

Annual Report 2014
Cool, calm and connected

Our vision

To be the most highly valued and trusted adviser to households making important purchase decisions

We are

- Digitally enabled
- Data driven
- Customer centric
- Value focused

A partner for life

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IMPORTANT NOTICE AND DISCLAIMER

All references to FY13, FY14 and FY15 appearing in this Annual Report are to the financial years ended or ending 30 June 2013, 30 June 2014 or 30 June 2015, respectively, unless otherwise indicated. Any references to 1H FY13, 2H FY13, 1H FY14 and 2H FY14 appearing in this Annual Report are to the half financial years ended 31 December 2012, 30 June 2013, 31 December 2013 and 30 June 2014, respectively, unless otherwise indicated.

This Annual Report contains forward-looking statements. The statements in this Annual Report are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Annual Report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Group, the Directors and management.

The Group cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Annual Report will

actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. To the full extent permitted by law, iSelect disclaims any obligation or undertaking to release any updates or revisions to the information contained in this Annual Report to reflect any change in expectations or assumptions.

NON-IFRS INFORMATION

iSelect's results are reported under International Financial Reporting Standards (IFRS). Throughout this Annual Report, iSelect has included certain non-IFRS financial information. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. iSelect uses these measures to assess the performance of the business and believes that information is useful to investors. EBITDA, EBIT, Operating Cash Conversion and Revenue per Sale (RPS) have not been audited or reviewed.

Any and all monetary amounts quoted in this Annual Report are in Australian dollars (AUD).

Any references to "Group" in this Annual Report refer to iSelect Limited and its controlled entities.

ABN: 48 124 302 932

About iSelect

iSelect is Australia's leading online comparison service, providing Australian consumers with trusted product comparison and advice on more than 12,500 insurance, energy, personal finance and broadband products from over 85 partner providers.

With a household brand that attracts over 7 million unique visitors to its website every year, iSelect now distributes 1 in 5 of all private health insurance policies in Australia. Owing to its digitally enabled and customer-centric advice model, iSelect continues to grow its market-leading position in health insurance, energy, life insurance and personal finance comparison.



“I always use iSelect when looking for any insurance, it’s easy to understand and now even better that I earn Frequent Flyer points. My electricity agreement is due up in September so I will be looking to change that through iSelect too.”

Johanna
New South Wales

Chairman's Message

I am very pleased to present our 2014 annual report. iSelect continued to grow strongly in 2014 and consolidated its position as Australia's leading online comparison service. I am confident that our renewed management team who are focusing on prioritisation and disciplined delivery of our strategic plan will see iSelect reach new heights of success in 2015 and beyond.

Our strongest ever year in Health Insurance coupled with the growing contribution of our newer business verticals delivered significant financial results over the year.

FINANCIAL HIGHLIGHTS IN 2014:

- Revenue: \$136.7m (↑16%) normalised
- EBITDA: \$29.2m (↑10%) normalised
- NPAT: \$18.3m (↑27%) normalised
- Cash conversion: 39% (↑23pp) normalised

MANAGEMENT RENEWAL

Following the appointment of Alex Stevens as CEO in March, the management of iSelect's day to day operations is now in very skilled and experienced hands. While the Board and I were not planning any management team changes directly following the IPO, we firmly believe the business and, as a consequence, shareholders will benefit greatly in the years ahead from the four executive team appointments made in 2014.

Organisational change is never easy and we dealt with a number of unexpected challenges during our first year as an ASX-listed company. I would like to thank all of our people for their patience and professionalism during the year.

INVESTING FOR GROWTH

iSelect remains a very exciting growth business. In the interests of our customers, partners and shareholders, we want to see this growth continue.

For the past several years and again this year we have invested approximately 25% of Group revenue into brand and marketing, and this will continue for the foreseeable future as we focus on further developing our Health Insurance business and driving consumer engagement with our newer verticals, especially Energy.

In 2014 we invested in two key areas: commercial partnerships and data mining.

Strong relationships, and outstanding value relative to other channels, coupled with our ability to attract additional providers to the iSelect panel, are key to the ongoing growth of our business. In 2014 we made a number of investments under a new commercial partnership team structure, and the improvements in operational focus and delivery within this important function are already observable.

The role that data analytics has played in the growth of our business in recent years cannot be overstated. In 2014 our ability to target and optimise our marketing spend, and convert subsequent sales leads into completed transactions, was significantly enhanced following deliberate investment in our data mining and analytics function. Our in-house analytics and data services team are world-class and I'm looking forward to seeing their ongoing efforts translate into further tangible outcomes over the next few years.

THE BIG PICTURE

The opportunity that lies ahead of us is significant. The Board and I, in partnership with Alex and his executive management team, are strongly focused on capturing the largest possible share of the \$10bn+ annual commission opportunity within in our existing underlying markets. By focusing on this prize and delivering against our strategic plan, we will give ourselves the best possible chance of growing iSelect to become a \$1bn company over the medium to long term.



“I am confident that our renewed management team who are focusing on prioritisation and disciplined delivery of our strategic plan will see iSelect reach new heights of success in 2015 and beyond.”

Damien Waller
Co-Founder and Executive Chairman

CAPITAL MANAGEMENT

With over AUD \$60 million in cash on our balance sheet following the acquisition of EnergyWatch on 1 July and our strategic investment into iMoney announced on 25 September, the Board and I are sensitive to the views of shareholders that iSelect not maintain an inefficient balance sheet. As outlined in our 2014 results presentation, the Board and I will review iSelect’s capital structure and dividend policy once the NIA loan has been resolved; and our assessment of acquisition and incubator investment opportunities is more advanced.

THE BOARD

In 2014 we welcomed Bridget Fair as a non-executive Director. Bridget has made a strong contribution to the dialogue and decision making at a Board level since joining and I’d like to thank her for her work this year. I’d also like to thank Les Webb and Shaun Bonnet for their efforts as Chairs of the remuneration and nominations committees, respectively, and their hard work throughout the whole year.

This year we farewelled Pat O’Sullivan as a non-executive Director. Pat joined the iSelect Board in 2010 and contributed a great deal to iSelect during his tenure. The Board and I thank him for his time at iSelect and wish him all the best for the future.

Subsequent to the end of the financial year, Greg Camm resigned as a non-executive Director on 25 September. The Board and I thank Greg for his hard work over the past two years and wish him all the best for the future.

I was very pleased to see Brodie Arnhold join the iSelect Board on 25 September. Brodie is CEO of Melbourne Racing Club and has over 15 years’ domestic and international experience in private equity, investment banking and corporate finance. Brodie’s skills and experience are a valuable addition to the iSelect Board as we embark on our next stage of growth.

A CHALLENGING BUT SUCCESSFUL YEAR

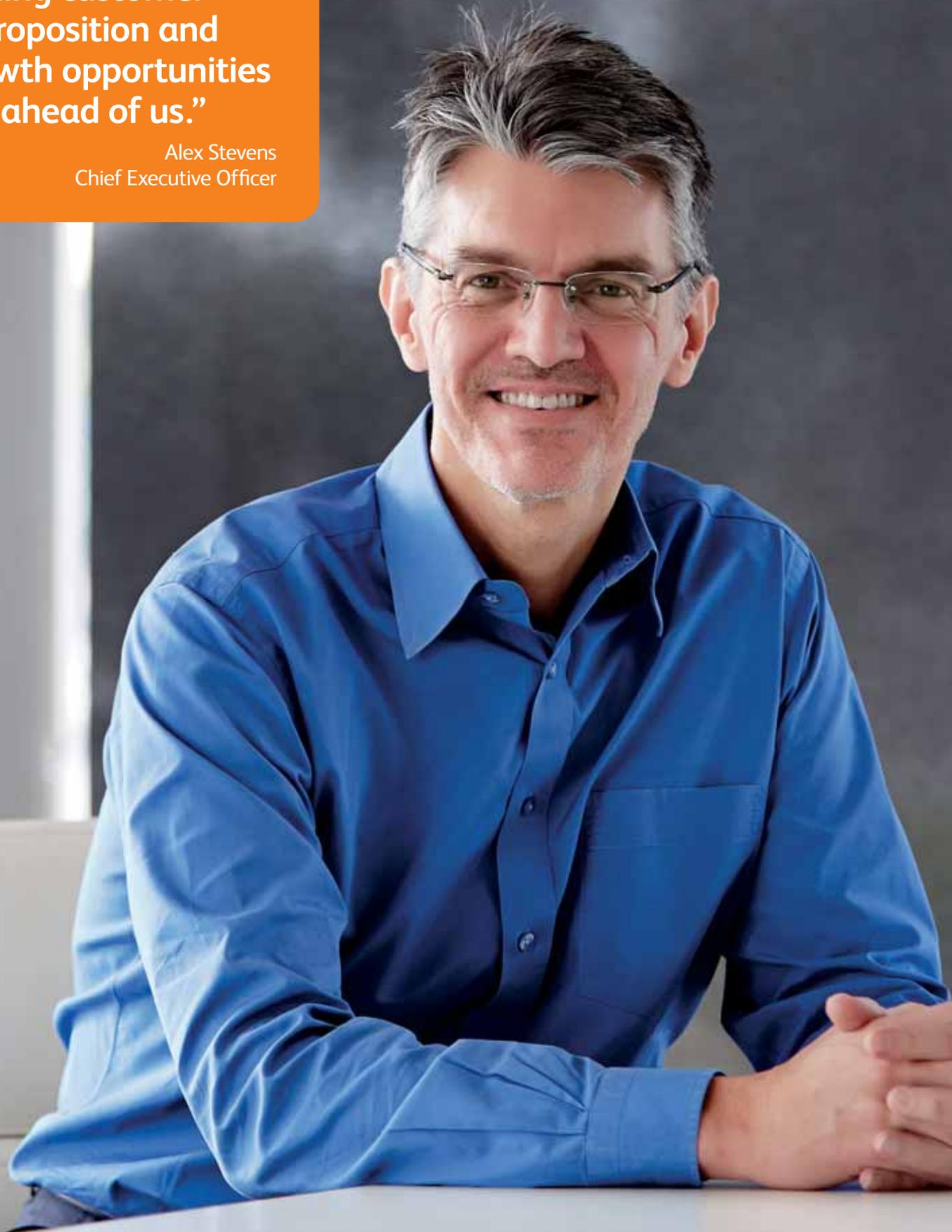
On behalf of the Board, I thank Alex Stevens and his team for delivering a strong operational result in 2014. iSelect faced significant challenges and distractions throughout the year, but the entire team stayed focused to successfully meet expectations.

The Board and I would also like to thank you, our shareholders, for your support in 2014 and look forward to seeing you at our Annual General Meeting in November.

Damien Waller
Co-Founder and Executive Chairman

“I am very encouraged by the quality of our people, our incredibly compelling customer value proposition and the growth opportunities that lie ahead of us.”

Alex Stevens
Chief Executive Officer



CEO's Review

2014 was a year full of challenges. However since joining the company in March, my enthusiasm for the opportunity that iSelect represents has only strengthened. I am very encouraged by the quality of our people, our incredibly compelling customer value proposition and the growth opportunities that lie ahead of us.

A STRONG OPERATIONAL RESULT

In 2014 iSelect consolidated its position as Australia's leading online comparison service, with year on year growth in key operational metrics, most notably leads and revenue per sale, and fundamentals that continued to strengthen.

The Group reported normalised revenue growth of 16% and EBITDA growth of 10% versus 2013. Significantly, operating cash flow improved by 174%. A continued strengthening in operating cash flow is expected in 2015 and beyond.

INVESTING FOR THE FUTURE

Sizeable operating investments were made during the year in several areas of the business, particularly in marketing, data mining and technology. Our marketing spend included a substantial investment in the Energy channel and the Qantas loyalty program. The benefits of all these investments will begin to be realised from 2015 onwards.

NEW BUSINESSES

Importantly, our new businesses have grown significantly in 2014, demonstrating our potential to build on the success of Health and provide meaningful diversification of our income streams. Our 2014 marketing investment in Energy, while substantial, did deliver significant growth in lead volume and revenue. Optimising our investments in Energy will be a key focus for 2015 as we work to capitalise on recent macro market disruptions including the demise of doorknocking as a viable customer acquisition channel, and deregulation in New South Wales.

ENERGYWATCH ACQUISITION

The acquisition of EnergyWatch was completed on 1 July and represented iSelect's first acquisition as a publicly listed company. Since completion, my team and I have been working closely with EnergyWatch to gain a deeper understanding of the business. I'm pleased to report that this work has only served to strengthen our view that EnergyWatch represents a significant opportunity to further consolidate our presence in the Energy market and engage with previously inaccessible consumer segments.

TRAIL BOOK REVALUATION

The downward revaluation of the Health trail commission receivable announced on 15 August was a necessary step to ensure the trail book is configured for the higher-attrition environment we are now operating in. This does however represent an opportunity for the future growth of our Health business as we work to capture a greater share of the switch market.

THE OPPORTUNITY

iSelect's growth opportunities are compelling. To realise this growth and maximise value for our customers and shareholders, the executive team and I will remain diligently focused on our core business and our strategic priorities of brand, consumers, partners, data and people.

I'd like to thank my executive team and our terrific people at iSelect for their support during my first six months as Chief Executive Officer and look forward to speaking with you, our shareholders, at the Annual General Meeting in November.



Alex Stevens
Chief Executive Officer

Board Members



DAMIEN WALLER
Executive Chairman

Damien is an Australian online entrepreneur based in Melbourne, Australia and is the Executive Chairman and co-founder of iSelect. Under Damien's leadership over the past 14 years the Company has grown to become Australia's leading online comparison service.

In recent years, Damien spearheaded the expansion of the Company into new underlying markets including Home Loans, Money and Energy. Damien's position within iSelect has evolved over the years and has included Managing Director, CEO, and now Executive Chairman.

Prior to iSelect, Damien was recruited by JB Were & Son via its elite graduate program. Damien is currently a director of Nimble Money Pty Ltd, and other related Nimble entities.

Damien holds tertiary qualifications in both Engineering (Honours) and Law from Monash University, plus post-graduate qualifications in Applied Finance and Investment from the Securities Institute of Australia.

Damien is a Fellow of the Financial Services Institute of Australasia (FINSIA), and a member of the Australian Institute of Company Directors (AICD).



GREG CAMM
Non-Executive Director
and Deputy Chairman
Resigned: effective 31 October, 2014

Greg joined the iSelect Board in August 2012 and has nearly 40 years' experience in the financial services industry in Australia and New Zealand.

Greg spent 16 years in senior roles at Australia and New Zealand Banking Group Limited, including Managing Director of the Mortgage Division, Managing Director of ANZ New Zealand and Managing Director of the Australian Retail Banking Division of ANZ.

Following ANZ, he served as Managing Director of AMP Financial Services (New Zealand). He then served as CEO of Superpartners Pty Ltd for five years. Greg retired from executive management roles in 2012.

Greg holds an MBA from The University of Melbourne and a BBus (Accounting & Finance) from Monash University. He is a Certified Practising Accountant and a Senior Fellow of FINSIA. He serves on the Boards of mecu Ltd (trading as bankmecu) and Bottlecyclers Pty Ltd. He is a Trustee of the Australian Cancer Research Foundation.



LESLIE WEBB
Non-Executive Director

Leslie was appointed to the iSelect Board of Directors in February 2001. He brings legal expertise to the Board given his experience as a barrister and solicitor.

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

Previously, Leslie was a director of the ASX-listed biotechnology company Gradipore Ltd, non-executive Chairman of Stem Cell Sciences (Australia) and a non-executive director of Stem Cell Sciences PLC (previously listed on the London Alternative Investment Market).

Leslie is currently a non-executive director of Generic Health and is non-executive Chairman of Nimble Money Pty Ltd.

Leslie is a member of the AICD.



BRIDGET FAIR
Non-Executive Director

Bridget was appointed to the iSelect Board in September 2013 and is a senior media executive with over 20 years' experience in government relations, business strategy, corporate affairs and commercial negotiation.

Bridget is currently Group Chief of Corporate and Regulatory Affairs at Seven West Media, following 13 years as Head of Regulatory and Business Affairs at the Seven Network. Between 1995 and 2000, Bridget held the position of General Counsel for SBS. Prior to this, she was legal counsel for the ABC and practiced as a solicitor at law firm Phillips Fox, now DLA Piper.

Bridget occupies Board positions at Freeview Australia Limited and Free TV Australia Limited.

Bridget holds a BA/LLB from the University of New South Wales (UNSW).



SHAUN BONETT
Non-Executive Director

Shaun was appointed to the iSelect Board in May 2003. Shaun founded and is the Chief Executive Officer of Precision Group, an investor, developer and financier of retail and commercial property across Australia.

Precision Group owns over AUD\$1 billion of commercial assets in Australia and has diversified its business into financial services and private equity investments, primarily in the IT and health sectors.

Shaun is a qualified lawyer and Barrister and Solicitor of the High Court of Australia and previously held various corporate advisory roles with publicly listed and private companies. He is also a member of the AICD and Young Presidents' Organisation.

Shaun is also a Director and Chairman of Litigation Lending Services Ltd. Shaun is founder and trustee of the Heartfelt Foundation, an Australian charitable trust.



BRODIE ARNHOLD
Non-Executive Director

Brodie joined the iSelect Board in September 2014 and has over 15 years' domestic and international experience in private equity, investment banking and corporate finance.

Prior to his current role as CEO of Melbourne Racing Club, Brodie worked for Investec Bank from 2010 to 2013 where he was responsible for building a high-net-worth private client business. Prior to this, Brodie worked for Westpac Banking Corporation where he grew the institutional bank's presence in Victoria, South Australia and Western Australia, and from 2006 to 2010 held the role of Investment Director at Westpac's private equity fund.

During his career Brodie has also worked at leading accounting and investment firms including Deloitte (Australia), Nomura (UK) and Goldman Sachs (Hong Kong).

Brodie holds a Bachelor of Commerce and MBA from the University of Melbourne and is a member of the Institute of Chartered Accountants Australia (ICAA).

Executive Team



ALEX STEVENS
Chief Executive Officer

Alex joined iSelect as CEO in March 2014 and has over 20 years' experience as an executive in the consumer products and finance sectors, both domestically and internationally.

Since 1996 Alex has held a variety of senior executive roles, domestically and internationally, with leading global consumer products organisations including PepsiCo, Fonterra and Fosters. Most recently this has included several years as either CEO or Managing Director, preceded by broad-ranging executive roles across marketing, sales, finance, strategy and IT.

Prior to entering consumer products, Alex held a number of positions in the finance sector within corporate finance and as an equity research analyst with UBS, and JP Morgan.

Alex holds an MBA (Distinction) from the Australian Graduate School of Management, an MBBS (Hons) from the University of NSW and is a Fellow of the Royal Australasian College of Surgeons (FRACS).



PAUL McCARTHY
Chief Financial Officer

Paul joined iSelect in July 2014 and leads iSelect's finance and administration function.

Paul is a chartered accountant by background and has over 17 years' experience as a finance and commercial executive in major corporate, investment banking and corporate finance roles.

Prior to iSelect Paul worked within the Investment Banking team at Morgan Stanley, based in Melbourne. Prior to this, he was a Director of Corporate Finance for PwC following five years with Foster's Group Limited as Director of M&A and Strategic Alliances and General Manager within Global Strategy and Business Development. Prior to that he worked in Commercial and Corporate Finance for BlueScope Steel Limited.

Paul holds a Bachelor of Commerce (Honours) from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia (FINSIA).



ELISE MORRIS
Human Resources Director

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

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

Elise holds a BBus (Marketing), a Master of Management from Monash University and graduate qualifications in Psychology.



DAVID CHRISTIE
General Counsel
and Company Secretary

David joined iSelect in September 2013 and leads the Group's legal, compliance and Company Secretary functions.

David has over 15 years' experience as a senior legal executive and prior to joining iSelect served as Global Head of Legal for Renaissance Capital Limited, where he maintained global responsibility for legal affairs, including M&A, litigation and intellectual property matters.

Between 2004 and 2006, David held the position of Senior Lawyer with Deutsche Bank AG (UK), London, prior to which he held legal roles of increasing responsibility with Simmons and Simmons Lawyers London, and Minter Ellison Lawyers Sydney.

David holds a BA / LLB Law from the University of Canberra, and a LLM in International Law from the University of Edinburgh, Scotland.



GERALDINE DAVYS
Marketing Director

Geraldine joined iSelect in October 2013 and leads the Company's group marketing function.

With over 20 years of senior marketing experience, Geraldine has held numerous strategic marketing management roles across various sectors, most recently with Sensis (Telstra Digital Media) where she was General Manager of Brand and Digital Marketing Communications. Prior to Sensis, Geraldine held marketing roles of increasing responsibility with Westpac, Accenture and Lend Lease.

Geraldine holds a Bachelor of Business Marketing (Honours) and Bachelor of Arts (Politics and Industrial Relations) from Monash University, and an MBA from the Australian Graduate School of Management (AGSM).



SCOTT WILSON
Commercial Director

Scott joined iSelect in February 2013 and holds the position of Commercial Director and maintains overall responsibility for iSelect's commercial and product provider relationships.

Scott has over 20 years of sales and key account management experience within multinational fast-moving consumer goods and entertainment companies. Prior to joining iSelect, Scott was Sales Director (Australia & New Zealand) for 20th Century Fox Home Entertainment, following senior national sales roles at SPC Ardmona.

Scott holds a Master of Business and Graduate Certificate of Business Administration from The University of Newcastle.

Key Business Drivers

FY14 operational performance highlights

Solid progress against key business drivers

Leads (m)	FY13	FY14	Change	<ul style="list-style-type: none"> • 15 % lead growth in Health, particularly strong March • Investment in Energy resulted in 50 % lead growth • Car and Broadband also up significantly
Conversion (%)	FY13	FY14	Change	<ul style="list-style-type: none"> • Improvement across most verticals • Upside opportunity from improved resourcing in FY15 • Home Loans and Broadband being reconfigured
Sales Units (000s)	FY13	FY14	Change	<ul style="list-style-type: none"> • Growth in sales units driven largely by leads • Health up 16 % on the prior year, Energy up 53 % • Life grew 22 %, driven by improved conversion
Revenue Per Sale (RPS)	FY13	FY14	Change	<ul style="list-style-type: none"> • Improved Health RPS • Life and Energy up significantly • Car negatively impacted by contract renegotiation
	\$515	\$549	7%	

The definitions of Leads, Conversion, Sales Units, and RPS are detailed in the Annual Financial Report. The above consolidated metrics exclude the Infochoice (Money) business unit.



“iSelect is a fantastic site and gives you so many options with less stress than going onto every individual health fund’s website.”

Jenny
New South Wales

Segment Performance¹

Solid performance in Health and Car insurance (HAC)

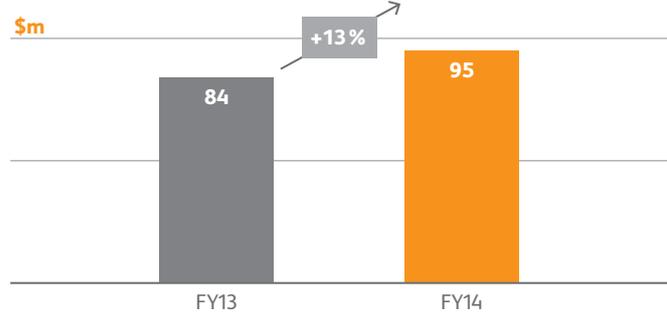
HEALTH

- Improved conversion and higher Revenue Per Sale (RPS)
- Qantas partnership launched in October 2013
- Largest annual premium increase in nine years

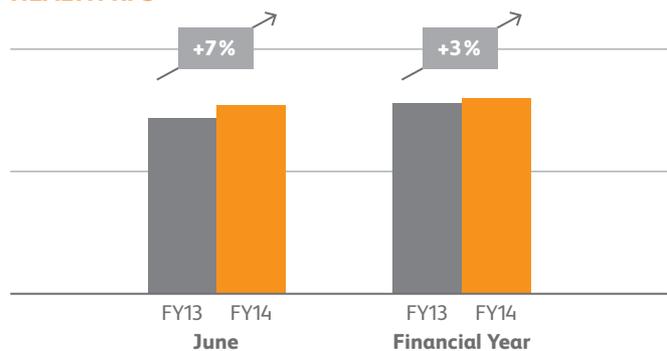
CAR

- Strong lead volume growth
- RPS, however, impacted by contract renegotiation
- Overall car revenue up

HEALTH REVENUE



HEALTH RPS



HAC \$m	FY13	FY14	Change
Segment revenue	93.1	104.3	12%
Segment EBITDA	29.0	32.0	10%
Margin	31%	31%	-

¹ Segment performance as presented is reported on a normalised basis. In addition, the method of allocating costs to segments was improved during FY14, and FY13 has been restated to allow for comparison year-on-year.



“This site was a great help and I was able to find the exact cover I already have for cheaper. I will be saving \$63.37 a month and a whopping amount of \$760.44 a year. Very happy!”

Amanda
South Australia

Household Utilities and Financial (HUF) accelerating

LIFE

- Profitability improved substantially
- Improvement in conversion and RPS

ENERGY

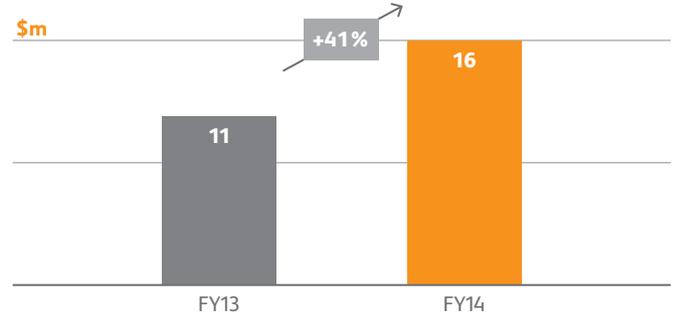
- Major marketing and people investment in H2 FY14 – Profitability impacted in the short term
- Significant growth in lead volume and revenue

INFOCHOICE.COM.AU (MONEY)

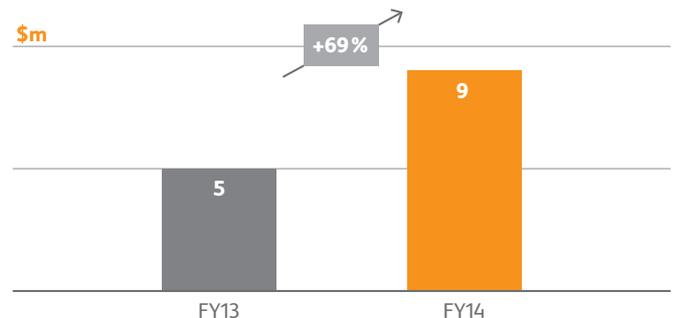
- Leads up 16 % to 2.0m
- Revenue per click-through up 80 %

HUF \$m	FY13	FY14	Change
Segment revenue	24.9	32.4	30%
Segment EBITDA	0.3	1.3	372%
Margin	1%	4%	3pp

LIFE REVENUE



ENERGY REVENUE



Brand

In 2014 we continued our strong investment in brand building, and commenced evolving the brand to reinforce our 'valued and trusted adviser' credentials.

More than
1.3 million
brand searches

Take the
iSelect Detax.

Get health insurance before June 30.



16,000+
new 'likes' on
Facebook

Over **6.2 million** Australians
viewed our Facebook posts

660k+ views of
YouTube content

iSelect
.com.au
Get health insurance before June 30
13 19 20
iSelect Detax

More than
12 million
eDMs sent



7 million
UVs to
our websites

25
new TVCs
aired



Partners

In 2014 we restructured and invested in our commercial partnerships team to deepen our strategic partnerships.

In 2015 we will continue to align commercial partnerships to the growth potential of each underlying market.

2014 PARTNER HIGHLIGHTS

- Increased investment in commercial team to optimise our approved partner list
- Number of partner brands reached a new high of 127 in FY14
- Significant increase in data and insight sharing with partners to drive optimal product design and mix
- Available range has increased by 15% in FY14 to over 12,500 products

CAR



LIFE



HEALTH



HOME LOANS



INFOCHOICE.COM.AU



ENERGY



BROADBAND





Data

In 2014 we increased our investment in data mining, which improves our ability to target specific customer segments and provides meaningful insights to our partners for product innovation.

In 2015 we will continue to develop and refine the suite of data analytic technologies within our intelligent consumer and consultant matching system, known as 'iConnect'.

“The website itself and the customer service I received were first class, thanks!”

Richard
Victoria

People and Culture

With the leadership team now renewed, we have commenced the journey of developing our leadership capabilities across the business.

We are gradually phasing-in structure and discipline, while staying mindful to retain our 'can-do' culture.

“It’s really rare these days to work for a company that encourages you to be yourself, and that’s what I love about iSelect. It’s a ridiculous pleasure to work with such passionate, open-minded and positive people.”

Abe Roder

iSelect Health Insurance Consultant



“iSelect made the process of comparing our gas and electricity simple, quick and effective. We saved almost \$1000 a year by making one simple phone call.”

Kim
Victoria

Financial Report

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Directors' Report

The Directors of iSelect Limited and its controlled entities (the Group) submit herewith the financial report of the Group for the financial year ended 30 June 2014.

DIRECTORS

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

Damien Waller	Executive Chairman
Greg Camm	Non-Executive Director and Deputy Chairman
Shaun Bonètt	Non-Executive Director
Bridget Fair	Non-Executive Director – appointed 30 September 2013
Pat O'Sullivan	Non-Executive Director – ceased 17 April 2014
Leslie Webb	Non-Executive Director
Matt McCann	Chief Executive Officer – ceased 11 October 2013

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

COMPANY SECRETARY

David Chalmers	Ceased 15 October 2013
David Christie	Appointed 15 October 2013

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

The Group operates in the online product comparison sector and compares private health insurance, life insurance, car insurance, broadband, energy, home loans and personal financial products. The Group maintains two brands, iSelect (www.iselect.com.au) and InfoChoice (www.infochoice.com.au). The Group's business model is comprised of four key pillars that are linked: brand, lead generation, conversion and product providers. The Group derives the majority of its revenue from fees or commissions paid by product providers for successful sale of their products.

Summary Financial Reported Results – Reported

	FY14 \$'000	FY13 \$'000	Change %
Operating revenue	120,366	118,037	2%
Gross profit	46,740	56,882	-18%
EBITDA	12,078	25,004	-52%
EBIT	5,610	19,854	-72%
NPAT	6,263	13,369	-53%
EPS (cents)	2.4	6.6	-64%
Cash balance	75,906	85,315	-11%

Summary Financial Reported Results – Normalised¹

	FY14 \$'000	FY13 \$'000	Change %
Operating revenue	136,682	118,037	16%
Gross profit	63,056	56,882	11%
EBITDA	29,249	26,483	10%
EBIT	22,781	21,333	7%
NPAT	18,282	14,404	27%
EPS	7.0	7.1	-1%

¹ Refer to the reported versus normalised results reconciliation on page 101. This reconciliation forms part of the Operating and Financial Review.

Note: Throughout this report, certain non-IFRS information, such as EBITDA, EBIT, Conversion Ratio, Leads and Revenue Per Sale (RPS) is used. Earnings (profit) before interest, income tax expense, depreciation and amortisation (EBITDA) is defined in note 2(c) to the financial statements. EBIT is a similar measure to EBITDA, but it takes into account depreciation and amortisation. The individual components of EBITDA and EBIT are included as line items in the Consolidated Statement of Comprehensive Income. Non-IFRS information is not audited.

Group Financial Performance and Reported Results

Reported operating revenue in the financial year 2014 was \$120,366,000, up 2% on the prior year. Reported EBITDA was \$12,078,000, down 52%. Reported net profit after tax (NPAT) was \$6,263,000, down 53%.

Reported results for the year have been normalised for the impact of the revaluation of trail commission receivable as at 30 June 2014, and also for costs incurred in relation to the exit and replacement of the Group's Chief Executive Officer. For comparative purposes, reported EBITDA, EBIT and NPAT for financial year 2013 have been normalised to exclude non-recurring IPO costs that were expensed during that year. A reconciliation of reported versus normalised results is on page 101. Normalised operating revenue in the financial year 2014 was \$136,682,000, up 16% on the prior year. Normalised EBITDA was \$29,249,000, up 10%. Normalised NPAT was \$18,282,000, up 27%. The commentary that follows considers the results for financial year 2014 compared with financial year 2013 on a normalised basis.

Directors' Report (continued)

for the year ended 30 June 2014

The Group recorded strong year-on-year revenue growth in both its core and newer businesses, demonstrating the strength of the Group's customer proposition. Increased leads and consistent conversion rates were observed, resulting from both marketing investment and operational discipline, with overall sales volumes increasing on the prior year. Revenue per sale also increased, particularly in Health, Life and Energy.

Normalised gross profit for the financial year 2014 was \$63,056,000, up 11% on the prior year. Normalised gross profit margin decreased to 46% of operating revenue from 48% in the prior year reflecting deliberate investment in staffing and marketing costs, particularly in Energy, coupled with loyalty costs associated with the Qantas Frequent Flyer Partnership announced in October 2013. In the absence of this investment, gross profit margins would otherwise have been in line with last year.

Operating expenses (net of other income) totalled \$33,807,000 and represented 25% of revenue. Whilst operating expenses were up from the prior year by 11% or \$3,408,000, growth in operating expenses was slower than operating revenue growth, reflecting a continued focus on managing overheads.

Depreciation and amortisation was \$6,468,000, an increase of 26% on the prior year. This is largely reflective of the Group's continued investment and improvements in its technology platform.

Net finance income for financial year 2014 was \$3,403,000, compared with a net finance cost of \$1,698,000 in financial year 2013. This reflects interest being earned on cash on deposit, interest earned on the Group's loan to NIA Health Pty Ltd and the undrawn status of the Group's debt facility.

Key Operating Metrics

Leads

iSelect categorises a "lead" across the business (except in the InfoChoice business unit within the Household Utilities and Financial segment) as a second-page visit to one of its websites, or an inbound phone call from a potential customer to the Consumer Advice Team. This is considered by management to be a more conservative metric than considering all the visits to the homepage as leads.

Leads for the Money business unit are sourced via the InfoChoice website, which operates under a lead generation model providing a low cost source of leads. On this basis, a lead for the Money business unit is considered a visit to its website.

Conversion Ratio

Once a lead is generated, iSelect provides purchase advice and information to the consumer. If that purchase advice results in a referral to a product provider, then the lead is considered to have been converted. The conversion ratio is used to measure the efficiency in turning leads into sales. An increase in the conversion ratio increases iSelect's earnings, as without the need for additional marketing spend, iSelect has leveraged efficiencies from its existing resources to achieve a greater number of sales from the same lead pool.

It should be noted that product sales are subject to claw back provisions and lapses (resulting from consumers deciding not to continue with their selected products). The conversion ratio as tabled on the next page represents the "gross" conversion of leads, before the impact of claw back and lapses. It should also be noted that in prior periods the Group presented "net" conversion (i.e. after the impact of claw back and lapses) and historical figures have therefore been restated on a "gross" basis to allow for more meaningful comparison between periods.

Under the lead generation model operated by the Money business unit, consumers are able to click through to product providers, which register as a visit to the InfoChoice website. As a result, the click-through is recorded without registering a corresponding lead as defined previously. As such, the conversion ratio metric just described is not meaningful for the Money business unit.

Revenue Per Sale

Revenue per sale (RPS) measures the average revenue generated from each lead that is converted to a sale. It should be noted the RPS of different products sold by iSelect varies considerably.

CONSOLIDATED KEY OPERATING METRICS

	FY10	FY11	FY12	FY13	FY14
Consolidated (excluding Money)					
Leads (000s)	1,519	1,911	2,945	3,317	3,801
Conversion ratio (%) ¹	3.7%	5.1%	5.9%	6.7%	6.6%
Average RPS (\$)²	742	743	590	515	549
Leads growth	n.m.	26%	54%	13%	15%
Money					
Leads (000s)	n.a.	n.a.	874	1,693	1,962
Conversion ratio (%)	n.a.	n.a.	n.m.	n.m.	n.m.
Average revenue per click-through (\$)	n.a.	n.a.	5	5	9
Leads growth	n.a.	n.a.	n.m.	94%	16%

¹ Conversion ratio is calculated as the number of gross sales units divided by leads (i.e. the average percentage of leads that are converted into sales).

² Average RPS is calculated as gross revenue divided by the number of gross sales.

n.m. = not meaningful

n.a. = not applicable

Discussion of Consolidated Key Operating Metrics for the 2014 Financial Year

The consolidated key operating metrics for the financial year 2014 are discussed in more detail below. Key operating metrics by segment are also discussed in this Operating & Financial Review, in the section on Segment Results.

Leads Growth for the Financial Year 2014

Overall leads for the business (excluding Money) were up by 15% on the prior financial year, largely in line with continued investment in marketing. This growth demonstrated the strength of the iSelect brand and cut-through of new advertising, which was particularly evident in Health during the March 2014 premium rise period where leads reached record levels. The Group has increased its focus and sophistication in digital marketing, including search engine marketing (SEM).

Conversion Ratio for the Financial Year 2014

The conversion ratio for the overall business (excluding Money) of 6.6% has remained consistent with the prior year. The Group continues to invest in people and systems, with more intelligent data capture, customer needs assessment, routing of customers to consultants and training of the consumer advice teams. Progress continues to be made in developing tools and processes that support the Group's 'cross-serve' capabilities.

Revenue Per Sale for the Financial Year 2014

The average RPS for the total business (excluding Money) increased by 7% to \$549, driven by both product mix within business units, and business unit mix as part of the total business.

Segment Performance

The Group reports segment information on the same basis as the Group's internal management reporting structure at reporting date. Segment information as presented below is on a normalised basis, as detailed on pages 19 and 20 of this report. Commentary on the performance of the two segments follows.

Health and Car Insurance

The Health and Car Insurance segment offers comparison and referral services across the private health insurance and car insurance categories.

Financial Performance	FY14 \$'000	FY13 \$'000	Change %
Operating revenue	104,323	93,090	12%
Segment EBITDA ¹	32,044	29,011	10%
Margin %	31%	31%	

Key Operating Metrics	FY14	FY13	Change %
Leads (000s)	2,199	1,942	13%
Conversion ratio (%)	6.9%	6.8%	1%
Average RPS (\$)	732	719	2%

¹ Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level. During the financial year, the Group re-assessed its method of allocating costs to each segment and prior year amounts have been re-stated to enable effective comparison, as detailed in note 3 to the financial statements. Earnings (profit) before interest, income tax expense, depreciation and amortisation (EBITDA) is defined in note 2(c) to the financial statements. Revenue is on a normalised basis as detailed on pages 19 and 20 of this report.

Performance in Health was driven by strong lead growth and consistent conversion performance coupled with increased RPS. Direct costs as a percentage of revenue were broadly consistent with the prior year, other than loyalty costs associated with the launch of the Qantas Frequent Flyer Partnership announced in October 2013.

Revenue performance in Car was broadly comparable with the prior year, with increased lead volume and conversion performance being offset by lower RPS, which was foreshadowed in the Group's announcement on 10 February 2014. Commission rates with Auto & General Services Pty Ltd ("Auto & General") were lowered as part of a new two-year distribution agreement under which the Group will sell an expanded suite of Auto & General's insurance products.

Directors' Report (continued)

for the year ended 30 June 2014

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Household Utilities and Financial

The Household Utilities and Financial segment offers comparison and lead referral services across a range of household utilities and personal financial products including retail electricity and gas products, broadband, life insurance, home loans, savings accounts, term deposits, credit cards and personal loans.

Financial Performance	FY14 \$'000	FY13 \$'000	Change %
Operating revenue	32,359	24,947	30%
Segment EBITDA ¹	1,317	279	372%
Margin %	4%	1%	

Key Operating Metrics	FY14	FY13	Change %
Leads (000s)	1,602	1,376	16%
Conversion ratio (%)	6.1%	6.5%	-6%
Average RPS (\$)	266	215	24%

¹ Segment EBITDA excludes certain corporate overhead costs that are not allocated at segment level. During the financial year, the Group re-assessed its method of allocating costs to each segment and prior year amounts have been re-stated to enable effective comparison, as detailed in note 3 to the financial statements. Earnings (profit) before interest, income tax expense, depreciation and amortisation (EBITDA) is defined in note 2(c) to the financial statements. Revenue is on a normalised basis as detailed on pages 19 and 20 of this report.

² Key operating metrics reported here for the Household Utilities and Financial segment exclude the metrics for the Money business unit. The key operating metrics for the Money business unit are reported with the consolidated Group's key operating metrics on page 21.

The Life Insurance category showed strong growth performance with significant growth in both revenue and earnings. During the year further marketing investment was made in direct marketing, which was offset by lower relative growth in staffing costs and significant improvement in conversion.

Having delivered the first full year contribution from Energy last year there was considerable investment during the current year. In particular there was significant investment in people and marketing which resulted in significant revenue growth year-on-year, but which curtailed earnings growth.

Financial Position

Summary Statement of Cash Flows	FY14 \$'000	FY13 \$'000	Change %
Net cash provided by operating activities	11,534	4,209	174%
Net cash used in investing activities	(18,183)	(18,625)	-2%
Net cash used in financing activities	(2,760)	79,719	n.m.
Net (decrease)/ increase in cash	(9,409)	65,303	n.m.

Summary Statement of Financial Position	FY14 \$'000	FY13 \$'000	Change %
Current assets	134,580	138,632	-3%
Non-current assets	149,912	135,629	11%
Total assets	284,492	274,261	4%
Current liabilities	24,290	25,123	-3%
Non-current liabilities	23,906	21,412	12%
Total liabilities	48,196	46,535	4%
Net assets	236,296	227,726	4%
Equity	236,296	227,726	4%

Capital Expenditure & Cash Flow

Operating cash flow was \$7,325,000 higher than last year which can be attributed to earnings growth, as well as a shift in revenue mix towards upfront fees when compared to the prior year.

Investing cash outflows for the year totalled \$18,183,000, a decrease of 2% on the prior financial year. Funds advanced to NIA Health Pty Ltd (NIA Health), to which the Group provides a secured facility that creates a deferred payment obligation for which NIA Health provides security and pays interest, increased during the year by \$17,388,000 to \$32,766,000 (2013: \$15,378,000). Interest received on both the NIA loan facility and funds on deposit also increased to \$4,049,000 (2013: \$1,154,000). Capital expenditure in the current year focused on software development and technology platforms.

Financing cash outflows for financial year 2014 totalled \$2,760,000. This compares with cash inflows during the prior year of \$79,719,000, which largely reflected funds raised through the initial public offering. An amount of \$3,647,000 was paid in relation to IPO costs incurred and recorded during financial year 2013. Financing costs paid on the iSelect debt facility reduced during the year to \$713,000 (2013: \$4,531,000). The exercise of options during the year resulted in a cash inflow of \$1,600,000.

Statement of Financial Position

Current assets have decreased by 3% to \$134,580,000. Cash and cash equivalents reduced during the year, largely driven by advances to NIA Health made under the facility agreement, as noted above. The amount of upfront revenue earned in the business has increased, which has resulted in an increase in trade and other receivables. The current component of the trail commission asset is in line with the prior year.

The overall trail commission receivable balance was \$98,996,000, down 2% from the balance of \$101,246,000 last year. At 30 June 2014 a downward revaluation of \$16,316,000 was taken against the trail commission asset, which largely reflects higher levels of health insurance policy lapses experienced in the period ended 30 June 2014. The Directors believe that these recent trends are likely to impact expected future commission cash flows.

Non-current assets have increased by 11% to \$149,912,000. The non-current component of the trail commission asset has decreased by 3%, impacted as explained above. Non-current trade and other receivables has increased from \$15,378,000 at 30 June 2013, to \$32,766,000, reflecting the facility established between iSelect Ltd and NIA Health. The facility matures on 31 July 2015, and accordingly from 1 August 2014, the balance will become a current asset. Property, plant and equipment increased by a net \$756,000 and largely reflects investment in technology related assets. This was partly offset by a decrease in intangible assets.

Current liabilities decreased by 3% to \$24,290,000, mainly due to the payment during financial year 2014 of IPO related costs incurred and recorded during financial year 2013 (and which formed part of the trade and other payables balance at 30 June 2013).

Non-current liabilities have increased by 12% to \$23,906,000. Net deferred tax liabilities have increased in line with a reduction in the amount of carry forward tax losses available for the Group to use.

Debt Position

As at 30 June 2014 the Group has no debt.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Current expectations for the Group are low double-digit revenue and earnings growth on a normalised basis, with the majority of revenue and earnings being generated in the second half of the financial year, given the size and seasonality of iSelect's health insurance business. In addition, some earnings fluctuation is expected between the first and second halves of each financial year, depending upon the timing of investments and resulting returns.

Examining the major operational segments, the fundamentals of the health insurance industry remain robust, with iSelect being well positioned to benefit from increasing attrition rates observed across the industry and future price rises. In this regard, the trail commission receivable balance is now configured to account for a higher forecast attrition environment. The energy sector is becoming more attractive, particularly for iSelect's business model. On 1 July 2014, iSelect completed the acquisition of Energy Watch and early progress has been positive. Other businesses such as life insurance, home loans and personal finance (InfoChoice) are also expected to contribute positively to the Group's financial results, with iSelect's model in these businesses expected to be further optimised and scaled over future periods. The opportunities presented in the car insurance and broadband businesses will also be further assessed and developed over time.

More broadly, progress is being made evaluating and executing acquisition and incubator investment options. Additionally, once these options are assessed, and the secured NIA facility has been realised resulting in positive ongoing net cashflow, the Group's capital structure and dividend policy will be reviewed to ensure that iSelect's capital structure is efficient having regard to shareholder returns.

CHANGES IN THE STATE OF AFFAIRS

In the Directors' opinion there have been no significant changes in the state of affairs of the Group during the year. A further review of matters affecting the Group's state of affairs is contained in the Operating and Financial Review.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 30 May 2014, iSelect announced it had agreed to purchase all the shares in General Brokerage Services Pty Ltd (trading as "Energy Watch") for AUD \$10,000,000. The completion of the purchase was subject to the completion of a number of conditions. On 1 July 2014 these conditions were satisfied and iSelect completed the acquisition.

No other matters or circumstances 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 Group in the future financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Group paid a premium in respect of a contract insuring the Directors and Officers of the Group against a liability incurred by such a Director or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Group has not otherwise, during or since the end of the period, indemnified or agreed to indemnify a Director, Officer or Auditor of the Group or of any related body corporate against a liability incurred by such a Director, Officer or Auditor.

Directors' Report (continued)

for the year ended 30 June 2014

DIRECTORS' MEETINGS

The number of meetings of Directors, including meetings of committees of Directors, held during the year and the number of meetings attended by each Director is presented below. It should be noted that 5 meetings of the Board of Directors occurred in September 2013, during which period Mr Camm was not in Australia and was unable to be present.

Directors	Board of Directors		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	Held [^]	Attended	Held [^]	Attended	Held [^]	Attended	Held [^]	Attended
D. Waller	15	15	–	–	–	–	4	4
M. McCann ¹	6	6	–	–	–	–	–	–
G. Camm ²	15	10	6	5	–	–	–	–
P. O'Sullivan ³	12	12	5	5	3	3	–	–
L. Webb	15	13	–	–	3	3	4	4
S. Bonètt	15	13	6	6	3	3	4	4
B. Fair ⁴	11	11	1	1	–	–	–	–

[^] The number of meetings held indicates the total number held whilst the director was in office during the course of the year.

¹ Ceased as a Director on 11 October 2013.

² Appointed as Chair of the Audit & Risk Management Committee on 17 April 2014.

³ Ceased as a Director on 17 April 2014.

⁴ Appointed as director on 30 September 2013 and appointed as a member of Remuneration Committee and Audit & Risk Management Committee on 17 April 2014.

DIVIDENDS

Dividends paid or declared since the start of the year are \$nil (2013: \$nil).

PROCEEDINGS ON BEHALF OF THE GROUP

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

ENVIRONMENTAL REGULATION

The Group is not subject to significant environmental regulation in respect of its operations. The Group has not incurred any liability (including any liability for rectification costs) under any environmental legislation.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the Directors have followed the corporate governance statement found on the Group's website at iSelect.com.au.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the year ended 30 June 2014 is on page 52 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:

	\$
Regulatory compliance	36,000
Tax compliance	20,000
Assurance related services	8,000
Due diligence	50,500
	114,500

ROUNDING

The Group is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

for the year ended 30 June 2014

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration Governance
3. Executive Remuneration for the year ended 30 June 2014
4. Executive Contracts
5. Changes to the Remuneration Framework for the year ending 30 June 2015

6. Link Between Group Performance, Shareholder Wealth and Remuneration

7. Non-Executive Director Remuneration

8. Key Management Personnel Shareholdings

9. Key Management Personnel Option Holdings

1. INTRODUCTION

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, either directly or indirectly, including any Director (whether executive or otherwise) of the Parent entity. The KMP during and since the year ended 30 June 2014 were as follows:

Current Non-Executive Directors

Greg Camm	Deputy Chair, Non-Executive Director
Shaun Bonètt	Non-Executive Director
Bridget Fair	Non-Executive Director – appointed 30 September 2013
Leslie Webb	Non-Executive Director

Former Non-Executive Director

Pat O’Sullivan	Non-Executive Director – resigned effective 17 April 2014
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Current Executive Directors

Damien Waller	Executive Chairman
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Current Executives

Alex Stevens	Chief Executive Officer – appointed 31 March 2014
David Christie	General Counsel and Company Secretary – appointed General Counsel 30 September 2013 and Company Secretary 15 October 2013
Geraldine Davys	Marketing Director – appointed 14 October 2013
Paul McCarthy	Chief Financial Officer – appointed 21 July 2014
Elise Morris	People Director
Scott Wilson	Commercial Director
Joanna Thomas ¹	Operations Director – resigned effective 15 July 2014

Former Executives

Matt McCann	Chief Executive Officer – resigned effective 11 October 2013
Chris Billing	Chief Innovation Officer – ceased effective 26 March 2014
David Chalmers	Chief Financial Officer (Acting Chief Executive Officer 14 October 2013 to 30 March 2014) – resigned effective 7 May 2014
Roger McBride	Marketing Director – resigned effective 18 October 2013

Acting Executives

Jacki McAvenna ²	Acting Chief Financial Officer – 14 October 2013 to 30 June 2014
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¹ Ms Thomas resigned as a Current Senior Executive, effective 15 July 2014. Her remuneration is disclosed in the 2014 Remuneration Report for the full 2014 financial year.

² Only remuneration for the period during which Ms McAvenna was a member of KMP is disclosed in this report.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

Remuneration adopted during FY14

Following the 2013 Annual General Meeting (AGM), a number of changes have been made to the remuneration framework for Executives. For the purposes of this report, the term “Executive” includes (i) the Chief Executive Officer (CEO), (ii) the Executive Chairman and (iii) other Executives of the Group. Changes which applied during financial year 2014 are detailed in sections 3 and 4, with future changes that will apply from financial year 2015 covered in detail in section 5.

Despite positive underlying performance, due to the revaluation of trail commission receivable, the Executive Chairman and new CEO did not receive any short term or long term incentive payments during financial year 2014. The Remuneration Committee and the Board decided that no executives, existing or former, were to receive short term incentive payments based on financial criteria. Executives other than the Executive Chairman and new CEO received incentive payments based on individual Key Performance Indicators only. No executives, existing or former, received long term incentive grants during financial year 2014. Further details regarding Group performance are found in section 6.1 of this report and in the Operating and Financial Review in the Directors’ Report.

2. REMUNERATION GOVERNANCE

2.1 Remuneration Committee

In line with the Remuneration Committee Charter (“the Charter”), the role of the Remuneration Committee is:

- To review and make recommendations to the Board on remuneration packages and policies related to the Directors and Senior Executives; and
- To ensure that the remuneration policies and practices are consistent with the Group’s strategic goals and human resources objectives.

The Remuneration Committee membership is made up of members of the Board, the majority of whom are independent of management and iSelect (as determined in accordance with the iSelect Board Charter). For the year ended 30 June 2014:

- Leslie Webb acted as Chair of the Committee; and
- Shaun Bonètt, Pat O’Sullivan (former Non-Executive Director) and Bridget Fair served as members of the Committee.

Details regarding Committee meetings are provided in the Directors’ Report.

The Remuneration Committee meets as often as is required by the Charter or other policy approved by the Board to govern the Committee’s operation. The Remuneration Committee reports to the Board as necessary, and seeks Board approval as required. The CEO attends certain Remuneration Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements. The Executive Chairman does not attend Remuneration Committee meetings, unless by invitation.

2.2 Information used to set executive remuneration

To ensure the Remuneration Committee has sufficient information to make appropriate remuneration decisions and recommendations, it may seek and consider information from independent remuneration consultants. Remuneration advice provided by such consultants is used to aid decision making, but does not replace thorough consideration of the Directors.

During the year ended 30 June 2014, the Remuneration Committee considered information from Godfrey Remuneration Group.

In setting remuneration for the Executives and the incoming CEO, Godfrey Remuneration Group provided benchmark data only. They did not provide any remuneration recommendations.

3. EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2014

3.1 Remuneration Principles and Strategy

iSelect is a fast moving and growing business with a heavy reliance on people to perform, grow and innovate.

The aim of the Group’s remuneration strategy is to align remuneration with iSelect’s strategic direction, align remuneration with the creation of shareholder value and provide a tangible link between remuneration outcomes with both Group and individual performance.

Fixed remuneration is set at a level which is competitive with remuneration for people in similar roles at similar companies. Variable remuneration provides the opportunity for employees to share financially in iSelect’s overall performance and performance of the business, when targets are met and exceeded.

The Group’s executive remuneration strategy is designed to:

- **Align the interests of Executives with shareholders** – the remuneration framework incorporates “at-risk” components, including short term incentives and long term incentives. Performance is assessed against both financial and non-financial targets, with key performance indicators that are relevant to the success of the Group and provide acceptable returns for shareholders; and
- **Attract, motivate and retain high performing individuals** – the remuneration framework helps ensure that the remuneration paid by the Group is competitive with companies of a similar size and complexity, and longer-term remuneration encourages retention.

3.2 Remuneration Framework

Executive remuneration is provided in a mix appropriate to the position, responsibilities and performance of each Executive within the Group, and is aligned with the market.

For the year ended 30 June 2014, executive remuneration was structured as a mix of fixed and variable (“at risk”) remuneration utilising short term incentive elements only. In response to feedback from shareholders at and prior to the 2013 AGM, no Long Term Incentive grants were made during the year ended 30 June 2014, while changes were considered to the program, which have been adopted for financial year 2015. As a result the relative weightings of the two components are as follows:

	Total Remuneration % (annualised at target) ¹ for FY2014		
	Fixed	Variable	
	Fixed Annual Remuneration	Short Term Incentive	Long Term Incentive
CEO	71%	29% (40% of FAR)	No LTI grants were made
Executive Chairman	69%	31% (45% of FAR)	during the year ended
Other Executives	74%	26% (35% of FAR)	30 June 2014

¹ These figures assume on target performance on an annualised basis. The actual performance against targets for the variable components will determine the amount received by each Executive.

Further details regarding each element of the remuneration mix are provided in section 3.3.

3.3 Details of Executive Remuneration Components

A. Fixed Annual Remuneration (FAR)

What is FAR?

FAR consists of base salary and statutory superannuation contributions. Executives may also elect to have a combination of benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle. The value of any non-cash benefits provided to them includes the cost of any fringe benefits tax payable by iSelect as a result of providing the benefit.

FAR is not “at risk” and is set using appropriate market benchmark data, considering the individual’s role, responsibility, skills and experience.

Given the rapidly changing nature of iSelect’s business and market sector, two benchmark comparison groups are considered when setting FAR – one based on similar activities and the other based on similar market capitalisation. Fixed remuneration is set with reference to the market median of both groups.

How is FAR determined?

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Group and individual, and the broader economic environment.

A review of fixed remuneration was undertaken during the 2014 financial year. Fixed remuneration levels for a number of Executives were increased based on individual performance and to align to market remuneration levels.

B. Short Term Incentive Plan (STI Plan)

How does the STI Plan operate?

All executives are eligible to participate in the STI Plan. The STI Plan puts a significant proportion of remuneration “at risk” subject to the achievement of Group financial outcomes and individual performance measures. This provides a tangible link between the interests of employees and the financial performance of the Group.

For the year ended 30 June 2014, the target STI opportunity was between 26% and 31% of the total remuneration package (as detailed in section 3.2). This represents 40% of FAR for the CEO, 45% of FAR for the Executive Chairman, and 35% of FAR for all other executives. The STI Plan is cash-based, with payments currently made twice per financial year. From financial year 2015, the payment will be made once per year, following the announcement of the audited financial results at year end.

The minimum payout for Group performance and individual performance is 0% of FAR. The maximum payout for Group performance in the EBITDA measure is 200% of FAR for outstanding performance, and in the Operating Revenue and individual key performance indicators (KPIs) measures is 100% of FAR for achievement of targets.

What changes were made to the STI Plan during the year?

The following changes were made to the STI Plan during financial year 2014:

- Change of performance measures from EBITDA and gross profit to EBITDA and operating revenue targets; and
- Payment frequency reduced from quarterly to biannual payments.

In response to the feedback from shareholders at and prior to the 2013 AGM, the following changes were also made to the STI Plan during financial year 2014:

- Treatment of departing executives – no pro-rata bonus payments on departure where executives leave during the performance year;
- Where minimum financial targets are not met (being 95% of target), bonuses on financial KPIs are not paid (unless there are exceptional circumstances); and
- No bonus payments are made to Non-Executive Directors.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

What were the STI performance measures for the year ended 30 June 2014?

The performance measures for the executives have been adopted to provide a balance between financial and non-financial, Group and individual, operational and strategic aspects of performance. The performance measures are described in detail below:

Measure	FY2014 Target Details	
Group performance	1. Growth in EBITDA The EBITDA target was set against the Group's financial year 2014 budget.	
	EBITDA result	Percentage of STI that vests¹
	Less than or equal to 95% of target	0%
	Target (100%) – \$27.1 million	100%
	Above target (measured between 100% and 125% of target)	200%
	2. Growth in Revenue The Revenue target was set against the Group's financial year 2014 budget.	
	Revenue result	Percentage of STI that vests¹
	Less than or equal to 95% of target	0%
	Target (100%) – \$138.0 million	100%
Individual Key Performance Indicators (KPIs)	Individual KPIs are set for executives which take into account their area of accountability, and for the year ended 30 June 2014, related to key business objectives in the areas of operational performance, customer satisfaction, project outcomes, risk management, people leadership, strategy development and business plan implementation. Individual KPIs are set with clearly measurable outcomes that the individual is directly able to control. Payout levels vary between 0 and 100% for individual KPIs.	

¹ Straight line vesting occurs between 0% and 100%, and 100% and 200% for EBITDA only.

How are the various measures weighted to determine the STI Plan payment for Executives?

There are three performance measures considered under the STI Plan – EBITDA, revenue, and individual KPIs. The weighting between the three measures varies for participants, dependent upon their individual functional responsibilities and their ability to influence measurement outcomes. For the year ended 30 June 2014, the relative weightings were unchanged from financial year 2013, and are as follows:

Performance measure	EBITDA	Revenue	Individual KPIs
CEO and Executive Chairman	50%	50%	–
Other Executives	40%	30%	30%

Who sets the STI performance measures?

The Group's financial performance targets are set by the Board, based on the recommendation of the Remuneration Committee. Individual KPIs are set and measured for each executive by the CEO, and a recommendation for payment on the basis of achievement against them made to the Remuneration Committee for their consideration.

What is EBITDA and why is it used as an STI performance measure?

EBITDA is an operational measure that is widely used by listed companies to measure financial performance. EBITDA has continued to be used as a performance measure in the year ended 30 June 2014. The Board uses EBITDA as a primary measure to assess the Group's operating performance, maintaining focus on the Group's operating results and associated cash generation.

This aligns with the Group's objective of delivering growth and shareholder returns.

Why is Revenue used as an STI performance measure and how is it defined?

The second financial target for STI was changed from Gross Profit to Operating Revenue for the year ended 30 June 2014. The use of Operating Revenue as an STI performance measure has been adopted to align performance with market top line growth expectations of the Group. Operating Revenue is defined in the audited accounts.

What are the individual key performance measures (KPIs) and why are they used as an STI performance measure?

The use of individual KPIs for each executive (excluding the CEO and Executive Chairman) creates a personal, non-financial group of measures specific to each individual. These measures also consider the behaviours that executives are expected to display in the running of their operations. For the year ended 30 June 2014, KPIs related to key business objectives in the areas of operational performance, customer satisfaction, project outcomes, risk management, people management, strategy development and business plan implementation.

The use of individual performance measures helps ensure leadership behaviours are aligned with the Group's corporate philosophy and objectives.

How is performance assessed?

Performance against the EBITDA and revenue targets is assessed by the Board, and independently verified following the preparation of the financial statements each financial year. Performance against individual KPIs for senior executives is assessed by the CEO, and approved by the Remuneration Committee.

How are the varying levels of performance achievement rewarded?

STI targets are designed to encourage and reward high performance, as well as differentiating between individual performance. Performance against the financial targets must be greater than 95% of target in order for any STI to be paid, and at target for 100% of STI to be paid. Performance is rewarded pro-rata of 0% to 100% for achievement of over 95% and less than 100%.

Greater rewards are available to recognise and encourage significant over-performance, with a maximum 200% of the STI payment related to EBITDA available when financial performance exceeds target. The maximum EBITDA and Revenue performance at which bonus payments are capped is determined by the Remuneration Committee each year.

The proportion of STI subject to individual KPIs is rewarded between 0% and 100%, with 100% being the maximum payout. The individual element provides a measure of differentiation between individual levels of performance.

What if an Executive ceases employment?

Following the remuneration review after the 2013 AGM, the Board has introduced a general policy that departing Executives do not receive payment for partial year completion against financial targets. This has been incorporated into new contracts for Executives. The Board however exercises its discretion in considering pro-rata payments for individual performance against KPIs for departing Executives.

During the year ended 30 June 2014, no Board discretion was used to pay pro-rata bonuses to departing Executives, after their termination date, outside contractual arrangements.

When are the performance conditions tested and payments made?

For the year ended 30 June 2014, the individual KPIs proportion of STI for Executives was measured and paid biannually (these will be paid annually from the year ending 30 June 2015). Incentive payments based on the Group financial measure of Operating Revenue was also measured biannually in financial year 2014, and will move to an annual measure and payment for the year ending 30 June 2015. The EBITDA measure is determined once each year following the preparation of the financial statements, with payments generally made in the September following financial year end.

What were the STI performance outcomes for the year ended 30 June 2014?

	STI Outcome (%)				Actual STI Awarded	% STI Forfeited
	EBITDA	Revenue	Individual KPIs ¹	Total		
Current Executive Directors						
Damien Waller	–	–	n.a.	–	–	100.0%
Current Executives						
Alex Stevens	–	–	n.a.	–	–	100.0%
David Christie	–	–	100.0%	30.0%	\$30,181	70.0%
Geraldine Davys	–	–	95.0%	28.5%	\$17,285	71.5%
Paul McCarthy	–	–	–	–	–	–
Elise Morris	–	–	95.0%	28.5%	\$33,971	71.5%
Joanna Thomas	–	–	90.0%	27.0%	\$33,037	73.0%
Scott Wilson	–	–	100.0%	30.0%	\$34,944	70.0%
Former Executives²						
Matt McCann	–	–	–	–	–	100.0%
Chris Billing	–	–	50.0%	15.0%	\$35,049	85.0%
David Chalmers	–	–	50.0%	15.0%	\$17,699	85.0%
Roger McBride	–	–	–	–	–	100.0%
Acting Executives						
Jacki McAvenna	–	–	100.0%	30.0%	\$15,593	70.0%

¹ Individual KPIs result is for the full FY14 year, and represents a straight average between the results of each half.

² Two former Executives (Mr Billing and Mr Chalmers) received payments for performance against individual KPIs for the first half of financial year 2014, for completed service prior to their respective departures in March 2014 and May 2014.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

C. Long Term Incentive Plan (LTI Plan)

No grants were made under the LTI Plan during the year ended 30 June 2014, however changes were considered and adopted to the program for financial year 2015.

Commentary is provided in section 5 related to grants planned for introduction in financial year 2015 and beyond.

D. Legacy Incentive Plans

The Group has a number of LTI plans that were offered in previous financial years, as detailed below.

Employee Share Option Plans – 2010 and 2011 Plans

These are legacy plans under which options were offered prior to the adoption of the current LTI Plan. No additional offers will be made under these plans, however awards previously granted under these plans will continue to be governed by their respective terms. Refer to note 28 of the financial report for further detail on the 2010 and 2011 Option Plans.

The details of these options as at 30 June 2014 are as follows:

Plan	Grant date	No. of options	Vested	Unvested	Exercise price	Expiry date
2010 Option Plan	1 July 2008	900,000	900,000	–	\$1.25	1 July 2014
	1 January 2009	600,000	600,000	–	\$1.25	1 January 2015
2011 Option Plan	1 July 2012 ¹	450,000	450,000	–	\$2.365	30 June 2015
	15 May 2012	349,750	336,797	12,953	\$2.365	15 December 2014
	20 December 2012	50,000	0	50,000	\$2.646	31 March 2015

¹ Tranche 1 of the 2011 Option Plan detailed above represents an offer to Mr Webb, in lieu of Director's fees. These options have now fully vested, and the service condition has been met. The options remain subject to claw back in line with the Plan rules.

2013 Long Term Incentive Plan

Detail	FY2013 LTI Plan										
Grant date	1 April 2013										
Performance period (testing date is the last day of each period)	Tranche 1 (20%) – 1 April 2013 to 30 June 2013 Tranche 2 (40%) – 1 April 2013 to 30 June 2014 Tranche 3 (40%) – 1 April 2013 to 30 June 2015										
Performance condition	Compound annual growth rate (CAGR) in Total Shareholder Return (TSR). TSR measures the total change in the value of the shares over a period, plus the value of any dividends and other distributions being treated as if they were reinvested in shares.										
Vesting schedule	<table border="1"> <thead> <tr> <th>CAGR in TSR Performance level</th> <th>Percentage of awards that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 12%</td> <td>0%</td> </tr> <tr> <td>12%</td> <td>50%</td> </tr> <tr> <td>Between 12% and 15%</td> <td>Straight line between 50% and 100%</td> </tr> <tr> <td>15% or more</td> <td>100%</td> </tr> </tbody> </table>	CAGR in TSR Performance level	Percentage of awards that vest	Less than 12%	0%	12%	50%	Between 12% and 15%	Straight line between 50% and 100%	15% or more	100%
CAGR in TSR Performance level	Percentage of awards that vest										
Less than 12%	0%										
12%	50%										
Between 12% and 15%	Straight line between 50% and 100%										
15% or more	100%										
Expiry date	24 May 2018										
Fair value of instrument at grant	Tranche 1: 28.8 cents Tranche 2: 36.7 cents Tranche 3: 42.0 cents										
Testing outcomes	The performance condition was not passed for the first tranche, so the shares rolled over to the second tranche for cumulative target testing. The performance condition was not passed for the second tranche, so all shares have rolled over to be retested as at 30 June 2015.										
Current status	To be tested in full on 30 June 2015										
Shares on issue	5,086,119										
Next testing date	30 June 2015										
Minimum share price to pass test	\$2.39 (for 50% vesting) or \$2.53 (for 100% vesting)										

Value of performance awards vested and lapsed in the year ended 30 June 2014

As detailed in the table above, the FY2013 LTI Plan was tested for Tranches 1 and 2 as at 30 June 2014, against the cumulative TSR CAGR requirements. For further details regarding the number of LTI Plan shares on issue during the year, and the rules applicable on cessation of employment (including the forfeiture of shares), please see note 28 of the financial report.

No shares passed the performance test, and accordingly all shares have rolled over to the final cumulative testing due on 30 June 2015. In order for the shares to vest at the 30 June 2015 test date, disregarding the payment of any dividends, the share price would need to reach between \$2.39 for 50% vesting, and \$2.53 for 100% vesting.

Number of performance awards on issue as at 30 June 2014

	Balance at start of year	Granted during year	Vested during year	Forfeited during year	Balance at end of year
Current Executive Directors					
Damien Waller	1,351,350	–	–	–	1,351,350
Current Executives					
Alex Stevens	–	–	–	–	–
David Christie	–	–	–	–	–
Geraldine Davys	–	–	–	–	–
Paul McCarthy	–	–	–	–	–
Elise Morris	540,540	–	–	–	540,540
Jo Thomas	621,620	–	–	–	621,620 ¹
Scott Wilson	540,540	–	–	–	540,540
Former Executives					
Matt McCann	1,891,890	–	–	967,851	924,039 ²
Chris Billing	621,620	–	–	621,620	–
David Chalmers	702,700	–	–	702,700 ³	–
Trevor Jeffords	81,080	–	–	–	81,080
Roger McBride	540,540	–	–	540,540	–
Acting Executives					
Jacki McAvenna	–	–	–	–	–

¹ At 30 June 2014, Ms Thomas held 621,620 LTI Plan Shares, however due to her resignation in July 2014, her LTI Plan holding has been fully forfeited during FY2015.

² The Board approved Mr McCann's pro-rata retention of 924,039 LTIP Shares post cessation of his employment on 14 October 2013, as detailed in section 3.4.

³ Mr Chalmers forfeited his beneficial interest in LTI Plan Shares upon departure.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

3.4 Key Events Impacting Remuneration during the Year Ended 30 June 2014

CEO Transition

Matt McCann resigned as CEO, effective 11 October 2013, and departed iSelect on 20 November 2013. Mr McCann had been with iSelect since 18 February 2008, and made a positive contribution over his five years with the Group.

Mr McCann received the following during the year ended 30 June 2014 in satisfaction of his contractual entitlements:

- A pro-rata amount of his usual FAR for the period worked up to his date of resignation (\$131,586 plus superannuation of \$7,065);
- A termination payment of \$609,167 comprising pay in lieu of notice (including superannuation) for 12 months from his date of resignation in line with his contractual entitlements (\$501,652) and payout of his annual leave entitlement (\$107,515);
- He did not receive any STI payments for the FY14 year as he was ineligible by reason of resignation; and
- In recognition of his contribution to the Group, Mr McCann retained a pro-rata number of 924,039 LTI Plan shares as part of his severance terms (with an accounting value of \$47,661). These shares remain subject to testing at the usual vesting dates, and to have value to the Executive (assuming no dividends are paid during the period) the share price must exceed \$2.39 as at 30 June 2015 (50% vesting) or \$2.53 as at 30 June 2015 (100% vesting). The Board exercised its discretion to not permit an acceleration of vesting of the LTI Plan shares.

Alex Stevens commenced as CEO on 31 March 2014. As disclosed to the ASX at the time of his appointment, the following remuneration arrangements apply for Mr Stevens for the year ended 30 June 2014:

- He has a FAR of \$750,000 per annum (pro-rata for time served in financial year 2014);
- He is able to participate in the variable STI plan, with a target opportunity of 40% of his fixed remuneration (\$300,000), pro-rata for time served;
- He is eligible to participate in the LTI Plan from commencement, subject to shareholder approval at the 2014 AGM. As no LTI grants were made during FY2014, his proposed FY2015 grant will include a pro-rata amount for the period from commencement to 30 June 2014; and
- It is noted that Mr Stevens was not a Director during the year ended 30 June 2014.

CFO Transition

Mr Chalmers resigned as CFO, effective 7 May 2014. During the year ending 30 June 2014, Mr Chalmers had also taken on the Acting CEO role from 14 October 2013 following Mr McCann's departure. The following arrangements applied to Mr Chalmers for the year ended 30 June 2014:

- During his employment as Acting CEO, his contractual notice period was extended from six to nine months;

- He received a pro-rata amount of his usual FAR for the period worked up to his date of resignation (\$343,276 plus superannuation of \$21,307);
- A termination payment of \$310,718 comprising three months gardening leave, and pay in lieu of notice for six months along with payout of his annual leave entitlement;
- He received an STI payment for the first half of financial year 2014, for completed service prior to his resignation; and
- 702,700 shares previously granted under the 2013 LTI plan were forfeited in accordance with their original terms in full satisfaction of the associated share loan.

From 14 October 2013, when Mr Chalmers moved into the Acting CEO role, until 30 June 2014, Ms McAvenna, the Head of Finance, operated in the role of Acting CFO.

Mr McCarthy commenced as CFO on 21 July 2014. Mr McCarthy was not a member of KMP for the year ended 30 June 2014, and he was paid no remuneration during that year. His remuneration arrangements will be disclosed in the financial year 2015 Remuneration Report.

Chief Innovation Officer

Following an internal reorganisation, it was determined that the role of Chief Innovation Officer was no longer required. As no suitable positions were available for Mr Billing (the incumbent), his employment ended and he departed iSelect on 26 March 2014. As a result of his departure, Mr Billing received:

- A termination payment of \$193,780 comprising gardening leave and pay in lieu of notice for his contractual three month notice period, payout of his annual leave entitlement, and a severance payment in line with the National Employment Standard;
- He forfeited 621,620 shares under the FY2013 LTI plan, as determined by the Board in full satisfaction of the associated share loan;
- A contractual STI payment for the first half of financial year 2014, for completed service prior to his departure; and
- He did not receive an STI payment for the second half of the year as he was ineligible by reason of his departure.

Marketing Director

Mr McBride resigned as Marketing Director, effective 18 October 2013. As a result of his departure, Mr McBride received:

- A termination payment of \$119,516 comprising gardening leave for his contractual three month notice period to 18 January 2014, payout of his annual leave entitlement and a three month consulting service to iSelect (\$36,150 less applicable taxes) following the end of his gardening leave, on a three day per week basis. This permitted business continuity during a handover period to the new Marketing Director, Geraldine Davys;
- He forfeited his 540,540 shares under the 2013 LTI Plan, as determined by the Board, in full satisfaction of the associated share loan; and
- He did not receive any STI payments for financial year 2014 as he was ineligible by reason of resignation.

3.5 Remuneration Paid to Executives

The table below has been prepared in accordance with the requirements of the Corporations Act and relevant Accounting Standards. The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by executives.

Name and title	Year	Short Term Benefits		Post Employment Benefits		Long Term Benefits	Equity Settled Share Based Payments Expense				Performance Related	
		Salary	STI	Other	Super		Long Service Leave	Options	Shares ¹	Termination Payments		Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current Executive Director												
Damien Waller	2014	545,686	-	-	25,000	16,290	-	208,456	-	-	795,432	208,456
Executive Chairman	2013	526,995	172,687	-	25,000	-	58,320	56,132	-	-	839,134	287,139
Current Senior Executives												
Alex Stevens	2014	184,038	-	-	6,250	-	-	-	-	-	190,288	-
Chief Executive Officer (from 31 March 2014)	2013	-	-	-	-	-	-	-	-	-	-	-
David Christie	2014	261,828	30,181	-	18,750	-	-	-	-	-	310,759	30,181
General Counsel (from 30 September 2013)	2013	-	-	-	-	-	-	-	-	-	-	-
Geraldine Davys	2014	171,472	17,285	-	16,284	-	-	-	-	-	205,041	17,285
Marketing Director (from 18 October 2013)	2013	-	-	-	-	-	-	-	-	-	-	-
Elise Morris	2014	305,606	33,971	-	22,681	-	-	83,382	-	-	445,640	117,353
People Director	2013	287,615	36,125	-	28,754	-	-	22,453	-	-	374,947	58,578
Joanna Thomas	2014	311,970	33,037	-	25,185	-	-	95,889	-	-	466,081	128,926
Operations Director (resigned 15 July 2014)	2013	248,820	9,153	-	23,240	-	9,380	25,821	-	-	316,414	44,354
Scott Wilson	2014	290,000	34,944	-	28,458	-	-	83,382	-	-	436,784	118,326
Commercial Director	2013	120,833	23,434	-	12,172	-	-	22,453	-	-	178,892	45,887
Acting Executives												
Jacki McAvenna	2014	221,864	15,593	-	15,407	-	-	-	-	-	252,864	15,593
Acting Chief Financial Officer (from 14 October 2013 to 30 June 2014)	2013	-	-	-	-	-	-	-	-	-	-	-

1 The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by executives.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

3.5 Remuneration Paid to Executives (continued)

Name and title	Year	Short Term Benefits			Post Employment Benefits			Long Term Benefits			Share Based Benefits			Performance Related	
		Salary \$	STI \$	Other \$	Super \$	Long Service Leave \$	Options \$	Shares ¹ \$	Termination Payments \$	Total \$	Performance \$	Related \$			
Former Executives															
Matt McCann Former CEO (until 11 October 2013)	2014	131,586	-	-	7,065	-	-	47,661	609,167	795,479	47,661				
	2013	459,763	276,456	-	25,000	-	19,440	78,585	-	859,244	374,481				
David Chalmers Former CFO (until 7 May 2014)	2014	343,276	17,699	-	21,307	-	-	-	310,718	693,000	17,699				
	2013	250,029	191,335	-	21,767	-	-	29,189	-	492,320	220,524				
Chris Billing Former Chief Innovation Officer (until 26 March 2014)	2014	182,513	35,049	-	18,711	-	-	-	193,780	430,053	35,049				
	2013	238,532	46,248	-	24,706	-	15,860	25,821	-	351,167	87,929				
Roger McBride Former Marketing Director (until 18 October 2013)	2014	68,564	-	-	7,279	-	-	-	119,516	195,359	-				
	2013	208,830	15,721	-	20,012	-	-	22,453	-	267,016	38,174				
Total Current and Former KMP	2014	3,018,403	217,759	-	212,377	16,290	-	518,770	1,233,181	5,216,780	736,529				
	2013	2,341,417	771,159	-	180,651	-	103,000	282,907	-	3,679,134	1,157,066				

The total remuneration of KMP as per the financial year 2013 audited financial statements was \$4,419,566. The financial year 2013 total displayed in the main table above (\$3,679,134) does not include former KMP from financial year 2013 who had nil remuneration in financial year 2014.

Comparison of total financial year 2014 to financial year 2013 remuneration report

Total	2014	3,018,403	217,759	-	212,377	16,290	-	518,770	1,233,181	5,216,780	736,529				
	2013	2,713,505	837,551	-	222,174	-	119,200	286,275	240,861	4,419,566	1,243,026				

¹ The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by executives.

4. EXECUTIVE CONTRACTS

Remuneration arrangements for executives are formalised in employment contracts. All contracts are for an unlimited duration.

Name	Notice Period ¹ and Termination Payment ²
Alex Stevens	<ul style="list-style-type: none"> – 6 months by either party (or payment in lieu) – Entitled to pro-rata bonus, subject to achievement of Key Performance Indicators (KPIs), for time worked (including any payment in lieu or gardening leave period)
Damien Waller	<ul style="list-style-type: none"> – 12 months by either party (or payment in lieu) – 1 month notice within 6 months of ceasing to hold the position of Executive Chairman or Executive Director or where the scope of responsibilities or authority is materially diminished – Entitled to pro-rata bonus, subject to achievement of KPIs, for time worked (including any payment in lieu or gardening leave period), including a consideration of the achievement against KPIs in the prior 12 months – Accelerated vesting of shares and share options that would have vested during the notice period and/or 12 months following the date of termination, with the usual exercise period
David Christie	<ul style="list-style-type: none"> – 6 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group
Geraldine Davys	<ul style="list-style-type: none"> – 3 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group
Jacki McAvenna	<ul style="list-style-type: none"> – 3 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group
Paul McCarthy	<ul style="list-style-type: none"> – 3 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group
Elise Morris	<ul style="list-style-type: none"> – 3 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, may receive a bonus payment at the absolute discretion of the Company (no entitlement where bonus is due to be paid during gardening leave)
Joanna Thomas ³	<ul style="list-style-type: none"> – 6 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group
Scott Wilson	<ul style="list-style-type: none"> – 3 months by either party (or payment in lieu) – Where employment terminates prior to a bonus being paid, or a bonus is due to be paid during gardening leave, may receive a bonus payment at the absolute discretion of the Group

¹ All executive contracts permit immediate termination for misconduct, breach of contract or bankruptcy.

² All executive contracts include payout of statutory entitlements.

³ Ms Thomas resigned effective 15 July 2014.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

5. CHANGES TO THE REMUNERATION FRAMEWORK FOR THE YEAR ENDING 30 JUNE 2015

At the 2013 Annual General Meeting (AGM), more than 25% of votes cast were against the adoption of the financial year 2013 remuneration report. Following this first strike, the Remuneration Committee has reviewed the remuneration framework and adopted multiple changes. These changes have been incorporated into remuneration arrangements, some of which applied from financial year 2014 (as detailed in sections 3 & 4) and others which relate to financial year 2015, which are explained in further detail in this section 5. Feedback from shareholders and other stakeholders, market expectations and regulatory developments were all considered as part of the review.

In the Board's view, the changes implemented provide a balance between shareholder expectations, business strategy considerations and appropriate market comparable remuneration to attract, motivate and retain the Group's executives.

Overview of the new remuneration framework for executives:

Executive Remuneration Framework

Executive Remuneration Mix
Executive remuneration is provided in a mix appropriate to the position, responsibilities and performance of each executive within the Group, and is in line with market practice based on companies of comparable size and activities. Remuneration is structured as a mix of fixed remuneration and variable ("at risk") remuneration utilising short and long term incentive elements as follows:

	Total Remuneration % (annualised at target) – FY2015		
	Fixed	Variable	
	Fixed Annual Remuneration (FAR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
CEO and Executive Chairman	56%	22% (40% of FAR)	22% (40% of FAR)
Other Executives	58%	21% (35% of FAR)	21% (35% of FAR)

Fixed Annual Remuneration (FAR)

- Includes base salary, superannuation and salary sacrifice elements (for example, additional superannuation).
- Rewards employees for base level completion of both Group and specific accountabilities.
- Is set with reference to appropriate market benchmarks, and considers individual's role, responsibilities, skills and experience.

Short Term Incentive (STI)

- Rewards employees for achievement of Group financial outcomes (EBITDA and Operating Revenue targets), and individual key performance indicators (KPIs).
- Payments are assessed and made in cash and paid once per annum (financial year 2015). This is a reduction in frequency from twice per annum (in financial year 2014) and four times per annum (in financial year 2013).
- From financial year 2015, the STI opportunity will be aligned for the CEO and Executive Chairman at 40% of FAR.

Long Term Incentive (LTI)

- Share based reward to align executive performance with the creation of shareholder value over the longer term.
- In response to the feedback from shareholders at and prior to the 2013 AGM, major changes have been made to the LTI framework, with future grants incorporating the following changes:
 - Introduction of dual performance measures (TSR and EPS compound annual growth);
 - Lengthening of the performance period to three years;
 - Single performance test to be undertaken at the end of the three year period with no retesting; and
 - A tightened approach to the Board's determination of good or bad leaver status for departing executives.

Further details regarding the new Long Term Incentive Plan (LTI Plan)

What is the purpose of the FY2015 LTI Plan?

The LTI Plan has been established to provide a long-term incentive component of remuneration to assist with the attraction, reward and retention of key employees, including Executives. The LTI Plan will link long-term reward with the ongoing creation of shareholder value, using LTI Plan shares which are subject to satisfaction of long-term performance conditions, as well as share price growth. The combination of these factors will help to ensure that executives are focused on long term share price growth and performance from both a market and Group perspective, linking their interests with those of shareholders. LTI Plan shares will not be transferable and will not carry voting rights.

The Remuneration Committee will determine the size and allocation of the LTI Plan grant in accordance with the LTI Plan rules, for recommendation to the Board, which is responsible for final approval.

What changes were made to the LTI Plan as part of the remuneration review following the 2013 AGM?

A comprehensive review of the LTI Plan was undertaken during financial year 2014, as part of the remuneration review that followed the 2013 AGM. The LTI Plan in particular has been thoroughly reviewed, with numerous changes adopted for financial year 2015, which take into account feedback provided by shareholders, proxy advisors and other stakeholders.

The Remuneration Committee felt it particularly important to restructure future LTI grants, so much time has been spent in consultation with stakeholders and advisors, developing a best practice LTI Plan; and no grants were made during the year ended 30 June 2014. The first grant under the new plan will be made shortly after the financial results announcement for financial year 2014, with further grants proposed to be made, subject to shareholder approval, to the CEO and Executive Chairman in November 2014, following the 2014 AGM.

The FY2015 LTI Plan grant will incorporate the following changes:

- Introduction of Earnings Per Share (EPS) as a second performance measure;
- A lengthened performance period of three years (1 July 2014 to 30 June 2017, for the FY2015 grant) compared to 27 months under the FY2013 LTI Plan;
- Single performance testing at the end of the third year, with no further retesting. Any shares that don't pass the test will be forfeited in full satisfaction of the associated share loan; and
- The Remuneration Committee has tightened its approach with regard to the treatment on departure for executives participating in the LTI Plan.

How will the LTI Plan operate for grants made in FY2015 onwards?

Executives will be invited to participate in the LTI Plan, via a loan-based share plan. There will be no initial cost to the recipient to participate in the LTI Plan, but the loan must be repaid before or at the time of sale of the shares. The value of the loan is set by applying the market value at grant date to the number of units granted. This means the share price must increase over the life of the Plan, and pass the performance tests (below) for there to be any value to the participant between vesting and expiry.

Each LTI Plan share will be offered subject to the achievement of the performance measures, which will be tested once at the end of the three year performance period. The LTI Plan value is split between two performance measures – Total Shareholder Return (TSR) and Earnings per Share (EPS). LTI Plan shares that do not vest after testing of the relevant performance measure lapse, without retesting. There is no financial risk to the Group as lapsed shares are cancelled in full repayment of the portion of the loan to which they relate. Shares that pass the performance tests are able to be traded during the period between vesting and expiry, upon repayment of the loan value. This means there is only value to the participant where both the performance condition is met, and the share price exceeds the market value of the share, as determined at the grant date.

The number of LTI Plan Shares granted to each participant is calculated using the fair value of awards at the grant date.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

What will the LTI performance measures be for future grants made under the LTI plan?

Awards granted under the FY2015 LTI plan will be subject to a 3 year performance period and the following dual performance measures over that period:

Measure	Weighting	Description of Measure										
Total Shareholder Return (TSR)	50%	<p>TSR measures the total change in the value of the iSelect shares over the performance period, plus the value of any dividends and other distributions being treated as if they were reinvested in shares.</p> <p>The compound annual growth rate (CAGR) will be calculated using the market price of a Share at the end of the performance period (using the volume weighted average price (VWAP) for trades on the Australian Securities Exchange over the one week period up to and including the final day of the performance period), compared against the market price at the start of the period.</p> <table border="1"> <thead> <tr> <th>% CAGR in TSR</th> <th>% of LTI Plan shares that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 12%</td> <td>0%</td> </tr> <tr> <td>12%</td> <td>50%</td> </tr> <tr> <td>Between 12% and 15%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>15% or more</td> <td>100%</td> </tr> </tbody> </table>	% CAGR in TSR	% of LTI Plan shares that vest	Less than 12%	0%	12%	50%	Between 12% and 15%	Straight line vesting between 50% and 100%	15% or more	100%
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Less than 12%	0%											
12%	50%											
Between 12% and 15%	Straight line vesting between 50% and 100%											
15% or more	100%											
Growth in Earnings Per Share (EPS)	50%	<p>EPS measures the Net Profit after Tax, divided by the weighted average number of ordinary shares outstanding during the period.</p> <p>The CAGR will be calculated by comparing the EPS in the final year of the performance period (i.e. year ended 30 June 2017) compared with the base year being the last year ended before the start of the performance period (i.e. the year ended 30 June 2014).</p> <table border="1"> <thead> <tr> <th>% CAGR in EPS</th> <th>% of LTI Plan shares that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 12%</td> <td>0%</td> </tr> <tr> <td>12%</td> <td>50%</td> </tr> <tr> <td>Between 12% and 15%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>15% or more</td> <td>100%</td> </tr> </tbody> </table>	% CAGR in EPS	% of LTI Plan shares that vest	Less than 12%	0%	12%	50%	Between 12% and 15%	Straight line vesting between 50% and 100%	15% or more	100%
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Less than 12%	0%											
12%	50%											
Between 12% and 15%	Straight line vesting between 50% and 100%											
15% or more	100%											

Why were the new LTI performance measures selected?

The TSR target is a market based performance measure that provides a direct link between Executive reward and security holder value. It provides an external market measure to encourage and motivate Executive performance. TSR growth has been used since the year ended 30 June 2013. The EPS performance measure was introduced to provide a non-market performance measure. It links Executive performance to the Group's earnings.

The use of two measures rather than one provides a more complete picture of the Group's performance than a single metric, and also ensures that Executives are not purely focused on one metric.

How will the new LTI performance targets be measured?

TSR – Market data will be used to prepare an internal calculation of the TSR for the Group. This will be disclosed in the Annual Report for the year the testing occurs.

EPS – The calculation will be based on the audited accounts and will also be disclosed in the Annual Report for the year the testing occurs.

Why has a loan based share plan model been adopted?

In considering the best LTI Plan to adopt, a number of different types of employee equity alternatives were considered. The loan based share plan was adopted as it allows the benefits of employee share options, but without adverse tax implications. Participants pay tax once they sell the shares, and they are only able to sell the shares once both the performance hurdle has been met and the share price has increased above the loan value. This provides a tangible future benefit to executives that is strongly linked to shareholder value. This approach also allows executives to be rewarded for capital growth in the shares, with the Group no worse off financially. The financial position of the Group is also better off, as there are reduced taxation and transaction costs compared with other schemes.

Importantly, as a loan based share plan is not an employee share plan within the terms of the tax legislation, the 75% rule does not apply. This rule would require 75% of permanent employees to be offered participation in an employee share plan, to permit other types of equity to be used – such as a performance share plan. Due to iSelect's recent listing, size, and establishment costs, such a widespread employee share offering is not currently being considered, and hence adopting a loan based share plan is an attractive choice.

What will happen if the executive ceases employment?

Where an Executive ceases employment, any unvested LTI Plan shares will be forfeited in full satisfaction of the corresponding loan, unless determined and approved otherwise by the Board.

What will happen in the event of a change in control?

Unless the Board determines otherwise, all LTI Plan shares vest upon a change in control.

What was the grant and movement in the number and value of performance awards during the year ended 30 June 2014?

As noted above, there were no grants made during the year ended 30 June 2014.

The FY2015 LTI grant will be granted shortly after the financial year 2014 results announcement, with a further grant to be made in November for the CEO and Executive Chairman, subject to shareholder approval at the AGM. These grants will be disclosed in the financial year 2015 Remuneration Report.

What clawback arrangements will be in place related to future LTI Plan grants?

Under the rules of the plan, the Board has the power (in certain circumstances) to determine that the participant's interest in any or all Shares is forfeited and surrendered, and/or that the value that the participant has derived from any vested shares is set off against any current or future fixed remuneration or annual bonuses owed to the participant. This applies in cases of fraud, dishonesty and breach of obligations, including, without limitation, a material misstatement of financial information, whether the action or omission is intentional or inadvertent.

6. LINK BETWEEN GROUP PERFORMANCE, SHAREHOLDER WEALTH AND REMUNERATION

The variable (or "at risk") remuneration of executives is linked to the Group's performance through measures based on the operating performance of the business.

6.1 Group Performance and STI

For the year ended 30 June 2014, a significant proportion of the STI award was determined with reference to EBITDA and Revenue.

EBITDA

The EBITDA result for the year ended 30 June 2014 was \$12,078,000, which takes into account the downward revaluation of the trail commission receivable ("trail book"). The Board acting in the interest of shareholders decided it was appropriate that no STI payment relating to EBITDA applied for executives for financial year 2014. Details regarding EBITDA performance of the business are provided in the Operating and Financial Review in the Directors' Report.

Revenue

The revenue result for the year ended 30 June 2014 was \$120,366,000, also taking into account the downward revaluation of the trail book. Again, the Board acting in the interest of shareholders decided it was appropriate that no STI payment relating to Revenue applied for executives in financial year 2014.

6.2 Group Performance and LTI

No LTI grants were made in the year ending 30 June 2014. Grants made in financial year 2015 will be linked to TSR (Total Shareholder Return) and EPS (Earnings per Share).

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

6. LINK BETWEEN GROUP PERFORMANCE, SHAREHOLDER WEALTH AND REMUNERATION (CONTINUED)

6.3 Group Performance

Measure	FY2014	FY2013	FY2012	FY2011
Share price at year end	\$1.15	\$1.70	n.a. (pre-listing)	n.a. (pre-listing)
Dividend paid per security	–	–	–	–
EBITDA	\$12,078,000	\$25,004,000	\$24,082,000	\$17,369,000
Revenue	\$120,366,000	\$118,037,000	\$111,928,000	\$72,442,000
Total Shareholder Return (TSR) compound annual growth rate ¹	1 April 2013 to 30 June 2014 (15 months): –32%	1 April 2013 to 30 June 2013 (3 months): –29%	n.a. (pre-listing)	n.a. (pre-listing)
Earnings per share	2.4 cents	6.6 cents	7.8 cents	n.a. (pre-listing)

¹ TSR calculations are based upon an initial share price at 1 April 2013 of \$1.85.

7. NON-EXECUTIVE DIRECTOR REMUNERATION

7.1 Remuneration Policy

The Group's non-executive director remuneration strategy is designed to:

Attract and retain Directors of the highest calibre – ensure remuneration is competitive with companies of a similar size and complexity. Independence and impartiality of directors is aided by no element of director remuneration being “at risk” (i.e. Remuneration is not based upon Group performance); and

Incur a cost that is acceptable to shareholders – the aggregate pool is set by shareholders with any change requiring shareholder approval at a general meeting.

7.2 Remuneration Arrangements

Maximum aggregate remuneration

The aggregate remuneration paid to non-executive directors is capped at a level approved by shareholders. The current Non-Executive Director fee pool was set at \$950,000 on 31 May 2013. The amount of aggregate remuneration is reviewed annually, with no increase in the non-executive director fee pool during the year ended 30 June 2014.

Board and committee fees, as well as statutory superannuation contributions made on behalf of the non-executive directors, are included in the aggregate fee pool.

Non-Executive Director fees for the year ended 30 June 2014

The table below provides details of Board and committee fees (inclusive of superannuation) for the year ended 30 June 2014. Director fees have not increased during financial year 2014, and the remuneration of non-executive directors does not include any commission or percentage of profits. A review of non-executive director fees will be undertaken during financial year 2015. The Executive Chairman is not paid any fees in addition to his salary.

All committee members are also members of the Board. No additional fees are paid to Board members for their participation on committees, apart from where they act as Chair of the committee or Deputy Chair of the Board.

	Chair fee \$	Deputy Chair fee \$	Member fee \$
Board ¹		10,000	85,000
Audit Committee	10,000		
Remuneration Committee	10,000		
Nomination Committee	10,000		

¹ For the Board, the Executive Chairman, Damien Waller, does not receive any fees for his role as Chair in addition to his salary. The Deputy Chairman, Greg Camm, receives an additional fee as detailed in 7.2.

7.3 Remuneration Paid to non-executive directors for the Year Ended 30 June 2014

		Fees & Allowances \$	Short-Term Benefits ¹ \$	Super-annuation \$	Other ² \$	Total \$
Current Non-Executive Directors						
Greg Camm	2014	86,957	–	8,043	–	95,000
	2013	54,787	18,307	6,624	–	79,718
Shaun Bonètt	2014	86,957	–	8,043	–	95,000
	2013	59,633	18,307	7,060	–	85,000
Bridget Fair (from 30 September 2013)	2014	58,652	–	5,425	–	64,077
	2013	–	–	–	–	–
Leslie Webb	2014	86,957	–	8,043	–	95,000
	2013	9,174	18,307	2,519	50,400	80,400
Former Non-Executive Directors						
Pat O'Sullivan (ceased 17 April 2014) ³	2014	74,470	–	6,889	–	81,359
	2013	–	–	–	–	–
Michael McLeod (ceased 30 November 2012)	2014	–	–	–	–	–
	2013	71,196	–	6,408	–	77,604
Total	2014	393,993	–	36,443	–	430,436
	2013	194,790	54,921	22,611	50,400	322,722

¹ Short-term benefits in 2013 represent one-off time allowances paid in cash upon listing of the Group.

² Other Remuneration in 2013 represents a share based payment expense in relation to options issued under the 2011 Option Plan to Mr Webb.

³ Prior to 24 June 2013, Mr O'Sullivan did not receive fees for his Board membership or as Chairman of the Audit & Risk Management Committee.

7.4 Other Roles of Non-Executive Directors and the Relationship with iSelect

Leslie Webb is a Non-Executive Director of Generic Health and Nimble Money Pty Ltd. Generic Health is a supplier of generic prescription and over the counter medicines to pharmacies and hospitals in Australia. Nimble Money Pty Ltd is a financial technology company that specialises in online lending. Generic Health and Nimble Money Pty Ltd do not have a direct relationship with iSelect. In June 2014, Mr Webb informed the Group that he had divested his shareholding in NIA and he does not hold a position of office or directorships in NIA Limited or health.com.au.

Greg Camm is a company director at bankmecu and Yarra Valley Water. bankmecu is on the InfoChoice panel. The relationship between bankmecu and InfoChoice is based on arm's length commercial terms. InfoChoice is a wholly owned subsidiary of iSelect. Yarra Valley Water does not have a relationship with iSelect.

Shaun Bonètt is the Chief Executive Officer of Precision Group, a privately owned investment company with an extensive property and development portfolio. There is no relationship between iSelect and Precision Group.

Bridget Fair is Group Chief of Corporate and Regulatory Affairs at Seven West Media. iSelect advertises from time to time on the Seven network, and purchases any such media through a third party media buying agency on arm's length commercial terms. Ms Fair is also a director of Freeview Australia Limited, and an alternate director of Free TV Australia Limited and Oztam Pty Ltd.

Aside from the details disclosed above, each non-executive director has no material beneficial interest in the commercial partners of iSelect.

Remuneration Report (Audited) (continued)

for the year ended 30 June 2014

8. KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The numbers of ordinary shares in iSelect Limited held during the financial year (directly and indirectly) by KMP of the Group and their related parties are set out below¹:

	Balance at start of year	Granted as remuneration	On exercise of option	Other changes	Balance at end of year
Current Executive Directors					
Damien Waller	32,729,010	–	–	176,000	32,905,010
Current Senior Executives					
Alex Stevens	–	–	–	85,384	85,384
Elise Morris	540,540	–	–	–	540,540
Jo Thomas	621,620	–	–	–	621,620 ²
Scott Wilson	545,946	–	–	(5,406)	540,540
Former Executives					
Matt McCann	2,127,120	(967,851)	–	(1,159,269) ³	–
Chris Billing	641,620	(621,620)	40,000	(60,000) ⁴	–
David Chalmers	702,700	(702,700)	–	–	–
Trevor Jeffords	81,080	–	–	(81,080) ¹	–
Roger McBride	540,540	(540,540)	–	–	–
Non-Executive Directors⁵					
Greg Camm	60,000	–	–	37,000	97,000
Shaun Bonètt	300,000	–	–	200,000	500,000
Bridget Fair	–	–	–	32,495	32,495
Leslie Webb	2,050,000	–	–	50,000	2,100,000

¹ KMP not specified in the table above held no shares at any time during financial year 2014.

² At 30 June 2014 Ms Thomas held 621,620 LTIP shares, however upon her resignation in July 2014, her LTIP holding was forfeited.

³ Balance forfeited on resignation as Chief Executive Officer.

⁴ Balance removed on resignation as an executive during the year.

⁵ All increases in share holdings for non-executive directors during financial year 2014 were by way of on-market purchases.

9. KEY MANAGEMENT PERSONNEL OPTION HOLDINGS

The numbers of options in iSelect Limited held during the financial year (directly and indirectly) by KMP of the Group and their related parties are set out below¹:

	Balance at start of year	Granted as remuneration	On exercise of option	Other changes	Balance at end of year
Current Senior Executives					
Jo Thomas	200,000	–	(200,000)	–	–
Former Executives					
Chris Billing	200,000	–	(200,000)	–	–
Roger McBride (resigned 18 October 2013)	600,000	–	–	(600,000) ²	–
Non-Executive Directors					
Leslie Webb ³	450,000	–	–	–	450,000

¹ Other Remuneration in 2013 represents a share based payment expense in relation to options issued under the 2011 Option Plan to Mr Webb.

² KMP not specified in the table above held no shares at any time during financial year 2014.

³ Details as noted on page 30 of this report.

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

On behalf of the Directors



Damien Waller
Director

Melbourne,
28 August 2014



Greg Camm
Director

Melbourne,
28 August 2014

Corporate Governance Statement

This statement explains how the Board of iSelect Ltd (the Board) oversees the management of iSelect Ltd's (iSelect) business. The Board is responsible for the overall corporate governance of iSelect, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of iSelect and oversees its business strategy including approving the strategic goals of iSelect and considering and approving an annual business plan, including a budget.

The Board of Directors is comprised of the Executive Chairman and five non-executive directors. The Board consists of:

- Damien Waller – Executive Chairman;
- Greg Camm – Non-Executive Director and Deputy Chairman;
- Shaun Bonètt – Non-Executive Director;
- Leslie Webb – Non-Executive Director;
- Bridget Fair – Non-Executive Director; and
- Brodie Arnhold – Non-Executive Director.

Alex Stevens is the Chief Executive Officer and is not currently a director of iSelect.

Details of each director's skills, experience, expertise, qualifications, term of office, relationships affecting independence, their independence status and membership of committees are set out within this Annual Report.

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of iSelect. In conducting iSelect's business with these objectives, the Board seeks to ensure that iSelect is properly managed to protect and enhance shareholder interests, and that iSelect, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing iSelect including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for iSelect's business and which are designed to promote the responsible management and conduct of iSelect.

The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (ASX Recommendations) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, iSelect is required to provide a statement in its annual report disclosing the extent to which it has followed the ASX recommendations in the reporting period. Where iSelect does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

An overview of iSelect's main corporate governance practices is set out below. The information in this statement relating to the directors, Board committee memberships and other details is current at the date of this Annual Report.

Details of iSelect's key policies and practices and the charters for the Board and each of its committees are available in the Governance section of iSelect's website at www.iselect.com.au.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

Role of the Board and Management

The Board has adopted a formal Charter that details the functions and responsibilities of the Board. The Board Charter also establishes the functions reserved to the Board and those powers delegated to management.

The Board delegates to the Chief Executive Officer (CEO) and the Executive Chairman the authority and power to manage iSelect and its businesses within the levels of authority specified. The Executive Chairman and CEO have separate roles and responsibilities under the Board Charter.

The Executive Chairman's key role includes the development of strategic objectives for the business. The CEO's role includes the day-to-day management of iSelect's operations including effective leadership of the management team in addition to working closely with the Executive Chairman on the development of strategic objectives for the business.

Non-executive directors are appointed pursuant to formal letters of appointment setting out the key terms and conditions of the appointment including details regarding directors' remuneration, role and responsibilities, confidentiality of information, disclosure of interests, matters affecting independence and entering into deeds of indemnity, insurance and access.

The number of Board and board committee meetings held during the year along with the attendance by directors is set out in the Directors' Report under directors' meetings.

Responsibilities of the Board

The Board is appointed by shareholders who hold them accountable for the Group's governance, performance, strategies and policies. To assist with the efficient and effective discharging of its responsibilities, the Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board.

The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of iSelect. The Board's responsibilities include but are not limited to:

- approving iSelect’s strategies, budgets, plans and policies;
- assessing performance against strategies implemented by management;
- reviewing operating information to understand the state of health of the Group;
- approval of proposed acquisitions, divestments and significant capital expenditure;
- approval of capital management including approving the issue or allotment of equity, borrowings, dividend policy and other financing proposals;
- ensuring that iSelect operates appropriate corporate governance structure and compliance systems;
- approving iSelect’s risk management strategy and frameworks, and monitoring their effectiveness;
- approval and monitoring of the annual and half year financial reports; and
- appointment and removal of the CEO.

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee, a Nominations Committee and a Remuneration Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of iSelect, relevant legislative and other requirements and the skills and experience of individual directors.

The Board Charter provides that with guidance from the Nominations Committee and, where necessary, external consultants, the Board shall identify candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.

Directors may obtain independent professional advice at iSelect’s expense on matters arising in the course of their Board and committee duties, after obtaining the Executive Chair’s approval.

A copy of the Board Charter is publicly available in the governance section of iSelect’s website at www.iselect.com.au.

Companies should disclose the process for evaluating the performance of senior executives

The iSelect Board Charter details a process for the review of the performance of the Chief Executive Officer and the Executive Chair.

The performance of the Group’s senior executives is reviewed regularly to ensure that executive members continue to perform effectively in their roles. Performance is measured against goals and company performance set at the beginning of the financial year and reviewed at the half year. A performance evaluation for executives has occurred during the year in accordance with this process.

The performance of the CEO is reviewed by the Executive Chairman on a six-monthly basis and as such, a formal review of Alex Stevens’ performance will occur following the cessation of his six month probation period in October.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE **A majority of the board should be independent directors**

The Board considers an independent director to be a non-executive director who is not a member of iSelect’s management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The iSelect Board Charter sets out guidelines and thresholds of materiality for the purpose of determining independence of directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers thresholds of materiality for the purpose of determining ‘independence’ on a case-by-case basis, having regard to both quantitative and qualitative principles. Without limiting the Board’s discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses), in the context of each situation;
- In general, the Board will not consider an affiliation with a business that accounts for less than 5% of the revenue base to be material for the purpose of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular Director should be reviewed by the Board; and
- Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director’s interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director’s ability to act in the best interests of iSelect.

The Board considers each of Greg Camm, Leslie Webb, Bridget Fair, Brodie Arnhold and Shaun Bonètt to be free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director’s judgement and that each is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Damien Waller is the co-founder of iSelect, Executive Chairman and is also a substantial shareholder of iSelect. Damien Waller is not currently considered to be independent.

The Board consists of a majority of independent directors.

Corporate Governance Statement (continued)

The chair should be an independent director

The Board recognises the ASX Corporate Governance Council's recommendation that the Chairman should be an independent director and it also recognises that Damien Waller does not meet the definition of independence. However, the Board believes that Damien Waller is the most appropriate person to lead the Board as Executive Chairman at the current time and that he is able to, and does, bring considered and independent judgment to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefits from his long standing experience of its operations and business relationships going forward.

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual

The Executive Chairman and CEO are not exercised by the same individual. The positions have separately defined responsibilities and there is clear division between the Executive Chairman and CEO role. The details of their respective roles are clearly outlined in the Board Charter.

Damien Waller's role as Chair is primarily to provide leadership to the Board and ensure the effective organisation and conduct of the Board in addition to his executive responsibility which focuses on the development of strategic objectives for the business.

Alex Steven's role as CEO focuses on the day-to-day management of iSelect's operations including effective leadership of the management team in addition to working with the Executive Chairman on the development of strategy.

The Board should establish a nomination committee

The Board has established a Nominations Committee which consists of a majority of independent directors, is chaired by an independent director and has at least three members.

The committee comprises Shaun Bonètt (chair), Leslie Webb and Damien Waller.

The Nominations Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Nominations Committee assesses nominations of new Directors against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.

The criteria to assess nominations of new directors is reviewed annually and the Nominations Committee regularly compares the skill base of existing directors with that required for the future strategy of iSelect to enable identification of attributes required in new directors. In searching for and selecting new directors for the Board, the Committee assesses certain criteria to make recommendations to the Board. The criteria which will be assessed includes the candidate's background, experience, professional skills, personal qualities, gender, capability of the candidate to devote the necessary time and commitment to the role, potential conflicts of interest, independence and whether their skills and experience will complement the existing Board.

Further details for the procedure for the selection of new directors to the Board, the re-election of incumbent directors and the Board's policy for the nomination of directors is contained within iSelect's Nomination Committee Charter and Board Charter.

The Nominations Committee meets as often as is required by the Nominations Committee Charter or other policy approved by the Board to govern the operation of the Nominations Committee. Following each meeting, the Nominations Committee reports to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Nominations Committee that requires Board approval.

A copy of iSelect's Nominations Committee Charter is publicly available in the Governance section of iSelect's website at www.iselect.com.au.

Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.

The iSelect Board Charter details a process for the review of Board, committee and individual directors' performance. During the reporting period, a formal performance evaluation has been undertaken of the Board, committees and individual directors to ensure that the Board, committees and individual directors work effectively and efficiently in fulfilling their functions. This review included the Board and committees assessing their own performance and the Chairman of the Board holding discussions with individual directors as to their performance. No review using an external consultant has been undertaken during the reporting period however the Board will assess the merit of conducting such a review during the financial year ending 30 June 2015.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Companies should establish a code of conduct and disclose the code or a summary of the code

The Board recognises that it has a responsibility for setting the ethical tone and standards of the Group and iSelect's senior management recognise that they have a responsibility to implement practices that are consistent with those standards.

The Group has developed a Code of Conduct Policy which has been fully endorsed by the Board and applies to all directors and employees. The Code of Conduct is designed to identify and encourage:

- the practices necessary to maintain confidence in iSelect's integrity;
- the practices necessary to take into account iSelect's legal obligations; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A copy of iSelect's Code of Conduct is publicly available in the Governance section of iSelect's website at www.iselect.com.au.

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

The workforce of iSelect is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected by the Company. The Company has also formed the iSelect Diversity Council as a sub-committee of management. The iSelect Diversity Council is committed to its goal of fostering an inclusive and equitable work environment for all of its people.

The Group has established a Diversity Policy which is publicly available in the Governance section of iSelect's website at www.iselect.com.au.

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them

The Diversity policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The objectives for the year ended 30 June 2014 were adopted on 28 August 2013. Details of these objectives and the progress towards achieving them are outlined below:

Objectives	Key Performance Indicator	Actions	Status
Recruitment and Retention	Ensure diverse candidate pools when compiling shortlists for recruitment.	Recruitment service providers have been notified of this requirement and appropriateness of shortlists is monitored.	Ongoing
Gender Representation	Increase the number of women in management roles across the business.	Improvements in gender representation have occurred in some tiers of the organisation and improvement in this area remains a focus going forward.	Ongoing
Establishment of an iSelect Diversity Council	Establish a diversity sub-committee of the Executive Team.	iSelect Diversity Council established and inaugural meeting held.	Complete
Join the Diversity Council of Australia	Paid membership of the Diversity Council of Australia (DCA).	iSelect joined a Corporate member of DCA.	Complete

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

The proportion of female employees, senior leadership, executive and Board members as at 30 June 2014 are outlined below.

Employee Category	Total	Female Component	Female %
All employees	514	228	44%
Board	5	1	20%
Executive Team	7	4	57%
Senior Leadership	24	4	17%

As at 30 June 2014, iSelect employed 514 staff, 228 of whom are female (representing 44% of the total). iSelect's Executive leadership team included seven executives of which four were females (representing 57% of the total). iSelect's senior leadership team included 24 managers of which four were female managers (representing 17% of the total). Of iSelect's five Board members, there is currently one female director who was appointed during the year. Improvement of gender diversity remains a priority for the Group.

Corporate Governance Statement (continued)

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The board should establish an audit committee

The Board has established an Audit and Risk Management Committee to assist in the discharge of its responsibilities. The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing iSelect's internal control structure and risk management systems. The Audit and Risk Management Committee also confirms the quality and reliability of the financial information prepared by iSelect, works with the external auditor on behalf of the Board and reviews non-audit services provided by the external auditor, to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to iSelect. The purpose of the committee's risk management process is to ensure that risks are identified, assessed and appropriately managed.

The Board has adopted a policy regarding the services that iSelect may obtain from its external auditor. It is the policy of iSelect that its external auditor:

- must be independent of iSelect and the Directors and senior executives. To ensure this, iSelect requires a formal confirmation of independence from its external auditor on a six monthly basis; and
- may not provide services to iSelect that are, or are perceived to be, materially in conflict with the role of the external auditor. Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgement or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are not, or are not perceived to be, materially in conflict with the role of the auditor, if the Board or Audit and Risk Management Committee has approved those additional services. Such additional services may include financial audits, tax compliance, advice on accounting standards and due diligence in certain acquisition or sale transactions.

Information on the procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is contained within iSelect's 'Audit and Risk Management Committee' Charter.

The audit committee should be structured in line with the ASX Recommendations

The Audit and Risk Management Committee must comprise, to the extent practicable given the size and composition of the Board, at least three Directors, all of whom must be non-executive directors and the majority of which must be independent in accordance with the independence criteria set out in the Board Charter. A member of the Audit and Risk Management Committee, that does not chair the Board, shall be appointed the Chair of the committee.

The committee comprises Greg Camm (chair), Shaun Bonètt and Bridget Fair.

The Board acknowledges the ASX Recommendation that the Audit and Risk Management Committee should be chaired by an independent director (who is not Chair of the Board) and in recognition of this, Greg Camm currently chairs the Audit and Risk Management Committee. Pat O'Sullivan was the Chair of the Audit and Risk Committee up until his resignation on 17 April 2014.

The audit committee should have a formal charter

An Audit and Risk Management Committee Charter has been adopted by the Board and sets out the functions and responsibilities of the committee.

The Audit and Risk Management Committee meets as often as is required by the Audit and Risk Management Committee Charter or other policy approved by the Board to govern the operations of the Audit and Risk Management Committee. The chair of the Audit and Risk Management Committee invites members of senior management and representatives of the external auditor to be present at meetings of the committee and may seek advice from external advisors. The Audit and Risk Management Committee regularly reports to the Board about committee activities, issues and related recommendations.

A copy of iSelect's Audit and Risk Management Committee Charter is publicly available in the Governance section of iSelect's website at www.iselect.com.au.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

As a company listed on ASX, iSelect is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act 2001. iSelect is required to disclose to the ASX any information, with the exception of certain carve-outs, concerning iSelect which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of iSelect's securities.

The Board aims to ensure that shareholders and stakeholders are informed of all major developments affecting iSelect's state of affairs. As such, iSelect has adopted a Disclosure Policy and Shareholder Communication Policy, which together establish procedures to ensure that Directors and senior management are aware of, and fulfil, their obligations in relation to providing timely, full and accurate disclosure of material information to iSelect's stakeholders and comply with iSelect's disclosure obligations under the Corporations Act and Listing Rules. The Disclosure Policy also sets out procedures for communicating with shareholders, the media and the market.

iSelect has formed a disclosure committee which meets as frequently as needed to determine, among other things, whether there are matters that require disclosure to the ASX. The disclosure committee will make recommendations to the Board on matters which may require disclosure to the market. The members of the disclosure committee are the Executive Chair, CEO, CFO, Company Secretary (Chair) and the General Counsel.

iSelect is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act. Information is to be communicated to shareholders through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements are made available on iSelect's website, www.iselect.com.au.

Share Trading Policy

iSelect has adopted a Share Trading Policy which applies to iSelect and its Directors, officers, employees and senior management, including those persons having authority and responsibility for planning, directing and controlling the activities of iSelect (Key Management Personnel), whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in shares that is prohibited under the Corporations Act and establish procedures in relation to directors, senior management or employees dealing in shares.

Subject to certain exceptions, including exceptional financial circumstances, the policy defines certain 'closed periods' during which trading in Shares by iSelect's Directors, officers, employees and Key Management Personnel is prohibited. Those closed periods are currently defined as the following periods:

- The period commencing six weeks prior to the announcement of release of iSelect's half-year and annual financial results to the ASX and ending 24 hours after such release; and
- The period commencing two weeks prior to iSelect's annual general meeting and ending 24 hours after the annual general meeting.

Outside of these periods, Directors, management and iSelect employees must receive clearance for any proposed dealing in Shares. In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information.

A copy of iSelect's Disclosure Policy, Shareholder Communication Policy and Share Trade Policy are publicly available in the Governance section of iSelect's website at www.iselect.com.au.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board has adopted a 'Shareholder Communication Policy' which is designed to supplement the iSelect 'Disclosure Policy'. The 'Shareholder Communication Policy' aims to promote effective communication with shareholders and other stakeholders and to encourage effective participation at iSelect's General Meetings.

The policy recognises the following key methods of communication which will be used to provide information to shareholders and other stakeholders:

- releases to the Australian Securities Exchange (ASX) in accordance with continuous disclosure obligations;
- iSelect's website;
- iSelect's annual and half-yearly reports;
- the annual general meeting; and
- social media or other electronic means.

iSelect encourages shareholders to receive company information electronically by registering their email address online with iSelect's shareholder registry.

In addition to the abovementioned communications methods, iSelect regularly utilises investor webcasts for key announcements such as the full year and half year financial results briefings.

A copy of iSelect's Shareholder Communication Policy is publicly available in the governance section of iSelect's website at www.iselect.com.au.

Corporate Governance Statement (continued)

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The iSelect Board Charter provides that, a function of the Board, with the guidance of the Audit and Risk Management Committee is:

- i. approving policies on and overseeing the management of business, financial and non-financial risks (including foreign exchange and interest rate risks, enterprise risk and risk in relation to occupational health and safety);
- ii. reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting; and
- iii. approving financial results and reports for release and dividends to be paid to shareholders.

The iSelect Audit and Risk Management Charter also provides that the Committee's specific function with respect to risk management is to review and report to the Board that:

- i. iSelect's ongoing risk management program effectively identifies all areas of potential risk;
- ii. adequate policies and procedures have been designed and implemented to manage identified risks;
- iii. a regular program of audit is undertaken to test the adequacy of and compliance with prescribed policies; and
- iv. proper remedial action is undertaken to redress areas of weakness.

The Group seeks to take and manage risk in ways that will generate and protect shareholder value and recognises that the management of risk is a continual process and an integral part of the management and corporate governance of the business.

The Group acknowledges that it has an obligation to all stakeholders, including shareholders, customers, employees, contractors and the wider community and that the efficient and effective management of risk is critical to the Group meeting these obligations and achieving its strategic objectives.

The Group has also developed a Risk Management Policy which is publicly available in the Governance section of iSelect's website at www.iselect.com.au.

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

The Board, with assistance from the Audit and Risk Management Committee, requires management to design and implement a suitable risk management framework to manage the Group's material business risks. The Audit and Risk Management Committee is responsible for evaluating the adequacy and effectiveness of a risk management framework established by management.

Management has reported to the Board as to the effectiveness of the Group's management of its material business risks during the year.

The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. This assurance was given on 28 August 2014 by Alex Stevens (the current Chief Executive Officer) and Jacki McAvenna (the acting Chief Financial Officer as at 30 June 2014).

The Board has also received from the CEO and the Chief Financial Officer written affirmations concerning the Group's financial statements as set out in the Directors' Declaration.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The board should establish a remuneration committee

The Board has established a Remuneration Committee to assist in the discharge of its responsibilities. The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives. The Remuneration Committee is also charged with ensuring that the remuneration policies and practices are consistent with iSelect's strategic goals and human resources objectives.

The Remuneration Committee meets as often as is required by the Remuneration Committee Charter or other policy approved by the Board to govern the operation of the Remuneration Committee. Following each meeting, the Remuneration Committee reports to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Remuneration Committee that requires Board approval.

The remuneration committee should be structured in line with the ASX Recommendations

The Remuneration Committee must comprise, to the extent practicable given the size and composition of the Board, at least three Directors, all of whom must be non-executive Directors and the majority of which must be independent in accordance with the independence criteria set out in the Board Charter. An independent member of the Remuneration Committee, that does not chair the Board, shall be appointed the chair of the committee.

A copy of iSelect's Remuneration Committee Charter is publicly available in the Governance section of the Company's website at www.iselect.com.au.

The committee comprises Leslie Webb (chair), Shaun Bonètt and Bridget Fair.

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

iSelect clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive director remuneration is fixed and non-executive directors do not participate in any at risk incentive plans. Remuneration paid to executives in the 2014 financial year includes fixed and variable components.

Board and Non-Executive Director

The remuneration policy for the Board and the remuneration of each director is set out in both the Remuneration Report which forms part of the Directors' Report, and in Notes to the Financial Report.

Senior Executives

Information on the performance evaluation and structure of remuneration for iSelect's Executives can be found in the Remuneration Report, which forms part of the Directors' Report.

The iSelect Share Trading Policy prohibits the directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Auditor's Independence Declaration

to the Directors of iSelect Limited



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Auditor's Independence Declaration to the Directors of iSelect Limited

In relation to our audit of the financial report of iSelect Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Denis Thorn'.

Denis Thorn
Partner

Melbourne
28 August 2014

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Upfront fees		94,457	78,770
Click-through fees		2,746	2,843
Advertising and subscription fees		1,850	1,843
Upfront Revenue	4	99,053	83,456
Current period trail commission sales		31,179	27,562
Change in value of future trail cash flow expectations		(18,390)	(687)
Discount unwind		8,524	7,706
Trail Commission Revenue	4	21,313	34,581
Total Operating Revenue		120,366	118,037
Cost of sales		(73,626)	(61,155)
Gross Profit		46,740	56,882
Other income		148	89
Administrative expenses		(33,033)	(29,820)
Share-based payments expense	4	(638)	(668)
Initial public offering costs	4	–	(1,479)
CEO exit and replacement costs	4	(855)	–
Business acquisition costs	4	(284)	–
Profit Before Interest, Tax, Depreciation and Amortisation		12,078	25,004
Depreciation and amortisation	4	(6,468)	(5,150)
Profit Before Interest and Tax		5,610	19,854
Finance income		4,479	1,300
Finance costs	4	(1,076)	(2,998)
Profit Before Income Tax Expense		9,013	18,156
Income tax expense	5	(2,750)	(4,787)
Profit for the Period		6,263	13,369
Other Comprehensive Income			
Other Comprehensive Income for the period, net of tax		–	–
Total Comprehensive Income for the Period		6,263	13,369
Profit attributable to owners of the Group		6,263	13,369
Total comprehensive income attributable to owners of the Group		6,263	13,369
Earnings per share (cents per share)	19		
Basic profit for the year attributable to ordinary equity holders of the parent		2.4	6.6
Diluted profit for the year attributable to ordinary equity holders of the parent		2.4	6.6

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	75,906	85,315
Trade and other receivables	7	27,960	24,419
Trail commission receivable	8	27,452	27,439
Other assets	9	3,262	1,459
Total Current Assets		134,580	138,632
Non-Current Assets			
Trade and other receivables	7	32,766	15,378
Trail commission receivable	8	71,544	73,807
Other assets	9	347	765
Property, plant and equipment	10	7,709	6,953
Intangible assets	11	37,546	38,726
Total Non-Current Assets		149,912	135,629
Total Assets		284,492	274,261
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,702	20,201
Provisions	13	6,249	4,525
Other		339	397
Total Current Liabilities		24,290	25,123
Non-Current Liabilities			
Provisions	13	2,449	2,686
Net deferred tax liabilities	5	21,457	18,726
Total Non-Current Liabilities		23,906	21,412
Total Liabilities		48,196	46,535
Net Assets		236,296	227,726
EQUITY			
Contributed equity	15	172,963	171,313
Share based payment reserve	16	1,396	858
Business combination reserve	16	5,571	5,571
Retained earnings	17	56,366	49,984
Total Equity		236,296	227,726

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Note	Issued Capital \$'000	Shared Based Payment Reserves \$'000	Business Combination Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2012		49,759	2,384	5,571	35,292	93,006
Profit for the period		–	–	–	13,369	13,369
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	13,369	13,369
Transactions with owners in their capacity as owners						
Transfers of lapsed and exercised options	15,17	871	(2,194)	–	1,323	–
Recognition of share based payments		–	668	–	–	668
Issue of share capital		129,864	–	–	–	129,864
Capitalised equity raising costs (net of tax)		(9,181)	–	–	–	(9,181)
Balance at 30 June 2013		171,313	858	5,571	49,984	227,726
Profit for the period		–	–	–	6,263	6,263
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	6,263	6,263
Transactions with owners in their capacity as owners						
Transfers of lapsed and exercised options	15,17	95	(214)	–	119	–
Recognition of share based payments		–	752	–	–	752
Issue of share capital		1,600	–	–	–	1,600
Capitalised equity raising costs (net of tax)		(45)	–	–	–	(45)
Balance at 30 June 2014		172,963	1,396	5,571	56,366	236,296

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Cash Flows from Operating Activities			
Receipts from customers		131,080	109,276
Payments to suppliers and employees		(119,546)	(105,067)
Income taxes paid		–	–
Net cash provided by/(used in) operating activities	6	11,534	4,209
Cash Flows from Investing Activities			
Payments for property, plant and equipment and intangible assets		(4,844)	(4,401)
Interest received		4,049	1,154
Increase in NIA facility		(17,388)	(15,378)
Net cash used in investing activities		(18,183)	(18,625)
Cash Flows from Financing Activities			
Interest paid		(713)	(4,531)
Proceeds from borrowings		–	50,000
Repayment of borrowings		–	(85,000)
Net proceeds from issue of shares		1,600	129,864
Payment of listing costs/transaction costs		(3,647)	(10,614)
Net cash provided by/(used in) financing activities		(2,760)	79,719
Net increase in cash and cash equivalents		(9,409)	65,303
Cash and cash equivalents at the beginning of the year		85,315	20,012
Cash and cash equivalents at the end of the year	6	75,906	85,315

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. CORPORATE INFORMATION

The financial report of iSelect Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors on 28 August 2014.

iSelect Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the company as at and for the year ended 30 June 2014 comprise the financial statements of the company and its subsidiaries (as outlined in note 24), together referred to in these financial statements as the "Group" and individually as "Group entities".

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

2. 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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain assets, which as noted have been measured at amortised cost.

All amounts are presented in Australian dollars unless otherwise noted. The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(b) Statement of Compliance

The financial report complies with the Corporations Act 2001, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Clarification of Terminology Used in the Statement of Comprehensive Income and the Statement of Cash Flows

Under the requirements of AASB 101: "Presentation of Financial Statements", the Group classifies expenses (apart from any finance costs) according to either the nature (type) of the expense or function (activity to which the expense relates). The Directors have chosen to classify expenses using the nature classification as it more accurately reflects the type of operations undertaken.

Earnings (profit) before interest, income tax expense, depreciation and amortisation (EBITDA) reflects profit for the year prior to including the effect of net finance costs, income taxes, depreciation and amortisation. Depreciation and amortisation are calculated in accordance with AASB 116: "Property, Plant and Equipment" and AASB 138 "Intangible Assets" respectively. In addition to this, the Directors believe that EBITDA is a relevant and useful financial measure used by management to measure the Group's operating performance.

Group management uses EBITDA and earnings before interest and income tax expense (EBIT), in combination with other financial measures, primarily to evaluate the Group's operating performance before financing, income tax and non-cash capital related expenses. In addition, the Directors believe EBITDA is useful to investors because analysts and other members of the investment community largely view EBITDA as a key and widely recognised measure of operating performance.

EBIT is a similar measure to EBITDA, but it takes into account depreciation and amortisation.

Cash conversion is defined as operating cash flow divided by EBITDA. Management and the Directors believe this is useful in understanding cash flows available to the Group before any financing cash flows.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New Accounting Standards and Interpretations

New standards effective from 1 July 2013

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

Reference	Title	Application date of standard	Application date for Group
AASB 13	<p>Fair Value Measurement</p> <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.</p> <p>Application of AASB 13 has a disclosure impact as noted in note 20.</p>	1 January 2013	1 July 2013
AASB 2012-2	<p>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</p> <p>AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.</p> <p>Application of this standard does materially impact the disclosures in the financial statements.</p>	1 January 2013	1 July 2013
AASB 1053	<p>Application of Tiers of Australian Accounting Standards</p> <p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this standard)</p> <p>(b) The Australian Government and State, Territory and Local governments</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 201211.</p> <p>The group has adopted Tier 1 financial reporting requirements.</p> <p>Application of this standard does materially impact the disclosures in the financial statements.</p>	1 July 2013	1 July 2013
AASB 119	<p>Employee Benefits</p> <p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.</p> <p>Application of this standard does materially impact the disclosures in the financial statements.</p>	1 January 2013	1 July 2013

Reference	Title	Application date of standard	Application date for Group
AASB 2013-3	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The Group has chosen to early adopt this standard. Application of this standard does materially impact the disclosures in the financial statements.	1 January 2014	1 July 2014

New standards and interpretations issued not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2014 are outlined below.

Reference	Title	Summary and Impact on Group financial report	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards – <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not expected to have a material impact on measurement and disclosure.	1 January 2014	1 July 2014
AASB 1031	<i>Materiality</i>	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. This amendment is not expected to have a material impact on measurement and disclosure.	1 January 2014	1 July 2014
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This amendment is not expected to have a material impact on measurement and disclosure.	1 January 2016	1 July 2016

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New Accounting Standards and Interpretations (continued)

New standards and interpretations issued not yet adopted (continued)

Reference	Title	Summary and Impact on Group financial report	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <p>a. The change attributable to changes in credit risk are presented in other comprehensive income</p> <p>b. The remaining change is presented in profit or loss.</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AAB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p>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.</p>	1 January 2015	1 July 2015

Reference	Title	Summary and Impact on Group financial report	Application date of standard	Application date for Group
IFRS 15 – this has not yet been adopted by the AASB	Revenue from Contracts with Customers	<p>In May 2014, the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>, which replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC-31 <i>Revenue – Barter Transactions Involving Advertising Services</i>).</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>Early application of this standard is permitted.</p> <p>The Group is yet to make an assessment on the impact of this standard.</p>	1 January 2017	1 July 2017

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has the power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), the exposure, or rights, to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. This method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether assets or liabilities of the acquiree are assigned to those units.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it de-recognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences recorded in equity, recognises the fair value of the consideration received, the fair value of any investment retained, any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(f) 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 titled "Business Combination Reserve".

(g) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are described below.

Revenue recognition

Revenue is recognised at the point in time where the Group has essentially completed its contracted service with its product providers and it is probable that the Group will receive the revenue in relation to the underlying consumer. This point in time is where a consumer is referred to a product provider. As such, the Group determines a reliable measurement of its revenue on the basis of the probability of a 'referred' sale becoming a 'financial' or paid sale on the basis of extensive historical statistical and trend data. Revenue is recognised on a net basis of the historical percentage of 'referred' sales expected to become 'financial' and is adjusted to actual percentages experienced at each reporting date. Where this information cannot be reliably measured, the Group recognises revenue at the time the consumer makes its first payment to the product provider.

Trail commission receivable

The Group has elected to account for trail commission revenue at the time of selling a product to which trail commission attaches, rather than on the basis of actual payments received from the relevant fund or providers involved. This method of revenue recognition requires the Directors and management to make certain estimates and assumptions based on industry data and the historical experience of the Group. In undertaking this responsibility, the Group engages Deloitte Actuaries & Consultants Limited, a firm of consulting actuaries, to assist in reviewing the accuracy of assumptions for health, general, mortgages and life trail revenue. These estimates and assumptions include, but are not limited to: termination or lapse rates, mortality rates, inflation, risk free and other discount rates, counter party credit risk, forecast fund premium increases and the estimated impact of known Australian Federal and State Government policy.

The Directors consider this method of trail commission recognition to be a more accurate representation of the Group's financial results. This method is further detailed in note 2(h).

Clawback provisions

Upfront fees received from certain insurance funds and mortgage brokers can be clawed back in the event of early termination of membership. They vary across the insurance industry and insurers and are usually triggered where a referred member terminates their policy. Each relevant Product Provider has an individual agreement and the clawback period ranges between 0 and 12 months, depending on the agreement. The Group provides for this liability based upon historic average rates of attrition and recognises revenue net of these clawback amounts.

Provisions for employee benefits

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

Research and development costs

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

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income in future periods.

Share based payments

Accounting judgements, estimates and assumptions in relation to share based payments are discussed in note 28.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

Fee Revenue

The Group primarily earns two distinct types of fee based revenue: upfront fees and trail commission.

(i) Upfront fees

Upfront fees are earned upon new members joining a health fund, initiating a life insurance policy, obtaining general insurance products, mortgages, broadband or energy products via iSelect. Upfront fees may trigger a 'clawback' of revenue in the event of early termination by customers as specified in individual product provider agreements. These clawbacks are provided for by the Group on a monthly basis by utilising industry data and historical experience.

(ii) Trail commission

Trail commissions are ongoing fees for customers referred to individual funds or who have applied for mortgages via iSelect. Trail commission revenue represents commission earned calculated as a percentage of the value of the underlying policy relationship of the expected life and in the case of mortgages a proportion of the underlying value of the loan. The Group is entitled to receive trail commission without having to perform further services. On initial recognition, trail revenue and receivables are recognised at fair value, being the present value of expected future trail cash receipts discounted to their present value using discounted cash flow valuation techniques. These calculations require the use of assumptions. Due to the differences in underlying product characteristics and product provider circumstances, the discount rates applied in the most recent valuation of the trail commission receivable range between 4.0% and 7.8% (2013: 8.0% and 12.5%) across financial institutions and health, life and car insurers. Previously the discount rate had an additional risk premium. The Group now specifically provides for known or expected risks outside of the discount rate, particularly for the impact of attrition. Attrition rates are particularly relevant to Health trail commission receivable. Rates vary substantially by provider and also by the duration of time the policy has been in force, with rates generally higher in policies under 2 years old. The attrition rates used in the valuation of the Health portfolio at 30 June 2014 ranged from 4.6% to 18.6% (2013: 4.5% to 16.0%). The simple average duration band attrition increase was up to 4.9% during the period, with higher increases experienced for policies that have been in force for shorter periods of time.

The key assumptions underlying the fair value calculations of trail revenue receivable at reporting date include but are not limited to: lapse and mortality rates, commission term, premium increases and discount rate, incorporating risk free rates and estimates of the likely credit risk associated with the funds and credit providers.

For the period ended 30 June 2014, experienced and observed levels of health and life insurance policy lapses increased significantly. The Directors believe that these trends are likely to impact expected future commission cash flows and accordingly the lapse rates assumed in determining the carrying value of the trail commission receivable were increased.

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

Interest

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

Click-through revenue

Revenue is recognised based on the contractual arrangement with the relevant product provider. This can occur at one of three points, either when an internet user clicks on a paying advertiser's link, submits an application, or a submitted application is approved.

Advertising and subscription revenue

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

(i) Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised when they are received and amortised over the life of the lease.

(j) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of 3 months or less.

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

(k) Trade and Other Receivables

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

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

(l) Income Tax

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income Tax (continued)

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. The Group's tax advisors, KPMG, have provided an opinion on the probability of availability as at 30 June 2014. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Tax consolidation legislation

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

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

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

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

(m) Other Taxes

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

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

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

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

(n) Property, Plant and Equipment

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

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

	Useful Life	Method
Computer software/equipment	2 to 5 years	Straight-line method
Furniture, fixtures and fittings	8 years	Straight-line method
Leasehold improvements	10 years	Straight-line method
Motor vehicles	3 years	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

Impairment

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

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

For an asset that does not generate largely independent cash inflows, the 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.

(o) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

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

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

	Useful Life
Development costs (including website development)	2 to 5 years
Trademarks and domain names	Indefinite
Computer software	2 to 4 years
Brand names	Indefinite
Goodwill	Indefinite

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

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

Research and development costs

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

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

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

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(e). Subsequently goodwill is measured at cost, and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

(p) Investments

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

(q) Impairment of assets

The Group monitors throughout the year to see 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of assets (continued)

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased, except in relation to goodwill. 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 the statement of comprehensive income.

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

(r) Trade and other payables

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

(s) Loans and borrowings

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

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

(t) Provisions

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

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

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

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

(u) Employee benefits

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

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

(v) Share-based payments

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

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

- The FY2013 Long Term Incentive Plan (LTI Plan), which provides benefits to employees and key management personnel; and
- The Employee Share Option Plan, comprising the 2010 Option Plan and 2011 Option Plan, which provides benefits to employees, including Directors.

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods there is a corresponding credit to equity.

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

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised 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.

(w) Comparative Balances

Accounting policies adopted are consistent with those of the previous year. Where revenue and expenses have been reallocated between departments or within revenue and expense lines, the comparatives for the previous year and if applicable corresponding balance sheet movement have been reallocated to assist comparability between the years.

Trail commission revenue for a particular provider has been reclassified to upfront fee revenue in the statement of comprehensive income to align with the current year treatment within the Group's financial statements. This change is intended to provide more relevant information to the users of the financial statements. The reclassification has no impact on profit, equity or earnings per share calculations. Prior year reported figures have been adjusted accordingly, as illustrated in the table below to enable comparison:

30 June 2013	Reported \$'000	Adjustment \$'000	Restated \$'000
Statement of Comprehensive Income			
Upfront fee revenue	74,806	8,650	83,456
Trail commission revenue	43,231	(8,650)	34,581
Total	118,037	-	118,037
Statement of Financial Position			
Trade and other receivables	34,070	5,727	39,797
Trail commission asset	106,973	(5,727)	101,246
Total	141,043	-	141,043

(x) Onerous Contracts

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

(y) Interest Expense

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

(z) 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.

(aa) Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

3. SEGMENT INFORMATION

For management purposes, the Group is organised based on its products and services and has two reportable segments as follows:

- Health & Car Insurance segment, which offers comparison services across private health insurance and car insurance categories; and
- Household Utilities & Financial segment, which offers comparison services across a range of household utilities and personal finance products including retail energy products, broadband, life insurance, home loans, savings accounts, term deposits, credit cards and personal loans.

No operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements. However, Group finance costs and income, income taxes and certain corporate overhead costs that are not considered to be appropriate to allocate, are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

During the financial year, the Group re-assessed its method of allocating costs to each segment to better reflect the underlying consumption of resource and overall segment profitability. Prior year amounts have been re-stated to enable effective comparison.

	Reported 30 June 2014 \$'000	Reported 30 June 2013 \$'000
Operating revenue		
Health & Car Insurance	87,107	93,090
Household Utilities & Financial	33,259	24,947
Consolidated Group operating revenue	120,366	118,037
Profit before interest, tax, depreciation and amortisation		
Health & Car Insurance	14,828	29,011
Household Utilities & Financial	2,217	279
Unallocated (Corporate)	(4,967)	(4,286)
Consolidated Group profit before interest, tax, depreciation and amortisation	12,078	25,004
Depreciation and amortisation	(6,468)	(5,150)
Net finance income/(costs)	3,403	(1,698)
Consolidated Group profit before income tax	9,013	18,156
Income tax expense	(2,750)	(4,787)
Consolidated Group net profit for the year	6,263	13,369

Geographical locations

All revenue and operating assets are attributed to geographic location based on the location of customers, which are entirely in Australia.

4. REVENUE AND EXPENSES

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Upfront Revenue		
Upfront fees	94,457	78,770
Click-through fees	2,746	2,843
Advertising and subscription fees	1,850	1,843
	99,053	83,456
Trail Commission Revenue		
Trail commission revenue – current period trail commission sales	31,179	27,562
Trail commission revenue – change in value of future trail cash flow expectations	(18,390)	(687)
Trail commission revenue – discount unwind	8,524	7,706
	21,313	34,581
Employee benefits expense		
Cost of sales and administration expenses include the following employee benefits expenses:		
Remuneration, bonuses, on-costs and amounts provided for benefits (i)	45,541	40,725
Share based payments	638	668
	46,179	41,393
Depreciation and amortisation		
Depreciation	2,772	2,818
Amortisation of previously capitalised development costs	3,696	2,332
	6,468	5,150
Occupancy related expenses		
Operating lease rental expense	1,688	1,743
Other expenses included in the income statement		
Initial public offering costs (ii)	–	1,479
Doubtful debt expense	(23)	20
Costs associated with the acquisition of Energy Watch (iii)	284	–
CEO exit and replacement costs (iv)	855	–
	1,116	1,499
Finance costs		
Interest expense	1,076	2,998

(i) Employee benefits expense is net of amounts capitalised as research and development costs of \$2,808,000 (2013: \$2,543,000).

(ii) In the prior year, initial public offering costs included amounts incurred and/or paid to consultants, advisors and other parties in relation to the public listing of iSelect Limited on the Australian Securities Exchange, effective 24 June 2013 that did not meet capitalisation criteria.

(iii) Transaction and due diligence costs in relation to the acquisition of Energy Watch.

(iv) CEO exit and replacement costs relate to the resignation of Matt McCann and the appointment of Alex Stevens. This includes \$114,000 of accelerated share based payment expense.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

5. INCOME TAX

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Current income tax		
Current income tax expense/(benefit)	(6,239)	230
Adjustment in respect of current income tax of previous years	(97)	(734)
Deferred income tax		
Relating to origination and reversal of temporary differences	3,586	(5,360)
Adjustments in respect of deferred income tax of previous years	–	1,077
Income tax reported in income statement	(2,750)	(4,787)
A reconciliation of income tax benefit/(expense) applicable to account profit before income tax at the statutory income tax rate is as follows:		
Accounting profit before income tax	9,013	18,156
Statutory income tax rate of 30%	(2,704)	(5,447)
Adjustments in respect of current income tax of previous years	(97)	(734)
Adjustments in respect of deferred income tax of previous years	–	1,077
Share-based payments	(191)	(200)
Entertainment	(102)	(43)
Research and development concessional deduction	432	500
Other	(88)	60
Total income tax expense	(2,750)	(4,787)
Deferred tax assets relate to the following:		
Deferred tax assets from temporary differences on:		
Trade and other payables	1,060	367
Provisions	2,876	2,209
Fixed assets	693	708
Carried forward losses	1,622	7,960
Expenditure for initial public offering costs	2,413	3,217
Other	361	104
Total deferred tax assets	9,025	14,565
Deferred tax liabilities from temporary differences on:		
Trail commission receivable	(29,699)	(32,092)
Accrued interest	–	–
Development costs	(675)	(1,100)
Other	(108)	(99)
Total deferred tax liabilities	(30,482)	(33,291)
Net deferred tax liabilities	(21,457)	(18,726)

Tax Consolidation

The iSelect Group formed an income tax consolidated group as at 30 April 2007. iSelect Limited continues to act as the head entity of this Group. Upon the 100% acquisition of InfoChoice Limited, it became part of the tax consolidated group.

Members of the Group entered into a tax sharing agreement at that time that provided for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts are expected to be recognised in the financial statements in respect of this agreement on the basis that the probability of default is remote. The head entity and the controlled entities in the likely tax consolidated group continue to account for their own current and deferred tax balances.

Unrecognised deferred tax assets

Deferred tax assets of \$2.9 million (gross tax loss of \$9.6 million) in respect of losses acquired as part of the InfoChoice Limited acquisition have not been recognised as at 30 June 2014.

6. CASH AND CASH EQUIVALENTS

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Cash at bank and on hand	30,906	63,173
Term deposits	45,000	22,142
	75,906	85,315
<p>Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.</p>		
<p>Reconciliation of profit after tax to net cash flows from operating activities</p>		
Net profit after tax	6,263	13,369
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	6,468	5,150
Share based payments expense	752	668
Adjustments for items in net profit but not in operating cash flows:		
Interest income classified as investing cash flow	(4,479)	(1,300)
Interest expense classified as financing cash flow	1,076	2,998
Changes in net assets and liabilities:		
(Increase)/decrease in trade receivables	(3,541)	(1,933)
(Increase)/decrease in trail commission receivable	2,250	(16,935)
(Increase)/decrease in other assets	(1,366)	285
Increase/(decrease) in trade and other payables	1,132	(3,085)
Increase/(decrease) in deferred taxes	2,750	4,787
Increase/(decrease) in provisions	287	121
Increase/(decrease) in other liabilities	(58)	84
Net cash flow provided by/(used in) operating activities	11,534	4,209

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

7. TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Current		
Trade receivables	28,040	24,570
Allowance for credit losses	(80)	(151)
Other receivables	–	–
	27,960	24,419
Non-Current		
Trade receivables (secured NIA facility)	32,766	15,378
Allowance for credit losses	–	–
	32,766	15,378
	60,726	39,797
Refer to note 20 for information on the credit risk management policy of the Group.		
Impaired trade receivables		
As at 30 June 2014, current trade receivables with a nominal value of \$80,000 (2013: \$151,000) were impaired.		
Movements in the allowance account for credit losses were as follows:		
Carrying value and the beginning of the year	151	131
Allowance for credit losses recognised during the year	38	89
Receivables written off during the year as uncollectable	–	–
Unused amount reversed	(109)	(69)
Carrying value at the end of the year	80	151
Trade receivables past due but not impaired		
As at 30 June 2014, trade receivables of \$490,000 (2013: \$1,011,000) were past due but not impaired. These relate to customers for whom there is no recent history of default or other indicators of impairment.		
The ageing analysis of trade and other receivables that were not impaired is as follows:		
Neither past due nor impaired	27,470	23,408
Past due 1 – 30 days	110	50
Past due 31 – 90 days	173	385
Past due 90+ days	207	576
	27,960	24,419

With respect to trade receivables that are neither past due nor impaired, there are no indications as of the reporting date that the debtors will not meet their payment obligations. It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.

Trade receivables – non-current

Non-current trade receivables relate to amounts owed by NIA Limited to iSelect through the NIA facility. This facility is discussed in further detail below.

Secured NIA facility

NIA Limited launched health.com.au in April 2012, which was the first major new health insurance fund in Australia for over 20 years. health.com.au has an online-focused marketing strategy and a suite of products that have been designed to appeal to underserved consumer segments within online comparison. NIA Limited has appointed the Group as a distributor of health.com.au's private health insurance products.

The Group has provided a secured facility to NIA Health Pty Ltd (**NIA Health**) for the sole purpose of allowing NIA Health to defer the time at which it is required to make payments under distribution arrangements with the Group. The facility does not allow NIA Health to draw down cash amounts, rather, it creates a deferred payment obligation for which NIA Health provides security and pays interest. The key terms are as follows:

- (i) NIA Health must pay interest every three months to the Group on the amount outstanding under the facility. Interest is payable at variable rates.
- (ii) Unless repaid earlier by NIA Health, all amounts drawn under the facility shall be finally repaid by NIA Health on 31 July 2014, unless:
 - a. An extension is requested by NIA Health to 31 July 2015 by NIA Health giving notice that it is unable to refinance the facility; or
 - b. An event of default or review event occurs under the facility which will entitle the Group to accelerate repayment of the facility.
- (iii) The maximum size of the facility is \$75 million. As at 30 June 2014, a further \$42 million may be drawn down up to the extended maturity date of 31 July 2015.
- (iv) NIA Health has provided a fixed and floating charge over all its present and after-acquired property. In addition, NIA Health's parent company, NIA Limited, has provided a share of mortgage over all the present and after-acquired shares in NIA Health and a guarantee from NIA Limited to the Group in respect of the facility.

On 26 May 2014, NIA Health advised the Group of its intention to extend the maturity date of the facility to 31 July 2015. As at 30 June 2014 the receivable is classified as non-current. The outstanding balance will become a current receivable on 1 August 2014.

8. TRAIL COMMISSION RECEIVABLE

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Current		
Trail commission receivable	27,452	27,439
	27,452	27,439
Non-Current		
Trail commission receivable	71,544	73,807
	71,544	73,807
Total trail commission receivable	98,996	101,246
Reconciliation of movement in trail commission receivable:		
Opening balance	101,246	84,312
Trail commission revenue – current period trail commission sales	31,179	27,562
Trail commission revenue – change in value of future trail cash flow expectations	(18,390)	(687)
Trail commission revenue – discount unwind	8,524	7,706
Cash receipts	(23,563)	(17,647)
Closing balance	98,996	101,246

Sensitivity of trail commission receivable

A combined premium price decrease of 1% and termination rate increase of 1% would have the effect of reducing the carrying value by \$8,854,000 (2013: \$8,272,000). A combined premium price increase of 1% and termination rate decrease of 1% would have the effect of increasing the carrying value by \$9,728,000 (2013: \$9,024,000). Individually, the effects of these inputs would not give rise to any additional amount greater than those stated.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

9. OTHER ASSETS

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Current		
Prepayments – Facility Fees	445	425
Prepayments – Other	1,605	766
Other Assets	1,212	268
	3,262	1,459
Non-Current		
Prepayments – Facility Fees	347	765
	347	765

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$'000	Office & Computer Equipment \$'000	Motor Vehicles \$'000	Computer Software \$'000	Furniture, Fixtures & Fittings \$'000	Total \$'000
As at 30 June 2014						
Cost	9,686	5,256	167	4,095	1,090	20,294
Accumulated depreciation	(5,122)	(3,298)	(167)	(3,060)	(938)	(12,585)
Net carrying amount	4,564	1,958	–	1,035	152	7,709
Net carrying amount at 1 July 2013	4,509	1,338	30	949	127	6,953
Additions	1,224	1,360	101	791	55	3,531
Disposals	–	–	–	–	(3)	(3)
Depreciation expense	(1,169)	(740)	(131)	(705)	(27)	(2,772)
Net carrying amount at 30 June 2014	4,564	1,958	–	1,035	152	7,709
As at 30 June 2013						
Cost	8,462	3,896	66	3,304	1,038	16,766
Accumulated depreciation	(3,953)	(2,558)	(36)	(2,355)	(911)	(9,813)
Net carrying amount	4,509	1,338	30	949	127	6,953
Net carrying amount at 1 July 2012	5,777	1,837	83	1,556	127	9,380
Additions	68	156	-	158	28	410
Disposals	-	-	(19)	-	-	(19)
Depreciation expense	(1,336)	(655)	(34)	(765)	(28)	(2,818)
Net carrying amount at 30 June 2013	4,509	1,338	30	949	127	6,953

11. INTANGIBLE ASSETS

	Development Costs \$'000	Trademarks & Domain Name \$'000	Goodwill \$'000	Brand Names \$'000	Customer Contracts \$'000	Total \$'000
As at 30 June 2014						
Cost	17,267	350	23,235	6,450	806	48,108
Accumulated amortisation & impairment	(9,756)	–	–	–	(806)	(10,562)
Net carrying amount	7,511	350	23,235	6,450	–	37,546
Net carrying amount at 1 July 2013	8,812	229	23,235	6,450	–	38,726
Additions	2,395	121	–	–	–	2,516
Amortisation	(3,696)	–	–	–	–	(3,696)
Net carrying amount at 30 June 2014	7,511	350	23,235	6,450	–	37,546
As at 30 June 2013						
Cost	14,872	229	23,235	6,450	806	45,592
Accumulated amortisation & impairment	(6,060)	–	–	–	(806)	(6,866)
Net carrying amount	8,812	229	23,235	6,450	–	38,726
Net carrying amount at 1 July 2012	7,162	201	23,235	6,450	–	37,048
Additions	3,982	28	–	–	–	4,010
Amortisation	(2,332)	–	–	–	–	(2,332)
Net carrying amount at 30 June 2013	8,812	229	23,235	6,450	–	38,726

Description of intangible assets

(i) Development costs

Development costs relate to the development of the Group's various websites and customer conversion systems and are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of between 2 and 5 years. The amortisation has been recognised in the statement of comprehensive income in amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(ii) Trademarks and domain names

Trademark and domain names are carried at cost and are not amortised. These intangible assets have been determined to have indefinite useful lives. These assets were tested for impairment as at 30 June 2014, on a 'value-in-use' basis. Also refer note 2(o) and below.

(iii) Goodwill

Goodwill relates to the acquisition of InfoChoice Limited. Goodwill has been tested for impairment on a value-in-use basis as at 30 June 2014, refer to note 2(o) and below.

(iv) Brand Names

The brand name acquired as part of the InfoChoice Limited acquisition was initially recognised at fair value. This intangible asset has been determined to have an indefinite useful life. These assets were tested for impairment on a value-in-use basis as at 30 June 2014, refer to note 2(o) and below.

(v) Customer Contracts

The customer contract asset acquired as part of the InfoChoice Limited acquisition is carried at cost less accumulated amortisation and accumulated impairment losses. This asset is fully written down.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

11. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill and intangible assets with indefinite lives

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

Segment	CGU	\$'000
Health and Car Insurance	Health	4,634
	Car	1,659
Household Utilities and Financial	Home loans	10,088
	Money	6,801
	Life	53
		23,235

Brand names acquired through the InfoChoice Limited acquisition have an indefinite useful life and are allocated to a Group level. Trademarks and domain names also have an indefinite useful life and are allocated to a Group level. The Group has performed its annual impairment test as at 30 June 2014. The recoverable amount of CGUs has been determined based on a value-in-use calculation using a combination of the financial year 2015 annual operating plan approved by Executive management with a growth rate increment for subsequent years, and cash flow projections based on management forecasts. As a result of this analysis, no impairment was identified for the CGUs to which goodwill or brand names are allocated.

Key assumptions used in value in use calculation

Discount rates

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

The cost of debt is based on the interest bearing borrowings the Group is obliged to service. CGU-specific risk is incorporated into the WACC rate where it is considered appropriate. The pre-tax discount rates are as follows:

CGU	FY14	FY13
Health	14.1%	13.6%
Car	14.1%	13.6%
Home loans	18.2%	13.6%
Money	16.6%	13.6%
Life	14.1%	13.6%

Growth rate estimates

For each CGU, five years of cash flows have been included in the cash flow models. These are based on projections from 2014 financial results and growth rates ranging from 2% to 5% for all CGUs other than Home Loans.

The Home Loans CGU remains an immature business and its operation to-date has incurred losses. However, management believes improved focus and attention will drive substantial growth in the business over the next three years. The cash flows for Home Loans are based on management projections. The cash flow forecast for financial year 2015 is negative (though an improvement on financial year 2014), with substantial growth projected into the 2016 and 2017 financial years. For financial years 2018 and 2019, the assumption for the purpose of assessing impairment is for 3% growth, and a long term terminal growth rate of 2%, which is in line with the assessment for other CGUs.

Market share assumptions

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

Sensitivity to changes in assumptions

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

For the Home Loans CGU, the estimated recoverable amount is \$2,067,000 greater than its carrying value and, consequently, certain adverse changes in a key assumption may result in an impairment loss. The implications of these adverse changes in the key assumptions for the recoverable amount are discussed below:

- Growth rate assumptions – management recognises that the Home Loans CGU is still in its infancy and the speed of its growth may have a significant impact on growth rate assumptions applied. As an indication of the potential impact on impairment, if cash flows achieved are in excess of 12% less than projected for financial years 2015 and 2016, this would result in impairment.
- Discount rate assumptions – assuming forecast cash flows are achieved, the pre-tax discount rate would need to exceed 20.4% before there is any impairment.

12. TRADE AND OTHER PAYABLES

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Trade Payables	5,867	10,088
Other Payables	11,835	10,113
	17,702	20,201

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

13. PROVISIONS**Current**

Employee Benefits – Annual Leave	2,024	2,047
Employee Benefits – Long Service Leave	467	334
Lease Incentive	319	319
Clawback	2,093	1,825
Other	1,346	–
	6,249	4,525

Non-Current

Employee Benefits – Long Service Leave	533	451
Lease Incentive	1,916	2,235
	2,449	2,686

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 historical and average industry rates of attrition. Clawback of fees is incurred within 2 to 12 months of the sale of the relevant policies.

(ii) Provision for lease incentive

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

(iii) Other

Predominantly relates to the make good provision in relation to the Group's campus.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

13. PROVISIONS (CONTINUED)

Movement in provisions

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

	Clawback		Lease Incentive		Other	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Carrying amount at beginning of year	1,825	1,856	2,554	2,873	–	252
Arising during the year	6,205	5,320	–	–	1,346	–
Utilised	(5,937)	(5,351)	(319)	(319)	–	(42)
Unused amounts reversed	–	–	–	–	–	(210)
Carrying amount at end of year	2,093	1,825	2,235	2,554	1,346	–

14. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 20.

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Current		
Revolving facility (a)	–	–
	–	–

Funding activities

The Group currently maintains a revolving facility with CBA, on the terms outlined below.

Revolving facility

On the 18 April 2013 the Group entered into a \$40 million facility with the Commonwealth Bank of Australia (CBA). The arrangements included a term debt revolving facility of up to \$35 million and a secured letter of credit facility of up to \$5 million. The term of the facility was 3 years, from 18 April 2013 to 17 April 2016.

The Group renegotiated its terms and facility limit during the year with CBA with an updated arrangement for a \$15 million facility. The arrangement reduced the term debt revolving facility down to \$10 million, whilst the credit limit facility term remained unchanged.

The purpose of the facility is to provide funding for general corporate purposes, including ongoing working capital requirements and to meet the ongoing liquidity requirements of the Group. Interest is payable at a rate calculated as BBSY plus a pre-determined margin.

The term debt revolving facility contains financial covenants that are required to be met. As at 30 June 2014, the Group has complied with these covenants.

The Group has provided a General Security Deed over all the present and after-acquired property of all entities in the consolidated Group.

15. CONTRIBUTED EQUITY

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Issued capital	172,963	171,313
Issued capital – ordinary shares		
Movement in shares on issue	Number of Shares	Share Capital \$'000
Balance at 30 June 2012	18,808,949	49,759
Issue of Shares – September and October 2012 capital raising ¹	1,558,351	27,716
Issue of Shares – ESOP	133,784	1,035
Transfers of exercised Options	–	871
Share split	184,509,756	–
Issue of Shares – Initial Public Offering ²	54,054,054	91,932
Total quoted shares outstanding at 30 June 2013	259,064,894	171,313
Issue of Shares – ESOP ³	1,825,000	1,555
Transfers of exercised Options	–	95
Total quoted Shares outstanding at 30 June 2014	260,889,894	172,963
Total LTI Plan Shares outstanding at 30 June 2013	8,883,670	–
Forfeiture of Shares – LTI Plan ⁴	(3,797,551)	–
Total LTI Plan Shares outstanding at 30 June 2014	5,086,119	–

1 Net of transaction costs of \$1,459,000 and associated tax of \$(346,000).

2 Net of transaction costs of \$11,525,000 and associated tax of \$(3,457,000).

3 Net of transaction costs of \$64,000 and associated tax of \$(19,000).

4 Shares issued as part of Long Term Incentive Plan are unquoted ordinary shares. Refer to note 28 for further details of the Long Term Incentive Plan.

Ordinary shares

Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amount paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

Share split

On 31 May 2013, the Company undertook a share split whereby each share converted on the basis that every one share became 10 shares.

16. RESERVES

	30 June 2014 \$'000	30 June 2013 \$'000
Share-based payment reserve	1,396	858
Business combination reserve	5,571	5,571
	6,967	6,429

(a) Share-based payment reserve

This reserve records the value of shares under the Long Term Incentive Plan, and historical Employee and CEO Share Option plans offered to the CEO, Executives and employees as part of their remuneration. Refer to note 28 for further details of these plans. During the year, the exercised options balance was transferred into issued capital whilst the lapsed options balance was transferred into retained earnings.

(b) Business combination reserve

This reserve records the difference between the consideration paid and the “equity” acquired from the internal Group restructure performed in the 2007 financial year. Refer to note 2(f) for further details.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

17. RETAINED EARNINGS

	30 June 2014 \$'000	30 June 2013 \$'000
Balance at beginning of period	49,984	35,292
Profit for the period	6,263	13,369
Transfers of lapsed options	119	1,323
Balance at end of period	56,366	49,984

18. DIVIDENDS

Dividends provided for or paid during the year	–	–
Franking credit balance	–	–

The Group is not in a tax payable position therefore there are no payments of tax to generate franking credits.

19. EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated as above with an adjustment for the weighted number of ordinary shares that would be issued on conversion of all dilutive ordinary shares.

Basic and dilutive earnings per share are calculated as follows:

	Consolidated	
	30 June 2014 \$'000	30 June 2013 \$'000
Profit attributable to members of the parent	6,263	13,369

	Shares (m)	Shares (m)
Weighted average number of ordinary shares for basic earnings per share	260,437	201,763
Effect of dilution	89	1,709
Weighted average number of ordinary shares adjusted for effect of dilution	260,526	203,472

	Cents	Cents
Earnings per share:		
Basic for profit for the year attributable to ordinary members of the parent	2.4	6.6
Diluted for profit for the year attributable to ordinary members of the parent	2.4	6.6

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, borrowings, bank and other loans, and cash and short-term deposits. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge risk exposures. It does not operate internationally and is not exposed to either securities price risk or commodity price risk. Foreign exchange risk is limited to minimal transactional currency exposure for some purchases in currencies other than the functional currency.

The main risks arising from the Group's financial instruments are:

- Market risk (including interest rate risk and foreign currency risk);
- Credit risk; and
- Liquidity 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 and exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts and comprehensive capital management planning.

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

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

(a) Market Risk

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

(i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents, trail commission receivables and borrowings. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

	30 June 2014 \$'000	30 June 2013 \$'000
Financial Assets		
Current		
Cash and cash equivalents	75,906	85,315
Trade and other receivables	27,960	24,419
Trail commission receivable	27,452	27,439
Non-Current		
Trade and other receivables	32,766	15,378
Trail commission receivable	71,544	73,807
	235,628	226,358
Financial Liabilities		
Current		
Trade and other payables	17,702	20,201
Borrowings	–	–
	17,702	20,201
Net Exposure	217,926	206,157

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (continued)

At 30 June 2014, if interest rates had moved as illustrated in the table below, with all other variables being held constant, post-tax profit would have been higher/(lower) as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
TOTAL		
Consolidated		
+1% (100 basis points)	531	597
-1% (100 basis points)	(531)	(597)
CASH AT BANK		
Consolidated		
+1% (100 basis points)	531	597
-1% (100 basis points)	(531)	(597)

Judgements of reasonably possible movements

The movements in profit are due to higher/lower interest income from cash balance.

(ii) 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. No hedging instruments have been or are in place.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash management equivalents, trade and other receivables and trail commission receivable in future periods. The Group's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

Exposure to credit risk

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

	30 June 2014 \$'000	30 June 2013 \$'000
Cash and cash equivalents	75,906	85,315
Trade and other receivables	27,960	24,419
NIA receivable	32,766	15,378
Trail commission receivable	98,996	101,246
	235,628	226,358

Credit risk related to trade receivables and future trail commission

The Group has exposure to credit risk associated with the health, life and general funds and mortgage providers, with regard to the calculation of the trail commissions (as discussed in note 2(g) and outstanding receivables). Estimates of the likely credit risk associated with the health, life and general funds and mortgage providers are incorporated in the discount rates (one of the assumptions used in the fair value and amortised cost calculation). Any risk in relation to other revenue has been reflected in allowance for credit losses.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

It is the Group's policy that all key partners who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. Note 7 provides an ageing of receivables past due.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The Group otherwise does not require collateral in respect of trade and other receivables.

Credit risk related to cash and cash equivalents

Investments of surplus funds are made only with approved counterparties and for approved amounts, to minimise the concentration of risks and mitigate financial loss through potential counterparty failure.

(c) Liquidity Risk

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

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

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

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

	Carrying Amount \$'000	Contractual Cash Flows \$'000	<3 months \$'000	3–12 months \$'000	1–2 years \$'000	2–5 years \$'000	>5 years \$'000
As at 30 June 2014							
Non-derivative financial liabilities							
Borrowings	–	–	–	–	–	–	–
Trade payables	17,702	17,702	17,702	–	–	–	–
Total	17,702	17,702	17,702	–	–	–	–
As at 30 June 2013							
Non-derivative financial liabilities							
Borrowings	–	–	–	–	–	–	–
Trade payables	20,201	20,201	20,201	–	–	–	–
Total	20,201	20,201	20,201	–	–	–	–

As disclosed in note 14, the Group has a debt facility, which contains debt covenants. A breach of these covenants may require the Group to repay the loan; however as at 30 June 2014, iSelect has not drawn down on this facility.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair Values

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

	Note	\$'000			
		Carrying Amount		Fair Value	
		2014	2013	2014	2013
Financial Assets					
Cash and cash equivalents (i)	6	75,906	85,315	75,906	85,315
Trade and other receivables – current (i)	7	27,960	24,419	27,960	24,419
Trade and other receivables – non-current (ii)	7	32,766	15,378	30,339	13,184
Trail commission receivable (ii)	8	98,996	101,246	97,564	99,655
		235,628	226,358	231,769	222,573
Financial Liabilities					
Trade and other payables (i)	12	17,702	20,201	17,702	20,201
Borrowings (ii)	14	–	–	–	–
		17,702	20,201	17,702	20,201

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

- (i) For financial assets and financial liabilities with a short term to maturity the carrying amount is considered to approximate fair value.
- (ii) The fair value has been calculated by discounting the expected future cash flows at prevailing interest rates.

	Note	Quoted market price (Level 1) \$'000	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – non-market observable inputs (Level 3) \$'000	Total
30 June 2014					
Financial Assets					
Trade and other receivables – non-current	7	–	–	30,339	30,339
Trail commission receivable	8	–	–	97,564	97,564
		–	–	127,903	127,903
Financial Liabilities					
		–	–	–	–
30 June 2013					
Financial Assets					
Trade and other receivables – non-current	7	–	–	13,184	13,184
Trail commission receivable	8	–	–	99,655	99,655
		–	–	112,839	112,839
Financial Liabilities					
		–	–	–	–

For financial instruments not quoted in the active markets, the Group used valuation techniques such as present value techniques (which include lapse and mortality rates, commission terms, premium increases, credit risk), comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

(e) Capital Management

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

21. COMMITMENTS AND CONTINGENCIES

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Commitments		
Non-cancellable operating lease commitments		
Not later than 1 year	2,258	2,334
Later than 1 year and not later than 5 years	9,524	9,310
Later than 5 years	5,279	7,768
	17,061	19,412
Contingencies		
Guarantees		
Trading guarantees	2,134	2,193

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

Other

On 24 October 2011, iSelect Life Pty Ltd reported to the Australian Securities & Investment Commission a breach in relation to its Australian Financial Services License relating to life insurance policies sold between April 2009 and March 2011. As a result of this breach, an internal review of all life insurance policies sold during that period was undertaken. The review and remediation work commenced in October 2011. As at 30 June 2014, 100% of the initial 5,095 policies had been reviewed by iSelect with only 686 policies in relation to one provider still subject to final remediation.

The amount, if any, of liability associated with those policies yet to be remediated cannot be reliably determined at this time, and accordingly no amounts have been recorded in the financial statements for the year ended 30 June 2014.

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

22. EVENTS AFTER BALANCE SHEET DATE

On the 30th May iSelect announced it had agreed to purchase all the shares in General Brokerage Services Pty Ltd (trading as “Energy Watch”) for \$10,000,000. The acquisition of Energy Watch will increase the size of iSelect’s energy business and see the iSelect Group become a leader in the retail energy comparison space. The completion of the purchase was subject to the completion of a number of conditions. On 1 July 2014 these conditions were satisfied and iSelect completed the acquisition.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in the future financial years.

23. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, iSelect Limited, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of accounting policies relating to the Group.

	30 June 2014 \$'000	30 June 2013 \$'000
Financial Position		
Assets		
Current Assets	61,429	74,428
Non-Current Assets	166,126	133,218
Total Assets	227,555	207,646
Liabilities		
Current Liabilities	9	349
Non-Current Liabilities	50,139	34,302
Total Liabilities	50,148	34,651
Net Assets	177,407	172,995
Equity		
Issued Capital	172,963	171,313
Reserves	1,396	858
Retained Earnings	3,048	824
Total Equity	177,407	172,995
Financial Performance		
Profit of the parent entity	2,105	(1,367)
Total comprehensive income of the parent entity	2,105	(1,367)

There are no contractual or contingent liabilities of the parent as at reporting date (2013: \$nil).

iSelect Limited has issued bank guarantees and letters of credit to third parties for various operational purposes. It is not expected these guarantees will be called on. The amount of trading guarantees in place at reporting date is disclosed in note 21.

24. SUBSIDIARIES

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

Name of Subsidiary	Country of incorporation	Functional currency	Equity Interest	
			30 June 2014	30 June 2013
iSelect Health Pty Ltd [^]	Australia	AUD	100%	100%
iSelect Life Pty Ltd	Australia	AUD	100%	100%
iSelect General Pty Ltd	Australia	AUD	100%	100%
iSelect Media Pty Ltd [^]	Australia	AUD	100%	100%
iSelect Mortgages Pty Ltd [^]	Australia	AUD	100%	100%
Mobileselect Pty Ltd [^]	Australia	AUD	100%	100%
InfoChoice Pty Ltd	Australia	AUD	100%	100%
iSelect Services Pty Ltd [^]	Australia	AUD	100%	100%
Tyrian Pty Ltd [^]	Australia	AUD	100%	100%

[^] A Deed of Cross Guarantee has been entered into by iSelect Limited and these entities. Refer to note 25 for further details.

25. DEED OF CROSS GUARANTEE

Pursuant to the iSelect Deed of Cross Guarantee (“the Deed”) and in accordance with ASIC Class Order 98/1418, the subsidiaries identified with a ‘^’ in note 24 are relieved from the requirements of the Corporations Act 2001 relating to the preparation, audit and lodgement of their financial reports.

iSelect Limited and the subsidiaries identified with a ‘^’ in note 24, together referred to as the “Closed Group”, entered into the Deed on 26 June 2013. The effect of the Deed is that iSelect Limited guarantees to each creditor payment in full of any debt in the event of winding up any of the entities in the Closed Group.

The consolidated income statement of the entities that are members of the Closed Group is as follows:

	30 June 2014 Closed Group \$'000	30 June 2013 Closed Group ⁺ \$'000
Consolidated income statement		
Profit from continuing operations before income tax	2,643	787
Income tax expense	(859)	(236)
Net profit for the year	1,784	551
Retained earnings at the beginning of the period	59,932	58,058
Net profit for the year	1,784	551
Transfer of lapsed options	119	1,323
Retained earnings at the end of the year	61,835	59,932

⁺ The iSelect Deed of Cross Guarantee became effective during the year ended 30 June 2013, and accordingly the comparatives are for a part year only.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

25. DEED OF CROSS GUARANTEE (CONTINUED)

	30 June 2014 Closed Group \$'000	30 June 2013 Closed Group \$'000
The consolidated income balance sheet of the entities that are members of the Closed Group is as follows:		
Consolidated balance sheet		
Assets		
Current assets		
Cash and cash equivalents	67,519	80,305
Trade and other receivables	26,046	15,303
Trail commission receivable	23,647	30,482
Other assets	3,229	1,443
Total current assets	120,441	127,533
Non-current assets		
Trade and other receivables	45,778	32,702
Other assets	347	765
Investments	48,418	48,418
Trail commission receivable	54,803	63,570
Property, plant and equipment	7,645	6,816
Intangible assets	5,178	5,809
Total non-current assets	162,169	158,080
Total assets	282,610	285,613
Liabilities		
Current liabilities		
Trade and other payables	16,148	18,034
Provisions	5,143	3,305
Borrowings	–	–
Total current liabilities	21,291	21,339
Non-current liabilities		
Trade and other payables	7,493	14,742
Provisions	2,333	2,554
Net deferred tax liabilities	15,299	14,875
Total non-current liabilities	25,125	32,171
Total liabilities	46,416	53,510
Net Assets	236,194	232,103
Equity		
Issued Capital	172,963	171,313
Reserves	1,396	858
Retained Earnings	61,835	59,932
Total Equity	236,194	232,103

26. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Sales to Related Parties \$	Purchases from Related Parties \$	Other Transactions with Related Parties \$	Balances at Reporting Date \$
30 June 2014				
Shareholder related entities – Advertising services	–	–	–	–
30 June 2013				
Shareholder related entities – Advertising services	–	304,412	–	304,412

In the prior financial year there were related party transactions undertaken that related to advertising services provided by ninemsn. As at 24 June 2013, ninemsn ceased to be a related party.

27. REMUNERATION OF AUDITORS

	30 June 2014 \$	30 June 2013 \$
(a) Ernst & Young		
Audit and review of financial statements	301,811	194,000
Other assurance services		
– Regulatory compliance	36,000	36,000
– Tax compliance	20,000	10,000
– Assurance related services	8,000	46,015
– Due diligence	50,500	–
– Equity raising	–	1,016,815
– Finance raising	–	105,000
Total remuneration of Ernst & Young	416,311	1,407,830

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

28. SHARE-BASED PAYMENTS

The recognised expense arising from equity settled share-based payment plans during the period is shown in note 4. During the year ended 30 June 2014, the Group had the following share-based payment plans in place (described below):

- FY2013 Long Term Incentive Plan (LTI Plan); and
- Employee Share Option Plan (ESOP) consisting of the 2011 Option Plan and the 2010 Option Plan.

There were no grants made during financial year 2014, and there have been no cancellations or modifications to any of the plans during the period.

(a) Description of share-based payment plans

FY2013 Long Term Incentive Plan (LTI Plan)

The FY2013 LTI Plan was established as the long-term incentive component of remuneration in order to assist in the attraction, reward and retention of certain employees. The LTI Plan is designed to link long-term reward with the ongoing creation of shareholder value, through the allocation of LTI Plan Shares which are subject to satisfaction of long-term performance conditions.

The key terms of the LTI Plan are as follows:

- Participants are invited to join, via a loan-based share plan. There is no initial cost to the recipient to participate in the LTI Plan, but the loan must be repaid before or at the time of sale of the shares. The value of the loan is set by applying the market value at grant to the number of units granted. This means the share price must increase over the life of the Plan, and pass the performance tests for there to be any value to the participant between vesting and expiry;
- The LTI Plan Shares are issued to each participant upfront, with the number of LTI Plan Shares determined by dividing the “loan amount” by the market value of the LTI Plan Shares at the time of allocation;
- The LTI Plan Shares will only vest upon satisfaction of conditions set by the Board at the time of the offer;
- If the conditions are met and LTI Plan Shares vest, the loan becomes repayable and participants have up to five years from the date of allocation of the LTI Plan Shares to repay the outstanding balance. The LTI Plan Shares cannot be dealt with (other than to repay the loan) until the loan in respect of the vested LTI Plan Shares is repaid in full;
- Until the LTI Plan Shares vest, the participant is not entitled to exercise any voting rights attached to the LTI Plan Shares. Any dividends paid on the LTI Plan Shares while the loan remains outstanding are applied (on a notional after-tax basis) towards repayment of the loan; and
- In general, if the conditions are not satisfied by the relevant testing date for those conditions, or if the participant ceases employment before the LTI Plan Shares vest, the participant forfeits all interest in the LTI Plan Shares in full satisfaction of the loan.

FY2013 offer under LTI Plan

The performance condition for the FY2013 offer is a compound annual growth rate (CAGR) in total shareholder return (TSR). TSR measures the total change in the value of the Shares over a period, plus the value of any dividends and other distributions being treated as if they were reinvested in Shares. In relation to the 2013 offer, vesting starts where CAGR over the period is 12%.

At this level, 50% of the LTI Plan Shares will vest. All LTI Plan Shares will vest if CAGR over the period is 15% or more. Between these points, the percentage of vesting increases on a straight line basis. In respect of the first offer made under the LTI Plan, in order to provide for direct LTI Plan Share ownership by participants and alignment with shareholder interests as soon as possible following establishment of the Plan, LTI Plan Shares may vest in three tranches if the relevant condition is met in respect of that period. The first testing date (in respect of 20% of LTI Plan Shares under the 2013 offer) was 30 June 2013. The performance condition for this test was not met, and the first tranche did not vest. The second testing date was 30 June 2014. The performance condition for this test was not met, and the second tranche did not vest.

All LTI Plan Shares may vest in one final tranche (tested as at 30 June 2015) if the performance condition is met.

Any LTI Plan Shares which remain unvested following testing of Tranche 3 will be forfeited and surrendered in full satisfaction of the loan, in which case participants will have no further interest in the LTI Plan Shares. In this event, the iSelect Board believes that the loss of any remuneration value from the LTI Plan is sufficient penalty to the participants.

Cessation of employment

Except where the Board determines otherwise in a specific instance, where a participant ceases employment with iSelect prior to any conditions attaching to LTI Plan Shares issued under the LTI Plan being satisfied, their LTI Plan Shares will be forfeited and surrendered (in full satisfaction of the loan) and the participant will have no further interest in the LTI Plan Shares. However the Board has discretion to approve the reason for a participant ceasing employment before LTI Plan Shares have vested in appropriate circumstances. Such circumstances may include ill health, death, redundancy or other circumstances approved by the Board.

Where the Board has approved the reason for ceasing employment, it has discretion to determine any treatment in respect of the unvested LTI Plan Shares it considers appropriate in the circumstances – for example, that a pro-rata number of LTI Plan Shares are eligible to vest, having regard to time worked during the performance period and the extent the performance condition has been satisfied at the time of cessation.

In relation to vested LTI Plan Shares that remain subject to the loan, the participant will have 12 months from the date of the cessation of their employment to repay the loan. Once the loan is repaid, the participant may deal in the LTI Plan Shares.

For the purposes of Sections 200B and 200E of the Corporations Act, iSelect Shareholders have approved the giving of any potential benefits under the LTI Plan provided in connection with any future retirement of a participant who holds a 'managerial or Executive office' such that for the purposes of the provisions, those benefits will not be included in the statutory limit.

Change in control

Unless the Board determines otherwise, all LTI Plan Shares will vest upon a 'change of control' (this excludes the IPO undertaken on 24 June 2013), and participants' loans will become repayable (including in respect of any outstanding loan where LTI Plan Shares had already vested prior to the 'change of control'). If the Share price has fallen, LTI Plan Shares will be forfeited and surrendered in full satisfaction of the loan.

Employee Share Option Plan (ESOP)

The iSelect ESOP is a legacy plan under which there are no further issues or grants. Details of the plan terms, relevant to when they were established and operational, are noted and included for completeness of information. The ESOP was designed to align participants' interests with those of shareholders, by increasing the value of the Group's shares and could be granted to Company Directors, Company Secretary, Senior Executives and employees.

2011 Option Plan

Under the 2011 option plan, the exercise price of the options was set at or above the market price of the shares on the date of grant. The typical vesting period for options granted under the 2011 Option Plan was the equivalent of two and a half years. The term of the options was typically 3 years. For all participants, in the event of a change in control or departure from iSelect, after the required service period, the issued options were to be pro-rated to determine the applicable qualifying options based on the service term. In addition, all shares had an attached Group performance condition hurdle that needed to be achieved in order for options to be exercisable. Specific conditions existed in relation to a takeover where more than 90% of the share capital is acquired by another entity.

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

2010 Option Plan

Under the 2010 option plan, the exercise price of the options was 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 vested over the prescribed vesting period subject to CEO performance assessment. The typical vesting period for options granted under the 2010 Option Plan varied from 3 to 4 years. The term of the options is typically 5 years. For all participants, excluding Company Directors and Secretary, vested options could 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 vested on an IPO or trade sale event.

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

(b) Summary of Shares Issued under the FY2013 LTI Plan

The following table illustrates the number of, and movements in, shares issued under the LTI Plan during the year:

	30 June 2014 Number	30 June 2013 Number
Outstanding at the beginning of the period	8,883,670	–
Granted during the period	–	8,883,670
Forfeited during the period	(3,797,551)	–
Exercised during the period	–	–
Outstanding at the end of the period	5,086,119	8,883,670

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

28. SHARE BASED PAYMENTS (CONTINUED)

(c) Summary of Options Issued under ESOP

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	30 June 2014 Number	30 June 2014 WAEP	30 June 2013 Number	30 June 2013 WAEP
Outstanding at the beginning of the period	5,219,200	1.43	24,341,350	1.98
Granted during the period	–	–	500,000	2.39
Forfeited during the period	(1,044,450)	1.86	(17,822,150)	2.25
Exercised during the period [*]	(1,825,000)	0.88	(1,800,000)	1.05
Outstanding at the end of the period	2,349,750	1.66	5,219,200	1.43
Exercisable at the end of the year	900,000	1.25	5,026,629	1.39

^{*} During the 2013 financial year, after obtaining approval from the Board of Directors and its Remuneration sub-committee, 90,000 options (pre share split) were exercised on a cashless basis, receiving a number of shares (at fair value at the exercise date) equal in value to the premium of the fair value of the shares at exercise date over the exercise price of the option. There was no additional net benefit to the option holder as a result of this transaction. Further detail is provided in section (d) of this note.

The outstanding balance as at 30 June 2014 is represented by:

- 1,500,000 options over ordinary shares with an exercise price of \$1.25 exercisable upon meeting the ESOP conditions;
- 799,750 options over ordinary shares with an exercise price of \$2.37 exercisable upon meeting the ESOP conditions; and
- 50,000 options over ordinary shares with an exercise price of \$2.65 exercisable upon meeting the ESOP conditions.

(d) Cashless conversion of options granted under ESOP

There were no cashless options exercised during the year ended 30 June 2014.

The following table presents the number of options exercised on a cashless basis during the year ended 30 June 2013.

Exercise Date	20 December 2012
Number of options exercised on a cashless basis	900,000
Exercise price (\$)	0.95
Fair value of shares at exercise date (\$)	1.85
Premium of fair value of shares over option exercise price (\$ per option)	0.90
Premium of fair value of shares over option exercise price (\$)	810,000
Number of shares	437,840

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 0.41 years (2013: 0.97 years).

(f) Range of exercise price

The range of exercise prices for options outstanding at the end of the period was \$1.25 to \$2.65. (2013: \$0.75 to \$2.65).

(g) Weighted average fair value

The weighted average fair value of options granted during the year was \$nil (2013: \$0.11).

(h) ESOP Option pricing model

The fair value of the equity settled share options granted under the ESOP 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 2014 (restated for the 1-for-10 share split that took place on 31 May 2013):

	ESOP Post Oct 2012	ESOP Post Feb 2012 – 30 Sept 2012	ESOP Post 1 July 2010 – Feb 2012	ESOP Pre 1 July 2010
Dividend Yield (%)				
Years 0 to 3	–	–	–	–
Years 4 to 5	–	–	–	1.00
Years 6 to 7	–	–	–	1.50
Years 8 plus	–	–	–	2.00
Expected Volatility (%)	21.50	23.50	42.00	40.00
Expected Life of Options (Years)	2.50	2.80	3.00	4.98
Option Exercise Price (WAEP) (\$)	2.65	2.37	2.25	0.63
Weighted average share price at measurement date (\$)	1.85	1.65	1.55	0.38

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.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

In accordance with AASB 124: "Related Party Disclosures", key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. For a list of key management personnel and additional disclosures, refer to the remuneration report on pages 25 to 43.

During financial years 2014 and 2013, the aggregate compensation provided to KMP was as follows:

	30 June 2014 \$	30 June 2013 \$
Short-term employee benefits	3,737,670	3,800,767
Post-employment benefits	248,820	244,785
Long-term employee benefits	16,290	–
Share based payments	518,770	455,875
Termination benefits	1,125,666	240,861
	5,647,216	4,742,288

During financial year 2014, apart from transactions trivial and domestic in nature and on normal commercial terms and conditions, there were no other transactions with KMP and their related parties.

Directors' Declaration

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

In the opinion of the Directors:

- a. the consolidated financial statements and notes that are set out on pages 53 to 95 and the Directors' report, are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - iii. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 24 will be able to meet any obligations or liabilities;
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Head of Finance for the financial year ended 30 June 2014;
4. The Directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards; and
5. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Directors



Damien Waller

Director

Melbourne,
28 August 2014



Greg Camm

Director

Melbourne,
28 August 2014

Independent Auditor's Report



Ernst & Young
8 Exhibition Street
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Independent auditor's report to the members of iSelect Limited

Report on the financial report

We have audited the accompanying financial report of iSelect Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company iSelect Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of iSelect Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Independent Auditor's Report (continued)



Opinion

In our opinion:

- a. the financial report of iSelect Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 29 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of iSelect Limited for the year 30 June 2014, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Denis Thorn'.

Denis Thorn
Partner

Melbourne, Australia
28 August 2014

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as of 21 August 2014.

(a) Distribution of Shareholdings

Size of Holding	Fully paid ordinary shares Number of shares [^]
1 – 1,000	50,053
1,001 – 5,000	595,006
5,001 – 10,000	853,777
10,001 – 100,000	7,427,625
100,001 and over	251,963,433

[^] The total number of shares on issue as at 30 June 2014 and 21 August 2014 was 260,889,894.

(b) Marketable Parcel

The number of holders holding parcels of less than \$500 was 52 as at 21 August 2014.

(c) Share Subject to Voluntary Escrow

As at 21 August 2014, there are no shares subject to voluntary escrow.

(d) Twenty Largest Shareholders

The twenty largest shareholders of fully paid ordinary shares as at 21 August 2014 were:

Name	Number of ordinary shares held	% of issued capital
J P Morgan Nominees Australia Limited	33,041,741	12.67
National Nominees Limited	32,986,276	12.64
HSBC Custody Nominees (Australia) Limited	27,440,031	10.52
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	25,600,395	9.81
Damien Michael Trevor Waller	23,355,780	8.95
Spectrum VI IS LLC	13,263,454	5.08
BNP Paribas Noms Pty Ltd <DRP>	12,547,971	4.81
Citicorp Nominees Pty Limited	10,407,461	3.99
Aurielle Pty Ltd <iSelect Class A/C>	8,021,880	3.07
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,552,479	2.13
Argo Investments Limited	4,472,554	1.71
Lambrook Pty Ltd <Raymonde Superfund A/C>	3,500,000	1.34
Significant Other Pty Ltd <The iSelect Class No 2 A/C>	3,160,330	1.21
Starfish Technology Fund II Nominees A Pty Ltd <Trust A A/C>	3,041,470	1.17
Starfish Technology Fund II Nominees B Pty Ltd <Trust B A/C>	3,041,470	1.17
HSBC Custody Nominees (Australia) Limited – A/C 3	2,610,591	1.00
Finico Pty Ltd	2,580,650	0.99
George Tauber Management Pty Ltd	2,551,571	0.98
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	2,373,815	0.91
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,248,349	0.86

The percentage holding of the 20 largest shareholders of iSelect Ltd fully-paid ordinary shares was 85.02%.

ASX Additional Information (continued)

(e) Substantial Shareholders as at 21 August 2014

Name	Number of ordinary shares held	% of voting rights
Damien Michael Trevor Waller [^]	32,729,010 [^]	12.03
Perpetual Limited and subsidiaries	31,135,885	11.93
FIL Limited	18,517,301	7.10
IOOF Holdings Limited	14,844,076	5.69
Quest Asset Partners Pty Ltd	14,317,855	5.49

[^] Includes LTI Plan shares which are subject to restrictions.

Reported vs. Normalised Results

This summarised schedule details adjustments made to the reported results for the current year and the prior year to reflect a normalised result that forms the basis of certain commentary in the Directors' Report.

	Reported	Adjustments		Normalised	Reported	Adjustment	Normalised
	FY14 \$'000	CEO Costs	Trail Reval.	FY14 \$'000	FY13 \$'000	IPO Costs	FY13 \$'000
Operating Revenue	120,366		16,316	136,682	118,037		118,037
Cost of sales	(73,626)			(73,626)	(61,155)		(61,155)
Gross Profit	46,740		16,316	63,056	56,882		56,882
Total expenses	(34,662)	855		(33,807)	(31,878)	1,479	(30,399)
EBITDA	12,078	855	16,316	29,249	25,004	1,479	26,483
Depreciation and amortisation	(6,468)			(6,468)	(5,150)		(5,150)
EBIT	5,610	855	16,316	22,781	19,854	1,479	21,333
Net finance income/(costs)	3,403			3,403	(1,698)		(1,698)
Profit before Income Tax Expense	9,013	855	16,316	26,184	18,156	1,479	19,635
Income tax expense	(2,750)	(257)	(4,895)	(7,902)	(4,787)	(444)	(5,231)
Profit for the Period	6,263	598	11,421	18,282	13,369	1,035	14,404
EPS (cents)	2.4	0.2	4.4	7.0	6.6	0.5	7.1

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Corporate Directory

ABN 48 124 302 932

DIRECTORS

Damien Waller
Executive Chairman

Greg Camm
Deputy Chairman
(resigned effective 31 October 2014)

Shaun Bonètt
Bridget Fair
Leslie Webb
Brodie Arnhold

COMPANY SECRETARY

David Christie

REGISTERED OFFICE

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SHARE REGISTER

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Abbotsford Victoria 3067
Australia

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

SOLICITORS

Clayton Utz
18/333 Collins Street
Melbourne Victoria 3000
Australia

BANKERS

Commonwealth Bank of Australia
385 Bourke Street
Melbourne Victoria 3000
Australia

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000
Australia

DISCLAIMER

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