributed equity	111,142	111,066
Reserves	9,262	8,745
Retained earnings	35,601	42,168
Equity attributable to owners of the Company	156,005	161,979
Non-controlling interest	1,599	1,958
Total Equity	157,604	163,937

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2018

	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS \$'000	TOTAL EQUITY \$'000
	CONTRIBUTED EQUITY \$'000	SHARE BASED PAYMENT RESERVE \$'000	BUSINESS COMBINATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000		
Balance at 1 July 2017 (restated) (section 1.3)	130,812	3,116	5,571	-	69,981	209,480	-	209,480
Profit for the period	-	-	-	-	(1,414)	(1,414)	(70)	(1,484)
Other comprehensive income	-	-	-	47	-	47	5	52
Total Comprehensive Income	-	-	-	47	(1,414)	(1,367)	(65)	(1,432)
Transactions with Owners in their Capacity as Owners								
Acquisition of subsidiary with NCI	-	-	-	-	-	-	2,551	2,551
Recognition of share-based payments	649	100	-	-	-	749	-	749
Buy-back of share capital	(20,528)	-	-	-	-	(20,528)	-	(20,528)
Dividends paid	-	-	-	-	(9,109)	(9,109)	-	(9,109)
Balance at 31 December 2017	110,933	3,216	5,571	47	59,458	179,225	2,486	181,711
Balance at 1 July 2018	111,066	3,198	5,571	(24)	42,168	161,979	1,958	163,937
Profit for the period	-	-	-	-	(6,567)	(6,567)	(367)	(6,934)
Other comprehensive income	-	-	-	20	-	20	8	28
Total Comprehensive Income	-	-	-	20	(6,567)	(6,547)	(359)	(6,906)
Transactions with Owners in their Capacity as Owners								
Issue of shares / recognition of share-based payments	76	497	-	-	-	573	-	573
Balance at 31 December 2018	111,142	3,695	5,571	(4)	35,601	156,005	1,599	157,604

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2018

	NOTE	CONSOLIDATED DEC 2018 \$'000	DEC 2017 \$'000 RESTATE (SECTION 1.3)
Cash Flows from Operating Activities			
Receipts from customers		87,356	91,096
Payments to suppliers and employees		(88,350)	(92,886)
Interest received		60	375
Net income taxes refunded		2,325	935
Net cash provided from / (used in) operating activities		1,391	(480)
Cash Flows from Investing Activities			
Payments for property, plant and equipment and intangible assets		(3,407)	(4,761)
Acquisition of subsidiary, net of cash acquired and subsidiary loan		-	(10,221)
Net cash used in investing activities		(3,407)	(14,982)
Cash Flows from Financing Activities			
Repayment of lease liabilities		(1,536)	(1,317)
Interest paid		(313)	(393)
Proceeds from issue of ordinary shares		-	517
Payments for share buy-backs		-	(20,445)
Dividends paid to shareholders of the parent	4.1	-	(9,109)
Net cash used in financing activities		(1,849)	(30,747)
Net decrease in cash and cash equivalents		(3,865)	(46,209)
Net foreign exchange difference		19	(3)
Cash and cash equivalents at the beginning of the year		33,045	80,395
Cash and cash equivalents at the end of the year		29,199	34,183

The accompanying notes form part of these condensed consolidated interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2018

SECTION 1: BASIS OF PREPARATION

This section explains the basis of preparation of our financial report and provides a summary of our key accounting estimates and judgements.

1.1 Basis of preparation of the financial report

Our half year financial report (the Report) is a condensed general purpose financial report, which has been prepared by a 'for-profit' entity in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' issued by the Australian Accounting Standards Board (AASB).

All amounts are presented in Australian dollars unless otherwise noted. The company is a company of a kind referred to in ASIC Class Order 2016/191, dated 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 (\$'000) unless otherwise stated.

Except as disclosed in Note 6.1, the same accounting policies including the principles of consolidation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in our 2018 Annual Report.

1.2 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, 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 30 June each year.

1.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, except for AASB 16 Leases.

The Group applies, for the first time, AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases that require restatement of previous financial statements. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 9 Financial Instruments

In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

Classification and measurement

The adoption of AASB 9 has not had a significant impact on the balance sheet or equity on applying the classification and measurement requirements of AASB 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under AASB 9. Therefore, reclassification for these instruments is not required.

Impairment

AASB 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

1.3 New standards, interpretations and amendments adopted by the Group (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The Group adopted AASB 15 using the full retrospective method. The effect of adopting AASB 15 is as follows:

Trail commission revenue

Trail Commission revenue (and upfront revenue) includes one performance obligation relating to the referral of customers to product providers. iSelect has determined that revenue from the referral of customers should be recognised at the point in time when a referral is made. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition, however, the amount of revenue to be recognised in relation to trail commission revenue was affected, as noted below.

The method of revenue recognition (and valuation) of trail commission receivable, which represents a contract asset under AASB 15, 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 engaged Deloitte Actuaries and Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions for health, 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 Australian Federal and State Government policies. These factors are all considered to be variable considerations under the new standard.

AASB 15 requires the Group to constrain these variable considerations to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In determining the extent of constraint necessary to ensure to a high probability that a significant reversal of revenue will not occur, the Group has performed a detailed assessment of the accuracy of previously forecast assumptions against historical results. This assessment has resulted in an additional level of conservatism being applied to lapse rates and pricing increase assumptions. This results in a decrease in the value of the asset.

The application of the additional level of conservatism will also impact the future recognition of trail commission revenue and subsequent measurement of the trail commission asset.

Contracts containing trail commissions have been deemed to be "contract assets" under AASB 15. Therefore the Group will continue to measure the trail revenue asset at amortised cost, with no change being applied to the current discount rates.

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2018

	\$'000
Assets	
Trail commission receivable	(660)
Total current assets	(660)
Trail commission receivable	(21,985)
Total non-current assets	(21,985)
Total assets	(22,585)
Equity	
Retained earnings	(15,810)
Total equity	(15,810)
Liabilities	
Deferred tax liabilities	(6,775)
Total non-current liabilities	(6,775)
Total liabilities	(6,775)

Impact on the Statement of Profit or Loss (increase / (decrease)) for the period ended 31 December 2017

	\$'000
Trail commission revenue	(2,970)
Income tax expense	(891)
Profit for the period	(2,079)

There is no material impact on the Statement of Cash Flows. The impact on basic and diluted EPS is as follows:

	Cents
Basic profit/(loss) for the period attributable to ordinary equity holders of the parent	(0.9)
Diluted profit/(loss) for the period attributable to ordinary equity holders of the parent	(0.9)

1.3 New standards, interpretations and amendments adopted by the Group (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Advertising and subscription fees

Under the current accounting policy, revenue for contracted services, including advertising and subscription fees, are recognised systematically over the term of the contract.

Revenue for services provided other than pursuant to a defined period contract are recognised during the month services are provided.

Under AASB 15, the Group is required to allocate the transaction price to each key performance obligation. Several of the Group's contracts contain annual subscription periods that are not in line with its financial reporting period, whilst performance obligations may be satisfied at different points in time over the course of a year. As a result, the Group is required to defer parts on the non-refundable revenue across multiple periods until the performance obligation has been satisfied. The effect of adopting AASB 15 is as follows:

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2018

	\$'000
Equity	
Retained earnings	(432)
Total equity	(432)
Liabilities	
Unearned revenue	617
Total current liabilities	617
Deferred tax liabilities	(185)
Total non-current liabilities	(185)
Total liabilities	432

Impact on the Statement of Profit or Loss (increase / (decrease)) for the period ended 31 December 2017

	\$'000
Upfront revenue	63
Income tax expense	19
Profit for the period	44

There is no material impact on the Statement of Cash Flows and basic or diluted EPS.

Principal versus agent considerations

The Group's referral businesses, which make up the majority of total revenue, is based on iSelect being fully responsible for referring out consumers to the customers and wearing credit risks associated with consumers cancelling their product.

The Group is paid a commission for the service but given the performance obligation sits fully with the Group, no other parties are involved with the referrals. Consequently the Group is deemed a principal in the contract.

Disaggregated Revenue

The Group has disaggregated revenue recognised from contracts with customers into categories that depict how the uncertainty of revenue and cash flows are affected by economic factors, being upfront revenue and trail commission revenue. Disaggregated revenue information has also been included in note 2.1 Segment Information.

AASB 16 Leases

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

At inception, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less incentives received.

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment.

Lease payments include fixed payments, adjusted for specified annual rate increases as detailed in the lease agreements. The lease term determined by the Group comprises non-cancellable period of leases and periods covered by options to extend the lease, if the Group is reasonably certain to exercise that option. As a consequence, the determination of the lease term requires the use of judgement.

ROU assets are included in property, plant and equipment, and the lease liability is included in the Lease Liability headings in the Statement of Financial Position. The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

1.3 New standards, interpretations and amendments adopted by the Group (continued)

AASB 16 Leases (continued)

The Group adopted AASB 16 using the full retrospective method. The effect of adopting AASB 16 is as follows:

Impact on the Statement of Financial Position (increase / (decrease)) as at 30 June 2018

	\$'000
Assets	
Right-of-use assets	4,932
Total non-current assets	4,932
Total assets	4,932
Equity	
Retained earnings	(1,610)
Total equity	(1,610)
Liabilities	
Lease liabilities	2,599
Provision for lease incentives	(399)
Total current liabilities	2,200
Lease liabilities	5,934
Provision for lease incentives	(906)
Deferred tax liabilities	(686)
Total non-current liabilities	4,342
Total liabilities	6,542

Impact on the Statement of Profit or Loss (increase / (decrease)) for the period ended 31 December 2017

	\$'000
Administration expenses	(1,501)
Depreciation and amortisation	1,039
Interest expense	357
Income tax expense	32
Profit for the period	73

There is no material impact on basic or diluted EPS. Impact on the Statement of Cash Flows (increase / (decrease)) as at 30 June 2018

	\$'000
Cash flows from operating activities	(1,674)
Cash flows from financing activities	1,674

The Statement of Financial Position as at 30 June 2018 was restated resulting in an increase in right-of-use assets and lease liabilities amounting to \$4,932,000 and \$8,533,000 respectively and a decrease in provision for lease incentives by \$1,305,000. Retained earnings also decreased by \$1,610,000. The Statement of Profit or Loss for the six months ended 31 December 2017 was also restated resulting in a decrease in administrative expenses amounting to \$1,501,000. Depreciation and amortisation and interest expense increased by \$1,039,000 and \$357,000, respectively.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The Australian Accounting Standards Board issued amendments to AASB 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transactions with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

1.4 Other 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 2018.

The Group has determined that they do not impact the accounting policies applied in the preparation of the Group's condensed consolidated interim financial statements. No other new accounting standards effective from 1 July 2018 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.

SECTION 2: PERFORMANCE FOR THE HALF YEAR

This section explains our results and performance and includes our segment results, which are reported on the same basis as our internal management structure. It also provides our earnings per share for the period and information about taxation.

2.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. We present our reportable segments and measure our segment results on a continuing operations basis, i.e. the same basis as our internal management reporting structure.

We have four 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.
- Energy and Telecommunications, which offers comparison, purchase and referral services across energy and broadband.
- Other, comprises of comparison, purchase and referral services but predominately offers financial service products including home loans in Australia and Asia.

In the current year, unallocated corporate costs include costs associated with the business restructure and the iMoney acquisition.

	AUSTRALIA \$'000	ASIA \$'000	TOTAL \$'000
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31 December 2018

Revenue	71,694	2,181	73,875
Non-current assets ¹	38,398	15,619	54,017

30 June 2018

Revenue	175,937	2,155	178,092
Non-current assets ¹	49,235	15,245	64,480

¹ non-current assets other than financial instruments and deferred tax assets.

	CONSOLIDATED DEC 2018 \$'000	DEC 2017 \$'000
Operating revenue		
Upfront revenue	22,925	27,812
Trail commission revenue	11,025	8,124
Health Insurance	33,950	35,936
Upfront revenue	9,018	7,745
Trail commission revenue	4,221	4,077
Life and General Insurance	13,239	11,822
Upfront revenue	23,147	28,577
Trail commission revenue	162	6
Energy and Telecommunications	23,309	28,583
Upfront revenue	2,718	1,982
Trail commission revenue	659	1,342
Other	3,377	3,324
Consolidated Group operating revenue	73,875	79,665
EBITDA		
Health Insurance	4,612	3,495
Life and General Insurance	3,212	943
Energy and Telecommunications	3,642	2,253
Other	(6,514)	(3,017)
Unallocated corporate costs	(6,643)	(1,504)
Consolidated Group EBITDA	(1,691)	2,170
Depreciation and amortisation	(4,231)	(4,347)
Net finance cost	(263)	(53)
Loss from associate	-	(215)
Consolidated Group profit before income tax	(6,185)	(2,445)
Income tax benefit	(50)	777
Consolidated Group net profit for the year	(6,235)	(1,668)

2.2 Earnings per share

This note outlines the calculation of Earnings Per Share (EPS) which is the amount of post-tax profit attributable to each share.

We calculate basic and diluted EPS. Diluted EPS reflects the effects of the equity instruments allocated to our employee share schemes under iSelect Limited's share-based payment plans.

	CONSOLIDATED	
	DEC 2018 \$'000	DEC 2017 \$'000
Loss attributable to the owners of the Group	(6,567)	(1,414)
	Shares ('000)	Shares ('000)
WANOS ¹ for basic earnings per share	217,705	222,019
Effect of dilution	87	-
WANOS ¹ adjusted for effect of dilution	217,792	222,019
	Cents	Cents
Earnings per share:		
Basic EPS	(3.0)	(0.6)
Diluted EPS	(3.0)	(0.6)

¹Weighted average number of ordinary shares.

Recognition and measurement

Basic Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.3 Taxes

Current income tax is calculated by applying the statutory tax rate to taxable income. Taxable income is calculated as the accounting profit adjusted for differences in income and expenses where the tax and accounting treatments differ.

Deferred income tax, which is accounted for using the balance sheet method, arises because timing of recognition of accounting income is not always the same as taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised on the balance sheet.

The following tables provide a reconciliation of notional income tax expense to actual income tax expense.

	CONSOLIDATED	
	DEC 2018	DEC 2017
	\$'000	\$'000
Current taxes		
Amounts recognised in profit or loss		
<u>Current income tax</u>		
Current income tax benefit /(expense)	(296)	1,648
Previous years' adjustment ¹	219	994
<u>Deferred income tax</u>		
Origination and reversal of temporary differences	462	(1,221)
Previous years' adjustment ¹	(202)	(721)
Utilisation of carried forward tax losses	-	-
Income tax benefit reported in income statement	183	700

	CONSOLIDATED	
	DEC 2018	DEC 2017
	\$'000	\$'000
Tax reconciliation		
Accounting profit before income tax	(7,117)	(2,184)
Notional income tax at the domestic statutory income tax rate of 30%	2,135	655
Effect of tax rate in foreign jurisdiction at (0.83%)	(97)	5
<u>Non temporary differences</u>		
Impairment of goodwill	(1,314)	-
Share of loss of associate reported, net of tax	-	(64)
Share-based payments	(172)	(70)
Entertainment	(28)	(28)
Initial recognition of research and development concessional credits	100	167
Previous years' adjustment in respect of current income tax ¹	219	994
Previous years' adjustment in respect of deferred income tax ¹	(202)	(721)
Other	(458)	(238)
Total income tax benefit	183	700

¹Adjustment arises from difference between provision for income tax at previous reporting periods and final lodged income tax returns which occur in the current financial year.

SECTION 3: OUR CORE ASSETS AND WORKING CAPITAL

This section provides an update of any changes in cash generating units and the impairment assessment for the core long-term tangible and intangible assets that underpin the Group's performance.

3.1 Goodwill

Our impairment assessment compares the carrying value of our cash generating units (CGUs) with their recoverable amounts. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. The value in use calculations use key assumptions such as cash flow forecasts, discount rates and terminal growth rates.

Goodwill and intangible assets with indefinite useful lives are not subject to amortisation and are assessed for impairment at least on an annual basis, or whenever an indicator of impairment exists. All other non-current tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For our impairment testing we identify CGUs, i.e. the smallest groups of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets.

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is measured with reference to quoted market prices in an active market.

Impairment loss is recognised in profit or loss in the reporting period when the carrying amount of the asset exceeds the recoverable amount. For our impairment assessment we identify CGUs, to which goodwill is allocated, and which cannot be larger than an operating segment.

Our impairment testing compares the carrying value of an individual CGU to its recoverable amount (determined using a value in use calculation), except for our International CGU.

Goodwill acquired through the Infochoice Limited, Energy Watch Group and iMoney Group acquisitions has been allocated to the following CGUs. The carrying amount of goodwill subject to impairment testing is outlined in the table below.

SEGMENT	CGU	\$'000
Health	Health	6,645
Life and General Insurance	Car	2,379
	Life	77
Other	Home loans ¹	4,380
	Goodwill from Infochoice acquisition	13,481
Energy and Telecommunications	Household	7,981
	Goodwill from Energy Watch acquisition	7,981
Other	International	9,105
	Goodwill from iMoney acquisition	9,105
Total Group	Total Goodwill	30,567

¹ An impairment charge of \$4,380,000 was recognised against the Home loans CGU on 31 December 2018.

Trademarks and domain names acquired through the Infochoice Limited acquisition have an indefinite useful life and are allocated at a Group level. The brand name acquired through the Energy Watch acquisition has an indefinite useful life and is allocated to the Household CGU, which is comprised of iSelect Energy, iSelect Broadband and Energy Watch. Other intangible assets acquired as part of the iMoney acquisition (brand name, trademark and domain names) have an indefinite useful life and are allocated to the International CGU.

The Group has performed its annual impairment test as at 31 December 2018. The recoverable amount of CGUs (excluding International) has been determined based on a value-in-use calculation using the financial year 2019 long-term plan approved by Senior Management with a growth rate increment for subsequent years, and cash flow projections based on management forecasts. Given the recent acquisition and capital raising for the iMoney business, management has adopted the fair value less cost to sell method in its impairment assessment.

Home loans CGU

The recoverable amount of the Home loans CGU as at 31 December 2018 has been determined at \$5.6m based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect a change in Senior Management and their initial views as part of a strategic review undertaken. The pre-tax discount rate applied to cash flow projections is 13% (30 June 2018: 25%) and cash flows beyond the five-year period are extrapolated using a 3% growth rate (30 June 2018: 3%). As a result of this analysis, management have recognised an impairment charge of \$4,450,000 against goodwill and capitalised software development costs. No other impairment was identified for the CGUs to which goodwill or brand names are allocated.

SECTION 4: OUR CAPITAL AND RISK MANAGEMENT

This section sets out the policies and procedures applied to manage our capital structure and the financial risks we are exposed to. We manage our capital structure in order to maximise shareholders' return, maintain optimal cost of capital and provide flexibility for strategic investments.

4.1 Dividends

This note also provides information about the current year interim dividend to be paid. No provision for the current year interim dividend has been raised as it was not determined or publicly recommended by the Board as at 31 December 2018.

Dividends paid during the financial half year are as follows:

	CONSOLIDATED	
	DEC 2018 \$'000	DEC 2017 \$'000
Previous year final dividend paid	-	9,109
Interim dividend paid	-	-
	-	9,109

Franking credit balance

Our franking credits available for use in subsequent reporting periods can be summarised as follows:

	CONSOLIDATED	
	DEC 2018 \$'000	DEC 2017 \$'000
Franking account balance	809	3,456
Franking debits from the refund of income tax as at 31 December (at a tax rate of 30% on a tax paid basis)	(679)	(1,899)
	130	1,557

4.2 Fair value

Valuation and disclosure within fair value hierarchy

The financial instruments included in the Statement of Financial Position are measured either at fair value or their carrying value approximates fair value, with the exception of borrowings, which are held at amortised cost.

To determine fair value we use both observable and unobservable inputs. We classify inputs used in the valuation of our financial instruments according to three level hierarchy as shown below:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 2018 the fair value of trail commission receivable is \$111,675,000 (30 June 2018: \$106,659,000) with a carrying value of \$107,956,000 (30 June 2018: \$102,920,000). 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 exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Due to the differences in underlying product characteristics and product provider circumstances, the discount rates applied in the most recent valuation of the trail commission receivable ranged between 3.0% and 7.0% (30 June 2018: 3.0% and 7.0%) across financial institutions and health, life, car insurers and mortgage providers. The Group specifically provides for known or expected risks to future cash flows outside of the discount rate, particularly for the impact of attrition.

Attrition rates in Health are particularly relevant to the overall trail commission receivable considering the relative size of the Health trail commission receivable. Attrition rates vary substantially by provider and also by the duration of time the policy has been in force, with rates generally higher in policies under two years old. The attrition rates used in the valuation of the Health portfolio at 31 December 2018 ranged between 7.5% and 26.5% (30 June 2018: 7.5% and 26.5%). The simple average duration band attrition rate increase was down by 0.2% during the period, with lower increases experienced for policies that have been in force for shorter periods of time.

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 \$10,654,000 (30 June 2018: \$9,838,000). A combined premium price increase of 1% and termination rate decrease of 1% would have the effect of increasing the carrying value by \$9,443,000 (30 June 2018 \$8,946,000). Individually, the effects of these inputs would not give rise to any additional amount greater than those stated.

SECTION 5: OUR INVESTMENTS

This section provides details of changes to our investments and their effect on our financial position and performance during the period.

5.1 Changes in group structure

Discontinued operations

On 21 December 2018, the Group executed a share sale agreement to sell Infochoice Pty Ltd, a wholly owned subsidiary.

At 31 December 2018, Infochoice Pty Ltd was classified as a disposal group held for sale and as a discontinued operation. The business of Infochoice Pty Ltd represented the Group's financial services and products comparison operating segment. With Infochoice Pty Ltd being classified as a discontinued operation, its operating results are no longer presented in the segment note. The sale of Infochoice Pty Ltd is expected to be completed on 18 February 2019. The results of Infochoice Pty Ltd for the period are presented below:

	CONSOLIDATED DEC 2018 \$'000	DEC 2017 \$'000
Revenue	379	710
Expenses	(711)	(455)
Operating income	(332)	255
Interest revenue	3	6
Impairment of other intangible assets	(603)	-
Profit/(loss) before tax from discontinued operations	(932)	261
Tax benefit/(expense) related to current pre-tax loss	233	(77)
Post-tax profit/(loss) of discontinued operations	(699)	184

The net cash flows generated from the sale of Infochoice Pty Ltd are, as follows:

	\$'000
Cash received from sale of discontinued operations	-
Cash sold as a part of discontinued operations	-
Net cash flow on date of disposal	-

The net cash flows generated/(incurred) by Infochoice Pty Ltd are, as follows:

	FOR THE SIX MONTHS ENDED 31 DECEMBER	
	2018 \$'000	2017 \$'000
Operating	195	(1,395)
Financing	3	6
Net cash inflow/(outflow)	198	(1,389)
Earnings/loss per share		
	Cents	Cents
Basic profit/(loss) for the period from discontinued operations	(0.3)	0.1
Diluted profit/(loss) for the period from discontinued operations	(0.3)	0.1

SECTION 6: OTHER INFORMATION

This section provides other information and disclosures not included in the other sections, for example, commitments and contingencies and significant events occurring after the reporting date.

6.1 Other accounting policies

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 2018, except for the adoption of new standards and interpretations as of 1 July 2018 as disclosed in the 30 June 2018 financial accounts and noted below.

- AASB 9 – Financial Instruments
- AASB 2016-5 – Amendments to Australian Accounting Standards – Classifications and Measurement of Share-Based Payment Transactions
- AASB Interpretation 23 Uncertainty over Income Tax Treatment

6.2 Related party transactions

Transactions and their terms and conditions with other related parties

Precision Group of Companies Pty Ltd and its related entities ("Precision Group") are considered to be related parties of the Group. This is due to Precision Group being under significant influence of Mr Shaun Bonett, a non-executive director of the Group. The Group paid Precision Group \$156,980 (30 June 2018: \$247,549) for lease of office space at Adelaide Central Plaza, Chevron Renaissance, MacArthur Central and Pran Central on commercial arm's length terms. The Group also paid Precision Group \$300,000 to allow for the variation of its existing property leases. The lease commitment as at 31 December 2018 is \$143,686. Mr Bonett was not present during any discussions relating to potential venues and the terms and conditions of the lease agreements.

Prezzee Pty Ltd is considered to be a related party of the Group. This is due to Precision Group's significant influence over Prezzee Pty Ltd through its investment in the company. The Group paid Prezzee Pty Ltd \$252,974 (30 June 2018: \$802,996) in relation to digital gift cards for customer and staff incentives. The amount payable as at 31 December 2018 was \$42,058 (30 June 2018: \$59,200). Mr Bonett is not an Officer or Director of Prezzee Pty Ltd.

6.3 Events after the reporting date

On 25 January 2019, the Group entered into a share purchase agreement with an external shareholder of the iMoney Group to purchase a further 124,869 shares in the iMoney Group, increasing its ownership interest to 84.3% for cash consideration of \$3.4 million (US \$2.5 million).

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.

6.4 Leases

Additional information relating to the Group's leases and its impact on the balance sheet and Statement of Profit and Loss is detailed below:

Lease in the balance sheet

CONSOLIDATED		
	DEC 2018 \$'000	JUN 2018 \$'000
Right-of-use assets		
Premises	3,148	4,794
Equipment	89	140
Total right-of-use assets	3,237	4,934
Lease liabilities	6,192	8,533

Leases in the Statement of Profit or Loss, for the period ended:

CONSOLIDATED		
	DEC 2018 \$'000	DEC 2017 \$'000
Depreciation charge	893	1,039
Low value lease expense	13	1
Interest expense on lease liabilities	285	357
Cash outflow	1,821	1,674

6.5 Commitments and contingencies

Operating lease commitments

	CONSOLIDATED	
	DEC 2018 \$'000	JUN 2018 \$'000
Non-cancellable operating lease commitments		
Not later than 1 year	2,827	3,116
Later than 1 year and not later than 5 years	4,237	6,556
Later than 5 years	-	-
Total	7,064	9,672

The Group has entered into operating leases on office premises with lease terms between 1 to 10 years. The Group has the option to lease the premises for additional terms of 1 to 10 years.

Bank guarantees

	CONSOLIDATED	
	DEC 2018 \$'000	JUN 2018 \$'000
Trading guarantees	1,583	1,929

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. \$1,492,000 of the trading guarantees are issued in the name of iSelect Limited and the remaining \$91,000 are issued in the name of iSelect Services Pty Ltd.

Other

Life insurance policies

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 license 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 2018, 100% (30 June 2018: 100%) of the initial 5,095 policies had been reviewed by iSelect with only 544 (30 June 2018: 557) 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 consolidated interim financial statements for the half year ended 31 December 2018 (30 June 2018: nil).

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

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 condensed consolidated interim financial statements and notes that are set out on pages 9 to 26 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 2018 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - iii. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities will be able to meet any obligations or liabilities;
3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Directors



Chris Knoblanche AM

Director

Melbourne,

18 February 2019



Melanie Wilson

Director

Melbourne,

18 February 2019

Independent Auditor's Report



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Independent Auditor's Review Report to the Members of iSelect Limited Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of iSelect Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.

A stylized, handwritten signature of Ernst & Young, featuring the company name in a cursive script.

Ernst & Young

A stylized, handwritten signature of T J Coyne, featuring the initials 'TJ' and the surname 'Coyne' in a cursive script.

T J Coyne

Partner

Melbourne

18 February 2019

Reported vs Underlying Results

	REPORTED	ADJUSTMENTS (\$'000)								UNDERLYING
	HY19 \$'000	IMPAIRMENT OF HOME LOANS	IMPAIRMENT OF INFOCHOICE ASSETS	CAPITAL WRITE- OFFS	CAPE TOWN RESTRUCTURE	CORPORATE RESTRUCTURE	KIOSKS RESULTS	IMONEY PERFORMANCE	CHANGE IN ACCOUNTING STANDARDS	HY19 \$'000
EBITDA	(2,568)	4,450	603	3,214	400	831	1,103	1,558	657	10,248
Depreciation and amortisation	(4,289)	-	-	-	-	-	-	279	-	(4,010)
EBIT	(6,857)	4,450	603	3,214	400	831	1,103	1,837	657	6,238
Net finance costs	(260)	-	-	-	-	-	-	12	-	(248)
Profit/(loss) before income tax expense	(7,117)	4,450	603	3,214	400	831	1,103	1,849	657	5,990
Income tax expense	183	(28)	(147)	(397)	(120)	(249)	(407)	-	-	(1,165)
Profit for the period	(6,934)	4,422	456	2,817	280	582	696	1,849	657	4,825
EPS (cents)	(3.0)	2.0	0.2	1.3	0.1	0.3	0.3	0.7	0.3	2.2

Corporate Information

DIRECTORS

Chris Knoblanche
Brodie Arnhold
Shaun Bonett
Bridget Fair
Melanie Wilson
Geoff Stalley

COMPANY SECRETARY

Mark Licciardo

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

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