



Breaking new ground

ANNUAL FINANCIAL REPORT 2011

CONTENTS

Directors' Report	2
Auditors' Independence Declaration to the Directors of iSelect Limited	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	7
Notes to the Financial Statements	8
Directors' Declaration	37
Independent Auditor's Report to the members of iSelect Limited	38

Directors' Report

The Directors of iSelect Limited and its controlled entities ('iSelect Group') submit herewith its financial report in respect of the year ended 30 June 2011. iSelect Limited was incorporated on 7 March 2007 and is the holding Company for the iSelect Group, comprising health, life and general insurance and mortgages brokerage activities and media referral services. On 16 July 2010 iSelect Limited converted to an unlisted public Company, where the Company name was changed from iSelect Pty Ltd to iSelect Limited. In addition on 30 November 2011 iSelect Media Pty Ltd, and on 14 January 2011 iSelect Mortgages Pty Ltd were incorporated as wholly owned subsidiaries.

DIRECTORS

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

Martin Dalgleish	Non-Executive Chairman
Damien Waller	Chief Executive Officer and Managing Director
Shaun Bonett	Non-Executive Director
Leslie Webb	Non-Executive Director
Nicholas Gray	Non-Executive Director – resigned 22 September 2010
Joanne Pollard	Non-Executive Director – resigned 25 May 2011
Michael McLeod	Non-Executive Director
Patrick O'Sullivan	Non-Executive Director – appointed 22 September 2010

COMPANY SECRETARY

Matthew McCann	Appointed – 22 September 2010
Paul Cullinan	Resigned – 22 September 2010

PRINCIPAL ACTIVITIES

The Group's principal activity during the course of the financial year were health, life and general insurance and mortgages brokerage activities and media referral services.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the current year. No dividends have been paid during the financial year, or to the date of this report.

REVIEW OF OPERATIONS

The Consolidated Entity achieved a net profit after tax for the year ended 30 June 2011 of \$10,657,000 (2010: \$5,780,000).

This financial report reflects the financial performance of the consolidated Group from 1 July 2010 to 30 June 2011 and the financial position of the consolidated Group at 30 June 2011.

Except as so disclosed, information on likely developments in the Consolidated Entity's operations in future financial years and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATIONS

Given the nature of its business the Consolidated Entity is not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or any of its States or Territories.

The Consolidated Entity has not incurred any liability (including any liability for rectification costs) under any environmental legislation.

INSURANCE OF OFFICERS

During the financial year, the Group paid a premium of \$20,600 to insure the Directors, secretary and executive officers of the Consolidated Entity.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group.

PROCEEDINGS ON BEHALF OF THE GROUP

No proceedings have been brought on behalf of the Group nor has any application been made in respect of the Group under section 237 of the *Corporations Act 2001*.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group during the financial year under review not otherwise disclosed in this report or the Consolidated Financial Statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

In relation to the current premises, which iSelect intend to move out from in late October 2011, iSelect Health Pty Ltd (a wholly owned subsidiary of iSelect Limited) has raised provisions of \$500k and \$549k for make good costs and onerous contracts for rent respectively. The Group is in the process of formalising the surrender of the lease over its current premises before the end of the lease (with no make good obligation). As part of the surrender arrangements, the Group has agreed to pay a licence fee for the continued display of its outdoor signage at the premises at a cost of \$165k. As a result, in the 2012 financial year, iSelect anticipates to recoup the \$500k in relation to the make good costs and will likely be able to recoup approximately \$314k in relation to the onerous contract for rent, subject to finalisation of all arrangements.

On 19 August 2011, iSelect Limited announced an off-market takeover bid for all of the shares of Infochoice Ltd for total consideration of \$33.538 million. iSelect's offer to Infochoice shareholders is now unconditional. As at the date of this report, iSelect has received acceptances from 98.72% of the Infochoice shares. iSelect will fund the acquisition from drawings under a \$35 million bridge loan note facility arranged by Goldman Sachs & Partners Australia Capital Markets Limited with a maturity date of 20 August 2012.

Other than the matters discussed above, in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Except as so disclosed, information on likely developments in the Consolidated Entity's operations in future financial years and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR

Ernst & Young has been appointed by the Consolidated Entity in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this report.

NON AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	CONSOLIDATED	
	2011	2010
	\$	\$
Other services:		
– tax compliance	47,800	30,000
– assurance related	25,650	39,000
– due diligence	94,615	–
– equity raising	58,674	–
– regulatory compliance	26,400	24,720
Total	253,139	93,720

REGISTERED OFFICE

Level 4, 973 Nepean Highway, Moorabbin Victoria 3189

Signed in accordance with a resolution of the Board of Directors:



Damien Waller
Chief Executive Officer & Managing Director

Melbourne, 27 October 2011

Auditor's Independence Declaration

to the Directors of iSelect Limited and its controlling entities



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of iSelect Ltd

In relation to our audit of the financial report of iSelect Ltd for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst & Young" in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be "Ashley Butler", written in a cursive style.

Ashley Butler
Partner
27 October 2011

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Sales revenue	4	72,442	43,491
Cost of sales		(36,026)	(22,369)
Gross profit		36,416	21,122
Other income	4	215	244
Share based payments expense	20	(658)	(274)
Administrative expenses		(16,795)	(11,835)
Relocation expenses	4	(1,592)	–
Acquisition expenses	4	(217)	–
Profit before interest, tax, depreciation and amortisation		17,369	9,257
Amortisation	4	(617)	(456)
Depreciation	4	(2,568)	(972)
Profit before interest and tax		14,184	7,829
Interest revenue	4	841	400
Income tax expense	5	(4,368)	(2,449)
Profit for the period		10,657	5,780
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period		10,657	5,780

Statement of Financial Position

as at 30 June 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Assets			
Cash and cash equivalents	6	17,499	7,438
Trade and other receivables	7	5,111	3,963
Net present value of future trail commission	8	20,239	8,923
Other assets	9	1,053	346
Total current assets		43,902	20,670
Net present value of future trail commission	8	41,241	29,327
Deferred tax assets	5	8,062	5,011
Property, plant and equipment	10	1,969	2,932
Intangible assets	11	3,678	1,893
Total non-current assets		54,950	39,163
Total assets		98,852	59,833
Liabilities			
Trade and other payables	12	9,520	7,221
Provisions	13	3,423	1,838
Total current liabilities		12,943	9,059
Provisions	13	183	267
Deferred tax liabilities	5	19,383	11,965
Total non-current liabilities		19,566	12,232
Total liabilities		32,509	21,291
Nets assets		66,343	38,542
Equity			
Issued capital	14	36,582	20,096
Share based payments reserve		1,827	1,169
Business combination reserve		5,571	5,571
Retained earnings		22,363	11,706
Total equity		66,343	38,542

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Receipts from customers and related parties		48,665	30,679
Payments to suppliers and employees		(51,924)	(32,906)
Net cash flows from/(used in) operating activities	6	(3,259)	(2,227)
Interest received		841	375
Purchase of property, plant and equipment		(1,562)	(997)
Purchase of intangible assets		(2,445)	(979)
Net cash flows from/(used in) investing activities		(3,166)	(1,601)
Proceeds from issue of shares		16,486	167
Net cash flows from/(used in) financing activities		16,486	167
Net increase/(decrease) in cash and cash equivalents		10,061	(3,661)
Cash and cash equivalents			
– at the beginning of the period		7,438	11,099
– at the end of the period	6	17,499	7,438

Statement of Changes in Equity

for the year ended 30 June 2011

	CONSOLIDATED				
	Share based payment reserve \$'000	Issued capital \$'000	Business combination reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010	1,169	20,096	5,571	11,706	38,542
Total comprehensive income for the period	–	–	–	10,657	10,657
Transactions with owners in their capacity as owners:					
Share based payment expense	658	–	–	–	658
Issues of share capital	–	16,486	–	–	16,486
Balance at 30 June 2011	1,827	36,582	5,571	22,363	66,343
Balance at 1 July 2009	895	19,929	5,571	5,926	32,321
Total comprehensive income for the period	–	–	–	5,780	5,780
Transactions with owners in their capacity as owners:					
Share based payment expense	274	–	–	–	274
Issues of share capital	–	167	–	–	167
Balance at 30 June 2010	1,169	20,096	5,571	11,706	38,542

Notes to the Financial Statements

For the year ended 30 June 2011

1. CORPORATE INFORMATION

The financial report of iSelect Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 27 October 2011.

iSelect Limited is a Company limited by shares incorporated in Australia and is a holding entity whose principal activity during the financial year was the holding of investments in its wholly owned subsidiaries; iSelect Health Pty Ltd, iSelect Life Pty Ltd, iSelect Mortgages Pty Ltd, iSelect Media Pty Ltd and, iSelect General Pty Ltd. On 16 July 2010 iSelect Limited converted to an unlisted public Company. The Company name has changed from iSelect Pty Ltd to iSelect Limited.

The Group's registered office is at Level 4, 973 Nepean Highway, Moorabbin.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for certain assets, which as noted, have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

b) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2011. These are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <ul style="list-style-type: none"> a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. 	1 January 2013	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2013

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009–11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> – two categories for financial assets being amortised cost or fair value – removal of the requirement to separate embedded derivatives in financial assets – strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows – an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition – reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes – changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income 	1 January 2013	The Group does not expect any material impact as a result of these amendments, if any.	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ol style="list-style-type: none"> a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	AASB 124 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. The Group does not expect any material impact on the disclosure.	1 July 2011

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009–12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	1 January 2011	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2011

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of iSelect Limited and its controlled entities as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting year as the consolidated group, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which iSelect Limited has control.

e) BUSINESS COMBINATION RESERVE

The internal group restructure performed in the 2007 financial year, which interposed the holding Company, iSelect Limited, into the consolidated Group was exempted by AASB 3 Business Combinations as it precludes entities or businesses under common control.

The carry-over basis method of accounting was used for the restructuring of the iSelect Group. As such the assets and liabilities were reflected at their carrying amounts. No adjustments were made to reflect fair values, or recognise any new assets or liabilities. No goodwill was recognised as a result of the combination and any difference between the consideration paid and the 'equity' acquired was reflected within equity as an equity reserve entitled "Business Combination Reserve".

f) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Present value of trail commissions

The Group has elected to account for trail commission revenue at the time of selling a health, life and general insurance policy or mortgage settlements to which trail commission attaches, rather than on the basis of actual payments received from the relevant health, life and general funds or mortgage 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 & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions for health and

life trail revenue. The iSelect General trail commission is a director valuation and is based on the same principles as outlined above. 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 health fund premium increases and the estimated impact of known Australian Federal and State Government policy.

The Directors made an estimate of the likely impact of the Federal Government's intention to introduce tiered means testing for the private health insurance rebate within the present value of health fund trail commission calculations. Currently there is uncertainty as to possible changes to the Federal Government's health insurance rebate and as such the Directors have again estimated the impact upon the present value of the health trail commission.

The full impact of any legislative changes are still yet to be determined with any known certainty as at the date of this financial report. 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 2 (g).

Clawback provisions

Marketing fees received from certain insurance funds can be clawed back in the event of early termination of membership. They vary across the insurance industry and insurers alike:

Health

Health insurance clawbacks are usually triggered where a referred member terminates their policy. The fund has an individual agreement and the clawback period ranges between 2 to 12 months depending on fund. The Group provides for this liability based upon historic average rates of attrition. For the year ended 30 June 2011, the Directors have assessed these provisions in light of any estimated impact of the Federal Government's proposed health insurance rebate changes.

Life

Life insurance clawbacks are usually triggered where termination occurs up to 12 months from the sale of the policy. The Group provides for this liability based upon historic average rates of attrition.

General

General insurance clawbacks are usually triggered where termination occurs within 3 months of the sale of the policy. The Group provides for this liability based upon historic average rates of attrition.

Mortgages

Mortgage brokerage clawbacks are usually triggered where termination occurs within 0–24 months settlement of the loan. The Group provides for this liability based upon historic average rates of attrition.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the 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. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings 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. 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 statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Provisions for employee entitlements

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

Research and development costs

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

Share based payments

Accounting judgements, estimates and assumptions in relation to share based payments have been discussed in note 2 (u).

g) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Fee Revenue

iSelect earns two distinct types of revenue:

- Marketing fees
- Trail commission

i) Marketing fees

Marketing fees are upfront fees earned upon new members joining a health fund, initiating a life insurance policy, obtaining general insurance or obtaining media products via iSelect. Marketing fees are recognised at the time customers make their first payment with the relevant fund and the insurer accepts the underlying risk. Marketing fees may trigger a 'clawback' of revenue in the event of early termination by customers as specified in individual health fund agreements. These clawbacks are provided for by the Group on a monthly basis by utilising industry data and historical experience.

ii) Trail commission

Trail commissions are ongoing fees related to existing health, life and general fund members referred to individual funds via iSelect. Furthermore it includes any individuals who settle their mortgages via iSelect. Trail commission revenue represents commission earned from health, life and general funds calculated as a percentage of the value of the underlying policy relationship of the expected life and in the case of mortgages a proportion of the underlying value of the loan. The Group is entitled to receive health, life, general and mortgage trail commission without having to perform further services. On initial recognition, trail revenue and receivables are recognised at fair value, being the present value of expected future trail revenue receivables discounted to their net present value using discounted cash flow valuation techniques for all of the above beside mortgages. These calculations require the use of assumptions.

The key assumptions underlying the fair value calculations of trail revenue receivable at balance date include: lapse and mortality rates, commission term, premium increases and discount rate, incorporating risk free rates and estimates of the likely credit risk associated with the health and life funds.

It is the Directors' responsibility to determine the assumptions used and the fair value of trail revenue. In undertaking this responsibility, the Group engages Deloitte Actuaries & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions and the fair value model utilised to determine the fair value of health and life fund trail revenue and the accompanying asset. The iSelect General trail commission is a director valuation and is based on the same principles as outlined above. Subsequent to initial recognition and measurement, the trail revenue asset is measured at amortised cost. The carrying amount of the trail revenue asset is adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

Notes to the Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) REVENUE RECOGNITION (CONTINUED)

In the 2009 federal budget, the government announced an intention to introduce tiered means testing for the private health insurance rebate. During mid 2009, draft legislation was passed by the House of Representatives but was rejected in the Senate. However, it remains an announced government policy. Under the arrangement, the rebate would be reduced or removed for higher income groups and in some cases a higher Medicare Levy Surcharge would also apply. The expectation is that this will impact the future amount of health fund trail commission to be received as it is likely that some existing members below these income levels may opt out of health insurance. The full impact of the type and number of members that may withdraw this cover is not yet known as at the date of this financial report. The impact of the estimated effect of a tiered means testing has been considered by the consulting actuaries in reviewing the commission valuation at 30 June 2011. This assessment of the impact was based on reports prepared by independent parties at the time of performing the valuation. The valuation has been based on the assumption that the legislation will be passed, therefore higher thresholds and higher estimated terminations have been included in the assumptions of the valuation. The Directors are of the belief that the revenue recognised in the financial year is appropriate and reasonable given the uncertainty surrounding the actual impact of the proposed health insurance rebate charges.

Interest

Revenue is recognised as interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

h) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added

to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised when they are received and amortised over the life of the lease.

i) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j) TRADE AND OTHER RECEIVABLES

All trade receivables recognised as current assets are due for settlement within no more than 30 days for marketing fees and within one year for trail commission. Trade receivables are measured on the basis of amortised cost and trail commission is measured at fair value.

Recoverability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

k) INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

iSelect Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. Members of the tax consolidated group have entered into a tax funding agreement. Each entity is responsible for remitting its share of the current tax payable (receivable) assumed by the head entity.

In accordance with UIG 1052 and Group accounting policy, the Group has applied the “separate taxpayer within Group approach” in which the head entity, iSelect Limited, and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, iSelect Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The allocation of taxes to the head entity is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated Group head entity.

l) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

m) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated over the estimated useful life of the asset as follows:

	Useful life	Method
Computer software/equipment	2 – 4 years	Straight-line method
Furniture, fixtures and fittings	8 years	Straight-line method
Leasehold Improvements	5 to 6.5 years	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements

For the year ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

n) INTANGIBLE ASSETS

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are either reviewed at the end of each financial period or amortised over the life of the asset. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Web site development costs capitalised as an intangible asset are amortised on a straight-line basis with a useful life between 2 to 4 years.

o) INVESTMENTS

Investments in controlled entities are carried at the lower of cost and recoverable amount.

p) IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in statement of comprehensive income.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

q) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

r) PROVISIONS

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

s) EMPLOYEE BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

t) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) SHARE BASED PAYMENTS

The Group provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:

- the Employee Share Option Plan, which provides benefits to all employees, including Directors;
- CEO Plan, which provides benefits to the Chief Executive Officer; and
- ninemsn Option agreement, which provides benefits to ninemsn, a major shareholder.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value was determined by the Directors and management using a Binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

v) COMPARATIVE BALANCES

Accounting policies adopted are consistent with those of the previous year. Where expenses have been reallocated between departments or within expense lines, the comparatives for the previous year have been reallocated also to assist comparability between the years.

w) ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on assets associated with the contract.

Notes to the Financial Statements

For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

The Group has limited exposure to financial risks. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. It does not operate internationally and is not exposed to either securities price risk, foreign exchange risk or commodity price risk.

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

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

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

a) MARKET RISK

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents and net present value of future trail commission receivables. The Group does not have borrowings and therefore is not exposed to interest rate risk on borrowings. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Financial Assets		
Current		
Cash and cash equivalents	17,499	7,438
Trade and other receivables	5,111	3,963
Net present value of future trail commission	20,239	8,923
Non-current		
Net present value of future trail commission	41,241	29,327
	84,090	49,651
Financial Liabilities		
Current		
Trade and other payables	9,520	7,221
	9,520	7,221
Net Exposure	74,570	42,430

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
	CONSOLIDATED	
	2011 \$'000	2010 \$'000
TOTAL		
Consolidated		
+1% (100 basis points)	(1,189)	(840)
-1% (100 basis points)	1,295	920
TRAIL COMMISSION		
Consolidated		
+1% (100 basis points)	(1,311)	(892)
-1% (100 basis points)	1,417	972
CASH AT BANK		
Consolidated		
+1% (100 basis points)	122	52
-1% (100 basis points)	(122)	(52)

Judgements of reasonably possible movements

The movements in profit are due to higher/lower interest income from cash balances and higher/lower net present value of future trail commission. The sensitivity is higher in 2011 than in 2010 because of higher net present value of future trail commission.

b) FOREIGN CURRENCY RISK

The Group has minimal transactional currency exposure. Such exposure arises from purchases by an operating entity in currencies other than the functional currency.

c) CREDIT RISK

Credit risk is managed on a group basis. Credit risk arises from cash and cash management equivalents through deposits with banks and financial institutions.

Additionally, the Group has exposure to credit risk associated with the health, life and general funds and mortgage providers, with regard to the fair value calculation of the trail commissions (as discussed in note 2 (g) and outstanding receivables. Estimates of the likely credit risk associated with the health, life and general funds and mortgage providers are incorporated in the discount rates (one of the assumptions used in the fair value calculation).

The Group trades only with recognised, creditworthy third parties (health and life funds, major financial institutions and large media suppliers), and as such collateral is not requested.

It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures including an assessment of their capital and solvency position and industry reputation. Risk limits are set for each individual key partner in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

d) LIQUIDITY RISK

The Group's liquidity risk exposure is minimal due to the Group not having any debt, loans or financial liabilities. The Group does not have contractual financial liabilities and all trade and other payables are payable within no greater than six months.

e) FAIR VALUE RISK

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the Financial Statements

For the year ended 30 June 2011

3. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2011			Total \$'000
	Quoted market price (Level 1) \$'000	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – non-market observable inputs (Level 3) \$'000	
Consolidated				
Financial Assets				
Net present value of future trail commission	–	–	61,480	61,480
	–	–	61,480	61,480
Financial Liabilities				
	–	–	–	–
	–	–	–	–

	Year ended 30 June 2010			Total \$
	Quoted market price (Level 1) \$	Valuation technique – market observable inputs (Level 2) \$	Valuation technique – non-market observable inputs (Level 3) \$	
Consolidated				
Financial Assets				
Net present value of future trail commission	–	–	38,250	38,250
	–	–	38,250	38,250
Financial Liabilities				
	–	–	–	–
	–	–	–	–

For financial instruments not quoted in active markets, the Group used valuation techniques such as present value techniques, 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.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Reconciliation of Level 3 fair value movements		
Opening Balance	38,250	22,890
New Receivable	29,893	13,884
Lapsed Receivable	(2,551)	(1,031)
Cash Receipts	(14,439)	(6,586)
Gains/(Losses) from movement in discount rate	4,310	3,081
Gains/(Losses) from movement in other fair value assumptions	6,017	6,012
Closing Balance	61,480	38,250

The Group uses the discounted cash flow method in determining the fair value of the unlisted asset. The potential effect of using reasonable possible alternative assumptions based on a change in relevant inputs by 1% would have the effect of reducing the fair value by up to \$5,050,000 should the discount rate increase, premium price decrease or termination rates increase, or increase the fair value by \$5,590,160 should the opposite apply.

If the assumption that there is a potential impact of future regulatory or federal government policy change be removed, the valuation would increase by \$586,334.

4. REVENUES AND EXPENSES

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
a) Revenue		
Sales Revenue		
Health Insurance		
Marketing fees, net of clawback	24,161	14,096
Present value of trail commissions	33,355	19,701
Life Insurance		
Marketing fees, net of clawback	4,932	4,676
Present value of trail commissions	3,271	2,519
General Insurance		
Marketing fees, net of clawback	5,591	2,499
Present value of trail commissions	1,013	–
Total insurance revenue	72,323	43,491
Other business revenue	119	–
Total sales revenue	72,442	43,491
Interest revenue	841	400
Other Income	215	244
Total income	73,498	44,135
b) Employee entitlement expenses		
Cost of sales and administrative expenses include the following personnel expenses:		
Employee benefits	23,628	15,113
Share based payments expense	658	274
Total employee benefits expenses	24,286	15,387

Notes to the Financial Statements

For the year ended 30 June 2011

4. REVENUES AND EXPENSES (CONTINUED)

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
c) Research and development costs		
Amortisation of previously capitalised development costs	617	456
d) Depreciation expense		
Property, plant and equipment	2,568	972
The depreciation amounts shown include accelerated depreciation for fixed assets being disposed of prior to the premises relocation scheduled for the end of October 2011.		
e) Lease expenditure		
Operating lease expenditure	543	262
f) Relocation expenses		
Relocation expenses	1,592	-
Relocation costs relate to the expenditure incurred as a result of the planned move to the new premises at Bay Road, Cheltenham. The costs relate to legal, property management and property fees. Make good and onerous contract for rental costs incurred in the current building are also included.		
g) Acquisition expenses		
Acquisition expenses	217	-

Acquisition costs relate to the legal and due diligence costs in association with the Info Choice acquisition. Refer to note 17 for further information on the Info Choice acquisition.

5. INCOME TAX

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<i>Current income tax</i>		
Current income tax benefit/(charge)	2,216	2,154
Adjustment in respect of current income tax of previous years	286	(52)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(6,778)	(4,569)
Adjustments in respect of deferred income tax of previous years	(92)	18
Income tax reported in income statement	(4,368)	(2,449)
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 before income tax	15,025	8,229
Statutory income tax rate of 30%	(4,508)	(2,469)
Adjustments in respect of current income tax of previous years	286	(52)
Adjustments in respect of deferred income tax of previous years	(92)	18
Share based payments	(197)	(82)
Entertainment	(27)	(17)
Research and development concessional deduction	170	–
Investment Allowance	–	155
Other	–	(2)
Total income tax expense	(4,368)	(2,449)
Deferred tax assets relate to the following:		
Deferred tax assets from temporary differences on:		
Trade and other payables	221	199
Provisions	1,082	619
Carried forward losses	6,695	4,193
Other	64	–
Total deferred tax assets	8,062	5,011
Deferred tax liabilities from temporary differences on:		
Present value of trail commission	(18,444)	(11,475)
Accrued Interest	(12)	(1)
Development costs	(927)	(489)
Other	–	–
Total deferred tax liabilities	(19,383)	(11,965)

Tax consolidation

The iSelect Group formed an income tax consolidated group as at 30 April 2007. iSelect Limited continue to act as the head Company of this Group. In addition on 30 November 2011, iSelect Media Pty Ltd and on 14 January 2011 iSelect Mortgages Pty Ltd were incorporated as wholly owned subsidiaries and therefore joined the tax consolidated group.

Members of the Group entered into a tax sharing agreement at that time that provided for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts are expected to be recognised in the financial statements in respect of this agreement on the basis that the probability of default is remote.

The head entity and the controlled entities in the likely tax consolidated group continue to account for their own current and deferred tax balances.

Notes to the Financial Statements

For the year ended 30 June 2011

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Cash at bank and in hand	6,999	2,807
Term deposits	10,500	4,631
Total cash and cash equivalents	17,499	7,438

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

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

Reconciliation of statement of cash flows

Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax	10,657	5,780
Adjustments for non-cash income and expense items:		
Depreciation/amortisation	3,185	1,428
Share options expensed	658	274
Interest income classified as investing cash flow	(841)	(375)
Net (gain)/loss on disposal of intangible asset	–	35
Increase/decrease in assets and liabilities		
Trade and other receivables	(1,148)	(677)
Net present value of future trail commission	(23,230)	(15,361)
Other assets	(707)	(174)
Deferred Tax Assets	(3,051)	2,290
Trade and other payables	2,299	4,141
Deferred Tax Liabilities	7,418	–
Income tax payable	–	4,739
Provisions	1,501	253
Net cash from/(used in) operating activities	(3,259)	(2,227)

7. TRADE AND OTHER RECEIVABLES

Trade receivables, third parties	5,111	3,963
Total trade and other receivables	5,111	3,963

8. NET PRESENT VALUE OF FUTURE TRAIL COMMISSION

Net present value of future trail commission	61,480	38,250
Total net present value of future trail commission	61,480	38,250
Current		
Net present value of future trail commission	20,239	8,923
	20,239	8,923
Non-current		
Net present value of future trail commission	41,241	29,327
	41,241	29,327

9. OTHER ASSETS

Prepayments	716	330
Other Assets	337	16
Total other assets	1,053	346

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2011	CONSOLIDATED				
	Leasehold improvements \$'000	Office/ Computer equipment \$'000	Computer Software \$'000	Furniture fixtures and fittings \$'000	Total \$'000
At 1 July 2010					
Net of accumulated depreciation	1,075	716	617	524	2,932
Additions	87	589	722	164	1,562
Transfers	–	–	43	–	43
Depreciation for the period	(1,162)	(396)	(366)	(644)	(2,568)
At 30 June 2011					
Net of accumulated depreciation	–	909	1,016	44	1,969
At 1 July 2010					
Cost value	1,682	1,713	1,227	752	5,374
Accumulated depreciation	(607)	(997)	(610)	(228)	(2,442)
Net carrying amount	1,075	716	617	524	2,932
At 30 June 2011					
Cost value	1,769	2,302	1,992	916	6,979
Accumulated depreciation	(1,769)	(1,393)	(976)	(872)	(5,010)
Net carrying amount	–	909	1,016	44	1,969
Year ended 30 June 2010	CONSOLIDATED				
	Leasehold improvements \$'000	Office/ Computer equipment \$'000	Computer Software \$'000	Furniture fixtures and fittings \$'000	Total \$'000
At 1 July 2009					
Net of accumulated depreciation	1,386	668	348	505	2,907
Additions	1	378	515	103	997
Disposals	–	–	–	–	–
Depreciation for the period	(312)	(330)	(246)	(84)	(972)
At 30 June 2010					
Net of accumulated depreciation	1,075	716	617	524	2,932
At 1 July 2009					
Cost value	1,681	1,335	712	649	4,377
Accumulated depreciation	(295)	(667)	(364)	(144)	(1,470)
Net carrying amount	1,386	668	348	505	2,907
At 30 June 2010					
Cost value	1,682	1,713	1,227	752	5,374
Accumulated depreciation	(607)	(997)	(610)	(228)	(2,442)
Net carrying amount	1,075	716	617	524	2,932

Notes to the Financial Statements

For the year ended 30 June 2011

11. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED			
	Development costs \$'000	Trademarks & Domain Names \$'000	Computer Software \$'000	Total \$'000
Year Ended 30 June 2011				
At 1 July 2010				
Net of accumulated amortisation and impairment	1,649	201	43	1,893
Additions	2,445	–	–	2,445
Transfers	–	–	(43)	(43)
Amortisation	(617)	–	–	(617)
At 30 June 2011				
Net of accumulated amortisation and impairment	3,477	201	–	3,678
At 30 June 2011				
Cost (gross carrying amount)	5,942	201	–	6,143
Accumulated amortisation and impairment	(2,465)	–	–	(2,465)
Net carrying amount	3,477	201	–	3,678
Year Ended 30 June 2010				
At 1 July 2009				
Net of accumulated amortisation and impairment	1,189	97	119	1,405
Additions	840	139	–	979
Disposals	–	(35)	–	(35)
Amortisation	(380)	–	(76)	(456)
At 30 June 2010				
Net of accumulated amortisation and impairment	1,649	201	43	1,893
At 30 June 2010				
Cost (gross carrying amount)	3,311	201	229	3,741
Accumulated amortisation and impairment	(1,662)	–	(186)	(1,848)
Net carrying amount	1,649	201	43	1,893

a) DESCRIPTION OF INTANGIBLE ASSETS

i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of two and four years. The amortisation has been recognised in the statement of comprehensive income in amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

ii) Trademark and domain names

Trademark and domain names are carried at cost and are not amortised. These intangible assets have been determined to have infinite useful lives. These assets were tested for impairment as at 30 June 2011, on a 'value-in-use' basis.

iii) Software

Capitalised software is carried at cost less accumulated amortisation and accumulated impairment losses. The software has been assessed as having a finite life and is amortised using the straight-line method over a period of 2 to 4 years. The amortisation has been recognised in the statement of comprehensive income in amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

b) IMPAIRMENT LOSSES RECOGNISED

No impairment losses were recognised during the period. (2010: Nil)

12. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Trade payables (a)	833	1,652
Other payables (b)	8,687	5,569
Total trade and other payables	9,520	7,221

a) TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 day terms.

b) OTHER PAYABLES

Other payables are non-interest bearing and are normally settled on 30 day terms.

13. PROVISIONS

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Current Provisions		
Annual Leave	1,011	692
Long Service Leave	153	102
Lease incentive	48	191
Clawback	1,162	775
Other	1,049	78
Total	3,423	1,838
Non-current Provisions		
Long Service Leave	183	124
Lease incentive	–	143
Total	183	267

a) NATURE AND TIMING OF PROVISIONS

i) Clawback provision

The Group has recognised a provision for expected clawback of marketing fees receivable from health, life and general funds due to early termination of policies by new members. This is based on historic and average industry rates of attrition. Clawback of fees is incurred within two to twelve months of the sale of the relevant policies.

ii) Provision for lease incentive

Relates to the receipt of lease incentive payments in relation to the Group's operating premises. This revenue has been deferred and is being recognised in the statement of comprehensive income over the life of the lease as other income.

ii) Other

Relates to the net of the provision for make good and onerous contract costs for the existing lease at 973 Nepean Highway, Moorabbin, which will be vacated for new premises in the next financial year.

Notes to the Financial Statements

For the year ended 30 June 2011

13. PROVISIONS (CONTINUED)

b) MOVEMENT IN PROVISIONS

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Clawback		Lease Incentive		2011 \$'000	2010 \$'000
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000		
Consolidation						
As at beginning of the period	775	694	334	526	78	–
Arising during the year	3,721	2,407	–	–	1,049	78
Utilised	(3,334)	(2,326)	(286)	(192)	(78)	–
At end of the period	1,162	775	48	334	1,049	78

14. ISSUED CAPITAL

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Issued and paid up capital	36,582,000	20,095,510
Ordinary shares fully paid (number)	14,692,314	12,733,588

Share capital increased during the year as a result of the issue of ordinary shares to option holders exercising 832,000 share options (2010: 75,000) as well as capital raising of 1,126,726 shares (2010: Nil).

The total number of share options outstanding at 30 June 2011 is 6,286,797 (2010: 5,138,201).

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Group does not have authorised capital nor par value in respect of its issued shares.

15. COMMITMENTS AND CONTINGENCIES

a) OPERATING LEASE COMMITMENTS

The Group had entered into commercial lease for the current premises which had a life of 10 years.

The Group has also entered into a new commercial lease for the new premises which also has an initial life of 10 years with the option to renew at the end of the contract period.

During 2011 the Group also entered into several hire purchase motor vehicle leases with a life of 3 years.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Operating Lease Commitments		
Minimum lease payments		
Not later than one year	1,963	541
Later than 1 year and not later than 5 years	10,843	414
More than 5 years	10,161	–
Total operating lease commitments	22,967	955
Operating lease expenses recognised as an expense during the period:	543	462

b) CONTINGENCIES

On 24 October 2011, iSelect Life Pty Ltd reported to the Australian Securities & Investments 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 is being undertaken. The amount (if any) of any liability cannot be reliably determined at this time, accordingly no amounts have been recorded in the Financial Statements for the year ended 30 June 2011. Potential liabilities for the Group, should any obligation be identified, are expected to be covered by insurance maintained by the Group.

16. RELATED PARTY DISCLOSURE

a) SUBSIDIARIES

The consolidated financial statements include the financial statements of iSelect Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	2011	2010	2011 \$	2011 \$
iSelect Health Pty Ltd	Australia	100%	100%	21,044,113	20,386,038
iSelect Life Pty Ltd	Australia	100%	100%	6,900,000	3,250,000
iSelect General Pty Ltd	Australia	100%	100%	7,530,000	5,730,000
iSelect Media Pty Ltd	Australia	100%	0%	1,190,000	–
iSelect Mortgages Pty Ltd	Australia	100%	0%	775,000	–

b) ULTIMATE PARENT

iSelect Limited is the ultimate Australian parent entity of the Group.

c) KEY MANAGEMENT PERSONNEL

Details relating to key management personnel, including remuneration paid, are included in note 19.

d) TRANSACTIONS WITH RELATED PARTIES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year end, refer to notes 7 and 12 respectively):

Related party	Sales to related parties \$	Purchases from related parties \$	Other transactions with related parties \$	Balances outstanding at balance date \$
Consolidated				
Shareholder related entities				
Ninemsn – Advertising Services				
2011	–	174,504	85,000	259,504
2010	–	59,337	–	59,337
Director related entities				
Martin Dagleish – Consultancy fees				
2011	–	20,000	–	20,000
2010	–	80,000	–	80,000

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at period-end are unsecured, interest free and settlement occurs in cash.

No guarantees were provided or received for any related party receivables or payables.

Notes to the Financial Statements

For the year ended 30 June 2011

17. EVENTS AFTER THE BALANCE SHEET DATE

In relation to the current premises, which iSelect intend to move out from in late October 2011, iSelect Health Pty Ltd (a wholly owned subsidiary of iSelect Limited) has raised provisions of \$500k and \$549k for make good costs and onerous contracts for rent respectively. The Group is in the process of formalising the surrender of the lease over its current premises before the end of the lease (with no make good obligation). As part of the surrender arrangements, the Group has agreed to pay a licence fee for the continued display of its outdoor signage at the premises at a cost of \$165k. As a result, in the 2012 financial year, iSelect anticipates to recoup the \$500k in relation to the make good costs and will likely be able to recoup approximately \$314k in relation to the onerous contract for rent, subject to finalisation of all arrangements.

On 19 August 2011, iSelect Limited announced an off-market takeover bid for all of the shares of Infochoice Ltd for total consideration of \$33.538 million. iSelect's offer to Infochoice shareholders is now unconditional. As at the date of this report, iSelect has received acceptances from 98.72% of the Infochoice shares. iSelect will fund the acquisition from drawings under a \$35 million bridge loan note facility arranged by Goldman Sachs & Partners Australia Capital Markets Limited with a maturity date of 20 August 2012.

Other than the matters discussed above, in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

18. AUDITORS' REMUNERATION

The following total remuneration was received, or is due and receivable, by the auditor of the Group in respect of:

	CONSOLIDATED	
	2011 \$	2010 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
Audit of the financial statements	149,300	114,073
Other Services:		
– tax compliance	47,800	30,000
– assurance related	25,650	39,000
– due diligence	94,615	–
– equity raising	58,674	–
– regulatory compliance	26,400	24,720
Total	402,439	207,793

19. DIRECTOR AND EXECUTIVE DISCLOSURE

a) DETAILS OF KEY MANAGEMENT PERSONNEL

Directors

Martin Dalgleish	Non-Executive Chairman
Damien Waller	Chief Executive Officer and Managing Director
Shaun Bonett	Non-Executive Director
Leslie Webb	Non-Executive Director
Nicholas Gray	Non-Executive Director – resigned 22 September 2010
Joanne Pollard	Non-Executive Director – resigned 25 May 2011
Michael McLeod	Non-Executive Director
Patrick O’Sullivan	Non-Executive Director – appointed 22 September 2010

Executives

Chris Brant	Group Chief Financial Officer – appointed 24 October 2011
Mark Blackburn	Group Chief Financial Officer – appointed 1 October 2010 – resigned 4 October 2011
Matthew McCann	Corporate Development Director/Company Secretary (from 22 September 2010)
Gerald Brown	Chief Executive Officer – Insurance
Paul Cullinan	Chief Financial Officer – Insurance – resigned 22 January 2011 (Company Secretary to 22 September 2010)
David May	Chief Marketing Officer – appointed 1 June 2011
Alla Keogh	Human Resource Director – to 19 September 2011
Chris Billing	Products Director

b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Aggregated compensation of Directors and key management personnel was as follows:

Consolidated	Short-term employee benefits \$	Post employment benefits \$	Termination benefits \$	Share based payment \$	Other long-term benefits \$	Total \$
2011						
Total compensation	2,610,643	215,804	–	369,046	–	3,195,493
2010						
Total compensation	1,850,435	157,190	–	233,204	–	2,240,829

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm’s length.

Notes to the Financial Statements

For the year ended 30 June 2011

19. DIRECTOR AND EXECUTIVE DISCLOSURE (CONTINUED)

c) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2011	Balance at 1 July 2010	Granted as Remun- eration	Options Exercised	Net Change Other [#]	Balance at end of period 30 June 2011	Total Options Vested at 30 June 2011		
						Total	Exercisable	Not Exercisable
Directors								
Damien Waller	2,685,276	450,000	(113,202)	–	3,022,074	2,751,483	2,572,074	179,409
Martin Dalgleish	180,000	–	–	–	180,000	134,836	134,836	–
Shaun Bonnett	139,147	–	(109,147)	–	30,000	30,000	30,000	–
Leslie Webb	30,000	–	–	–	30,000	30,000	30,000	–
Michael McLeod	–	–	–	–	–	–	–	–
Patrick O'Sullivan*	–	–	–	–	–	–	–	–
Executives								
Mark Blackburn**	–	100,000	–	–	100,000	39,869	–	39,869
Matthew McCann	90,000	150,000	–	–	240,000	149,803	90,000	59,803
Gerald Brown	93,750	150,000	–	–	243,750	153,553	93,750	59,803
Paul Cullinan^^	195,000	–	(90,000)	–	105,000	74,918	15,000	59,918
David May***	–	100,000	–	–	100,000	24,691	–	24,691
Alla Keogh~	–	100,000	–	–	100,000	39,869	–	39,869
Chris Billing***	20,000	100,000	–	–	120,000	50,243	–	50,243
Total	3,433,173	1,150,000	(312,349)	–	4,270,824	3,479,265	2,965,660	513,605

30 June 2010	Balance at 1 July 2009	Granted as Remun- eration	Options Exercised	Net Change Other [#]	Balance at end of period 30 June 2010	Total Options Vested at 30 June 2010		
						Total	Exercisable	Not Exercisable
Directors								
Damien Waller	2,685,276	–	–	–	2,685,276	2,685,276	2,685,276	–
Martin Dalgleish	180,000	–	–	–	180,000	74,945	74,945	–
Shaun Bonnett	139,147	–	–	–	139,147	139,147	139,147	–
Leslie Webb	105,000	–	(75,000)	–	30,000	30,000	30,000	–
Nicholas Gray^	–	–	–	–	–	–	–	–
Joanne Pollard^^^	–	–	–	–	–	–	–	–
Michael McLeod	–	–	–	–	–	–	–	–
Patrick O'Sullivan*	–	–	–	–	–	–	–	–
Executives								
Mark Blackburn**	–	–	–	–	–	–	–	–
Matthew McCann	90,000	–	–	–	90,000	56,976	–	56,976
Gerald Brown	90,000	3,750	–	–	93,750	89,918	17,984	71,934
Paul Cullinan	195,000	–	–	–	195,000	135,000	101,250	33,750
Total	3,484,423	3,750	(75,000)	–	3,413,173	3,211,262	3,048,602	162,660

^ Nicholas Gray Resigned 22 September 2010
 * Patrick O'Sullivan appointed 22 September 2010
 ** Mark Blackburn appointed 4 October 2010,
 resigned 4 October 2011
 ^^ Paul Cullinan resigned 22 January 2011

^^^ Joanne Pollard resigned 25 May 2011
 ~ Alla Keogh departed 19 September 2011
 *** Staff were not considered KMP in 2010
 # included forfeiture

d) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (CONSOLIDATED)

30 June 2011	Balance at 30 June 2010	Granted as Remuneration	On Exercise of Options	Other changes during the year	Balance at 30 June 2011
Directors					
Damien Waller	1,487,234	–	113,202	(439,641)	1,160,795
Martin Dalgleish	–	–	–	–	–
Shaun Bonett	389,017	–	109,147	(498,164)	–
Leslie Webb	310,000	–	–	(70,000)	240,000
Nicholas Gray [^]	–	–	–	–	–
Joanne Pollard ^{^^^}	–	–	–	–	–
Michael McLeod	–	–	–	14,935	14,935
Patrick O'Sullivan [*]	–	–	–	–	–
Executives					
Mark Blackburn ^{**}	–	–	–	32,258	32,258
Matthew McCann	7,035	–	–	–	7,035
Gerald Brown	7,035	–	–	–	7,035
Paul Cullinan ^{^^}	41,497	–	90,000	(51,497)	80,000
David May	–	–	–	–	–
Alla Keogh [~]	–	–	–	–	–
Chris Billing	–	–	–	–	–
Total	2,241,818	–	312,349	(1,012,109)	1,542,058

30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Other changes during the year	Balance 30 June 2010
Directors					
Damien Waller	1,487,234	–	–	–	1,487,234
Martin Dalgleish	–	–	–	–	–
Shaun Bonett	389,017	–	–	–	389,017
Leslie Webb	235,000	–	75,000	–	310,000
Nicholas Gray [^]	–	–	–	–	–
Joanne Pollard ^{^^^}	–	–	–	–	–
Michael McLeod	–	–	–	–	–
Patrick O'Sullivan [*]	–	–	–	–	–
Executives					
Mark Blackburn ^{**}	–	–	–	–	–
Matthew McCann	7,035	–	–	–	7,035
Gerald Brown	7,035	–	–	–	7,035
Paul Cullinan ^{^^}	41,497	–	–	–	41,497
David May	–	–	–	–	–
Alla Keogh [~]	–	–	–	–	–
Chris Billing	–	–	–	–	–
Total	2,166,818	–	75,000	–	2,241,818

[^] Nicholas Gray Resigned 22 September 2010
^{*} Patrick O'Sullivan appointed 22 September 2010
^{**} Mark Blackburn appointed 4 October 2010, resigned 4 October 2011
^{^^} Paul Cullinan resigned 22 January 2011
^{^^^} Joanne Pollard resigned 25 May 2011
[~] Alla Keogh departed 19 September 2011
^{***} Staff were not considered KMP in 2010
[#] included forfeiture

Notes to the Financial Statements

For the year ended 30 June 2011

19. DIRECTOR AND EXECUTIVE DISCLOSURE (CONTINUED)

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

20. SHARE BASED PAYMENT PLANS

a) RECOGNISED SHARE BASED PAYMENT EXPENSES

The expense recognised for employee services received during the period is shown in the table below:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Expense arising from equity settled share based payment transactions	658	274

The share based payment plans are described below. There have been no cancellations or modifications to any of the plans during the period. On the reorganisation of the corporate group on 27 April 2007, all plans were novated from iSelect Health Pty Ltd (formerly iSelect Pty Ltd) to the parent Company iSelect Limited.

b) TYPES OF SHARE BASED PAYMENT PLANS

Employee Share Option Plan (ESOP)

ESOP (Post 1 July 2010)

Under the iSelect ESOP, share options may be granted to Company Directors, Company Secretary, Senior Executives and employees. The ESOP is designed to align participant's interests with those of shareholders by increasing the value of the Group's shares. Under the ESOP, the exercise price of the options is set at or above the market price of the shares on the date of grant. Typical vesting period for options granted is the equivalent of two and half years. The term of the options is typically three years. For all participants, in the event of change of control or departure from iSelect after the required service period, the issued options will be pro-rated to determine the applicable qualifying options based on service term. In addition, all shares have an attached Groups performance condition hurdle which needs to be achieved in order for options to be exercisable. Specific conditions exist in relation to a takeover where more than 90% of the share capital is acquired by another entity.

When a participant ceases employment prior to the service period of their share options, the non vested share options are pro-rated based on the proportion of the service period completed. The vested options will also be forfeited in circumstances where the participant has breached their contract of employment. All ESOP options are forfeited on the insolvency of the iSelect Limited. There are no cash settlement alternatives.

ESOP (Pre 1 July 2010)

Under the iSelect ESOP, share options are granted to Company Directors, secretary and Senior Executives. The ESOP is designed to align participant's interests with those of shareholders by increasing the value of the Group's shares. Under the ESOP, the exercise price of the options is set at or above the market price of the shares on the date of grant. For all participants, excluding Company Directors and secretary, 50% of deemed options granted will vest over the prescribed vesting period subject to CEO performance assessment. Typical vesting period for options granted varies from three to four years. The term of the options is typically five years. For all participants, excluding Company Directors and secretary, vested options can be exercised on an Initial Public Offering (IPO) event or trade sale event or within six months prior to their expiry or at the discretion of the Board. For all participants, 75% of any unvested options immediately vest on an IPO or trade sale event.

When a participant ceases employment prior to the vesting of their share options, the non vested share options are forfeited. The vested options will also be forfeited in circumstances where the participant has breached their contract of employment. All ESOP options are forfeited on the insolvency of the iSelect Limited or iSelect Health Pty Ltd. There are no cash settlement alternatives.

CEO Performance Plan

The CEO Performance Plan (CEO Plan) is a contract between the Group and the current Chief Executive Officer (CEO) Damien Waller for the grant of share options in the Group. The share options under the CEO Plan were granted on 20 December 2005 by iSelect Health Pty Ltd and novated to the Group on 27 April 2007. The CEO Plan is designed to align the CEO's interests with those of shareholders by increasing the value of the Group. If all vesting conditions are met and the Group's valuation is equal to or exceeds \$265m then all options can be exercised. The share options have an exercise price of \$2.22 and fully vested to 30 June 2008. The share options expire two years (or later if a compulsory escrow period is required) from the date of IPO or Trade Sale or if neither of these have occurred prior to 1 January 2010 then the expiry will be 1 January 2012.

Terms of an agreement with ninemsn Pty Ltd relating to the purchase of shares in the Group on 31 March 2006 granted ninemsn Pty Ltd share options in the Group. The exercise price of the options is \$4.25. The number of exercisable options is calculated, so that ninemsn Pty Ltd has the same equity interest in the Group based on the total number of shares on issue after the CEO options are exercised but before any additional ninemsn exercisable options are issued.

c) SUMMARIES OF OPTIONS GRANTED UNDER ESOP, CEO PLAN AND NINEMSN PTY LTD AGREEMENTS

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2011 No.	2011 WAEP \$	2010 No.	2010 WAEP \$
Outstanding at the beginning of the period	5,119,597	3.93	5,213,767	3.70
Granted during the period	2,000,000	22.50	118,750	9.82
Forfeited during the period	–	–	–	–
Exercised during the period	(832,800)	1.78	(189,716)	1.13
Expired during the period	–	–	(23,204)	4.25
Outstanding at the end of the period	6,286,797	10.12	5,119,597	3.93
Exercisable at the end of the year	3,901,797	3.56	4,537,272	3.05

The outstanding balance as at 30 June 2011 is represented by:

- 2,557,074 options over ordinary shares with an exercise of \$2.22, exercisable upon meeting the ESOP conditions and CEO Plan conditions;
- 945,384 options over ordinary shares with an exercise of \$4.25, exercisable upon meeting the ESOP conditions and CEO Plan conditions;
- 291,681 options over ordinary shares with an exercise price of \$7.50 to \$9.50 (WAEP of \$8.31), exercisable upon meeting the ESOP conditions;
- 355,000 options over ordinary shares with an exercise price ranging from \$10.00 to \$12.50 (WAEP of \$11.26), exercisable upon meeting the ESOP conditions;
- 47,658 options over ordinary shares with an exercise price of \$15.35, exercisable upon meeting the ESOP conditions.
- 90,000 options over ordinary shares with an exercise price of \$20.00, exercisable upon meeting the ESOP conditions.
- 2,000,000 options over ordinary shares with an exercise price of \$22.50, exercisable upon meeting the ESOP conditions.

d) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.11 years.

e) RANGE OF EXERCISE PRICE

The range of exercise prices for options outstanding at the end of the period was \$2.22 to \$22.50.

As the range of exercise prices is wide, refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

f) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of options granted during the year was \$0.72.

Notes to the Financial Statements

For the year ended 30 June 2011

20. SHARE BASED PAYMENT PLANS (CONTINUED)

g) OPTION PRICING MODEL: ESOP, CEO PLAN AND NINEMSN PTY LTD AGREEMENTS

The fair value of the equity settled share options granted under the ESOP, CEO Plan and ninemsn Pty Ltd agreements is estimated as at the date of grant using a Binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the period ended 30 June 2011:

	ESOP Post 1 July 2010	ESOP Pre 1 July 2010	CEO PLAN*
Dividend Yield (%)			
Years 0 to 3	–	–	–
Years 4 to 5	N/A	1.00	1.00
Years 6 to 7	N/A	1.50	1.50
Years 8 plus	N/A	2.00	2.00
Expected Volatility (%)	42.00	40.00	40.00
Expected life of Options (years)	3	4.98	5.97
Option Exercise price (WAEP) (\$)	22.50	6.33	2.74
Weighted average share price at measurement date (\$)	15.50	3.80	2.44

* inclusive of ninemsn Pty Ltd agreement

The expected volatility was determined by considering volatility for similar sized and industry listed companies. The expected volatility therefore reflects the assumption that the comparison volatility is indicative of future trends, which may also not necessarily be the actual outcome.

21. PARENT ENTITY INFORMATION

Information relating to iSelect Limited	2011 \$'000	2010 \$'000
Current assets	11,284	4,653
Non-current assets	41,633	33,559
Total Assets	52,917	38,212
Current liabilities	541	2,200
Non-current liabilities	12,073	13,262
Total Liabilities	12,614	15,462
Issued capital	36,581	20,095
Share based payments reserve	1,827	1,169
Retained earnings	1,895	1,486
Total shareholders' equity	40,303	22,750
Profit or loss of parent entity	409	208
Total comprehensive income of the parent entity	409	208

Directors' Declaration

In accordance with a resolution of the Directors of iSelect Limited (formerly iSelect Pty Ltd), I state that:

1. In the opinion of the Directors:
 - a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2011 and of their performance for the period ended on that date.
 - ii) complying with Accounting Standards and Corporations Regulations 2001.
 - b) 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. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board



Damien Waller
Chief Executive Officer & Managing Director

Melbourne
27 October 2011

Independent Auditor's Report

to the members of iSelect Limited



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Independent auditor's report to the members of iSelect Limited

Report on the financial report

We have audited the accompanying financial report of iSelect Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.



Opinion

In our opinion:

- a. the financial report of iSelect Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "Ernst & Young" in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be "Ashley Butler", written in a cursive style.

Ashley Butler
Partner
Melbourne
27 October 2011

Corporate Directory

DIRECTORS

Martin Dalgleish	Chairman
Damien Waller	Group Chief Executive Officer and Managing Director
Shaun Bonett	Non-Executive Director
Michael McLeod	Non-Executive Director
Pat O'Sullivan	Non-Executive Director
Leslie Webb	Non-Executive Director

COMPANY SECRETARY

Matt McCann

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

294 Bay Road
Cheltenham, Victoria 3192

BANKERS

ANZ Bank Limited
Level 3, 287 Collins Street
Melbourne, Victoria 3000

AUDITORS, ACCOUNTING AND TAXATION SERVICES

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

WEBSITE ADDRESS

www.iselect.com.au

DISCLAIMER

Although care has been taken by iSelect, its related companies and their contractors and agents (iSelect parties) in the preparation of this document to ensure that the information provided is accurate, the contents of the document have not been independently verified by the iSelect parties (other than to the extent that Ernst & Young have carried out verification).

No liability other than that which may not be excluded by law is accepted for any damage, loss, injury or expense caused by errors or omissions in this document or arising from any action taken by any person in reliance upon it.

The information in this document is subject to variation if changes occur after the document has been prepared.

Nothing in the contents (express or implied) of this document will be taken to constitute any warranty or representation by any iSelect party.

Any person using the information in this document does so at his or her own risk and should conduct independent enquiries to verify the accuracy of the information.

The contents of this document are the confidential information of iSelect and its related companies. This document is provided on the condition that the contents must not, in whole or in part, be disclosed to any person except to the extent that any part of the document is already in the public domain through no breach of this confidentiality obligation.

© 2011 All rights reserved. No part of this document may be reproduced, stored on a retrieval system or transmitted in any form or by any means without the prior written consent of iSelect Ltd, other than as permitted under the *Copyright Act 1968* (Cth).



iSelect Ltd

294 Bay Road
Cheltenham
Victoria 3192
Australia