



**The home of
comparison**

Annual Report 2012

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Driven by data Powered by people



Health



Car



Life



Broadband



Home Loans



Energy



Performance Highlights

FY12 was a year of strong growth for iSelect, with the business continuing to exceed expectations across a number of key metrics, including operating revenue, EBITDA and referred sales

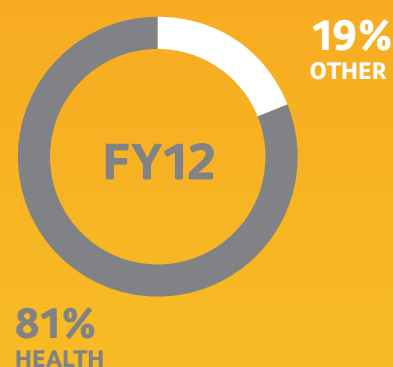
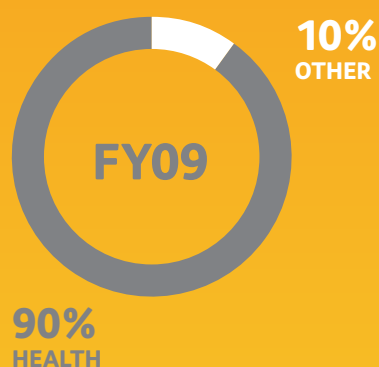
Strong revenue growth trajectory continued in FY12 (\$m)



Market share gains and lead conversion uplift saw strong FY12 EBITDA growth (\$m)



Revenue diversity underpinned by growth in new business launches



The performance of our Health business was a key standout in FY12, contributing heavily to our overall result. The resilience of this business was very pleasing, especially amidst the market volatility generated by means testing of the Private Health Insurance Rebate.

Similarly, consumer response to our FY11 launch businesses remained strong, with year one results for both Home Loans and Broadband reflecting a measurable contribution to FY12 group revenue.

The diversification of our business gained further momentum throughout the year with the launch of iSelect Energy, earning itself the label of 'most successful new iSelect business since inception'. We also commenced the integration of our first acquisition, InfoChoice, into the iSelect group over the period. This business is showing great promise following a website redesign which will better harness its strong organic website traffic.

Operational performance gains were achieved by maintaining a strong focus on the optimisation of online and offline sales channels and ensuring the efficiency of these channels through major data-driven initiatives aimed at lifting lead conversion to new heights.

Our team grew from 307 to 426 during FY12 as we continued to increase scale across our businesses in response to strong consumer demand. To accommodate this growth we completed the move to a purpose-built iSelect campus in the Melbourne suburb of Cheltenham.

Operational Performance

2012 was a year of significant operational achievement. Revenue and profitability continued their strong growth trajectory, underpinned by a great year in Health

2012 saw insurance referred sales increase by more than 30% versus previous year.

This outstanding result was driven by an increased focus on targeted marketing activities and projects aimed at improving efficiency.

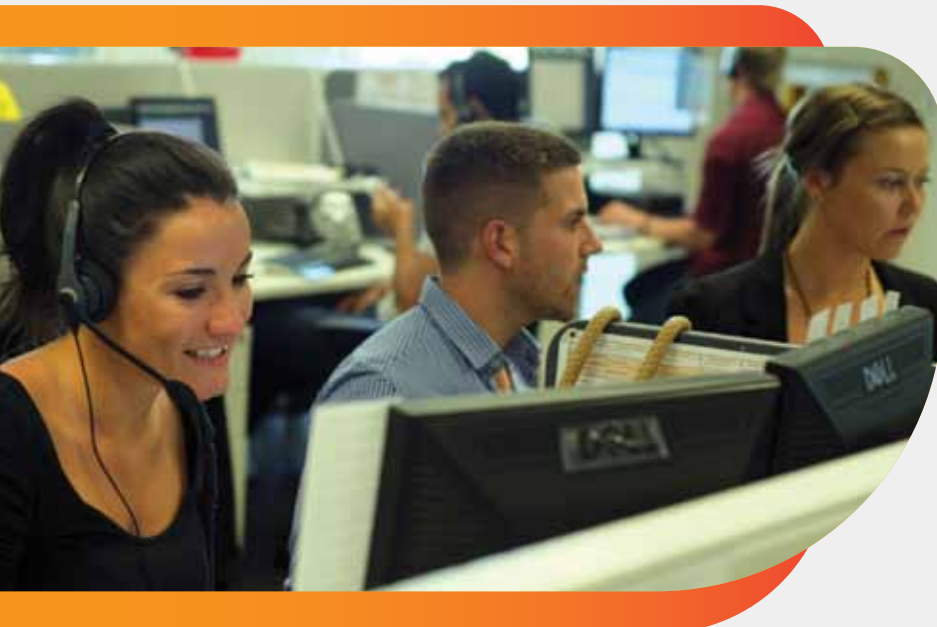
Health continued to perform very strongly, setting a second half sales record. Our focus on innovative channel and lead optimisation projects over the year saw a strong uplift in sales lead conversion. The benefits gained in this area during 2012 will be consolidated in 2013 with a key focus on deep data analysis, aimed at driving further optimisation of conversion over the coming year.

Strategic marketing initiatives focused on building the iSelect brand and providing cross-business benefits saw our prompted brand awareness remain strong in the Health Sector at 69%. Similar results are now being achieved in motor insurance, with iSelect achieving 80% prompted brand awareness.

The launch of Energy was the most successful new iSelect business launch since Health Insurance in 2000. This business achieved approximately 3,000 sales per month within three months of launch. Strong consumer appetite for our new service offering was driven by media coverage of rising energy prices and the Federal Government's introduction of a tax on carbon.

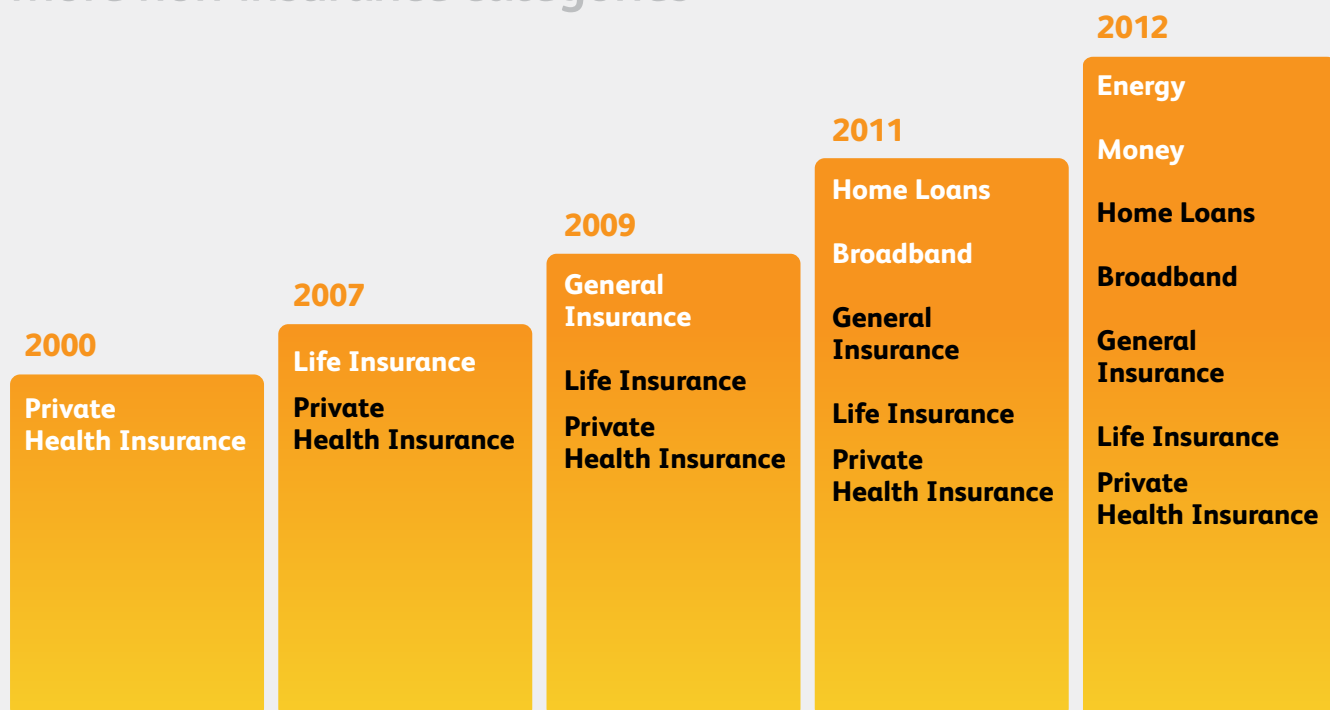
Our robust panel of suppliers, including two of the three major national energy providers, will drive sustained growth of this business over the medium term.

The acquisition of InfoChoice was completed in Q2, with significant progress made on integrating this business into the iSelect group. A rebrand of the InfoChoice visual identity was completed in Q4, including a website redesign aimed at broadening the appeal of InfoChoice outside of its installed customer base.



Strategy

iSelect continued to leverage its position in insurance to move into more non-insurance categories



FY12 saw iSelect deliver against its strategic objective of diversification through organic growth and acquisition, as we continued to build the 'home of comparison' for Australian consumers. The strong FY11 performance in our insurance categories provided us with scope to continue launching new businesses (iSelect Energy), and complete our first acquisition (InfoChoice).

Over the period we continued to leverage our brand, technology and people to deliver the right consumer to the right product in a more effective manner. Our strategic point of differentiation in the Australian comparison sector, 'full-advice comparison', saw us maintain and consolidate our market-leading position as we continued to receive praise from consumers and product suppliers alike.



Chairman's Message

FY12 was a landmark year for iSelect, characterised by sustained growth across the business and a continued focus on diversification and innovation

Our track record of results over the last four years has been compelling, with a revenue CAGR* of 61% (FY09 to FY12) and an EBITDA CAGR of 135% (FY09 to FY12). This strong performance has seen our share price increase from \$4.25 in 2006 to \$18.50 in 2012, representing a 6 year Total Shareholder Return (TSR) of 335%.

We were pleased with the first full-year performance of our 2011 launch categories which have highlighted the strength of the iSelect business model and our ability to compete in new markets.

This, combined with the continued integration of InfoChoice into the iSelect stable, saw us move several steps closer to achieving our long term strategic objective of business diversification.

The ongoing strength of our Health business enabled us to continue investing in new launch categories during FY12, which as highlighted last year, will allow iSelect to develop its breadth of expertise and better position us for sustained growth over the medium to long term.

The standout performance of iSelect Energy since launch in Q3 highlighted the receptive nature of the market to our unique comparison and sales methodology.

Our continued investment in the iSelect brand saw us reach these new target markets with even greater confidence, following the development and launch of additional executions of the 'Mr iSelect' creative platform.

Innovation across our entire business was a key focus over the period, aimed at unlocking previously untapped potential in our more established businesses while super-charging the initial growth phase of our new launch categories.

Our investment in "Big Data" continues and has been a significant focus as part of my new role, and is a source of new opportunity and profit growth within the business. Particular focus is being given to projects that deliver significant incremental revenue and profit straight to bottom line.

The integration of InfoChoice (the market leader in financial product comparison) into the iSelect group of companies has catapulted our business into a range of new financial services categories, with early results showing great promise. Our business is now the leader in both financial and insurance comparison – both markets are enormous and represent significant opportunity for the Group. Our ability to successfully execute a strategic acquisition and then consolidate this via a smooth integration process has us well positioned to consider other strategic acquisitions over the long term.

The sustained growth of our business over the period necessitated a move to purpose-built premises in Cheltenham. With the move now complete, our new home has proven extremely popular with both our people and visitors alike and includes room for expansion. The productivity benefits of creating a work environment that meets the needs of our people and dovetails with our unique culture are immeasurable.

My move to the role of Executive Chairman in early calendar 2012 and the appointment of Matt McCann to the role of Chief Executive Officer has proven extremely positive for the organisation. These leadership changes have enabled me to focus on key strategic projects vital to the continued growth and efficiency of the organisation. Similarly, Matt McCann's sound management of the organisation post-transition gives me every confidence the company is in safe hands moving forward.

Revenue growth (FY09 to FY12) (\$m)

↑ 60%
FY09–FY12 CAGR*

FY12	\$111.9
FY11	\$72.4
FY10	\$43.5
FY09	\$27.1

EBITDA growth (FY09 to FY12) (\$m)

↑ 135%
FY09–FY12 CAGR*

FY12	\$24.1
FY11	\$17.4
FY10	\$9.3
FY09	\$1.8

I'd like to thank my fellow board colleagues, Matt McCann and the entire executive team for their significant and tireless contribution to iSelect over the 2012 financial year.

It is their hard work and the combined efforts of our 426 talented people that have seen iSelect maintain and consolidate its position as Australia's leading provider of comparison and choice for Australian consumers.

I look forward with great anticipation to the year ahead, which I have no doubt will be one of our most successful and exciting thus far.

Best Regards,



Damien Waller
Executive Chairman



CEO's Report

I am pleased to provide my first report as Chief Executive Officer of iSelect, in what has been the most successful year in our 12 year history

Key Highlights

Consolidated Revenue (\$111.9m up 55% on FY11)

EBITDA (\$24.1m up 39% on FY11)

Consolidated Insurance Referred Sales (132k up 34% on FY11)

Successful launch of iSelect Energy (our seventh comparison category)

Acquisition and integration of InfoChoice

Completed move to new "purpose-built" facilities in Cheltenham

The 2012 financial year has seen the business continue to grow strongly. This continued growth has been underpinned by another strong year in our health insurance business and promising signs from our new business units.

PRIVATE HEALTH INSURANCE

iSelect's influence on the private health insurance market increased further in FY12, with our market share increasing to approximately 20–25% of all Australian private health insurance sales (prior to the impact of Federal Government changes to the Private Health Insurance Rebate).

Analysis conducted during the year demonstrated that iSelect was delivering a more tailored group of consumers to its partner funds. Our ability to ensure consumers purchased products that were better suited to their personal needs resulted in sustained consumer loyalty to that fund, when compared to consumers who went directly to a health fund. The analysis also demonstrated that iSelect was still the most cost-effective volume channel for private health insurance funds to grow their membership base.

HOME OF COMPARISON

While health insurance remains our strongest business unit, significant progress has been made during FY12 on expanding our total consumer offering. In particular, our move into the electricity and gas comparison market has proven to be our most successful new business launch to-date and represents a significant step toward fulfilling our strategic objective of becoming the "home of comparison" for Australian households.

As the internet moves closer to becoming the most pervasive channel for Australian consumers seeking to understand and compare products that impact their household budget, iSelect sees its role as one of information provider, adviser and purchase simplifier.

Over 130,000 Australian households benefited from our services during FY12. This demonstrates the strength of our consumer offering and with an estimated 9 million households in Australia in 2012-13, the growth potential of iSelect is clear.

BIG DATA

Over the past three years, iSelect has invested in and developed a core competency in the analysis of enormous quantities of data from across the business. "Big Data" as it is known, is a major opportunity for all commercial enterprises over the next decade.

As a result of our Chairman's decision to invest in this area three years ago, iSelect is now at the forefront of this new paradigm. Our recent business results and growth are reflective of the significant dividends that can be achieved by understanding our consumer in far greater detail, which at its core is the purpose of "Big Data".

This understanding has allowed iSelect to tailor purchase experiences to those favoured by our various customer segments. This has significantly increased our ability to better service our customers and thereby increase our lead conversion rates. As a result, we have bolstered our intellectual property portfolio this year with three applications related to our innovation in this area.



In FY12, these innovative developments have been focused solely on our health insurance business, however over the next 12 months these innovations will also be rolled out to our other comparison categories.

PUBLIC COMPANY

FY12 represented our first full year of trading as a public company. Over the year we continued to improve our systems and infrastructure to support this change in corporate structure. Separately, we continued to assess the possibility of listing on the Australian Securities Exchange.

INFOCHOICE

One of our major achievements this year has been the completion of the InfoChoice acquisition. By acquiring this business, iSelect is now the clear Australian market-leader in insurance and financial services comparison.

This strategic acquisition has provided iSelect with the ability to bring its advisory and sales infrastructure to bear on the InfoChoice brand and audience in the financial services category. The integration of Health Insurance and Home Loans into InfoChoice is now complete with Car and Life Insurance to follow.

The completion of this acquisition demonstrates the ability we have developed to successfully undertake and complete sizeable acquisitions and integrate them into the iSelect group. We will continue to assess opportunities in this area as they arise.

PEOPLE

During the year we also made some important additions to the iSelect Executive Team. From within our internal talent pool we appointed Joanna Thomas to the role of Sales and Operations Director and Trevor Jeffords to the role of General Counsel and Company Secretary.

From outside the organisation, Elise Morris was appointed as Human Resources Director and David Chalmers was appointed as Chief Financial Officer. We were also pleased to welcome back Roger McBride who returned to iSelect in the role of Marketing Director.

With the addition of Elise Morris to the Executive Team, we have increased the level of investment directed towards the growth and development of our people. This has included the introduction of the 'Live Well Programme', aimed at improving the health and wellbeing of our 426 talented people.

EVENTS SUBSEQUENT

The most notable event subsequent to FY12 was the September placement of \$28.9 million of new equity with a range of Australian institutions. We were very pleased with the response from the funds we presented to, which saw the offer oversubscribed, and the addition of several major Australian institutions to our register.

We will continue to assess the condition of Australian capital markets throughout FY13 and will communicate any developments to you in due course.

BUSINESS OUTLOOK

Our business outlook remains extremely positive as we work to consolidate this year's strong result and drive sustained levels of performance and efficiency from both our established and newly launched business units in FY13.

Lastly, I would like to personally thank the Board and in particular, Damien Waller for making my first nine months as Chief Executive so rewarding. Damien's support and guidance since the February leadership transition has been truly humbling and I look forward with great optimism to all we will achieve together in FY13 and beyond.

Best Regards,

Matt McCann
Chief Executive Officer

Board Members



1.

1. DAMIEN WALLER

Executive Chairman

Damien is the Executive Chairman and co-founder of iSelect.

Since 2000, Damien has worked to build iSelect into Australia's leading provider of better solutions for Australian consumers.

Prior to founding iSelect, Damien worked for pre-eminent stockbroking and investment banking house, Goldman Sachs JBWere. Prior to this, Damien worked for several large corporations including General Motors Holden.

Damien holds tertiary qualifications in both Engineering (Honours) and Law from Monash University, plus post graduate qualifications in Applied Finance and Investment from the Securities Institute of Australia. Damien is a fellow of the FINSIA (the Financial Services Institute of Australasia).

2. MATT MCCANN

Chief Executive Officer

Matt was appointed as Chief Executive Officer of iSelect in January 2012, overseeing the day to day operations of the iSelect group of companies and became a Board Director in February 2012.

Matt joined iSelect in 2008 as Corporate Development Director to drive iSelect's group strategy, including M&A and Corporate Finance. In this role, Matt was responsible for expanding the iSelect consumer offering via the launch of new business categories and for attracting additional investment to support the continued growth of the company.



2.

In 2011 Matt lead the successful acquisition of InfoChoice, and the continued development of the iSelect management team. Matt was appointed to the iSelect board in September 2010 as Company Secretary.

Matt has 15 years of strategy, M&A, corporate finance, legal and operational experience in early stage, high growth companies. Prior to joining iSelect, Matt spent a decade in the UK, developing and running start-up technology and media businesses. Before leaving the UK, Matt was the Commercial & Strategy Director of British Telecom Plc's mobile TV business unit – Movio.

Prior to this, he was the Business Affairs Director and Company Secretary for Shazam Entertainment Limited, where he was responsible for commercial and corporate strategy, and international development (including fundraising and investor relations).

Matt holds a Bachelor of Laws and trained at the international law firm Allens Arthur Robinson. He is admitted to practice in the Supreme Court of Victoria and the Federal and High Courts of Australia.



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3. SHAUN BONETT

Non-Executive Director

Shaun was appointed to the iSelect Board on 1 May 2003. Shaun founded (in 1994) and is the Chief Executive Officer of the Precision Group, an investor, developer and financier of retail and commercial property across Australia. Precision owns over A\$1 billion dollars of commercial assets in Australia and has diversified its business into financial services and private equity investments, primarily in the IT and health sectors.

Shaun is a qualified lawyer and Barrister and Solicitor of the High Court of Australia and previously held various corporate advisory roles. He is also a member of the Australian Institute of Company Directors and Young Presidents' Organisation.

4. MIKE MCLEOD

Non-Executive Director

Mike was appointed to the iSelect Board on 4 September, 2009. Mike has over 30 years experience in the insurance industry with both insurance companies and insurance brokers.

Previously CEO of Australian Health Management (ahm), Mike has headed other companies including Australasian Medical Insurance Limited (UMP), Australia's largest medical indemnity insurer and prior to that was CEO of Willis Coroon / Richard Oliver (WCRO), the Australian subsidiary of the world's 4th largest insurance broking and risk consulting group.

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He has served on several industry association boards including the National Insurance Brokers Association (NIBA) and as a director of the Australian Health Insurance Association.

Mike currently holds the following Non-Executive directorships:

Chairman of Integral Energy, Chairman of Eftpos Payments Australia Limited and Director of the advisory board of the Faculty of Commerce of the University of Wollongong.

5. PAT O'SULLIVAN Non-Executive Director

Pat was appointed to the iSelect Board on 22 September, 2010. Pat's professional experience includes CFO of the PBL Media Group from 2007 to 2012. Prior to that he was COO of PBL, a position he has held since February 2006. Before joining PBL, Pat was the CFO of Optus, a position he held for over three years with responsibility for the company's financial affairs including corporate finance, taxation, treasury, risk management, procurement and property.

Previously, Pat held a number of positions at Goodman Fielder, Burns Philp and Company Limited and PwC.

Pat is currently a member of The Institute of Chartered Accountants in Ireland and The Institute of Chartered Accountants in Australia, and is a graduate of the Harvard Business School's Advanced Management Programme.

6. LESLIE WEBB Non-Executive Director

Leslie was appointed to the iSelect Board on 14 February 2001. He is a Barrister of the Supreme Court of New South Wales, Barrister and Solicitor of the Supreme Court of Victoria and Barrister and Solicitor of the High Court of Australia.

Leslie has consulted extensively to both publicly listed and unlisted public companies in the information technology and biotechnology industries on corporate and financial planning, intellectual property, corporate governance and strategic planning issues. In his role as a consultant he has been actively involved in advising on the globalisation of Australian companies.

Leslie was previously a director of ASX listed biotechnology company Gradipore (now Life Therapeutics Ltd) and is currently Non-Executive Chairman of Stem Cell Sciences Ltd in Australia and a Non-Executive Director of Stem Cell Sciences plc (listed on the London Alternative Investment Market) and Generic Health Pty Ltd.

7. GREG CAMM Non-Executive Director

Greg was appointed to the iSelect Board on 20 August 2012 and has over 40 years experience in financial services, across both mutual and for-profit organisations.

Greg started his career in the credit union movement at PTTA (Vic) Credit Co-op – which later became Telecom Credit Union. From there Greg moved to the Victorian Credit Co-op Association. He later served as a Director and Chairman of Waverley Credit Union.

After leaving the credit union movement, Greg worked in mortgage insurance and securitisation, before joining the ANZ Banking Group in 1989.

Greg was with ANZ for 16 years. His roles included General Manager, CEO's Office, Managing Director of the Mortgage Division, Managing Director of ANZ New Zealand and Managing Director of Australian Retail Banking.

Greg returned to New Zealand as Managing Director of AMP Financial Services (New Zealand) in 2005.

From 2007 to 2012, Greg held the position of Chief Executive Officer at Superpartners Ltd, Australia's largest superannuation administrator.

Greg holds an MBA from the University of Melbourne and a Bachelor of Business from Monash University. He is a Trustee of the Australian Cancer Research Foundation.

Executive Team



1. MATT MCCANN Chief Executive Officer

Matt was appointed as Chief Executive Officer of iSelect in January 2012, overseeing the day to day operations of the iSelect group of companies and became a Board Director in February 2012.

Matt joined iSelect in 2008 as Corporate Development Director to drive iSelect's group strategy, including M&A and Corporate Finance. In this role, Matt was responsible for expanding the iSelect consumer offering via the launch of new business categories and for attracting additional investment to support the continued growth of the company. In 2011 Matt lead the successful acquisition of InfoChoice and the continued development of the iSelect management team. Matt was appointed to the iSelect board in September 2010 as Company Secretary.

Matt has 15 years of strategy, M&A, corporate finance, legal and operational experience in early stage, high growth companies. Prior to joining iSelect, Matt spent a decade in the UK, developing and running start-up technology and media businesses. Before leaving the UK, Matt was the Commercial and Strategy Director of British Telecom Plc's mobile TV business unit – Movio.

Prior to this, he was the Business Affairs Director and Company Secretary for Shazam Entertainment Limited, where he was responsible for commercial and corporate strategy, and international development (including fundraising and investor relations).

Matt holds a Bachelor of Laws and trained at the international law firm Allens Arthur Robinson. He is admitted to practice in the Supreme Court of Victoria and the Federal and High Courts of Australia.

2. DAVID CHALMERS Chief Financial Officer

David was appointed as Chief Financial Officer of iSelect in August 2012 and maintains overall responsibility for iSelect's finance and administration functions, having joined the organisation in February 2012 to lead iSelect's Corporate Development team.

Before joining iSelect, David was head of Corporate Strategy and M&A for DuluxGroup. Prior to this he held corporate finance and private equity management roles of increasing responsibility with Macquarie Group. During his time at Macquarie, David took a lead role in developing Macquarie Capital's private equity business in Asia.

David has over 15 years experience across all areas of corporate finance, investment banking and mergers and acquisitions. He holds a Bachelor of Commerce (Hons) from the University of Melbourne and a Masters of Business Administration from INSEAD.

3. TREVOR JEFFORDS General Counsel and Company Secretary

Trevor joined iSelect in 2010 and holds the position of General Counsel and Company Secretary with responsibility for legal, compliance and risk.

Trevor has over 12 years legal experience and prior to joining iSelect, worked for Freehills in Melbourne and Eversheds in London, advising primarily on corporate and commercial matters.

Trevor holds a Bachelor of Laws (Hons) and Bachelor of Information Technology and is admitted to practice in the Supreme Court of Victoria.

4. ELISE MORRIS Human Resources Director

Elise joined iSelect in February 2012 and leads iSelect's People function.

Prior to this, Elise held human resources roles of increasing responsibility for over a decade within some of Australia's most well-recognised companies including Seek Limited and Pacific Brands. During her career, Elise has also held senior management positions within various multi-national corporations including the UK-based confectionery manufacturer Cadbury and its parent company Kraft Foods.

Elise holds a Bachelor of Business (Marketing), a Master of Management from Monash University and post-graduate qualifications in psychology.



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5. ROGER MCBRIDE

Marketing Director

Roger first joined iSelect in 2004 as Marketing Manager and over the years has been a driving force behind the strategic development of the iSelect brand in Australia.

Today, Roger directs all Marketing operations at iSelect and brings extensive experience and a record of success in innovative marketing including B2B and B2C across online and integrated media and business landscapes.

Prior to iSelect Roger held various senior marketing and innovation roles across a number of large national and multinational corporations, leading the development and marketing of globally recognised and iconic brands such as Sensis, Pacific Access, Thomson Reuters and Ford Motor Company.

Roger holds a Bachelor of Business (Marketing) from Monash University.

6. CHRIS BILLING

Customer Strategy and Initiatives Director

Chris joined iSelect in 2009 and leads the Customer Strategy and Initiatives team who are responsible for the continuous improvement of our customers' online experience.

Before coming to iSelect, Chris held various senior management positions with REA Group, Uecomm, TeleDenmark and Sensis. He has 18 years strategy, product management and marketing experience with online and IT companies.

Chris holds a Bachelor of Business and a Masters of Marketing.

7. JO THOMAS

Sales and Operations Director

Jo joined iSelect in 2008 and maintains responsibility for the operational activities of each iSelect business vertical.

With over a decade of experience in leading large sales teams and operating divisions, Jo has worked with some of Australia's largest companies including Telstra, Citibank, Metlife, Vodafone, Westpac and TRUenergy.

Jo holds a Bachelor of Communication Studies from Auckland University and a Master of Business Administration from Monash University.

8. DANIEL BIGNOLD

Executive General Manager (Health & General Insurance)

Daniel joined iSelect in 2010 and holds the position of Executive General Manager – Health and General Insurance. Daniel has 16 years sales, marketing and management experience spanning Asia-Pacific, Europe and North America. During that time he has worked with numerous IT and online businesses including IBM, TrakHealth and realestate.com.au.

Prior to joining iSelect, Daniel was the Head of Residential at realestate.com.au.

Daniel holds a Bachelor of Economics and a Masters of Commerce.

Corporate Governance Report

iSelect Limited and its controlled entities (the 'Group') and its Board of Directors, are committed to maintaining the highest standards of corporate governance. The Board continues to review the Group's corporate governance framework, policies and practices to ensure they meet the interests of shareholders and other stakeholders and to ensure that its best practice approach to corporate governance is sustained.

This report sets out the Group's corporate governance practices for the financial year ended 30 June 2012.

1. COMPOSITION OF THE BOARD

Damien Waller
Managing Director/Executive Chair –
elected to Executive Chair on 16 March 2012

Matthew McCann
Chief Executive Officer – appointed
7 February 2012

Martin Dalglish
Chair, independent and Non-Executive
Director – resigned 16 March 2012

Shaun Bonett
Independent and Non-Executive Director

Michael McLeod
Independent and Non-Executive
Director – resigned with effect from
30 November 2012

Leslie Webb
Independent and Non-Executive Director

Patrick O'Sullivan
Non-Executive Director

Greg Camm
Independent and Non-Executive Director –
appointed 20 August 2012

Profiles of each Director are presented
on page 8 and 9.

Patrick O'Sullivan is regarded as a non-independent Director due to his relationship with Ninemsn Pty Ltd. The Group defines independent as either independent of the executive management and of the business, or independent of another material relationship that could impact the Director's ability to act impartially in the Group's best interests.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective;
- the size of the Board is conducive to effective discussions and efficient decision-making; and
- the individual performance of both the executive and Non-Executive Directors is reviewed on an annual basis.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chair is required.

GROUP SECRETARY

With effect from 7 February 2012, Matthew McCann resigned as Company Secretary and Trevor Jeffords was appointed.

2. BOARD FUNCTIONS AND RESPONSIBILITIES

The Board has ultimate responsibility for setting policy regarding the business and affairs of the Group and its subsidiaries for the benefit of the shareholders and other stakeholders, and is accountable to shareholders for the performance of the Group.

The Directors are committed to the principles underpinning best practice corporate governance. This commitment is complemented by an organisational commitment to the highest standards of ethical behaviour.

The following summarises the Board's main functions and responsibilities:

- Setting budgets, plans and policies and the strategic direction of the Group.
- Reviewing and monitoring procedures to ensure compliance with applicable laws, regulations, accounting standards, ethical standards and business practices.
- Approving the Group's risk management framework.
- Reviewing and monitoring the implementation of the Group's risk management framework and internal compliance controls.
- Approving the remuneration of the CEO and the Group's remuneration and reward framework.
- Evaluating the performance of the CEO.
- Monitoring performance against corporate strategies, budgets, plans and policies.

In carrying out its duties, the Board meets formally at least six times a year, with additional meetings held as required to address specific issues. Directors may also participate in the meetings of the Board Committees, which assist the full Board in examining particular areas or issues. The Board delegates management of the Group's resources to the Managing Director/ Executive Chair and the CEO, who are assisted by the executive team, to deliver the strategic direction and achieve the goals determined by the Board.

3. BOARD COMMITTEES

The Board has established three standing Committees – the Audit & Risk Committee, the Remuneration Committee and the Nominations Committee.

AUDIT & RISK COMMITTEE

Patrick O’Sullivan (Chair)
 Michael McLeod
 (resigned on 1 July 2012)
 Shaun Bonett
 Martin Dagleish
 (resigned on 16 March 2012)
 Functions include:

- reviewing financial statements
- reviewing annual audit arrangements (internal and external)
- reviewing activities of external auditors
- reviewing the independence and remuneration of the external auditor
- reviewing processes for identifying, managing and reporting both financial and non-financial business risks

REMUNERATION COMMITTEE

Leslie Webb (Chair)
 Shaun Bonett (appointed March 2012)
 Martin Dagleish
 (resigned on 16 March 2012)

Functions include:

- reviewing remuneration, allowances and incentives of the CEO
- reviewing and ratifying Senior Executive remuneration, allowances and incentives
- reviewing and approving the design of all equity-based plans including eligibility criteria, performance hurdles and proposed awards
- reviewing and approving the budget and guidelines for the annual performance and salary review processes

NOMINATIONS COMMITTEE

Damien Waller (Chair)
 Shaun Bonett
 Martin Dagleish (Chair)
 (resigned on 16 March 2012)

Functions include:

- reviewing and making recommendations to the Board regarding the structure, size and composition of the Board and the effectiveness of the Board as a whole
- identifying suitable candidates (executive and non-executive) to fill Board vacancies as and when they arise and nominating candidates for the approval of the Board
- giving consideration to appropriate Board succession planning

4. CONFLICTS OF INTEREST

Directors must keep the Board advised of any interest that could potentially conflict with those of the Group.

Each Director is obliged to notify the other Directors of any material personal interest they may have in a matter that relates to the affairs of the Group.

A Director who has, or may be perceived to have, a material conflict in a matter before the Board does not participate in discussions on the particular matter and must abstain from voting on the matter.

5. RISK MANAGEMENT

The Group places a high priority on risk identification and management throughout all its operations, and has processes in place to review their adequacy.

The Group's risk management framework includes:

- processes to identify the business risks (both financial and non-financial) applicable to each area of the Group's activities and the maintenance of a specific framework that prioritises and monitors the mitigation of those risks; and
- regular reporting to the Audit & Risk Committee and the Board.

The Board approves the Group's risk management framework and internal compliance controls, reviews the Group's wider risk profile and oversees implementation of risk management, policies and systems.

The Audit & Risk Committee reviews the adequacy of financial controls, monitors relevant legal and regulatory requirements and oversees the identification, management and reporting of business risks by management.

Executive management identifies and provides the Board with the key business financial risks that could prevent the Group from achieving its objectives. It ensures that appropriate controls are in place to effectively manage those risks.

Ernst & Young are the Group's independent external auditors in accordance with section 327 of the Corporations Act 2001.

Below are some of the key risks identified and managed by the Group.

A. FINANCIAL RISK

The Group has limited exposure to financial risks.

The Group does not use derivative financial instruments. 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 and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed, including monitoring levels of exposure to interest rate risk and assessments of market forecast for interest rates. Ageing analysis 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.

B. COMPLIANCE RISK

The Group recognises the importance of compliance with relevant legislative and regulatory requirements.

In accordance with regulatory requirements, the annual AFSL audits for the Life Insurance, InfoChoice and General Insurance businesses have been successfully completed. The Group's auditors have provided unqualified opinions in respect of the 2012 financial year.

C. ENVIRONMENTAL OCCUPATIONAL HEALTH AND SAFETY RISK

The Group recognises the importance of environmental occupational health and safety issues and has undertaken a comprehensive audit and training of staff to ensure compliance to applicable standards.

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Directors' Report

The Directors of iSelect Limited and its controlled entities (the 'Group') submit herewith its financial report in respect of the year ended 30 June 2012. iSelect Limited was incorporated on 7 March 2007 and is the holding Company for the iSelect Group, comprising health, life and general insurance sales, mortgage brokerage and media and finance referral services.

DIRECTORS

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

Damien Waller	Managing Director/Executive Chairman (elected to Executive Chairman on 16 March 2012)
Matthew McCann	Chief Executive Officer – appointed 7 February 2012
Martin Dalgleish	Non-Executive Chairman – ceased 16 March 2012
Shaun Bonett	Non-Executive Director
Leslie Webb	Non-Executive Director
Michael McLeod	Non-Executive Director
Patrick O'Sullivan	Non-Executive Director
Greg Camm	Non-Executive Director – appointed 20 August 2012

COMPANY SECRETARY

Trevor Jeffords	Appointed – 7 February 2012
Matthew McCann	Ceased – 7 February 2012

PRINCIPAL ACTIVITIES

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

DIVIDENDS

The Directors do not recommend the payment of a dividend for the current year (2011: nil). No dividends have been paid during the financial year, or to the date of this report.

REVIEW OF OPERATIONS

The Group achieved a net profit after tax for the year ended 30 June 2012 of \$12,929,000 (2011: \$10,657,000).

This financial report reflects the financial performance of the consolidated Group from 1 July 2011 to 30 June 2012 and the financial position of the consolidated Group at 30 June 2012.

ENVIRONMENTAL REGULATIONS

Given the nature of its business the Group 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 Group 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 \$48,000 to insure the Directors, secretary and executive officers of the Group.

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

In March 2012, Bupa Australia Pty Ltd issued legal proceedings against iSelect in the Federal Court, which are due to be heard at trial in 2013. In October 2012, Bupa Australia joined two iSelect Directors, Damien Waller and Matthew McCann to the proceedings. iSelect intends to vigorously defend the allegations which relate to alleged misleading and deceptive advertising. iSelect has also brought its own cross claim against Bupa Australia Pty Ltd and its Managing Director for misleading and deceptive conduct.

No other 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

On 19 August 2011, iSelect Limited announced an off-market takeover bid for all of the shares of InfoChoice Limited for total consideration of \$33.538 million. On 14 November 2011, iSelect Limited acquired InfoChoice Limited in an off-market takeover.

On 3 November 2011 iSelect moved into its new premises on 294 Bay Road, Cheltenham.

In the opinion of the Directors, other than the above, 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 REPORTING DATE

On 20 August 2012, the repayment date of the \$35 million of current borrowings with Goldman Sachs Lending Partners LLC (Facility Agent) & Goldman Sachs & Partners Australia Capital Markets Limited (Arranger) ("Goldman Sachs") was extended by agreement under normal commercial terms to 17 December 2012.

On 28 September 2012 and 5 October 2012, a total of \$28.829 million was raised through the issue of 1,558,351 shares at \$18.50 a share to institutional and sophisticated investors. These funds were used to repay \$20.729 million of the current borrowings with Goldman Sachs.

On 30 October 2012, a new \$25 million facility was entered into with Credit Suisse AG under normal commercial terms, with a repayment date of 20 December 2013. It is the Director's intention to draw down on this facility on 1 November 2012, subject to certain procedural conditions being met. On this date, it is the Director's intention to then fully repay the remaining current borrowings of \$14.271 million to Goldman Sachs.

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 the 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 Group'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 Group.

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 Group in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18 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	
	2012	2011
	\$	\$
Other Services:		
– tax compliance	44,700	47,800
– assurance related	33,500	25,650
– due diligence	65,000	94,615
– capital and fund raising	79,000	58,674
– regulatory compliance	36,000	26,400
Total	258,200	253,139

REGISTERED OFFICE

294 Bay Road, Cheltenham Victoria 3192

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



Damien Waller
Executive Chairman

Melbourne
30 October 2012

Auditor's Independence Declaration

to the Directors of iSelect Ltd



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Melbourne VIC 3000 Australia
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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 2012, 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.


Ernst & Young


Ashley Butler
Partner

Melbourne
30 October 2012

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 \$ '000	2011 \$ '000
Sales revenue	5	111,928	72,442
Cost of sales		(56,970)	(36,026)
Gross Profit		54,958	36,416
Other income		83	24
Share based payments expense	22	(557)	(658)
Administrative expenses	5	(29,955)	(16,604)
Relocation costs	5	813	(1,592)
Acquisition costs	5	(1,260)	(217)
Profit before interest, tax, depreciation and amortisation		24,082	17,369
Amortisation	5	(2,069)	(617)
Depreciation	5	(1,985)	(2,568)
Profit before interest and tax		20,028	14,184
Interest revenue		875	841
Interest expense	5	(1,770)	–
Profit before tax		19,133	15,025
Income tax expense	6	(6,204)	(4,368)
Profit for the period		12,929	10,657
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to owners of the Group		12,929	10,657

Consolidated Statement of Financial Position

as at 30 June 2012

	Notes	2012 \$ '000	2011 \$ '000
Assets			
Cash and cash equivalents	7	20,012	17,499
Trade and other receivables	8	15,338	5,111
Net present value of future trail commission	9	26,534	20,239
Other assets	10	1,160	1,053
Total current assets		63,044	43,902
Net present value of future trail commission	9	64,925	41,241
Property, plant and equipment	11	9,380	1,969
Intangible assets	12	37,048	3,678
Total non-current assets		111,353	46,888
Total assets		174,397	90,790
Liabilities			
Trade and other payables	13	21,246	9,520
Provisions	14	4,232	3,423
Borrowings	15	35,000	–
Other		313	–
Total current liabilities		60,791	12,943
Provisions	14	2,858	183
Net deferred tax liabilities	6	17,742	11,321
Total non-current liabilities		20,600	11,504
Total liabilities		81,391	24,447
Net assets		93,006	66,343
Equity			
Issued capital	16	49,759	36,582
Share based payments reserve		2,384	1,827
Business combination reserve		5,571	5,571
Retained earnings		35,292	22,363
Total Equity		93,006	66,343

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 \$ '000	2011 \$ '000
Receipts from customers		80,925	53,532
Payments to suppliers and employees		(81,287)	(56,791)
Net cash flows from/(used in) operating activities	7	(362)	(3,259)
Interest received		875	841
Purchase of property, plant and equipment		(8,456)	(1,562)
Purchase of investment	4	(31,348)	–
Purchase of intangible assets		(4,948)	(2,445)
Net cash flows from/(used in) investing activities		(43,877)	(3,166)
Proceeds from issue of shares		13,177	16,486
Proceeds from borrowings		35,000	–
Interest paid		(1,425)	–
Net cash flows from/(used in) financing activities		46,752	16,486
Net increase/(decrease) in cash and cash equivalents		2,513	10,061
Cash and cash equivalents			
– at the beginning of the period		17,499	7,438
– at the end of the period	7	20,012	17,499

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Notes	Share based payment reserve \$ '000	Issued Capital \$ '000	Business combination reserve \$ '000	Retained Earnings \$ '000	Total \$ '000
Balance at 1 July 2011		1,827	36,582	5,571	22,363	66,343
Profit for the period		–	–	–	12,929	12,929
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the period		–	–	–	12,929	12,929
Transactions with owners in their capacity as owners:						
Share based payment expense		557	–	–	–	557
Issues of share capital		–	13,177	–	–	13,177
Balance at 30 June 2012	16	2,384	49,759	5,571	35,292	93,006
Balance at 1 July 2010						
		1,169	20,096	5,571	11,706	38,542
Profit for the period		–	–	–	10,657	10,657
Other comprehensive income		–	–	–	–	–
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	16	1,827	36,582	5,571	22,363	66,343

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

1. CORPORATE INFORMATION

The financial report of iSelect Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 30 October 2012.

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, iSelect General Pty Ltd, InfoChoice Limited, iSelect Services Pty Ltd and Tyrian Pty Ltd. On 16 July 2010 iSelect Limited converted to an unlisted public Company.

The Group's registered office is 294 Bay Road, Cheltenham.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted the following new and revised Accounting Standards issued by the AASB that are relevant to its operations:

Reference	Title	Application date of standard	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] Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 January 2011	1 July 2011
AASB 124 (Revised)	The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: 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 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.	1 January 2011	1 July 2011
AASB 1048	AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.	1 July 2011	1 July 2011

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this annual reporting period:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>	1 January 2013	The Group does not expect any material impact as a result of this new standard.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	This amendment will have disclosure impacts only and is not expected to have a material impact on the disclosure.	1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	The Group is currently considering the impact of this standard.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	<p>AASB 2012-5 makes amendments resulting from the 2009–2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> – repeat application of AASB 1 is permitted (AASB 1); and – clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). 	1 January 2013	The Group does not expect any material impact as a result of this new standard	1 July 2013
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</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 are described below.</p> <ul style="list-style-type: none"> a) Financial assets that are debt instruments will be 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. b) 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. <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015	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 2015

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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').

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

All inter-company 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.

d) 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".

e) 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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:

Revenue recognition

Change in estimate

In the prior financial year, revenue was recognised at the point in time where the customer made their first payment with the relevant fund and the insurer accepted the underlying risk.

Due to improvement in the Group's technology and internal processes and further historical trend data, the Group can now determine at the point where a customer is referred to a fund/provider and compare such information to fund/provider receipts invoicing. This now assists in determining whether it is probable that the Group will receive revenue in relation to that customer, thereby making its measurement reliable on the basis of the probability of a 'referred' sale becoming a 'financial' sale. Therefore, during the current financial year the Group changed its estimate for recognising revenue, resulting in a one-off change in estimate impact of \$7.0 million to revenue. Aside from the systematic recognition of revenue going forward, no further impacts of this change are expected to occur.

Where this information cannot be reliably measured, the Group continues to recognise revenue at the time a customer makes its first payment to the fund/provider.

Present value of trail commissions

The Group has elected to account for trail commission revenue at the time of selling a product to which trail commission attaches, rather than on the basis of actual payments received from the relevant fund or providers involved. This method of revenue recognition requires the Directors and management to make certain estimates and assumptions based on industry data and the historical experience of the Group. In undertaking this responsibility, the Group engages Deloitte Actuaries & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions for health, general and life trail revenue. The iSelect Mortgages 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 full impact of any private health insurance rebate and other legislative changes is still yet to be determined with any known certainty as at the date of this Financial Report. Estimates of the likely impact of announced changes have been considered by the Group's actuaries at the reporting date. 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(f).

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 and are usually triggered where a referred member terminates their policy. Each supplier fund and/or insurer has an individual agreement and the clawback period ranges between 0 and 12 months depending on the fund. 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.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. In undertaking this responsibility, the Group has engaged tax advisers, PricewaterhouseCoopers, to assess these judgements and provide an opinion on the availability of carry forward tax losses as at 30 June 2012. 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 in future periods.

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 reporting 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 interest expense.

Research and development costs

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

Share based payments

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

Other provisions

Other provisions included the net provision for make good and onerous contracts recognised in the previous financial year in relation to the previous office lease of 973 Nepean Highway, Moorabbin. During the financial year, management negotiated a subletting arrangement and a release from certain make good requirements. To the extent such provisions were not required, they were reversed in the current financial year.

f) 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.

Fee revenue

The Group primarily earns two distinct types of revenue: marketing fees and 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 products, or mortgages via iSelect. Marketing fees may trigger a 'clawback' of revenue in the event of early termination by customers as specified in individual 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 customers referred to individual funds or applied for mortgages via iSelect. Trail commission revenue represents commission earned 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 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. These calculations require the use of assumptions.

The key assumptions underlying the fair value calculations of trail revenue receivable at reporting 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 funds and credit providers.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) REVENUE RECOGNITION (CONTINUED)

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, life and general fund trail revenue and the accompanying asset. The iSelect Mortgages 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.

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.

Click revenue

Revenue is recognised when an Internet user clicks on a paying advertisers link.

Other revenue

Revenue for contracted services, including advertising and subscription revenue, is recognised systematically over the term of the contract. Revenue for services provided other than pursuant to a defined period contract is recognised during the month services are provided.

g) 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.

h) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise cash at bank and on 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.

i) TRADE AND OTHER RECEIVABLES

All trade and other 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 and other 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.

j) INCOME TAX

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill
- tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. The Group's tax advisers, PricewaterhouseCoopers, have provided an opinion on the probability of availability as at 30 June 2012. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

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.

k) 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.

l) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation. 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 to 5 years	Straight-line method
Furniture, fixtures and fittings	8 years	Straight-line method
Leasehold Improvements	5 to 6.5 years	Straight-line method
Motor Vehicles	3 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 Consolidated Financial Statements (continued)

for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangibles assets acquired in a business combination is measured at fair value as at the date of acquisition. 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 reporting 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.

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

	Useful life
Research and Development costs	2 to 5 years
Trademarks & Domain names	indefinite
Computer Software	2 to 4 years
Goodwill	indefinite
Customer Contracts	3 months

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 assets.

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 at 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 made 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 asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Web site development costs, customer lists and brand names capitalised as an intangible asset are amortised on a straight line basis with a useful life as detailed above.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(c).

Subsequent measurement of goodwill is measured at cost, tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

n) INVESTMENTS

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

o) IMPAIRMENT OF ASSETS

The Group monitors throughout the year 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 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.

p) 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 reporting date that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of these goods and services.

q) LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the statement of comprehensive income.

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 benefits expenses and revenues arising in respect of 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) 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).

During the year there were currently three plans in place to provide these benefits:

- the Employee Share Option Plan, which provides benefits to 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) SHARE BASED PAYMENTS (CONTINUED)

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 immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award 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.

u) COMPARATIVE BALANCES

Except as disclosed in note 2(e), 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.

v) 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.

w) INTEREST EXPENSE

Interest expense comprises interest expense on borrowings and is recognised in profit or loss using the effective interest method.

x) 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.

3. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

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, foreign currency 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 and capital management framework and has 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

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

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents, net present value of future trail commission receivables and borrowings. Interest on borrowings is denominated in the currency of the borrowing and that are matched by the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

	Notes	2012 \$ '000	2011 \$ '000
Financial Assets			
Current			
Cash and cash equivalents	7	20,012	17,499
Trade and other receivables	8	15,338	5,111
Net present value of future trail commission	9	26,534	20,239
Non Current			
Net present value of future trail commission	9	64,925	41,241
		126,809	84,090
Financial Liabilities			
Current			
Trade and other payables	13	21,246	9,520
Borrowings	15	35,000	–
		56,246	9,520
Net Exposure		70,563	74,570

At 30 June 2012, 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:

	2012 \$ '000	2011 \$ '000	Post Tax Profit Higher/(Lower)
TOTAL			
Consolidated			
+1% (100 basis points)	(1,897)	(1,189)	
-1% (100 basis points)	2,074	1,295	
TRAIL COMMISSION			
Consolidated			
+1% (100 basis points)	(2,037)	(1,311)	
-1% (100 basis points)	2,214	1,417	
CASH AT BANK			
Consolidated			
+1% (100 basis points)	140	122	
-1% (100 basis points)	(140)	(122)	

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

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

a) MARKET RISK (CONTINUED)

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 2012 than in 2011 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 receivables with customers and deposits with banks and financial institutions.

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(f) 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). Any risk in relation to other revenue has been reflected in the provision for doubtful debts recognised.

Exposure to credit risk

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

	Notes	Carrying amount	
		2012 \$ '000	2011 \$ '000
Cash and cash equivalents	7	20,012	17,499
Trade and other receivables	8	15,338	5,111
Net present value of future trail commission	9	91,459	61,480
Total		126,809	84,090

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The Group otherwise does not require collateral in respect of trade and other receivables.

Impairment losses

The ageing of the trade and other receivables at the reporting date that were not impaired was as follows:

	Carrying amount	
	2012 \$ '000	2011 \$ '000
Neither past due nor impaired	14,335	5,111
Past due 1–30 days	514	–
Past due 31–90 days	338	–
Past due 90+ days	151	–
Total	15,338	5,111

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2012 \$ '000	2011 \$ '000
Opening balance	–	–
Impairment loss recognised	63	–
Fair value adjustment due to acquisition	68	–
Amounts written off	–	–
Closing balance	131	–

At 30 June 2012 an impairment loss of \$68,000 relates to trade receivables acquired as part of the acquisition of InfoChoice Limited (see note 4). The remainder of the impairment loss at 30 June 2012 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk, including the underlying customers' credit ratings, when available. Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Cash and cash equivalents

The Group held cash and cash equivalents of \$20,012,000 at 30 June 2012 (2011: \$17,499,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

d) LIQUIDITY RISK

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

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

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

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

30 June 2012

	Carrying amount \$ '000	Contractual cash flows \$ '000	2 mths or less \$ '000	2–12 mths \$ '000	1–2 years \$ '000	2–5 years \$ '000	More than 5 years \$ '000
Non-derivative financial liabilities							
Borrowings	35,000	35,704	35,704	–	–	–	–
Trade payables	21,246	21,246	21,246	–	–	–	–
Total	56,246	56,950	56,950	–	–	–	–

30 June 2011

	Carrying amount \$ '000	Contractual cash flows \$ '000	2 mths or less \$ '000	2–12 mths \$ '000	1–2 years \$ '000	2–5 years \$ '000	More than 5 years \$ '000
Non-derivative financial liabilities							
Borrowings	–	–	–	–	–	–	–
Trade payables	9,520	9,520	9,520	–	–	–	–
Total	9,520	9,520	9,520	–	–	–	–

The gross outflows disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity.

As disclosed in note 15, the Group has a secured loan which contains a debt covenant. A breach of this covenant may require the Group to repay the loan earlier than indicated in the above table. The interest payments on variable interest rate in the table above reflect current interest rate payable at the period end and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

On 20 August 2012, the repayment date of the \$35 million of current borrowings with Goldman Sachs Lending Partners LLC (Facility Agent) & Goldman Sachs & Partners Australia Capital Markets Limited (Arranger) ("Goldman Sachs") was extended by agreement under normal commercial terms to 17 December 2012.

On 28 September 2012 and 5 October 2012, a total of \$28.829 million was raised through the issue of 1,558,351 shares at \$18.50 a share to institutional and sophisticated investors. These funds were used to repay \$20.729 million of the current borrowings with Goldman Sachs.

On 30 October 2012, a new \$25 million facility was entered into with Credit Suisse AG under normal commercial terms, with a repayment date of 20 December 2013. It is the Directors intention to draw down on this facility on 1 November 2012, subject to certain procedural conditions being met. On this date, it is the Directors intention to then fully repay the remaining current borrowings of \$14.271 million to Goldman Sachs.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

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

e) FAIR VALUE RISK

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

Fair values versus carrying amounts
30 June 2012

	Trading \$ '000	Other financial liabilities \$ '000	Total carrying amount \$ '000	Fair value \$ '000
Cash and cash equivalents	20,012	–	20,012	20,012
Trade and other receivables	15,338	–	15,338	15,338
Net present value of future trail commission	91,459	–	91,459	91,459
Total	126,809	–	126,809	126,809
Borrowings	35,000	–	35,000	35,000
Trade and other payables	21,246	–	21,246	21,246
Total	56,246	–	56,246	56,246

30 June 2011

	Trading \$ '000	Other financial liabilities \$ '000	Total carrying amount \$ '000	Fair value \$ '000
Cash and cash equivalents	17,499	–	17,499	17,499
Trade and other receivables	5,111	–	5,111	5,111
Net present value of future trail commission	61,480	–	61,480	61,480
Total	84,090	–	84,090	84,090
Borrowings	–	–	–	–
Trade and other payables	9,520	–	9,520	9,520
Total	9,520	–	9,520	9,520

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.

The table below analyses financial instruments carried at fair value, by valuation method.

	Year ended 30 June 2012			
	Quoted market price (Level 1) \$ '000	Valuation technique – market observable inputs (Level 2) \$ '000	Valuation technique – non-market observable inputs (Level 3) \$ '000	Total \$ '000
Financial Assets				
Cash and cash equivalents	20,012	–	–	20,012
Trade and other receivables	–	15,338	–	15,338
Net present value of future trail commission	–	–	91,459	91,459
Total	20,012	15,338	91,459	126,809
Financial Liabilities				
Borrowings	–	35,000	–	35,000
Trade and other payables	–	21,246	–	21,246
Total	–	56,246	–	56,246

	Year ended 30 June 2011			
	Quoted market price (Level 1) \$ '000	Valuation technique – market observable inputs (Level 2) \$ '000	Valuation technique – non-market observable inputs (Level 3) \$ '000	Total \$ '000
Financial Assets				
Cash and cash equivalents	17,499	–	–	17,499
Trade and other receivables	–	5,111	–	5,111
Net present value of future trail commission	–	–	61,480	61,480
Total	17,499	5,111	61,480	84,090
Financial Liabilities				
Borrowings	–	–	–	–
Trade and other payables	–	9,520	–	9,520
Total	–	9,520	–	9,520

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

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

e) FAIR VALUE RISK (CONTINUED)

	2012 \$ '000	2011 \$ '000
Reconciliation of Level 3 fair value movements		
Opening Balance	61,480	38,250
New Receivable	44,231	29,893
Lapsed Receivable	(5,973)	(2,551)
Cash Receipts	(24,503)	(14,439)
Gains/(Losses) from movement in discount rate	7,441	4,310
Gains/(Losses) from movement in other fair value assumptions	8,783	6,017
Closing Balance	91,459	61,480

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 combined relevant inputs by 1% would have the effect of reducing the fair value by to \$7,774,000 (2011: \$5,050,000) should the discount rate increase, premium price decrease or termination rates increase, or increase the fair value by \$8,471,000 (2011: \$5,590,160) should the opposite apply. Individually, the effects of these inputs would not individually give rise to any additional amount greater than those stated.

If the assumption that there is a potential impact of future regulatory or federal government policy change be removed, the valuation would increase by \$784,000 (\$2011: \$586,334).

f) CAPITAL MANAGEMENT

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

There were no changes in the Group's approach to capital management during the year.

4. ACQUISITIONS OF SUBSIDIARY

On 14 November 2011 the Group obtained control of InfoChoice Limited, an online comparison company dealing in predominantly financial products.

Taking control of InfoChoice Limited will enable the Group to add additional comparison verticals to its existing businesses and also provide the Group with an increased share through access to the acquiree's customer base.

The profit from acquisition to 30 June 2012 in InfoChoice Limited contributed revenue of \$3,400,000 and loss before tax of \$779,000 to the Group's result. If the acquisition had occurred on 1 July 2011, management estimates that contributed revenue would have been \$5,275,000 and the contributed loss for the period would have \$557,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

The Group paid cash consideration of \$33.538 million for the purchase of InfoChoice Limited, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair value recognised on acquisition \$ '000
Cash	2,190
Trade debtors	1,054
Property, plant and equipment	–
Brand name	6,450
Computer software	940
Customer contracts	806
Other assets	67
Deferred taxes	(216)
Trade and other payables	(568)
Unearned revenue	(332)
Provisions	(88)
Net identifiable assets	10,303

The following fair values have been determined by management:

- For fair value of intangible assets in relation to customer lists refer to note 12(a)
- For fair value of brand names refer to note 12(a)
- For fair value of computer software refer to note 12(a)
- The fair value of Property, plant and equipment has been determined to be nil at acquisition.

The trade receivables comprise of gross contractual amounts due of \$1,122,000, of which \$68,000 was expected to be uncollectible at the acquisition date.

GOODWILL

Goodwill was recognised as a result of the acquisition as follows:

	\$ '000
Total consideration transferred	33,538
less Fair value of identifiable assets	10,303
Total	23,235

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

4. ACQUISITIONS OF SUBSIDIARY (CONTINUED)

CASH FLOW ON ACQUISITION

Net cash flow on acquisition was recognised as follows:

	\$ '000
Net cash acquired with subsidiary	2,190
Cash paid	(33,538)
Net cash flow on acquisition	(31,348)

Acquisition-related costs

The Group incurred acquisition-related costs of \$1,260,000 relating to external legal fees and due diligence costs, which were expensed in the statement of comprehensive income.

	2012 \$ '000	2011 \$ '000
5. REVENUES AND EXPENSES		
a) Revenue		
Marketing fees, net of clawback	52,602	34,722
Present value trail commissions	54,625	37,639
Click revenue	2,034	–
Other business revenue	2,667	81
Total sales revenue	111,928	72,442
b) Employee entitlement expenses		
Cost of sales and administrative expenses include the following personnel expenses:		
Employee benefits	36,498	23,628
Share based payments expense	557	658
Total employee benefits expenses	37,055	24,286
c) Research and development costs		
Amortisation of previously capitalised development costs	2,069	617
d) Depreciation expense		
Property, plant and equipment	1,985	2,568
e) Lease expenditure		
Operating lease expenditure	1,560	543
f) Relocation Costs		
Relocation Costs	(813)	1,592

The depreciation amounts shown in 2011 include accelerated depreciation for fixed assets being disposed of prior to the premises relocation, which occurred in November 2011.

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, which have been reversed to the extent they are no longer required during the current financial period.

	2012 \$ '000	2011 \$ '000
g) Acquisition costs		
Acquisition Costs	1,260	217

Acquisition costs relate to the legal and due diligence costs in association with the InfoChoice Limited acquisition. Refer to note 4 for further information on the InfoChoice Limited acquisition.

h) Interest expense		
Interest expense	1,770	-

Interest expense relates to the interest charged on the borrowings facility.

i) Doubtful debts expense		
Doubtful debts expense	63	-

	2012 \$ '000	2011 \$ '000
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6. INCOME TAX

Current income tax

Current income tax benefit/(charge)	2,054	2,216
Adjustment in respect of current income tax of previous years	(298)	286

Deferred income tax

Relating to origination and reversal of temporary differences	(7,890)	(6,778)
Adjustments in respect of deferred income tax of previous years	(70)	(92)

Income tax reported in income statement	(6,204)	(4,368)
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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	19,133	15,025
Statutory income tax rate of 30%	(5,740)	(4,508)
Adjustments in respect of current income tax of previous years	(298)	286
Adjustments in respect of deferred income tax of previous years	(70)	(92)
Share based payments	(167)	(197)
Entertainment	(71)	(27)
Research and development concessional deduction	272	170
Other	(130)	-
Total income tax expense	(6,204)	(4,368)

Deferred tax assets relate to the following:

Deferred tax assets from temporary differences on:

Trade and other payables	768	221
Provisions	2,166	1,082
Carried forward losses	8,450	6,695
Other	140	64
Total deferred tax assets	11,524	8,062

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

6. INCOME TAX (CONTINUED)

Deferred tax liabilities from temporary differences on:

	2012 \$ '000	2011 \$ '000
Present value of trail commission	(27,438)	(18,444)
Accrued Interest	(7)	(12)
Development costs	(1,723)	(927)
Other	(98)	–
Total deferred tax liabilities	(29,266)	(19,383)
Net deferred tax liabilities	(17,742)	(11,321)

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 the 100% acquisition of InfoChoice Limited, it became part of 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.

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets of \$2.8 million (gross tax loss of \$9.3 million) in respect of losses acquired as part of the InfoChoice Limited acquisition have not been recognised as at 30 June 2012.

	2012 \$ '000	2011 \$ '000
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	10,870	6,999
Term deposits	9,142	10,500
Total cash and cash equivalents	20,012	17,499

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

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

Reconciliation of statement of cash flows

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

	2012 \$ '000	2011 \$ '000
Net profit after tax	12,929	10,657
Adjustments for non-cash income and expense items:		
Depreciation/amortisation	4,054	3,185
Share options expensed	557	658
Interest income classified as investing cash flow	(875)	(841)
Interest expense classified as financing cash flow	1,425	–
Increase/decrease in assets and liabilities		
Trade and other receivables	(9,173)	(1,148)
Net present value of future trail commission	(29,979)	(23,230)
Other assets	(40)	(707)
Trade and other payables	11,158	2,299
Deferred taxes	6,204	4,367
Provisions	3,396	1,501
Other liabilities	(18)	–
Net cash from/(used in) operating activities	(362)	(3,259)
	2012 \$ '000	2011 \$ '000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables, third parties	10,973	5,111
Provision for doubtful debts	(131)	–
Other receivables	4,496	–
Total trade and other receivables	15,338	5,111
9. NET PRESENT VALUE OF FUTURE TRAIL COMMISSION		
Net present value of future trail commission	91,459	61,480
Total net present value of future trail commission	91,459	61,480
Current		
Net present value of future trail commission	26,534	20,239
	26,534	20,239
Non-Current		
Net present value of future trail commission	64,925	41,241
Total	64,925	41,241
10. OTHER ASSETS		
Prepayments	1,124	716
Other Assets	36	337
Total other assets	1,160	1,053

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$ '000	Office/ Computer equipment \$ '000	Motor vehicles \$ '000	Computer software \$ '000	Furniture fixtures and fittings \$ '000	Total \$ '000
Year Ended 30 June 2012						
At 1 July 2011						
Net of accumulated depreciation	–	909	–	1,016	44	1,969
Acquired through acquisition	–	–	–	940	–	940
Additions	6,625	1,438	85	214	94	8,456
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Depreciation for the period	(848)	(510)	(2)	(614)	(11)	(1,985)
At 30 June 2012	5,777	1,837	83	1,556	127	9,380
At 1 July 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
At 30 June 2012						
Cost value	8,394	3,740	85	3,146	1,010	16,375
Accumulated depreciation	(2,617)	(1,903)	(2)	(1,590)	(883)	(6,995)
Net carrying amount	5,777	1,837	83	1,556	127	9,380
Year Ended 30 June 2011						
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	–	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

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Development Costs \$ '000	Trademarks & Domain Names \$ '000	Computer Software \$ '000	Goodwill \$ '000	Brand Name \$ '000	Customer Contracts \$ '000	Total \$ '000
Year Ended 30 June 2012							
At 1 July 2011							
Net of accumulated depreciation and impairment	3,477	201	–	–	–	–	3,678
Additions	4,948	–	–	–	–	–	4,948
Acquired through acquisition	–	–	–	23,235	6,450	806	30,491
Amortisation	(1,263)	–	–	–	–	(806)	(2,069)
At 30 June 2012							
Net of accumulated depreciation and impairment	7,162	201	–	23,235	6,450	–	37,048
At 30 June 2012							
Cost (gross carrying amount)	10,890	201	–	23,235	6,450	806	41,582
Accumulated amortisation and impairment	(3,728)	–	–	–	–	(806)	(4,534)
Net carrying amount	7,162	201	–	23,235	6,450	–	37,048
Year Ended 30 June 2011							
At 1 July 2010							
Net of accumulated depreciation and impairment	1,649	201	43	–	–	–	1,893
Additions	2,445	–	–	–	–	–	2,445
Disposals	–	–	(43)	–	–	–	(43)
Amortisation	(617)	–	–	–	–	–	(617)
At 30 June 2011							
Net of accumulated depreciation 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

a) DESCRIPTION OF INTANGIBLE ASSETS

i) Development costs

Development costs relate to the development of the Group's various websites and customer conversion systems and 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 between two to five 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 2012, on a 'value-in-use' basis.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

a) DESCRIPTION OF INTANGIBLE ASSETS (CONTINUED)

iii) Goodwill

Goodwill relates to the acquisition of InfoChoice Limited; refer to note 4 for further information on recognition and measurement criterion.

iv) Brand Name

The brand name acquired as part of the InfoChoice Limited acquisition were initially recognised at fair value. This intangible asset has been determined to have infinite useful life. These assets were tested for impairment as at 30 June 2012, refer to note 12 (b).

v) Customer Contracts

The customer contract asset acquired as part of the InfoChoice Limited acquisition is 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 the remaining period of the contract terms. The amortisation has been recognised in the statement of comprehensive income in amortisation. This asset is fully written down as at 30 June 2012.

b) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through the InfoChoice Limited acquisition has been allocated to the cash generating units ("CGU"s) for impairment testing as follows:

	\$ '000
Health	4,634
Home Loans	10,088
Money	6,801
Other	1,712
	23,235

Brand names acquired through the InfoChoice Limited acquisition have an indefinite useful life and are allocated to a Group level.

The Group performed its annual impairment test as at 30 June 2012. The recoverable amount of CGUs has been determined based on a value in use calculation using a combination of cash flow projections from 2013 financial budgets approved by the Board, 2014–2015 financial forecasts approved by senior management, and a growth rate increment for subsequent years.

A pre-tax discount rate is applied to the cash flow projections.

As a result of this analysis, no impairment was identified for the CGUs for which goodwill or brand names are allocated.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATION

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt

and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

As a result, the pre-tax discount rate applied is 15.7%.

Growth rate estimates

For each CGU, five years of cash flows have been included in the discounted cash flow models. These are based on projections from 2013 financial budgets, 2014–2015 financial forecasts, and a growth rates ranging from 2% to 5% for all CGU's other than Home Loans, which has a 200% growth rate applied for 2016, and 5% for 2017. A long-term growth rate into perpetuity has been determined for 2018 onward and is the lower of nominal growth rate applicable to the individual CGU, or 2.9%. A static 5% growth rate has been applied to general corporate overhead.

Market share assumptions

These assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of its respective markets to grow over the budget period.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

With regard to the assessment of 'value-in-use' of the CGUs other than the Home Loans CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to materially exceed its recoverable amount.

For the Home Loans unit, the estimated recoverable amount is \$1,992,000 greater than its carrying value and, consequently, any adverse change in a key assumption would result in an impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

Growth rate assumptions – Management recognises that the Home Loans CGU is a new entrant to the market and the possibility of the speed of its growth may have a significant impact on growth rate assumptions applied. To have an adverse impact on the forecasts included in the budget, a reduction to 168% in the EBITDA growth rate for 2016 would result in an impairment.

Discount rate assumptions – To have an adverse impact on the forecasts included in the budget, an increase of the pre-tax discount rate to 17.2% would result in an impairment of the Home Loans CGU.

	2012 \$ '000	2011 \$ '000
13. TRADE AND OTHER PAYABLES		
Trade payables	4,684	833
Other payables	16,562	8,687
Total trade and other payables	21,246	9,520

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

	2012 \$ '000	2011 \$ '000
14. PROVISIONS		
Current Provisions		
Annual leave	1,581	1,011
Long service leave	224	153
Lease incentive	319	48
Clawback	1,856	1,162
Other	252	1,049
Total	4,232	3,423
Non-Current Provisions		
Long service leave	304	183
Lease incentive	2,554	–
Total	2,858	183

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 zero 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.

iii) **Other**

Other provisions included the net provision for make good and onerous contracts recognised in the previous financial year in relation to the previous office lease of 973 Nepean Highway, Moorabbin. During the financial year, management negotiated a subletting arrangement and a release from certain make good requirements. To the extent such provisions were not required, they were reversed in the current financial year.

Also included in other provisions are specific provisions in relation to allowances for make good transactions.

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		Other	
	2012 \$ '000	2011 \$ '000	2012 \$ '000	2011 \$ '000	2012 \$ '000	2011 \$ '000
As at beginning of the period	1,162	775	48	334	1,049	78
Arising during the year	5,179	3,721	3,192	–	252	1,049
Utilised	(4,485)	(3,334)	(367)	(286)	(235)	(78)
Unused amounts reversed	–	–	–	–	(814)	–
At end of the period	1,856	1,162	2,873	48	252	1,049

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

15. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 3.

Terms and debt repayment schedules

	Currency	Nominated interest rate	Year of maturity	2012		2011	
				Face value \$ '000	Carrying amount \$ '000	Face value \$ '000	Carrying amount \$ '000
Borrowings	AUD	7.58%	2012	35,000	35,000	–	–
Total interest-bearing liabilities				35,000	35,000	–	–

On 20 August 2012, the repayment date of the \$35 million of current borrowings with Goldman Sachs Lending Partners LLC (Facility Agent) & Goldman Sachs & Partners Australia Capital Markets Limited (Arranger) ("Goldman Sachs") was extended by agreement under normal commercial terms to 17 December 2012.

On 28 September 2012 and 5 October 2012, a total of \$28.829 million was raised through the issue of 1,558,351 shares at \$18.50 a share to institutional and sophisticated investors. These funds were used to repay \$20.729 million of the current borrowings with Goldman Sachs.

On 30 October 2012, a new \$25 million facility was entered into with Credit Suisse AG under normal commercial terms, with a repayment date of 20 December 2013. It is the Directors intention to draw down on this facility on 1 November 2012, subject to certain procedural conditions being met. On this date, it is the Directors intention to then fully repay the remaining current borrowings of \$14.271 million to Goldman Sachs.

16. ISSUED CAPITAL

	CONSOLIDATED	
	2012 \$	2011 \$
Issued and paid up capital	49,759,000	36,582,000
Ordinary shares fully paid (number)	18,808,949	14,692,314

Share capital increased during the year as a result of the issue of ordinary shares to option holders exercising 4,166,073 share options (2011: 832,000). There were no capital raisings during the year.

The total number of share options outstanding at 30 June 2012 is 2,434,135 (2011: 6,793,731). Refer to note 22(b) for the reconciliation of movements in share options during the year.

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.

17. COMMITMENTS AND CONTINGENCIES

a) OPERATING LEASE COMMITMENTS

During the previous financial year the Group entered into a commercial lease for the current premises which had 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	
	2012 \$ '000	2011 \$ '000
Operating Lease Commitments		
Minimum lease payments		
Not later than one year	2,181	1,963
Later than 1 year and not later than 5 years	9,252	8,542
More than 5 years	10,161	12,461
Total operating lease commitments	21,594	22,966
Operating lease expenses recognised as an expense during the period:	1,560	543

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 2012. Potential liabilities for the Group, should any obligation be identified, are expected to be covered by insurance maintained by the Group.

In March 2012, Bupa Australia Pty Ltd issued legal proceedings against iSelect in the Federal Court, which are due to be heard at trial in 2013. In October 2012, Bupa Australia joined two iSelect Directors, Damien Waller and Matthew McCann to the proceedings. iSelect intends to vigorously defend the allegations which relate to alleged misleading and deceptive advertising. iSelect has also brought its own cross claim against Bupa Australia Pty Ltd and its Managing Director for misleading and deceptive conduct. Legal expenses incurred in relation to these proceedings have been expensed as incurred. Given the outcome of the proceedings are unknown, no further provisions have been made.

18. 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	2012	2011
iSelect Health Pty Ltd	Australia	100%	100%
iSelect Life Pty Ltd	Australia	100%	100%
iSelect General Pty Ltd	Australia	100%	100%
iSelect Media Pty Ltd	Australia	100%	100%
iSelect Mortgages Pty Ltd	Australia	100%	100%
Mobileselect Pty Ltd	Australia	100%	100%
InfoChoice Pty Ltd	Australia	100%	–
iSelect Services Pty Ltd	Australia	100%	–
Tyrian Pty Ltd	Australia	100%	–

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 21.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

18. RELATED PARTY DISCLOSURE (CONTINUED)

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 8 and 13 respectively):

Related Party	Sales to related parties \$	Purchases from related parties \$	Other transactions with related parties \$	Balances at reporting date \$
Consolidated				
Shareholder related entities				
Ninemsn – Advertising Services				
2012	–	57,362	–	57,362
2011	–	174,504	85,000	259,504
Director related entities				
Martin Dalgleish – Consultancy fees				
2012	–	28,779	–	28,779
2011	–	20,000	–	20,000

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.

19. EVENTS AFTER THE BALANCE SHEET DATE

On 20 August 2012, the repayment date of the \$35 million of current borrowings with Goldman Sachs Lending Partners LLC (Facility Agent) & Goldman Sachs & Partners Australia Capital Markets Limited (Arranger) ("Goldman Sachs") was extended by agreement under normal commercial terms to 17 December 2012.

On 28 September 2012 and 5 October 2012, a total of \$28.829 million was raised through the issue of 1,558,351 shares at \$18.50 a share to institutional and sophisticated investors. These funds were used to repay \$20.729 million of the current borrowings with Goldman Sachs.

On 30 October 2012, a new \$25 million facility was entered into with Credit Suisse AG under normal commercial terms, with a repayment date of 20 December 2013. It is the Directors intention to draw down on this facility on 1 November 2012, subject to certain procedural conditions being met. On this date, it is the Directors intention to then fully repay the remaining current borrowings of \$14.271 million to Goldman Sachs.

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.

20. AUDITOR'S REMUNERATION

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

	CONSOLIDATED	
	2012 \$	2011 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
Audit of the financial statements	174,000	149,300
Other Services:		
– tax compliance	44,700	47,800
– assurance related	33,500	25,650
– due diligence	65,000	94,615
– capital and fund raising	79,000	58,674
– regulatory compliance	36,000	26,400
Total	432,200	402,439

21. DIRECTOR AND EXECUTIVE DISCLOSURE

a) DETAILS OF KEY MANAGEMENT PERSONNEL

Directors

Damien Waller	Managing Director/ Executive Chairman (elected to Executive Chairman on 16 March 2012)
Matthew McCann	Chief Executive Officer – appointed 7 February 2012 (Company Secretary from 22 September 2010 to 7 February 2012)
Shaun Bonett	Non-Executive Director
Leslie Webb	Non-Executive Director
Michael McLeod	Non-Executive Director
Patrick O’Sullivan	Non-Executive Director
Gregory Camm	Non-Executive Director – appointed 20 August 2012
Martin Dalgleish	Non-Executive Chairman – ceased 16 March 2012

Executives

David Chalmers	Chief Financial Officer – appointed 23 August 2012
Trevor Jeffords	General Counsel and Company Secretary – appointed to Company Secretary 7 February 2012
Roger McBride	Chief Marketing Director – appointed 20 August 2012
Elise Morris	Human Resources Director – appointed 2 February 2012
Chris Billing	Customer Strategy and Initiatives Director
Joanna Thomas	Sales and Operations Director – appointed 3 May 2012
Chris Brant	Chief Financial Officer – appointed 24 October 2011 – ceased 23 August 2012
Mark Blackburn	Group Chief Financial Officer – appointed 1 October 2010 – ceased 4 October 2011
Gerald Brown	Chief Executive Officer Insurance – ceased 14 May 2012
David May	Chief Marketing Officer – ceased 31 July 2012
Alla Keogh	Human Resources Director – ceased 19 September 2011

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 \$
2012						
Total Compensation	3,202,058	215,424	166,412	270,168	–	3,854,062
2011						
Total Compensation	2,610,643	215,804	–	369,046	–	3,195,493

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 Consolidated Financial Statements (continued)

for the year ended 30 June 2012

21. DIRECTOR AND EXECUTIVE DISCLOSURE (CONTINUED)

c) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2012	Balance at 1 July 2011	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 June 2012	Total Options Vested at 30 June 2012		
						Total	Exercisable	Not Exercisable
Directors								
Damien Waller	3,022,074	–	(2,572,074)	–	450,000	359,803	–	359,803
Matthew McCann	240,000	–	–	–	240,000	209,934	90,000	119,934
Martin Dalglish ⁻⁻⁻	180,000	34,975	–	–	214,975	183,284	180,000	3,284
Shaun Bonett	30,000	–	(30,000)	–	–	–	–	–
Leslie Webb	30,000	–	(30,000)	–	–	–	–	–
Michael McLeod	–	–	–	–	–	–	–	–
Patrick O'Sullivan*	–	–	–	–	–	–	–	–
Executives								
David Chalmers [#]	–	–	–	–	–	–	–	–
Chris Brant ^{##}	–	–	–	–	–	–	–	–
Mark Blackburn ^{**}	100,000	–	–	(60,000)	40,000	40,000	–	40,000
Gerald Brown ^{*****}	243,750	–	(93,750)	(25,000)	125,000	125,000	–	125,000
Trevor Jeffords ^{***}	50,000	–	–	–	50,000	39,978	–	39,978
Roger McBride ^{****}	60,000	–	–	–	60,000	60,000	–	60,000
David May ^{^^^^}	100,000	–	–	(40,000)	60,000	60,000	–	60,000
Elise Morris ^{###}	–	–	–	–	–	–	–	–
Alla Keogh [~]	100,000	–	–	(53,333)	46,667	46,667	–	46,667
Chris Billing	120,000	–	–	–	120,000	97,016	–	97,016
Joanna Thomas ^{####}	70,000	–	–	–	70,000	57,037	–	57,037
Total	4,345,824	34,975	(2,725,824)	(178,333)	1,476,642	1,278,719	270,000	1,008,719

⁻⁻⁻	Martin Dalglish ceased 16 March 2012	^{^^}	Paul Cullinan ceased 22 January 2011
[#]	David Chalmers appointed 23 August 2012	^{****}	Roger McBride appointed 20 August 2012
^{##}	Chris Brant appointed 24 October 2011, ceased 23 August 2012	^{^^^^}	David May ceased 31 July 2012
[^]	Nicholas Gray ceased 22 September 2010	^{###}	Elise Morris appointed 2 February 2012
^{^^}	Joanne Pollard ceased 25 May 2011	[~]	Alla Keogh ceased 19 September 2011
[*]	Patrick O'Sullivan appointed 22 September 2010	^{####}	Joanna Thomas appointed 3 May 2012
^{**}	Mark Blackburn appointed 1 October 2010, ceased 4 October 2011	^{*****}	Gerald Brown ceased 14 May 2012
^{***}	Trevor Jeffords appointed 7 February 2012		

30 June 2011	Balance at 1 July 2010	Granted as Remuneration	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 Dalglish ⁻⁻⁻	180,000	–	–	–	180,000	134,836	134,836	–
Shaun Bonett	139,147	–	(109,147)	–	30,000	30,000	30,000	–
Leslie Webb	30,000	–	–	–	30,000	30,000	30,000	–
Nicholas Gray [^]	–	–	–	–	–	–	–	–
Joanne Pollard ^{^^}	–	–	–	–	–	–	–	–
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

⁻⁻⁻ Martin Dalglish ceased 16 March 2012

[#] David Chalmers appointed 23 August 2012

^{##} Chris Brant appointed 24 October 2011, ceased 23 August 2012

[^] Nicholas Gray ceased 22 September 2010

^{^^} Joanne Pollard ceased 25 May 2011

^{*} Patrick O'Sullivan appointed 22 September 2010

^{**} Mark Blackburn appointed 1 October 2010, ceased 4 October 2011

^{***} Trevor Jeffords appointed 7 February 2012

^{^^} Paul Cullinan ceased 22 January 2011

^{****} Roger McBride appointed 20 August 2012

^{^^^^} David May ceased 31 July 2012

^{###} Elise Morris appointed 2 February 2012

[~] Alla Keogh ceased 19 September 2011

^{#####} Joanna Thomas appointed 3 May 2012

^{*****} Gerald Brown ceased 14 May 2012

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

21. DIRECTOR AND EXECUTIVE DISCLOSURE (CONTINUED)

d) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2012	Balance at 30 June 2011	Granted as Remuneration	On Exercise of Options	Other changes during the year	Balance 30 June 2012
Directors					
Damien Waller	1,160,795	–	2,572,074	(285,714)	3,447,155
Matthew McCann	7,035	–	–	–	7,035
Martin Dagleish	–	–	–	–	–
Shaun Bonett	–	–	30,000	–	30,000
Leslie Webb	585,000	–	30,000	–	615,000
Michael McLeod	14,935	–	–	–	14,935
Patrick O'Sullivan ^ˆ	–	–	–	–	–
Executives					
David Chalmers [#]	–	–	–	–	–
Chris Brant ^{##}	–	–	–	–	–
Mark Blackburn ^{**}	32,258	–	–	–	32,258
Gerald Brown ^{*****}	7,035	–	93,750	–	100,785
Trevor Jeffords ^{***}	–	–	–	–	–
Roger McBride ^{****}	–	–	–	–	–
David May ^{^^^}	–	–	–	–	–
Elise Morris ^{###}	–	–	–	–	–
Alla Keogh ^ˆ	–	–	–	–	–
Chris Billing	–	–	–	2,000	2,000
Joanna Thomas ^{####}	–	–	–	–	–
Total	1,807,058	–	2,725,824	(283,714)	4,249,168

ˆˆˆ Martin Dagleish ceased 16 March 2012

David Chalmers appointed 23 August 2012

Chris Brant appointed 24 October 2011, ceased 23 August 2012

ˆ Nicholas Gray ceased 22 September 2010

^^^ Joanne Pollard ceased 25 May 2011

* Patrick O'Sullivan appointed 22 September 2010

** Mark Blackburn appointed 1 October 2010, ceased 4 October 2011

*** Trevor Jeffords appointed 7 February 2012

^^ Paul Cullinan ceased 22 January 2011

**** Roger McBride appointed 20 August 2012

^^^ David May ceased 31 July 2012

Elise Morris appointed 2 February 2012

ˆ Alla Keogh ceased 19 September 2011

Joanna Thomas appointed 3 May 2012

***** Gerald Brown ceased 14 May 2012

30 June 2011	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other changes during the year	Balance 30 June 2011
Directors					
Damien Waller	1,487,234	–	113,202	(439,641)	1,160,795
Martin Dalglish	–	–	–	–	–
Shaun Bonett	389,017	–	109,147	(498,164)	–
Leslie Webb	647,250	–	–	(62,250)	585,000
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	2,579,068	–	312,349	(1,004,359)	1,887,058

~~~ Martin Dalglish ceased 16 March 2012

# David Chalmers appointed 23 August 2012

## Chris Brant appointed 24 October 2011, ceased 23 August 2012

^ Nicholas Gray ceased 22 September 2010

^^^ Joanne Pollard ceased 25 May 2011

\* Patrick O'Sullivan appointed 22 September 2010

\*\* Mark Blackburn appointed 1 October 2010, ceased 4 October 2011

\*\*\* Trevor Jeffords appointed 7 February 2012

^^ Paul Cullinan ceased 22 January 2011

\*\*\*\* Roger McBride appointed 20 August 2012

^^^^ David May ceased 31 July 2012

### Elise Morris appointed 2 February 2012

- Alla Keogh ceased 19 September 2011

#### Joanna Thomas appointed 3 May 2012

\*\*\*\*\* Gerald Brown ceased 14 May 2012

## Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

### 22. 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:

|                                                                      | 2012<br>\$ '000 | 2011<br>\$ '000 |
|----------------------------------------------------------------------|-----------------|-----------------|
| Expense arising from equity settled share based payment transactions | 557             | 658             |

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans in 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 2 and half years. The term of the options is typically 3 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 be 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 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 be 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) was a contract between the Group and the then Chief Executive Officer (CEO) Damien Waller for the grant of share options in iSelect Ltd. 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 was designed to align the CEO's interests with those of shareholders by increasing the value of the Group. If all vesting conditions were met and the Group's valuation was equal to or exceeded \$265M then all options could be exercised. The share options had an exercise price of \$2.22 and fully vested to 30 June 2008.

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 was \$4.25. The number of exercisable options was calculated, so that ninemsn Pty Ltd had the same equity interest in the Group.

During the financial year all CEO performance plan and ninemsn Pty Ltd options were exercised and the plans ceased.

### 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:

|                                             | 2012 No.         | 2012 WAEP    | 2011 No.         | 2011 WAEP   |
|---------------------------------------------|------------------|--------------|------------------|-------------|
| Outstanding at the beginning of the period  | 6,793,731        | 9.78         | 5,626,531        | 4.07        |
| Granted during the period                   | 34,975           | 23.65        | 2,000,000        | 22.50       |
| Options in relation to CEO Plan             | –                | –            | –                | –           |
| Forfeited during the period                 | (228,498)        | 22.36        | –                | –           |
| Exercised during the period                 | (4,166,073)      | 3.36         | (832,800)        | 1.78        |
| <b>Outstanding at the end of the period</b> | <b>2,434,135</b> | <b>19.79</b> | <b>6,793,731</b> | <b>9.78</b> |
| Exercisable at the end of the year          | 703,326          | 15.03        | 4,408,731        | 3.78        |

The outstanding balance as at 30 June 2012 is represented by:

- 180,000 options over ordinary shares with an exercise price of \$7.50 to \$9.50 (WAEP of \$8.50), exercisable upon meeting the ESOP conditions;
- 347,500 options over ordinary shares with an exercise price ranging from \$10.00 to \$12.50 (WAEP of \$11.45), exercisable upon meeting the ESOP conditions;
- 2,658 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.
- 1,779,002 options over ordinary shares with an exercise price of \$22.50, exercisable upon meeting the ESOP conditions.
- 34,975 options over ordinary shares with an exercise price of \$23.65, 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 2012 is 1.17 years.

### e) RANGE OF EXERCISE PRICE

The range of exercise prices for options outstanding at the end of the period was \$2.22 to \$23.65.

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 \$0.93 (2011: \$0.72).

### 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 2012:

|                                                       | ESOP<br>Post Feb 2012 | ESOP<br>Post 1 July 2010 –<br>Feb 2012 | ESOP<br>Pre 1 July 2010 | CEO<br>PLAN* |
|-------------------------------------------------------|-----------------------|----------------------------------------|-------------------------|--------------|
| Dividend Yield (%)                                    |                       |                                        |                         |              |
| Years 0 to 3                                          | –                     | –                                      | –                       | –            |
| Years 4 to 5                                          | –                     | –                                      | 1.00                    | 1.00         |
| Years 6 to 7                                          | –                     | –                                      | 1.50                    | 1.50         |
| Years 8 plus                                          | –                     | –                                      | 2.00                    | 2.00         |
| Expected Volatility (%)                               | 23.5                  | 42.00                                  | 40.00                   | 40.00        |
| Expected life of Options (years)                      | 2.8                   | 3                                      | 4.98                    | 5.97         |
| Option Exercise price (WAEP) (\$)                     | 23.65                 | 22.50                                  | 6.33                    | 2.74         |
| Weighted average share price at measurement date (\$) | 16.50                 | 15.50                                  | 3.80                    | 2.44         |

\* inclusive of ninemsn Pty Ltd agreement

## Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2012

### 22. SHARE BASED PAYMENT PLANS (CONTINUED)

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

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.

### 23. PARENT ENTITY INFORMATION

| Information relating to iSelect Limited                | 2012<br>\$ '000 | 2011<br>\$ '000 |
|--------------------------------------------------------|-----------------|-----------------|
| Current Assets                                         | 14,706          | 11,284          |
| Non-current assets                                     | 82,218          | 41,633          |
| <b>Total assets</b>                                    | <b>96,924</b>   | <b>52,917</b>   |
| Current liabilities                                    | 36,380          | 256             |
| Non-current liabilities                                | 7,533           | 12,072          |
| <b>Total liabilities</b>                               | <b>43,913</b>   | <b>12,328</b>   |
| <b>Net assets</b>                                      | <b>53,011</b>   | <b>40,589</b>   |
| Issued capital                                         | 49,759          | 36,582          |
| Share-based payments reserve                           | 2,384           | 1,827           |
| Retained earnings                                      | 868             | 2,180           |
| <b>Total shareholders' equity</b>                      | <b>53,011</b>   | <b>40,589</b>   |
| Profit/(loss) of parent entity                         | (1,312)         | 694             |
| <b>Total comprehensive income of the parent entity</b> | <b>(1,312)</b>  | <b>694</b>      |

## Directors' Declaration

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

1. In the opinion of the directors of iSelect Limited ('the Company'):
  - (a) the consolidated financial statements and notes that are set out on pages 5 to 42 and the Directors' report, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 1 will be able to meet any obligations or liabilities.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2012
4. The directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

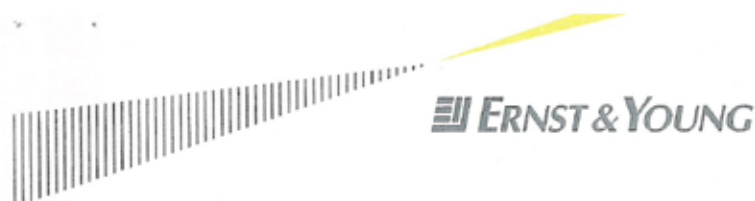
On behalf of the Board



**Damien Waller**  
Executive Chairman

Melbourne  
30 October 2012

## Auditor's Report



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### 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 2012, 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 iSelect Limited 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 iSelect Limited 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. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

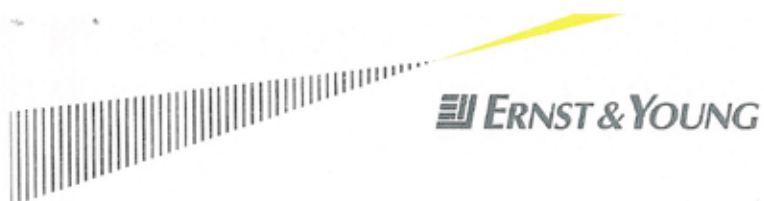
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain 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 Limited 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 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

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

Ernst & Young

A handwritten signature in black ink that reads "Ashley Butler".

Ashley Butler  
Partner

Melbourne  
30 October 2012

# Corporate Directory

## DIRECTORS

**Damien Waller**  
Executive Chairman

**Matthew McCann**  
Chief Executive Officer

**Shaun Bonett**  
Non-Executive Director

**Michael McLeod**  
Non-Executive Director

**Pat O'Sullivan**  
Non-Executive Director

**Leslie Webb**  
Non-Executive Director

**Greg Camm**  
Non-Executive Director

**COMPANY SECRETARY**  
**Trevor Jeffords**

## BANKERS

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

**Goldman Sachs  
Australia Pty Limited**  
Level 42

Governor Phillip Tower  
1 Farrer Place, Sydney  
New South Wales 2000

[www.iselect.com.au](http://www.iselect.com.au)



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