



ABN 98 073 659 677

General Purpose Financial Report

for the Half Year Ended 31 December 2012

December 2012 Half Year Financial Report Contents

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General Information

This general purpose financial report covers Steadfast Group Ltd ("Steadfast") as a consolidated entity consisting of Steadfast Group Ltd and the entities it controls. The financial report is presented in Australian Dollars, which is Steadfast Group Ltd's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Steadfast Group Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 3
97-99 Bathurst Street
Sydney NSW 2000

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 June 2013.

The directors have the power to amend and reissue the financial report.

The directors of Steadfast Group Limited (the "Company") present their report together with the consolidated financial statements for the six months ended 31 December 2012 and the review report thereon.

Directors

The names of the Company's Directors in office at any time during or since the end of the interim period are as stated below. Directors were in office for the whole period unless otherwise stated.

Name	Period of directorship
Non-executive Directors	
Frank O'Halloran (Chairperson)	appointed 21 October 2012
Gregory John Rynenberg	
Jonathan Noble Upton	
David Liddy	appointed 1 January 2013
Phillip Purcell	appointed 1 February 2013
Christopher Dennis Baker	resigned 6 October 2012
Cameron Jon Bott	resigned 6 October 2012
Michael Vsevolod Olofinsky	resigned 6 October 2012
Richard John Post	resigned 6 October 2012
Graham John Stevens	resigned 20 August 2012
Gregory Paul Stewart	resigned 6 October 2012
Joseph George Vella	resigned 6 October 2012
John David Frederick Wolozny	resigned 6 October 2012
Shayne Douglas Smith	resigned 6 October 2012

Executive Directors

Robert Bernard Kelly (Chief Executive Officer and Managing Director)
 Cameron McCullagh (Chief Operating Officer) appointed 26 October 2012, resigned 25 March 2013

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$1.9m (2011 - \$2.2m).

The corporate objective of the consolidated entity was to reduce overhead costs of Australian owned general insurance brokerages and to seek out opportunities that will further enhance their returns.

In the December 2012 half year, \$2.7m was spent on due diligence and restructure costs as the company considers a potential listing on the Australian Stock Exchange. The Company also acquired the general insurance brokerage of Wagland Salter & Associates Pty Ltd and an 80% interest in the Underwriting Agency of Sports Underwriting Australia Pty Limited. These acquisitions were funded via a combination of vendor loans and secured debt.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the six months ended 31 December 2012.

Rounding off

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

Signed in accordance with a resolution of the directors:



Robert Kelly
 Managing Director and CEO



Frank O'Halloran
 Chairman



Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	Note	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Revenue	3	12,711	11,179
Other Income		1,254	895
Share of profits of associates and joint venture accounted for using equity method		2,130	1,720
Expenses	4		
Member rebates		(2,881)	(5,588)
Employment expenses		(3,765)	(2,915)
Occupancy expenses		(416)	(147)
Marketing & advertising expenses		(896)	(97)
Other expenses		(3,309)	(2,221)
Due diligence and restructuring costs		(2,718)	(313)
Profit before income tax expense		2,110	2,513
Income tax expense	6	(214)	(273)
Net profit after tax		1,896	2,240
Profit after tax attributable to non-controlling interests		(29)	-
Other comprehensive income		-	-
Total comprehensive income for the period attributed to the owners of Steadfast Group Ltd		1,867	2,240



Consolidated Statement of Financial Position

As at 31 December 2012

	Note	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	7,478	5,638
Trade and other receivables		14,019	5,562
Other		708	1,357
Total current assets		<u>22,205</u>	<u>12,557</u>
Non-current assets			
Equity accounted investments	8	3,674	3,336
Property, plant and equipment	11	12,149	3,814
Identified intangibles		3,915	-
Goodwill	12	12,673	-
Deferred tax		1,221	171
Other		2	2
Total non-current assets		<u>33,634</u>	<u>7,323</u>
Total Assets		<u>55,839</u>	<u>19,880</u>
Liabilities			
Current liabilities			
Trade and other payables		12,873	2,601
Borrowings	13	839	50
Income tax		501	285
Deferred consideration	12	7,388	-
Provisions	14	<u>3,605</u>	<u>6,074</u>
Total current liabilities		<u>25,206</u>	<u>9,010</u>
Non-current liabilities			
Borrowings	13	9,549	-
Deferred tax		3,530	11
Provisions	14	<u>646</u>	<u>217</u>
Total non-current liabilities		<u>13,725</u>	<u>228</u>
Total Liabilities		<u>38,931</u>	<u>9,238</u>
Net Assets		<u>16,908</u>	<u>10,642</u>
Equity			
Issued capital	15	317	254
Retained earnings		16,019	10,388
Non-Controlling interest		<u>572</u>	<u>-</u>
Total Equity		<u>16,908</u>	<u>10,642</u>



Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Issued capital \$'000	Share buy back reserve \$'000	Retained profits \$'000	Sub -total \$'000	Non- Controlling interest \$'000	Total Equity \$'000
Consolidated						
Balance at 1 July 2012	317	-	14,152	14,469	-	14,469
Total comprehensive income for the period	-	-	1,867	1,867	29	1,896
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,867	1,867	29	1,896
Transactions with owners in their capacity as owners:						
Acquisition of subsidiary with non-controlling interests	-	-	-	-	543	543
Dividends proposed or provided for the period	-	-	-	-	-	-
Balance at 31 December 2012	317	-	16,019	16,336	572	16,908

	Issued capital \$'000	Share buy back reserve \$'000	Retained profits \$'000	Sub -total \$'000	Non- Controlling interest \$'000	Total Equity \$'000
Consolidated						
Balance at 1 July 2011	246	34	9,865	10,145	-	10,145
Total comprehensive income for the period	-	-	2,240	2,240	-	2,240
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	2,240	2,240	-	2,240
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction cost	26	-	-	26	-	26
Shares bought back during the period	(18)	(34)	-	(52)	-	(52)
Dividends paid during the period	-	-	(1,717)	(1,717)	-	(1,717)
Balance at 31 December 2011	254	-	10,388	10,642	-	10,642



Consolidated Statement of Cash Flow

For the half year ended 31 December 2012

	Note	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,138	15,464
Payments to suppliers and employees (inclusive of GST)		(20,483)	(17,919)
Interest received		153	273
Interest and other finance costs paid		(142)	(2)
Income taxes paid		(2)	-
Net cash from/(used in) operating activities	17	<u>664</u>	<u>(2,184)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(8,481)	(25)
Payments for business acquisitions	12(b)	(8,388)	-
Cash balances acquired in business acquisitions	12(a)	3,522	-
Net cash from/(used in) investing activities		<u>(13,347)</u>	<u>(25)</u>
Cash flows from financing activities			
Dividends paid		(167)	(1,717)
Proceeds from borrowings		10,288	-
Repayment of borrowings		50	-
Share capital issued		-	26
Shares bought back		-	(52)
Net cash used in financing activities		<u>10,171</u>	<u>(1,743)</u>
Net increase / (decrease) in cash and cash equivalents		(2,512)	(3,952)
Cash and cash equivalents at the beginning of the financial period		<u>9,990</u>	<u>9,590</u>
Cash and cash equivalents at the end of the financial period	7	<u>7,478</u>	<u>5,638</u>



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report covers Steadfast Group Ltd ("Steadfast") as a consolidated entity consisting of Steadfast Group Ltd and the entities it controls. The financial report is presented in Australian Dollars, which is Steadfast Group Ltd's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new recognition and measurement requirements, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impacts on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Basis of preparation

Steadfast Group Limited is domiciled in Australia. The address of the Company's registered office is Level 3, 99 Bathurst Street, Sydney, NSW, 2000. The Company is a for-profit entity.

The consolidated financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2012. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2012.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 June 2013.

Historical cost convention

The financial statements have been prepared under the historical cost convention, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity has been disclosed in the notes to this financial report.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Steadfast Group Ltd ('company' or 'parent entity') as at 31 December 2012 and the results of all subsidiaries for the period then ended. Steadfast Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Marketing and administration fees

The consolidated entity has negotiated with preferred partner insurance companies and preferred premium funders to receive a marketing and administration fee based on the amount of preferred product business its shareholders place with those companies. These amounts are recognised as revenue as they are earned.

Fee and commission income

Commission, brokerage and fees are recognised when it is probable that the consolidated entity will be compensated for services rendered and the amount of consideration for such services can be reliably measured. This is deemed to be the invoice date. An allowance is made for anticipated lapses and cancellations.

Revenue for convention

Revenue for convention income is recognised when the convention is held.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Erato Claims Experience Benefit ('CEB')

Steadfast may receive a CEB payment or payments in respect of the 'Erato' Professional Indemnity scheme offered to Steadfast brokers. Revenue is recognised for a CEB for a particular policy year when it is likely that a CEB is receivable and the amount can be measured reliably. Factors taken into account in recognising a CEB amount include the number of years that have passed since the end of a policy year and whether various claims have been closed.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unutilised tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Steadfast Group Ltd (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand-alone taxpayer' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group in proportion to their contribution to the consolidated entity taxable income. Differences between the amount of net tax asset or liability derecognised and the net amounts recognised pursuant to the funding agreements are recognised as either a contribution by, or distribution from, the subsidiaries to the head entity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

When the associate subsequently makes profit, the consolidated entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

Property, plant and equipment

Buildings, plant and equipment are stated at historical cost less accumulated depreciation and impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings	40 years
Freehold improvements	3 - 10 years
Furniture and fittings	4 years
Computer equipment	2 - 5 years
Office equipment	1 - 10 years



Notes to the Financial Statements (Continued)

For the half year ended 31 December 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 year.

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.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. The consolidated entity has no finance leases.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange. All acquisition costs including stamp duty and legal fees are charged against profits as incurred. Change in the ownership interest in a controlled entity (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will not give rise to a gain or loss. Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Income Statement.

The carrying value of non-controlling interests is reset to fair value.

In the period a new business is acquired, an estimate is made of the fair value of the future contingent consideration. Any variation to this amount in future periods (either up or down) is recognised through the Income Statement. Over accruals are recognised as income in the period the amount is reversed and any under accruals are charged as an expense against profits.

All identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interests. The contingent consideration is carried in the statement of financial position at net present value. The interest expense in the income statement relating to the unwinding of this discounting is offset by a deferred tax credit.

(i) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed, 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. Impairment losses recognised for goodwill are not subsequently reversed.



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Identifiable intangible assets

Identifiable intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its 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 costs. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

The useful lives of these intangible assets are assessed up to finite. Intangible assets with finite lives are amortised over the useful life, currently estimated to be up to 10 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in the expense category of the income statement consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an identifiable intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(iii) Revaluation

When a business combination occurs, the acquiree's identifiable assets and liabilities are notionally restated to their fair value at the date of the exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values relating to previously held interests of the acquiree is accounted for as an adjustment to fair value and the movement is reflected in the income statement as either a profit or loss.

Upon disposal, any revaluation reserve relating to identifiable assets being sold is transferred to retained earnings.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contribution to superannuation

Contributions are made to employee superannuation funds and are expensed in the period in which they are incurred.



Notes to the Financial Statements (Continued)

For the half year ended 31 December 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Issued capital

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.

Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax authority, are presented as operating cash flows.

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

Going Concern

The consolidated financial statements have been prepared on a going concern basis. However, as of 31 December 2012 the consolidated entity's current liabilities exceed current assets by \$3.0 m.

This is due to \$7.4m of deferred consideration payable for the acquisition of businesses in the period being shown as a current liability.

The company has negotiated with Macquarie Bank to fund these acquisitions through its unused debt facilities should the Company not proceed to with an equity raising. If the company is successful with the equity raising, the \$7.4m will be substantially settled by the issuance of shares.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet mandatory, have not been early adopted by the consolidated entity for the interim reporting period ended 31 December 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement').

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.



NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets, will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management

Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors' report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments require grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements';

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.



Notes to the Financial Statements (Continued)

For the half year ended 31 December 2012

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates, anticipated lapses and cancellations and specific knowledge of the individual debtors' financial positions.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision

As mentioned in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Rebates provision

The provision represents the rebates from the consolidated entity to Steadfast brokers and is calculated based on a percentage of eligible income received from the consolidated entity's preferred insurance and funder partners. The actual amount of rebate finally paid may vary from the estimated amount.

Net Assets acquired in business combination

The consolidated entity measures the net assets acquired in business combination at their fair value at the date of acquisition. Fair value is estimated with reference to the market transactions for similar assets or Discounted Cash Flow (DCF) analysis.

Goodwill

Goodwill is assessed regularly for impairment. Recoverable amount of goodwill is estimated using discounted cash flow analysis of the relevant cash generating unit ('CGU') deducting the carrying amount of the identifiable net assets of the CGU.



Note 3. Revenue

Sales revenue

Marketing & administration fees - insurers

Marketing & administration fees - funders

Fee & commission income

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
	10,142	9,197
	2,099	1,982
	470	-
	<u>12,711</u>	<u>11,179</u>



Note 4. Expenses

Net profit after tax includes the specific expenses:

Depreciation

Property, plant & equipment

Amortisation

Identifiable intangibles

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
	<u>203</u>	<u>128</u>
	<u>33</u>	<u>-</u>



Note 5. Auditors Remuneration

During the half year ended 31 December 2012 the following fees were paid or payable for services provided by KPMG Australia, the auditor of the company.

Audit and review services

Auditors of the Company (2012 - KPMG; 2011 - Moore Stephens)

Audit and review of financial statements

Other auditors

Audit and review of financial statements

	Consolidated 31-Dec-12 \$	Consolidated 31-Dec-11 \$
	56,200	26,557
	38,000	-
	<u>94,200</u>	<u>26,557</u>

Other services

Auditors of the Company (2012 - KPMG; 2011 - Moore Stephens)

Other assurance, taxation and due diligence services

	371,000	186,080
	<u>371,000</u>	<u>186,080</u>



Note 6. Taxation

Income tax expense

Current tax

Deferred tax - origination and reversal of temporary differences

Aggregate income tax expense

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
	261	276
	(47)	(3)
	<u>214</u>	<u>273</u>

Deferred tax included in income tax expense comprises:

Decrease/(increase) in deferred tax assets

Increase / (decrease) in deferred tax liabilities

Deferred tax – origination and reversal of temporary differences

	(396)	(3)
	349	-
	<u>(47)</u>	<u>(3)</u>



Note 6. Taxation (continued)

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	2,110	2,513
Tax at the statutory tax rate of 30%	633	754
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profits of associates and joint venture entities netted directly	(639)	(516)
Share of income tax expense for non-controlling interests	(9)	-
Under / (over) provision prior year	86	-
Non deductible expenses - due diligence & restructuring costs	124	33
Non deductible expenses - other	19	2
Income tax expense	<u>214</u>	<u>273</u>



Note 7. Cash and Cash Equivalents

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Cash and cash equivalents	4,252	4,495
Cash and cash equivalents - Trust	3,220	1,138
Cash on hand	6	5
	<u>7,478</u>	<u>5,638</u>



Note 8. Investments accounted for using the equity method

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Investment in associate (Miramar Underwriting Agency)	1,715	1,916
Investment in associate (SME Insurance Survey's)	13	30
Total investment in associates	<u>1,728</u>	<u>1,946</u>
Investment in joint venture (Macquarie Premium Funding)	1,946	1,390
Total investments in associates and joint ventures	<u>3,674</u>	<u>3,336</u>

Refer to note 9 for further information on investments in associates.
Refer to note 10 for further information on interest in joint ventures.



Note 9. Investment in Associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Associate	Principal activities	Percentage interest 31-Dec-12 %	Percentage interest 31-Dec-11 %
Miramar Underwriting Agency Pty Ltd	Insurance underwriting	50	50
SME Insurance Survey's Pty Ltd	Insurance surveying	50	50

Miramar Underwriting Agency Pty Ltd ('Miramar') is considered to be an associate as control lies with the Executive Director of Miramar.
SME Insurance Survey's Pty Ltd ('SME') is considered to be an associate as control lies with the Executive Director of SME.
Information relating to the associates is set out below.

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Movements during the financial period for equity accounted investment in associated companies:		
Balance at the beginning of the financial period	1,543	1,747
Share of associated company's profit after income tax	185	199
Balance at the end of the financial period	<u>1,728</u>	<u>1,946</u>



Note 10. Interest in Joint Ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures is set out below:

Joint venture	Principal activities	Percentage interest 31-Dec-12	Percentage interest 31-Dec-11
		%	%
Macquarie Premium Funding Pty Ltd	Insurance premium funding	50	50

Information relating to the joint venture is set out below.

Movements during the financial period for equity accounted investment in joint venture companies:

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Balance at the beginning of the financial period	1	1
Share of joint venture's profit after income tax	1,945	1,522
Dividend received from joint venture	-	(133)
Balance at the end of the financial period	<u>1,946</u>	<u>1,390</u>



Note 11. Property, Plant and Equipment

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Building - at cost	11,890	3,624
Less: Accumulated depreciation	(540)	(383)
	<u>11,350</u>	<u>3,241</u>
Freehold and Leasehold improvements - at cost	789	581
Less: Accumulated depreciation	(282)	(244)
	<u>507</u>	<u>337</u>
Furniture and fittings - at cost	570	450
Less: Accumulated depreciation	(446)	(332)
	<u>124</u>	<u>118</u>
Computer equipment - at cost	400	347
Less: Accumulated depreciation	(324)	(272)
	<u>76</u>	<u>75</u>
Motor Vehicle - at cost	60	-
Less: Accumulated depreciation	(40)	-
	<u>20</u>	<u>-</u>
Office equipment - at cost	402	150
Less: Accumulated depreciation	(330)	(107)
	<u>72</u>	<u>43</u>
Total property, plant and equipment	<u><u>12,149</u></u>	<u><u>3,814</u></u>

	Balance as at 1 Jul 2012	Additions	Disposals	Depreciation expense	Balance as at 31 Dec 2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	3,198	8,264	-	(112)	11,350
Freehold improvements	324	202	-	(19)	507
Furniture and fittings	92	62	-	(30)	124
Computer Equipment	68	34	-	(26)	76
Motor Vehicles	-	21	-	(1)	20
Office Equipment	36	51	-	(15)	72
Total	<u>3,718</u>	<u>8,634</u>	<u>-</u>	<u>(203)</u>	<u>12,149</u>



Note 11. Property, Plant and Equipment (Continued)

	Balance as at 1 Jul 2011	Additions	Disposals	Depreciation expense	Balance as at 31 Dec 2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	3,287	-	-	(46)	3,241
Freehold improvements	355	1	-	(19)	337
Furniture and fittings	147	-	-	(29)	118
Computer Equipment	88	11	-	(24)	75
Motor Vehicles	-	-	-	-	-
Office Equipment	45	8	-	(10)	43
Total	3,922	20	-	(128)	3,814



Note 12. Investment in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Controlled Entities	Country of incorporation	Equity holding	Equity holding
		31-Dec-12	31-Dec-11
		%	%
Steadfast Convention Pty Ltd	Australia	100	100
Steadfast Technologies Pty Ltd ²	Australia	100	100
Steadfast Insurance Brokers Pty Ltd	Australia	100	100
Steadfast Underwriting Agencies Holdings Pty Ltd ⁴	Australia	100	100
Sports Underwriting Australia Pty Ltd ³	Australia	80	-
Wagland Salter & Associates Pty Ltd ³	Australia	100	-
Wasal Holdings Pty Ltd ³	Australia	100	-
Dormant			
Erato Limited	Australia	100	100
Steadfast Brokers Pty Ltd	Australia	100	100
Steadfast Finance Pty Ltd	Australia	100	100
Steadfast Financial Planners Pty Ltd	Australia	100	100
Steadfast Financial Services Pty Ltd	Australia	100	100
Steadfast Financial Solutions Pty Ltd	Australia	100	100
Steadfast Foundation Pty Ltd ¹	Australia	100	100
Steadfast Insurance Pty Ltd	Australia	100	100
Steadfast Insurance Advisors Pty Ltd	Australia	100	100
Steadfast Insurance Consultants Pty Ltd	Australia	100	100
Steadfast Insurance Management Pty Ltd	Australia	100	100
Steadfast Insurance Services Pty Ltd	Australia	100	100
Steadfast NZ Pty Ltd	New Zealand	100	100
Steadfast Premium Funding Pty Ltd	Australia	100	100
Steadfast Risk Services Pty Ltd	Australia	100	100
Trusted Choice Pty Ltd	New Zealand	100	100
Trusted Choice Pty Ltd	Australia	100	100

¹ A trustee to Steadfast Foundation

² Name changed from Steadfast Hub Pty Ltd on 12 February 2013

³ New acquisitions during the period

⁴ Name changed from Steadfast Underwriting Agency Pty Ltd on 12 February 2013

Acquisition of Controlled Entities

Wagland Salter & Associates

On 11 December 2012, Steadfast Insurance Brokers Pty Ltd acquired a 100% interest in Wasal Holdings Pty Ltd and its wholly owned subsidiary, Wagland Salter & Associates Pty Ltd, an insurance broker in NSW.

This resulted in Steadfast Insurance Brokers Pty Ltd obtaining control of Wagland Salter & Associates.

Sports Underwriting Australia

On the 12 December 2012, Steadfast Underwriting Agencies Holdings Pty Ltd acquired an 80% interest in Sports Underwriting Australia Pty Ltd, an insurance underwriting business in Victoria.



Note 12. Investment in Subsidiaries (Continued)

Business Combinations

A major strategy of the group is to acquire insurance broking portfolios or interests in insurance broking business ranging from 25% to 100%. The terms of these acquisitions vary in line with negotiations with individual vendors but are structured to achieve the group's benchmarks or return on investment and to take advantage of the rationalisation in the broking industry.

Acquisition of Subsidiaries

	Date	Voting Shares % at 1 Jul	Voting Shares % Acquired	Voting Shares % at 31 Dec	Non-controlling interest % at 31 Dec	Total net identifiable assets (i)	Total Consideration (ii)	Non-controlling Interests	Goodwill (iii)
						\$'000	\$'000	\$'000	\$'000
31-Dec-12									
Wagland Salter & Associates Pty Ltd	11/12/2012	-	100	100	-	930	5,406	-	4,476
Sports Underwriting Australia Pty Ltd	12/12/2012	-	80	80	20	2,716	10,370	543	8,197
Total						3,646	15,776	543	12,673

- (i) Total net identifiable assets are further disaggregated below in (a)
(ii) Total consideration is further disaggregated below in (b)
(iii) Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, the majority of the goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits. None of the goodwill recognised is expected to be deductible for tax purposes.

(a) Identifiable assets acquired and liabilities assumed

	Wagland Salter & Associates Pty Ltd and Wasal Holdings Pty Ltd	Sports Underwriting Australia Pty Ltd	Total
	\$'000	\$'000	\$'000
Cash and cash equivalents	1,597	1,925	3,522
Trade and other receivables	1,397	3,701	5,098
Property, plant & equipment	128	49	177
Deferred tax asset	86	12	98
Goodwill	-	-	-
Intangible Asset	948	3,000	3,948
Other	2	-	2
Total assets	4,158	8,687	12,845
Trade and other payables	(2,549)	(4,700)	(7,249)
Income tax	(67)	(164)	(231)
Provisions	(268)	(34)	(302)
Deferred tax liability	(344)	(1,073)	(1,417)
Total Liabilities	(3,228)	(5,971)	(9,199)
Total net identifiable assets	930	2,716	3,646

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amount of provisions, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

(b) Consideration transferred

	Wagland Salter & Associates Pty Ltd and Wasal Holdings Pty Ltd	Sports Underwriting Australia Pty Ltd	Total
	\$'000	\$'000	\$'000
Cash	4,054	4,334	8,388
Deferred Consideration (i)	1,352	6,036	7,388
Total	5,406	10,370	15,776



Note 12. Investment in Subsidiaries (Continued)

- (i) 25% of the purchase price for Wagland Salter & Associates ('Waglands') is payable in cash upon an equity raising for the Group or alternatively to be funded via the Macquarie Debt facilities mentioned in Note 13.
50% of the purchase price for Sports Underwriting Australia Pty Ltd ('Sports') is payable in shares upon a successful equity raising for the Group or alternatively to be funded via the Macquarie Debt facilities mentioned in Note 13.
The deferred consideration for Sports is subject to adjustment based on 2013 EBITA. The amount recognised as deferred consideration has been based on 2013 forecast EBITA.

(c) Acquisition-related costs

The Group incurred acquisition-related costs related to external legal fees and due diligence costs.

The legal fees and due diligence costs have been included in due diligence and restructuring costs in the Group's consolidated statement of comprehensive income.



Note 13. Borrowings

Funds used at balance date

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Drawn down - Current Liability	839	50
Drawn down - Non Current Liability	9,549	-
	<u>10,388</u>	<u>50</u>

Access was available at the reporting date to the following lines of credit:

Secured bank loan facilities available

St George Bank - \$2m secured loan (discharged Sep 2012)		2,050
Macquarie Bank -\$2m revolving line of credit	2,000	-
Macquarie Bank -\$8m facility	8,000	-
Macquarie Bank -\$20m facility	20,000	-
	<u>30,000</u>	<u>2,050</u>

A \$30 million loan facility was obtained in December 2012 by Steadfast Group Ltd. The facilities are secured by registered fixed and floating charges over the assets of the consolidated group. The facilities are repayable within 3 years of initial drawdown. Monthly repayments of principal drawdowns on the \$8m and \$20m facilities are calculated based on a 10 year period.



Note 14. Provisions

Current liabilities

	Consolidated 31-Dec-12 \$'000	Consolidated 31-Dec-11 \$'000
Employee benefits	556	204
Rebates accrued	3,049	5,870
	<u>3,605</u>	<u>6,074</u>

Non-current liabilities

Employee benefits	646	217
	<u>646</u>	<u>217</u>
Total provisions	<u>4,251</u>	<u>6,291</u>



Note 15. Equity - Issued Capital

	31-Dec-12 Shares	31-Dec-11 Shares
Ordinary shares - fully paid	1,395	1,390
	<u>\$'000</u>	<u>\$'000</u>
Balance 1 July	317	246
Shares issued	-	26
Shares bought back	-	(52)
Transfer from share buy back reserve	-	34
	<u>317</u>	<u>254</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends in proportion to the volume of business. This is as per clause 2.1 of Part B of the organisation's constitution. Ordinary shares participate in the proceeds on winding up of the parent entity in proportion to the number of shares held.



Note 15. Equity - Issued Capital (Continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 2012 Annual Report.



Note 16. Events After The Reporting Period

Since 31 December 2012, a number of acquisitions of insurance brokers or their business assets were concluded, funded by the Macquarie Bank debt facility shown in Note 13. Acquisitions and their respective total purchase prices included:

	Date	Voting Shares % at 1 Jul	Voting Shares % Acquired	Voting Shares % at 31 Dec	Non-controlling interest % at 31 Dec	Total net identifiable assets \$'000	Total Consideration \$'000	Non-controlling interests \$'000	Goodwill \$'000
DMA Insurance Brokers Pty Limited	30/01/2013	-	100	-	-	641	9,046	-	8,405
Newmarket Insurance Brokers	28/02/2013	n/a	n/a	n/a	n/a	1,142	6,778	-	5,636
C&G Rothbury	1/04/2013	-	17.9	-	-	n/a	6,360	n/a	n/a
Pollock	10/05/2013	n/a	n/a	n/a	n/a	304	304	-	n/a
Total						2,087	22,488		14,041

On 30 January 2013, the Group acquired a 100% interest in DMA Insurance Brokers Pty Limited for \$9,045,709. There is no deferred consideration or earn out arrangement.

On 28 February 2013, the Group acquired the business assets of Newmarket Insurance Brokers Pty Limited for a payment of \$6,777,879, with 80% of the purchase price initially payable. The remaining 20% is payable on an earn out basis over the 2014 and 2015 financial years.

On 1 April 2013, the Group acquired a 17.9% interest in C&G Rothbury ('Rothbury') for a payment of \$AUD 6,360,000. A further 12.9% interest in Rothbury will be acquired should Steadfast successfully list on the ASX. This investment will be classified as an 'investment in associate'.

On 10 May 2013, the Group acquired the business assets of Pollock for a payment of \$304,000 being acquisition of a client list held by an Authorised Representative of Wagland Salter and Associates.

The \$20m Macquarie Loan Facility was increased to \$34.4m in June 2013 on similar terms and has been partially utilised to fund these acquisitions. The total facility limit described in Note 13 is increased to \$44.4m as a result of this variation, and there is \$7.5m of unused facility at the date of this report.

An Extraordinary General Meeting was held on 14 June 2013 to change the constitution of Steadfast Group so that it will be relevant for an ASX listed entity with the changes to come into effect should the Group successfully list on the ASX. Shareholders also voted to adopt a 'reweighting' of shares between members from an 'equal allocation' basis to a combination of 'equal allocation' and one based on past support of various products and businesses. This reweighting will also only come in to effect should the Group successfully list on the ASX and will have the effect of causing a share based payment expense of \$10.3m offset by an increase in retained earnings.

Steadfast has signed Share and Unit Purchase Agreements to acquire an interest in up to 70 businesses, all of which are contingent on a successful listing on the ASX.



Note 17. Reconciliation of Profit after Income Tax to Net Cash From/(Used In) Operating Activities

Consolidated	Consolidated
31-Dec-12	31-Dec-11
\$'000	\$'000

The cash from operating activities is reconciled to profit after income tax as follows:

Profit after income tax expense for the financial period	1,867	2,240
Adjustments for:		
Depreciation and amortisation	258	133
Share of profit – associates	(2,130)	(1,588)
Non controlling interest in profit	20	-



Note 17. Reconciliation of Profit after Income Tax to Net Cash From/(Used In) Operating Activities (Continued)

Change in operating assets and liabilities:		
Decrease in trade and other receivables	12,894	7,347
Increase in deferred tax assets	(396)	(3)
Increase in accrued revenue	(4,677)	(4,479)
Increase in prepayments	(377)	(1,197)
Increase in other operating assets	-	-
Increase/ (decrease) in trade and other payables	1,044	(1,141)
Increase in provision for income tax	268	277
Decrease in provisions - rebates	(8,785)	(3,823)
Increase in deferred tax liabilities	349	-
Increase in employee benefits	329	50
Net cash from operating activities	<u>664</u>	<u>(2,184)</u>



Note 18. Contingent Assets

Claims Experience Benefit ('CEB')

Steadfast may receive a CEB payment or payments in respect of the 'Erato' Professional Indemnity scheme. Where the revenue recognition criteria listed in note 1 for the Erato CEB have not been met, the timing and amount of any such payments are still too uncertain and dependent upon future events. In these circumstances it is not practical to include an estimate of the financial effect of any potential CEB as considered by AASB 137 "Provisions, contingent liabilities and contingent assets".



Note 19. Parent Entity Information

Statement of comprehensive income

Profit after income tax	3,050	3,652
Total comprehensive income	3,050	3,652

Statement of financial position

Total current assets	12,150	12,843
Total assets	43,649	20,165
Total current liabilities	(15,596)	(8,409)
Total liabilities	<u>(27,588)</u>	<u>(8,613)</u>
Net assets	<u>16,061</u>	<u>11,552</u>
Equity		
Issued capital	317	254
Retained earnings	<u>15,744</u>	<u>11,298</u>
Total equity	<u>16,061</u>	<u>11,552</u>



Note 20. Key Management Personnel Disclosures

Directors

The following persons were directors of Steadfast Group Ltd during the half year ended 31 December 2012.

Frank O'Halloran (appointed 21 October 2012)	Chairman
Robert Bernard Kelly	Chief Executive Officer and Managing Director
Gregory John Rynenberg	Non-Executive Director
Jonathan Noble Upton	Non-Executive Director
Cameron McCullagh (appointed 6 October 2012)	Executive Director
Christopher Dennis Baker (resigned 6 October 2012)	Non-Executive Director
Cameron Jon Bott (resigned 6 October 2012)	Non-Executive Director
Michael Vsevolod Olofinsky (resigned 6 October 2012)	Non-Executive Director
Richard John Post (resigned 6 October 2012)	Non-Executive Director
Graham John Stevens (resigned 20 August 2012)	Non-Executive Director
Gregory Paul Stewart (resigned 6 October 2012)	Non-Executive Director
Joseph George Vella (resigned 6 October 2012)	Non-Executive Director
John David Frederick Wolozny (resigned 6 October 2012)	Non-Executive Director
Shayne Douglas Smith (resigned 6 October 2012)	Non-Executive Director



Note 20. Key Management Personnel Disclosures (Continued)

Subsequent to balance date, the following directors were appointed or resigned:

David Liddy (appointed 1 January 2013)	Non-Executive Director
Phillip Purcell (appointed 1 February 2013)	Non-Executive Director
Cameron McCullagh (resigned 25 March 2013)	Executive Director

Compensation

The aggregate compensation made to Directors of the consolidated entity is set out below:

	Consolidated 31-Dec-12	Consolidated 31-Dec-11
	\$	\$
Short-term employee benefits	776,459	589,963
Post-employment benefits	23,556	-
Termination benefits	-	-



Note 21. Related Party Transactions

Parent Entity

Steadfast Group Ltd is the parent entity

Subsidiaries

Interest in subsidiaries are set out in note 12.

Associates

Interests in associates are set out in note 9.

Joint Ventures

Interest in joint ventures are set out in note 10.

Transactions with related parties

The following related party transactions occurred during the period

	Consolidated 31-Dec-12	Consolidated 31-Dec-11
	\$	\$
Sale of goods and services		
Marketing and administration fees received from Indemnity Corporation Pty Ltd ¹	2,117	4,674
Marketing and administration fees received from Rentsure Pty Ltd ²	7,677	5,889
Marketing and administration fees received from Ryno Insurance Services Pty Ltd ³	6,003	6,884
Marketing and administration fees received from Trident Insurance Group Pty Ltd ⁴	6,188	943
Marketing and administration fees received from Miramar Underwriting Agency Pty Ltd	119,424	107,730
Marketing and administration fees received from Macquarie Premium Funding Pty Ltd	833,690	612,085

¹ Entity related to Jonathan Upton

² Entity related to Robert Kelly

³ Entity related to Greg Rynenberg

⁴ Entity related to John ('Rick') Wolozny

Receivable from and payable to related parties

The following balances were outstanding at the reporting date in relation to transactions with related parties:

Current Receivables:

Trade receivables from associates	-	440
Trade receivables from joint venture	-	18,784
Trade receivables from directors related entities	-	8,639

Loans to / from related parties

There were no loans to or from director related parties at balance date.

The parent entity provided working capital for certain subsidiaries during the period.



Directors' declaration

For the half year ended 31 December 2012

In the directors' opinion:

(a) the attached financial statements and notes thereto contained in pages 3 to 23, are in accordance with the accounting policies as determined by the directors, including:

(i) presenting a fair view of the financial position of the Company as at 31 December 2012 and of its performance for the half-year period ended on that date; and

(ii) are in accordance with *AASB 134 Interim Financial Reporting* and

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

Signed in accordance with a resolution of directors:



Robert Kelly
Managing Director and CEO



Frank O'Halloran
Chairman

Date: 28 June 2013



Independent auditor's review report to the members of Steadfast Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Steadfast Group Limited, which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the interim period ended on that date, notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report that is in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report does not present fairly, in all material respects the Group's financial position as at 31 December 2012 and its performance and its cash flows for the year ended on that date in accordance with AASB 134 *Interim Financial Reporting*. As auditor of Steadfast Group Limited, ASRE 2400 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Steadfast Group Limited does not present fairly, in all material respects the Group's financial position as at 31 December 2012 and its performance and its cash flows for the year ended on that date in accordance with AASB 134 *Interim Financial Reporting*.

KPMG
KPMG

Sydney
28 June 2013



Lead Auditor's Independence Declaration

To: the directors of Steadfast Group Limited

We declare that, to the best of our knowledge and belief, in relation to the review for the half-year ended 31 December 2012 we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

KPMG
KPMG

Sydney
28 June 2013