iSelect Limited

ACN 124 302 932

Annual Financial Report

for the year ended 30 June 2010

Contents

Directors' Report

The Directors of iSelect Limited submit herewith its financial report in respect of the year ended 30 June 2010. iSelect Limited was incorporated on 7 March 2007 and is the non-trading holding company for the iSelect Group, comprising health, life and general insurance brokerage activities. An internal group restructure on 27 April 2007 resulted in iSelect Limited acquiring the shares in iSelect Health Pty Ltd. On 16 July 2010 iSelect Limited converted to an unlisted public company, where by the company name was changed from iSelect Pty Ltd to iSelect Limited.

DIRECTORS

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

Martin Dalgleish	Non-Executive Chairman
Damien Waller	Chief Executive Officer and Managing Director
Shaun Bonett	Non-Executive
Leslie Webb	Non-Executive
Nicholas Gray	Non-Executive – resigned 22-Sep-2010
Joanne Pollard	Non-Executive
Michael McLeod	Non-Executive – appointed 4-Sep-2009
Patrick O'Sullivan	Non-Executive – appointed 22-Sep-2010

PRINCIPAL ACTIVITIES

The Group's principal activity during the course of the financial year was the brokerage of health, life and general insurance policies.

DIVIDENDS

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

REVIEW OF OPERATIONS

The Consolidated Entity achieved a net profit after tax for the year ended 30 June 2010 of $5,780,172 (2009: $1,459,964).

This financial report reflects the financial performance of the consolidated iSelect group from 1 July 2009 to 30 June 2010 and the financial position of the consolidated group at 30 June 2010.

Except as disclosed above, information as to the business strategies and prospects for future financial years has not been included in this report, because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATIONS

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

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

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium ($17,985) to insure the Directors, secretary and executive officers of the Consolidated Entity.

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

PROCEEDINGS ON BEHALF OF THE GROUP

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 16 July 2010 iSelect Limited converted to an unlisted public company. The name changed from iSelect Pty Ltd to iSelect Limited. Since the end of period, the company completed an equity raising of $15.58m from the issue of 1,005,516 ordinary shares in iSelect Limited to professional and sophisticated investors at $15.50 per share. The raising was completed in two tranches one in August and the subsequent tranche in October. The Directors are not aware of any other matters or circumstances not otherwise dealt with in this report or the Consolidated Financial Statements that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

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

AUDITOR

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

AUDITOR INDEPENDENCE DECLARATION

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

NON AUDIT SERVICES

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

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

	2010 $	2009 $
Other services:		
- tax compliance	30,000	19,500
- assurance related	39,000	36,500
- regulatory compliance	24,720	24,000
Total	**93,720**	**80,000**

REGISTERED OFFICE

Level 4, 973 Nepean Highway, Moorabbin Victoria 3189

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

Damien Waller
Group Chief Executive Officer & Managing Director

Melbourne
27 October 2010

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of iSelect Limited and its controlling entities

In relation to our audit of the financial report of iSelect Limited (formerly iSelect Pty Ltd) for the financial year ended 30 June 2010, 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

Ernst & Young

Ashley C Butler
Partner

27 October 2010

Statement of comprehensive income

for the year ended 30 June 2010

	Notes	CONSOLIDATED 2010 $	2009 $
Sales revenue	4a	43,490,681	27,106,280
Cost of sales		(22,368,564)	(15,856,270)
Gross Profit		**21,122,117**	**11,250,010**
Other income	4a	243,544	205,218
Share based payments expense	20a	(273,622)	(136,484)
Distribution and marketing expenses		(679,022)	(321,672)
Administrative expenses		(11,156,386)	(9,152,935)
Profit before interest, tax, depreciation and amortisation		**9,256,631**	**1,844,137**
Amortisation	4c	(456,024)	(395,572)
Depreciation	4d	(971,778)	(695,135)
Profit before interest and tax		**7,828,829**	**753,430**
Interest revenue	4a	399,883	890,576
Income tax expense	5	(2,448,540)	(184,042)
Profit for the period		**5,780,172**	**1,459,964**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**5,780,172**	**1,459,964**

Statement of financial position

as at 30 June 2010

	Notes	CONSOLIDATED 2010 $	2009 $
Assets			
Cash and cash equivalents	6	7,437,915	11,098,775
Trade and other receivables	7	3,963,283	3,286,335
Net present value of future trail commission	8	8,922,988	3,169,538
Other assets	9	345,649	171,434
Total Current Assets		**20,669,835**	**17,726,082**
Net present value of future trail commission	8	29,327,252	19,720,003
Deferred tax assets	5	5,011,127	2,720,809
Property, plant and equipment	10	2,931,660	2,906,125
Intangible assets	11	1,893,490	1,405,672
Total Non-current Assets		**39,163,529**	**26,752,609**
Total Assets		**59,833,364**	**44,478,691**
Liabilities			
Trade and other payables	12	7,221,660	3,079,103
Provisions	13	1,837,853	1,440,271
Total Current Liabilities		**9,059,513**	**4,519,374**
Provisions	13	267,424	412,041
Deferred tax liabilities	5	11,964,565	7,225,708
Total Non-current Liabilities		**12,231,989**	**7,637,749**
Total Liabilities		**21,291,502**	**12,157,123**
Net Assets		**38,541,862**	**32,321,568**
Equity			
Issued capital	14	20,095,410	19,928,910
Share based payments reserve		1,168,572	894,950
Business combination reserve		5,571,470	5,571,470
Retained earnings		11,706,410	5,926,238
Total Equity		**38,541,862**	**32,321,568**

Cash Flow Statement

for the year ended 30 June 2010

		CONSOLIDATED	
		2010	2009
	Notes	$	$
Receipts from customers and related parties		30,679,146	21,232,263
Payments to suppliers and employees		(32,905,182)	(26,317,914)
Income tax paid		-	(183,096)
Net cash flows from/(used in) operating activities	6	**(2,226,036)**	**(5,268,747)**
Interest received		374,881	981,539
Purchase of property, plant and equipment		(997,313)	(1,933,843)
Purchase of intangible assets		(978,892)	(920,605)
Net cash flows from/(used in) investing activities		**(1,601,324)**	**(1,872,909)**
Proceeds from issue of shares		166,500	17,200
Net cash flows from financing activities		**166,500**	**17,200**
Net increase (decrease) in cash and cash equivalents		**(3,660,860)**	**(7,124,456)**
Cash and cash equivalents			
- at beginning of the period		**11,098,775**	**18,223,231**
- at end of the period	6	**7,437,915**	**11,098,775**

Statement of Changes in Equity

for the year ended 30 June 2010

CONSOLIDATED	Share based payment reserve $	Issued capital $	Business combination reserve $	Retained earnings $	Total $
Balance at 1 July 2009	**894,950**	**19,928,910**	**5,571,470**	**5,926,238**	**32,321,568**
Profit for the period	-	-	-	5,780,172	5,780,172
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	5,780,172	5,780,172
Transactions with owners in their capacity as owners:					
Share based payment expense	273,622	-	-	-	273,622
Issue of share capital	-	166,500	-	-	166,500
Balance at 30 June 2010	**1,168,572**	**20,095,410**	**5,571,470**	**11,706,410**	**38,541,862**
Balance at 1 July 2008	**758,466**	**19,911,710**	**5,571,470**	**4,466,272**	**30,707,918**
Profit for the period	-	-	-	1,459,966	1,459,966
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,459,966	1,459,966
Transactions with owners in their capacity as owners:					
Share based payment expense	136,484	-	-	-	136,484
Issue of share capital	-	17,200	-	-	17,200
Balance at 30 June 2009	**894,950**	**19,928,910**	**5,571,470**	**5,926,238**	**32,321,568**

Notes to the Financial Statements
for the year ended 30 June 2010

1. Corporate information

The financial report of iSelect Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 27 October 2010.

iSelect Limited is a company limited by shares incorporated in Australia and is a non-trading entity. The principal activity of the Company during the financial year was the holding of investments in it's wholly owned subsidiaries iSelect Health Pty Ltd, iSelect Life Pty Ltd and iSelect General Pty Ltd. On 16 July 2010 iSelect Limited converted to an unlisted public company. The company name has changed from iSelect Pty Ltd to iSelect Limited.

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

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

2. Summary of significant accounting policies

a) Basis of Preparation

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

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

b) Statement of compliance

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

New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2010. These are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:	1 January 2010	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 2010

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5 (cont'd)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: ► has primary responsibility for providing the goods or service; ► has inventory risk; ► has discretion in establishing prices; bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.		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.	

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5 (cont'd)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.		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.	
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.	1 January 2013	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2013

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9 (cont'd)	Financial Instruments	(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.		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.	
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value ► removal of the requirement to separate embedded derivatives in financial assets ► strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The Group does not expect any material impact as a result of these amendments, if any.	1 July 2013

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 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; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	AASB 124 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. The Group does not expect any material impact on the disclosure.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	1 January 2011	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2011

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

c) Basis of consolidation

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

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

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

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

Present Value of trail commissions
The Company has elected to account for trail commission revenue at the time of selling a health and life insurance policy to which trail commission attaches, rather than on the basis of actual payments received from the relevant health and life funds 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 Company. In undertaking this responsibility, the company engages Deloitte Actuaries & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions. 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.

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

The full impact of any legislative changes are still yet to be determined with any known certainty as at the date of this financial report. The Directors consider this method of trail commission recognition to be a more accurate representation of the company's financial results. This method is further detailed in Note 2 (f).

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

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

Health
Health insurance clawbacks are usually triggered where a referred member terminates their policy. The fund has an individual agreement and the clawback period ranges between 2 to 12 months depending on fund. The Group provides for this liability based upon historic average rates of attrition. For the year ended 30 June 2010, the Directors have assessed these provisions in light of any estimated impact of the Federal Government's proposed health insurance rebate changes.

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

General
General insurance clawbacks are usually triggered where termination occurs within 3 months of the sale of the policy. The Company 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 recognized on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognized only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognized unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or all of the carrying amounts of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

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. The following specific recognition criteria must also be met before revenue is recognised:

Fee Revenue
iSelect earns two distinct types of revenue:
-Marketing fees
-Trail commission

i) Marketing fees

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

(ii) Trail commission

Trail commissions are ongoing fees related to existing health and life fund members referred to individual funds via iSelect. Trail commission revenue represents commission earned from health and life funds calculated as a percentage of the value of the underlying policy relationship of the expected life. The Company is entitled to receive both health and life 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 balance date include: lapse and mortality rates, commission term, premium increases and discount rate, incorporating risk free rates and estimates of the likely credit risk associated with the health and life funds. It is the Directors' and management's responsibility to determine the assumptions used and the fair value of trail revenue. In undertaking this responsibility, the company engages Deloitte Actuaries & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions and the fair value model utilised to determine the fair value of health and life fund trail revenue. 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 income statement.

In the 2009 Federal budget, the government announced an intention to introduce tiered means testing for the private health insurance rebate. During mid 2009, draft legislation was passed by the house of representatives but was rejected in the senate. However, it remains an announced government policy. Under the arrangement, the rebate would be reduced or removed for higher income groups and in some cases a higher Medicare Levy Surcharge would also apply. The expectation is that this will impact the future amount of health fund trail commission to be received as it is likely that some existing members below these income levels may opt out of health insurance due to the effect of means testing and/or higher MLS. The full impact of the type and number of members that may withdraw this cover is not yet known as at the date of this financial report. The impact of the estimated effect of a tiered means testing has been considered by the consulting actuaries in reviewing the commission valuation at 30 June 2010. This assessment of the impact was based on reports prepared by independent parties at the time of performing the valuation. The valuation has been based on the assumption that the legislation will be passed, therefore higher thresholds and higher estimated terminations have been included in the assumptions of the valuation. The Directors are of the belief that the revenue recognised in the financial year is appropriate and reasonable given the uncertainty surrounding the actual impact of the proposed health insurance rebate charges.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

f) Revenue recognition (continued)

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

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

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 income statement 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 balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, 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 receivables recognised as current assets are due for settlement within no more than 30 days for marketing fees and within one year for trail commission.

Trade receivables are measured on the basis of amortised cost and trail commission is measured at fair value.

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

j) Income tax

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

j) Income tax (continued)

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

Tax consolidation legislation

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

j) Income tax (continued)

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 inter-company 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 balance sheet.

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

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

	Useful life	Method
Computer equipment	4 years	Straight-line method
Computer software	3 years	Straight-line method
Furniture, fixtures and fittings	8 years	Straight-line method
Leasehold Improvements	5 to 6.5 years	Straight-line method

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

l) Property, plant and equipment (continued)

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.

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

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

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

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

Web site development costs capitalised as an intangible asset are amortised on a straight line basis with a useful life of 5 years.

n) Investments

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

o) Impairment of assets

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in profit or loss. 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 financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q) 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 income statement 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.

r) 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.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

r) Employee benefits (continued)

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

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

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

s) 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.

t) Share based payments

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

There are currently three plans in place to provide these benefits:
- the Employee Share Option Plan, which provides benefits to all employees, including Directors;
- CEO Plan, which provides benefits to the Chief Executive Officer; and
- ninemsn Option agreement, which provides benefits to ninemsn, a major shareholder.

The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) 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 income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement 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.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

t) Share based payments (continued)

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

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.

Prior year share based payments were realigned to meet the requirements of AASB Interpretation 11. The impact is the transfer of the share based payment reserve to the parent entity from the subsidiary iSelect Health Pty Ltd in the prior year. This has increased the parent entity's investment in the subsidiary which results in an increase in the subsidiary's share capital. No impact on prior or current year profit and loss has occurred from this treatment.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

3. Financial risk management and objectives and policies

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

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

Risk management is carried out by management as delegated by the Board of Directors. The Board of Directors is continuing to review the company's risk management framework and has established an Audit and Risk Committee to aid and oversee this process.

The Group holds the following financial instruments:

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Financial Assets		
Current		
Cash and cash equivalents	7,437,915	11,098,775
Trade and other receivables	3,963,283	3,286,335
Net present value of future trail commission	8,922,988	3,169,538
Non-current		
Net present value of future trail commission	29,327,252	19,720,003
	49,651,438	**37,274,651**
Financial Liabilities		
Current		
Trade and other payables	7,221,660	3,079,103
	7,221,660	**3,079,103**
Net exposure	**42,429,778**	**34,195,548**

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

(a) Market Risk

Cash flow and fair value interest rate risk

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

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

3. Financial risk management and objectives and policies (continued)

At 30 June 2010, 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:

Judgements of reasonably possible movements	Post Tax Profit Higher/(Lower) CONSOLIDATED 2010 $	2009 $
TOTAL		
Consolidated		
+1% (100 basis points)	(839,878)	(410,834)
-1% (100 basis points)	920,204	477,455

	All figures are Post Tax Profit Higher/(Lower) CONSOLIDATED 2010 $	2009 $
TRAIL COMMISSION		
Consolidated		
+1% (100 basis points)	(891,943)	(488,518)
-1% (100 basis points)	972,269	555,139
CASH AT BANK		
Consolidated		
+1% (100 basis points)	52,065	77,684
=1% (100 basis points)	(52,065)	(77,684)

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 2010 than in 2009 because of higher net present value of future trail commission.

(b) Foreign currency risk

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

(c) Credit risk

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

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

The Group trades only with recognised, creditworthy third parties (health and life funds), and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

3. Financial risk management and objectives and policies (continued)

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

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

(d) Liquidity risk

The Group's liquidity risk exposure is minimal due to the Group not having any debt, loans or financial liabilities.

(e) Fair value risk

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

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

	Year ended 30 June 2010			
	Quoted market price (Level 1) $	Valuation technique - market observable inputs (Level 2) $	Valuation technique - non-market observable inputs (Level 3) $	Total $
Consolidated				
Financial Assets				
Net present value of future trail commission	-	-	38,250,240	38,250,240
	-	**-**	**38,250,240**	**38,250,240**
Financial Liabilities	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**

For financial instruments not quoted in active markets, the Group used valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

3. Financial risk management and objectives and policies (continued)

Reconciliation of Level 3 fair value movements

	CONSOLIDATED 2010 $
Opening Balance	22,889,542
New Receivable	13,884,596
Lapsed Receivable	(1,031,228)
Cash Receipts	(6,585,563)
Gains/(Losses) from movement in discount rate	3,081,253
Gains/(Losses) from movement in other fair value assumptions	6,011,640
Closing Balance	**38,250,240**

The Group uses the discounted cashflow method in determining the fair value of the unlisted asset. The potential effect of using reasonable possible alternative assumptions based on a change in relevant inputs by 1% would have the effect of reducing the fair value by up to $4,217,063 should the discount rate increase, premium price decrease or termination rates increase, or increase the fair value by $4,561,316 should the opposite apply.
If the assumption that there is a potential impact of future regulatory or federal government policy change be removed, the valuation would increase by $387,899.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

4. Revenues and expenses

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
a) Income		
Sales revenue		
Health insurance revenue		
Marketing fees	15,102,832	15,000,461
Marketing fee clawback	(1,006,992)	(762,893)
Present value of trail commission	19,510,408	9,878,920
Unwinding of trail commission discount	191,383	164,608
Life insurance revenue		
Marketing fees	5,486,775	2,327,699
Marketing fee clawback	(811,235)	(332,895)
Present value of trail commission	2,509,762	538,838
Unwinding of trail commission discount	9,189	-
General insurance revenue		
Marketing fees	3,005,840	364,343
Marketing fee clawback	(507,281)	(72,801)
Present value of trail commission	-	-
Total sales revenue	**43,490,681**	**27,106,280**
Total interest revenue	**399,883**	**890,576**
Total other income	**243,544**	**205,218**
Total income	**44,134,108**	**28,202,074**

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

4. Revenues and expenses (continued)

		CONSOLIDATED	
		2010	2009
		$	$
b)	**Employee entitlement expenses**		
	Cost of sales and administrative expenses include the following personnel expenses:		
	Salaries and wages	9,408,942	7,405,020
	Superannuation	1,201,342	859,962
	Share based payments expense	273,622	136,484
	Bonus payments	3,398,659	1,417,673
	Other personnel expenses	975,691	965,051
	Total personnel expenses	**15,258,256**	**10,784,190**
c)	**Research and development costs**		
	Amortisation of previously capitalised development costs	**456,024**	**395,572**
d)	**Depreciation expense**		
	Property, plant & equipment	**971,778**	**695,135**
e)	**Lease expenditure**		
	Operating lease expenditure	**461,538**	**475,402**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

5. Income tax

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Current income tax		
Current income tax benefit/(charge)	2,153,849	2,067,164
Adjustments in respect of current income tax of previous years	(51,374)	354,140
Deferred income tax		
Relating to origination and reversal of temporary differences	(4,569,097)	(2,466,055)
Adjustments in respect of deferred income tax of previous years	18,082	(139,291)
Income tax reported in income statement	**(2,448,540)**	**(184,042)**

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

	2010	2009
Accounting profit before income tax	**8,228,712**	**1,644,008**
Statutory income tax rate of 30%	(2,468,614)	(493,202)
Adjustments in respect of current income tax of previous years	(51,374)	354,140
Adjustments in respect of deferred income tax of previous years	18,082	(139,291)
Share based payments	(82,086)	(67,500)
Entertainment	(16,754)	(9,126)
Research and development concessional deduction	154,865	154,865
Investment allowance	-	54,153
Other	(2,659)	(38,081)
Total income tax expense	**(2,448,540)**	**(184,042)**

Deferred tax assets/liabilities

Deferred tax assets relate to the following:

	2010	2009
Deferred tax assets from temporary differences on:		
Trade and other payables	199,189	71,929
Property, plant & equipment	-	2,357
Provisions	618,634	555,694
Carried forward losses	4,193,304	2,090,829
Total deferred tax assets	**5,011,127**	**2,720,809**
Deferred tax liabilities from temporary differences on:		
Present value of trail commission	(11,475,071)	(6,866,862)
Accrued Interest	(829)	(8,330)
Development costs	(488,665)	(350,516)
Total deferred tax liabilities	**(11,964,565)**	**(7,225,708)**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

5. Income tax (continued)

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.

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

6. Cash and cash equivalents

	CONSOLIDATED	
	2010	2009
	$	$
Cash at bank and in hand	2,806,791	11,039,435
Term deposits	4,631,124	59,340
Total cash and cash equivalents	**7,437,915**	**11,098,775**

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

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

Reconciliation of Cash Flow Statement

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	2,806,791	11,039,435
Term deposits	4,631,124	59,340
	7,437,915	**11,098,775**

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

Net profit after tax	**5,780,172**	**1,459,966**
Adjustments for non-cash income and expense items:		
Depreciation/amortisation	1,427,802	1,090,707
Share options expensed	273,622	136,484
Interest income classified as investing cashflow	(374,881)	(981,539)
Net (gain)/loss on disposal of intangible asset	35,050	-
Provision for Doubtful Debts	-	83,288
Increase/decrease in assets and liabilities:		
Trade and other receivables	(676,949)	(38,487)
Net present value of future trail commission	(15,360,699)	(8,408,978)
Other assets	(174,215)	209,095
Deferred tax asset	(2,290,318)	(2,343,360)
Trade and other payables	4,142,558	215,905
Income tax payable	-	(251,197)
Deferred tax liability	4,738,857	2,881,539
Provisions	252,965	677,830
Net cash from/(used in) operating activities	**(2,226,036)**	**(5,268,747)**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

7. Trade and other receivables

	CONSOLIDATED 2010 $	2009 $
Trade receivables, third parties	3,963,283	3,286,335
Total trade and other receivables	**3,963,283**	**3,286,335**

8. Net present value of future trail commission

	2010 $	2009 $
Net present value of future trail commission	38,250,240	22,889,541
Total net present value of future trail commission	**38,250,240**	**22,889,541**
Current		
Net present value of future trail commission	8,922,988	3,169,538
	8,922,988	**3,169,538**
Non-Current		
Net present value of future trail commission	29,327,252	19,720,003
Total	**38,250,240**	**22,889,541**

9. Other assets

	2010 $	2009 $
Prepayments	329,713	138,222
Other assets	15,936	33,212
Total other assets	**345,649**	**171,434**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

10. Property, plant and equipment

Year Ended 30 June 2010	**CONSOLIDATED**				
	Leasehold improvements $	**Office/Computer equipment $**	**Computer Software $**	**Furniture fixtures and fittings $**	**Total $**
At 1 July 2009					
net of accumulated depreciation	1,385,958	667,472	347,783	504,912	2,906,125
Additions	1,440	378,207	515,244	102,422	997,313
Disposals	-	-	-	-	-
Depreciation for the period	(312,184)	(329,628)	(246,130)	(83,836)	(971,778)
At 30 June 2010					
net of accumulated depreciation	**1,075,214**	**716,051**	**616,897**	**523,498**	**2,931,660**
At 1 July 2009					
Cost value	1,680,686	1,335,138	711,750	649,200	4,376,774
Accumulated depreciation	(294,728)	(667,666)	(363,967)	(144,288)	(1,470,649)
Net carrying amount	**1,385,958**	**667,472**	**347,783**	**504,912**	**2,906,125**
At 30 June 2010					
Cost value	1,682,126	1,713,345	1,226,994	751,622	5,374,087
Accumulated depreciation	(606,912)	(997,294)	(610,097)	(228,124)	(2,442,427)
Net carrying amount	**1,075,214**	**716,051**	**616,897**	**523,498**	**2,931,660**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

10. Property, plant and equipment (continued)

Year Ended 30 June 2009	**CONSOLIDATED**				
	Leasehold improvements $	**Office/Computer equipment $**	**Computer Software $**	**Furniture fixtures and fittings $**	**Total $**
At 1 July 2008					
net of accumulated depreciation	414,973	678,000	184,940	389,504	1,667,417
Additions	1,160,339	305,567	363,957	185,487	2,015,350
Disposals	-	(28,667)	(52,840)	-	(81,507)
Depreciation for the period	(189,354)	(287,428)	(148,274)	(70,079)	(695,135)
At 30 June 2009					
net of accumulated depreciation	**1,385,958**	**667,472**	**347,783**	**504,912**	**2,906,125**
At 1 July 2008					
Cost value	520,347	1,058,238	400,633	463,713	2,442,931
Accumulated depreciation	(105,374)	(380,238)	(215,693)	(74,209)	(775,514)
Net carrying amount	**414,973**	**678,000**	**184,940**	**389,504**	**1,667,417**
At 30 June 2009					
Cost value	1,680,686	1,335,138	711,750	649,200	4,376,774
Accumulated depreciation	(294,728)	(667,666)	(363,967)	(144,288)	(1,470,649)
Net carrying amount	**1,385,958**	**667,472**	**347,783**	**504,912**	**2,906,125**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

11. Non - current assets – Intangible assets

	CONSOLIDATED			
	Development costs	**Patents & licenses**	**Software**	**Total**
	$	$	$	$
Year ended 30 June 2010				
At 1 July 2009				
net of accumulated amortisation and impairment	1,188,877	97,861	118,934	1,405,672
Additions	840,280	138,612	-	978,892
Disposals	-	(35,050)	-	(35,050)
Amortisation	(379,785)	-	(76,239)	(456,024)
At 30 June 2010				
net of accumulated amortisation and impairment	**1,649,372**	**201,423**	**42,695**	**1,893,490**
At 30 June 2010				
Cost (gross carrying amount)	3,311,619	201,423	228,717	3,741,759
Accumulated amortisation and impairment	(1,662,247)	-	(186,022)	(1,848,269)
Net carrying amount	**1,649,372**	**201,423**	**42,695**	**1,893,490**
Year ended 30 June 2009				
At 1 July 2008				
net of accumulated amortisation and impairment	612,965	62,811	204,863	880,639
Additions	885,555	35,050	-	920,605
Disposals	-	-	-	-
Amortisation	(309,643)	-	(85,929)	(395,572)
At 30 June 2009				
net of accumulated amortisation and impairment	**1,188,877**	**97,861**	**118,934**	**1,405,672**
At 30 June 2009				
Cost (gross carrying amount)	2,471,339	97,861	228,717	2,797,917
Accumulated amortisation and impairment	(1,282,462)	-	(109,783)	(1,392,245)
Net carrying amount	**1,188,877**	**97,861**	**118,934**	**1,405,672**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

11. Non - current assets – Intangible assets (continued)

(a) Description of intangible assets

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of five years. The amortisation has been recognised in the income statement 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) Patents and licenses

Patents and licenses 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 2010, on a 'value-in-use' basis. Given the relative size of the asset, no further disclosure is made.

(iii) Software

Capitalised software is carried at cost less accumulated amortisation and accumulated impairment losses. The software has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. The amortisation has been recognised in the income statement in amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(b) Impairment losses recognised

No impairment losses recognised during the period.

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

12. Trade and other payables

	CONSOLIDATED	
	2010	2009
	$	$
Trade payables (a)	1,652,190	1,695,260
Other payables (b)	5,569,470	1,383,843
Total trade and other payables	**7,221,660**	**3,079,103**

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

13. Provisions

	CONSOLIDATED	
	2010	2009
	$	$
Current Provisions		
Annual Leave	691,599	431,036
Long Service Leave	101,769	63,027
Lease incentive	191,240	191,240
Claw Back	775,577	694,445
Other	77,668	60,523
Total	**1,837,853**	**1,440,271**
Non-Current Provisions		
Annual Leave	-	-
Long Service Leave	123,994	77,371
Lease incentive	143,430	334,670
Claw Back	-	-
Total	**267,424**	**412,041**

(a) Nature and timing of provisions

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

(ii) Provision for lease incentive

This 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 income statement over the life of the lease as other income.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

(b) Movements in provisions

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

	Clawback $
Consolidation	
At 1 July 2009	694,445
Acquisition of subsidiary	-
Arising during the year	2,406,640
Utilised	(2,325,508)
Unused amounts reversed	-
Unwinding and discount rate adjustment	-
At 30 June 2010	**775,577**
Current 2010	775,577
Non-current 2010	-
	775,577
Current 2009	694,445
Non-Current 2009	-
	694,445

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

14. Issued capital

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Issued and paid up capital	20,095,410	19,928,910
Ordinary shares fully paid (number)	12,733,588	12,658,588

Share capital increased during the year as a result of the issue of ordinary shares to option holders exercising options.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, 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 Company.

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

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

15. Commitments and Contingencies

(a) Operating lease commitments

The Group has entered into commercial leases on certain buildings. These leases have a life of between 3 and 5 years with renewal options included in the contracts. 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	
	2010	**2009**
	$	**$**
Operating Lease Commitments		
Minimum lease payments		
Not later than one year	540,628	482,451
Later than 1 year and not later than 5 years	413,606	1,149,460
More than 5 years	-	-
Total operating lease commitments	**954,234**	**1,631,911**
Operating lease expenses recognised as an expense during the period:	**461,538**	**475,402**

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

16. Related party disclosure

(a) Subsidiaries

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

		% Equity interest		Investment ($)	
Name	**Country of incorporation**	**2010**	**2009**	**2010**	**2009**
iSelect Health Pty Ltd	Australia	100	100	20,386,038	20,112,416
iSelect Life Pty Ltd	Australia	100	100	3,250,000	2,500,000
iSelect General Pty Ltd	Australia	100	100	5,730,000	3,730,000
				29,366,038	26,342,416

(b) Ultimate parent

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

(c) Key management personnel

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

Notes to the Financial Statements
For the year ended 30 June 2010 (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 7 and 12 respectively):

Related party		Sales to related parties $	Purchases from related parties $	Other transactions with related parties $
Consolidated				
Shareholder related entities:				
Ninemsn - Advertising Services	**2010**	-	59,337	-
	2009	-	259,554	-
Director related entities:				
Martin Dalgleish - Consultancy fees	**2010**	-	80,000	-
	2009	-	-	-

Terms and conditions of transactions with related parties

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

17. Events after the balance sheet date

On 16 July 2010 iSelect Limited converted to an unlisted public company. The name changed from iSelect Pty Ltd to iSelect Limited. Since the end of period, the company completed an equity raising of $15.58m from the issue of 1,005,516 ordinary shares in iSelect Limited to professional and sophisticated investors at $15.50 per share. The raising was completed in two tranches one in August and the subsequent tranche in October. The Directors are not aware of any other matters or circumstances not otherwise dealt with in this report or the Consolidated Financial Statements that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

18. Auditors' remuneration

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

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Amounts received or due and receivable by Ernst & Young Australia for:		
Audit of the financial statements	114,073	107,000
Other services:		
- tax compliance	30,000	19,500
- assurance related	39,000	36,500
- regulatory compliance	24,720	24,000
Total	**207,793**	**187,000**

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

19. Director and executive disclosure

(a) Details of Key Management Personnel

Directors	
Martin Dalgleish	Non-Executive Chairman
Damien Waller	Chief Executive Officer and Managing Director
Shaun Bonett	Non-Executive
Leslie Webb	Non-Executive
Nicholas Gray	Non-Executive – resigned 22-Sep-2010
Joanne Pollard	Non-Executive
Michael McLeod	Non-Executive – appointed 4-Sep-2009
Patrick O'Sullivan	Non-Executive – appointed 22-Sep-2010
Executives	
Mark Blackburn	Group Chief financial officer – appointed 4-Oct-2010
Matthew McCann	Corporate Development Director
Gerald Brown	Chief Executive Officer - Insurance
Paul Cullinan	Chief Financial Officer - Insurance

(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 $
2010						
Total Compensation	1,850,435	157,190	-	233,204	-	2,240,829
2009						
Total Compensation	1,192,311	65,244	-	127,518	-	1,385,053

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

(c) Option holdings of Key Management Personnel (Consolidated)

30 June 2010	Balance at 01 July 2009	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 June 10	Vested at 30 June 2010 Total	Exercisable	Not Exercisable
Directors								
Damien Waller	2,685,276	-	-	-	2,685,276	2,685,276	2,685,276	-
Martin Dalgleish	180,000	-	-	-	180,000	74,945	74,945	-
Shaun Bonnett	139,147	-	-	-	139,147	139,147	139,147	-
Leslie Webb	105,000	-	(75,000)	-	30,000	30,000	30,000	-
Nicholas Gray^	-	-	-	-	-	-	-	-
Joanne Pollard	-	-	-	-	-	-	-	-
Michael McLeod	-	-	-	-	-	-	-	-
Patrick O'Sullivan *	-	-	-	-	-	-	-	-
Executives								
Mark Blackburn**	-	-	-	-	-	-	-	-
Matthew McCann	90,000	-	-	-	90,000	56,976	-	56,976
Gerald Brown	90,000	3,750	-	-	93,750	89,918	17,984	71,934
Paul Cullinan	195,000	-	-	-	195,000	135,000	101,250	33,750
Total	**3,484,423**	**3,750**	**(75,000)**	**-**	**3,413,173**	**3,211,262**	**3,048,602**	**162,660**

30 June 2009	Balance at 01 July 2008	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 June 09	Vested at 30 June 2009 Total	Exercisable	Not Exercisable
Directors								
Damien Waller	2,685,276	-	-	-	2,685,276	2,679,579	1,307,335	1,372,244
Martin Dalgleish	-	180,000	-	-	180,000	14,945	14,945	-
Shaun Bonnett	139,147	-	-	-	139,147	127,753	127,753	-
Leslie Webb	105,000	-	-	-	105,000	93,606	93,606	-
Nicholas Gray	-	-	-	-	-	-	-	-
Joanne Pollard	-	-	-	-	-	-	-	-
Michael McLeod	-	-	-	-	-	-	-	-
Executives								
Gerald Brown	90,000	-	-	-	90,000	59,918	11,984	47,934
Paul Cullinan	105,000	90,000	-	-	195,000	99,303	19,861	79,442
Matthew McCann	-	90,000	-	-	90,000	5,244	-	5,244
Total	**3,124,423**	**360,000**	**-**	**-**	**3,484,423**	**3,080,348**	**1,575,484**	**1,504,864**

^ Nicholas Gray resigned 22 September 2010
* Patrick O'Sullivan appointed 22 September 2010
** Mark Blackburn appointed 04 October 2010
# includes forfeiture

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

(d) Shareholdings of Key Management Personnel (Consolidated)

30 June 2010	Balance 30 June 09	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 10
Directors					
Damien Waller	1,487,234	-	-	-	1,487,234
Martin Dalgleish	-	-	-	-	-
Shaun Bonnett	389,017	-	-	-	389,017
Leslie Webb	235,000	-	75,000	-	310,000
Nicholas Gray^	-	-	-	-	-
Joanne Pollard	-	-	-	-	-
Michael McLeod	-	-	-	-	-
Patrick O'Sullivan *	-	-	-	-	-
Executives					
Mark Blackburn**	-	-	-	-	-
Matthew McCann	7,035	-	-	-	7,035
Gerald Brown	7,035	-	-	-	7,035
Paul Cullinan	41,497	-	-	-	41,497
Total	**2,166,818**	**-**	**75,000**	**-**	**2,241,818**

30 June 2009	Balance 30 June 08	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 09
Directors					
Damien Waller	1,487,234	-	-	-	1,487,234
Martin Dalgleish	-	-	-	-	-
Shaun Bonnett	389,017	-	-	-	389,017
Leslie Webb	235,000	-	-	-	235,000
Nicholas Gray ^	-	-	-	-	-
Joanne Pollard	-	-	-	-	-
Michael McLeod	-	-	-	-	-
Executives					
Gerald Brown	7,035	-	-	-	7,035
Paul Cullinan	41,497	-	-	-	41,497
Matthew McCann	7,035	-	-	-	7,035
Total	**2,166,818**	**-**	**-**	**-**	**2,166,818**

^ Nicholas Gray resigned 22 September 2010
* Patrick O'Sullivan appointed 22 September 2010
** Mark Blackburn appointed 04 October 2010

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

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

20. Share based payment plans

(a) Recognised share based payment expenses

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

	CONSOLIDATED	
	2010 $	2009 $
Expense arising from equity settled share based payment transactions	273,622	136,484

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans in 2010. 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)

Under the iSelect ESOP, share options are granted to company Directors, secretary and senior executives. The ESOP is designed to align participant's interests with those of shareholders by increasing the value of the Company'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 Company or iSelect Health Pty Ltd. There are no cash settlement alternatives.

CEO Performance Plan

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

Notes to the Financial Statements

For the year ended 30 June 2010 (continued)

(b) Types of share based payment plans (continued)

Terms of an agreement with ninemsn Pty Ltd relating to the purchase of shares in the Company on 31 March 2006 granted ninemsn Pty Ltd share options in the Company. The exercise price of the options is $4.25. The number of exercisable options is calculated so that ninemsn Pty Ltd has the same equity interest in the Company after the exercise of the CEO Plan options as it did immediately prior to the exercise of the CEO Plan options.

(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:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the period	5,232,371	3.70	4,894,166	3.05
Granted during the period	118,750	9.82	360,000	12.38
Forfeited during the period	-	-	(11,795)	2.22
Exercised during the period	(189,716)	1.13	(10,000)	1.72
Expired during the period	(23,204)	4.25	-	-
Outstanding at the end of the period	5,138,201	3.93	5,232,371	3.70
Exercisable at the end of the year	4,555,876	3.06	2,573,959	2.97

The outstanding balance as at 30 June 2010 is represented by:

- 153,647 options over ordinary shares with an exercise price ranging from $0.00 to $0.01, exercisable upon meeting the ESOP conditions;
- 3,236,227 options over ordinary shares with an exercise price ranging from $1.72 to $2.38 (WAEP of $2.21), exercisable upon meeting the ESOP conditions and CEO Plan conditions;
- 963,988 options over ordinary shares with an exercise of $4.25, exercisable upon meeting the ESOP conditions and CEO Plan conditions;
- 291,681 options over ordinary shares with an exercise price of $7.50 to $9.50 (WAEP of $8.31), exercisable upon meeting the ESOP conditions;
- 355,000 options over ordinary shares with an exercise price ranging from $11.50 to $12.50 (WAEP of $11.27), exercisable upon meeting the ESOP conditions;
- 47,658 options over ordinary shares with an exercise price of $15.35, exercisable upon meeting the ESOP conditions.
- 90,000 options over ordinary shares with an exercise price of $20.00, exercisable upon meeting the ESOP conditions.

Notes to the Financial Statements
For the year ended 30 June 2010 (continued)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.42 years.

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the period was $0.00 to $20.00.

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 $0.87.

(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 2010:

	ESOP 2010	**CEO PLAN* 2010**	**ESOP 2009**	**CEO PLAN 2009**
Dividend Yield (%)				
Years 0 to 3	0.00	0.00	0.00	0.0
Years 4 to 5	1.00	1.00	1.00	1.00
Years 6 to 7	1.50	1.50	1.50	1.50
Years 8 plus	2.00	2.00	2.00	0.00
Expected Volatility (%)				
Years 0	50.00	50.00	50.00	50.00
Years 1 to 2	40.00	40.00	40.00	40.00
Years 3 to 5	30.00	30.00	30.00	30.00
Years 6 plus	20.00	20.00	20.00	20.00
Expected life of Options (years)	4.98	5.97	5.62	5.94
Option Exercise price (WAEP) ($)	6.33	2.74	5.55	2.93
Weighted average share price at measurement date ($)	3.80	2.44	3.07	2.68

* inclusive of ninemsn Pty Ltd agreement

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined by considering volatility for similar sized and industry listed companies. The expected volatility therefore reflects the assumption that the comparison volatility is indicative of future trends, which may also not necessarily be the actual outcome.

21. Parent Entity Information

Information relating to iSelect Limited:	**2010** **$**	**2009** **$**
Current assets	4,652,585	8,688,611
Non Current assets	33,559,342	28,433,245
Total assets	38,211,927	37,121,856
Current liabilities	2,199,726	2,412,317
Non Current liabilities	13,262,317	12,608,009
Total liabilities	15,462,043	15,020,326
Issued capital	20,095,410	19,928,910
Share-based payments reserve	1,168,572	894,950
Retained earnings	1,485,902	1,277,670
Total shareholders' equity	22,749,884	22,101,530
Profit or loss of the parent entity	208,233	506,817
Total comprehensive income of the parent entity	208,233	506,817
Details of any commitments entered into by the parent entity in relation to the obligations of its subsidiaries^	1,000,000	1,000,000

^As a result of AFSL requirements, iSelect Ltd committed a Letter of Support to iSelect General Pty Ltd on 27 October 2010. The effect of the Letter of Support is that iSelect Ltd has committed to fund iSelect General Pty Ltd for $1 million by way of equity injection in November 2010.

Directors' Declaration

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

1. In the opinion of the Directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the period ended on that date.

      (ii) complying with Accounting Standards and Corporations Regulations 2001.

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

On behalf of the Board

Damien Waller
Group Chief Executive Officer & Managing Director

Melbourne
27 October 2010

ERNST & YOUNG

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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 (formerly iSelect Pty Ltd), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of iSelect Limited (formerly iSelect Pty Ltd) is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
Melbourne
27 October 2010