# Steadfast Group Limited and controlled entities

## Appendix 4D (rule 4.3A)
## Preliminary final report for the half year ended 31 December 2014

**Results for announcement to the market**
(All comparisons to half year ended 31 December 2013)

| | 2014 $'000 | Up/Down | % Movement |
|---|---|---|---|
| **Revenues from ordinary activities** | 108,214 | 32,210 | 42% |
| **Earnings before interest expense, tax and amortisation expense (EBITA) from core operations pre-corporate income/(expenses)** | 37,553 | 10,693 | 40% |
| **EBITA from ordinary activities from core operations post-corporate income/(expenses)** | 34,491 | 10,023 | 41% |
| **Profit before income tax expense from core operations before non-trading items (Note 1)** | 25,500 | 6,560 | 35% |
| **Profit before income tax expense from core operations after non-trading items (Note 1)** | 23,943 | 8,400 | 54% |
| **Profit/(loss) from ordinary activities after tax attributable to shareholders** | 16,331 | 6,634 | 68% |
| **Net profit/(loss) after tax attributable to shareholders** | 13,743 | 4,911 | 56% |
| **Total comprehensive income attributable to shareholders** | 14,034 | 4,607 | 49% |

**Note 1:**

The table below provided the reconciliation between the profit before income tax expense from core operations before and after non-trading items.

| | 2014 $'000 |
|---|---|
| **Profit before income tax expense from core operations before non-trading items** | 25,500 |
| **Add/(less): non-trading income/(expenses)** | |
| **Net (loss)/profit on changes in value of investments** | (1,351) |
| **Due diligence and restructure costs** | (1,273) |
| **Executive loans fair value adjustment** | 1,067 |
| **Profit before income tax expense from core operations after non-trading items** | 23,943 |

During the half year ended 31 December 2014, the Group recognised net expenses of $1,557,000 as non-trading items. These income/expenses include:

- a loss of $1,351,000 attributed to:
  - $1,204,000 of additional deferred consideration expensed, due to companies acquired upon ASX listing exceeding forecasts
  - $147,000 on disposal of an associate as part of hubbing arrangement
- $1,273,000 in relation to due diligence and restructuring costs, primarily for the acquisition of Calliden Group Limited pursuant to a Scheme of Arrangement and the immediate on sale of general insurance operations and two underwriting agencies to Munich Holdings of Australasia; offset by
- $1,067,000 in relation to gain on reversal of deemed interest costs on the interest free executive loans that were expensed in the prior period.

Some of the financial data in the table above, namely the EBITA related items, are not disclosed in accordance with current Australian Accounting Standards requirements. However, all financial data is based on the information disclosed in the reviewed financial statements and notes to the financial statements of the Group and follow the recognition requirements of Australian Accounting Standards.

## Dividend information

| | Amount per share (cents) | Franked amount per share (cents) | Tax rate for franking credit (%) |
|---|---|---|---|
| **Interim 2015 dividend per share** | 2.0 | 2.0 | 30 |

**Interim dividend dates**

| | |
|---|---|
| **Ex-dividend date** | 19 February 2015 |
| **Record date** | 23 February 2015 |
| **Payment date** | 14 April 2015 |

The Company's DRP will operate by issuing ordinary shares to participants by issuing new shares with an issue price per share of the average market price as defined by the DRP terms with 2.5% discount applied. The last election notice for participation in the DRP in relation to this interim dividend is 24 February 2015.

A copy of the full terms and conditions for the DRP are available at http://investor.steadfast.com.au/Investor-Centre/?page=Dividends.

| | 31 December 2014 ($) | 30 June 2014 ($) |
|---|---|---|
| **Net tangible assets per ordinary share*** | 0.16 | 0.36 |

* Net tangible assets per ordinary share are based on 503,352,992 million shares on issue at 31 December 2014 compared to 501,638,307 shares on issue as at 30 June 2014.

## Other information

During the reporting period, Steadfast Group Limited held an interest in the following associates and joint venture:

| | Ownership interest % |
|---|---|
| **Associates** | |
| Armbro Insurance Brokers Pty Ltd | 40.0% |
| Armstrong's Insurance Brokers Pty Ltd and Armstrong's Insurance Brokers Unit Trust | 25.0% |
| Austcover Holdings Pty Ltd | 49.0% |
| Blackburn (Insurance Brokers) Pty Ltd and Liability Brokers Pty Ltd | 49.0% |
| Commercial Industrial Insurance Consultants Pty Ltd | 49.0% |
| Consolidated Insurance Agencies Pty Ltd | 49.0% |
| Covercorp Pty Ltd | 49.0% |
| Edgewise Insurance Brokers Pty Ltd and The Bradstock GIS Unit Trust | 25.0% |
| Emergence Insurance Group Pty Ltd | 25.0% |
| Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd | 37.0% |
| Finn Foster & Associates Pty Ltd | 49.0% |
| Finpac Insurance Advisors Pty Ltd | 49.0% |
| Garaty Murnane Insurance Brokers Pty Ltd | 49.0% |
| Gardner Insurance Brokers QLD Pty Ltd | 49.0% |
| Glenowar Pty Ltd | 49.0% |
| Insurance Broking Queensland Pty Ltd | 49.0% |
| IPS Insurance Brokers Pty Ltd | 40.0% |
| J.D.I (YOUNG) Pty Ltd | 25.0% |
| Johansen Insurance Brokers Pty Ltd | 48.0% |
| King Insurance Brokers Pty Ltd | 49.0% |
| Lanyon Partners Consolidated Pty Ltd | 45.0% |
| McKillops Insurance Brokers Pty Ltd | 49.0% |
| Melbourne Insurance Brokers Pty Ltd | 49.0% |
| Meridian Lawyers Ltd | 25.0% |
| Mooneys Insurance Brokers Pty Ltd | 49.0% |
| NCA Insurance Services Pty Ltd | 49.0% |
| Optimus 1 Pty Ltd | 25.0% |
| Paramount Insurance Brokers Pty Ltd | 25.0% |
| Phoenix Insurance Brokers Pty Ltd | 46.0% |
| Pollard Advisory Services Pty Ltd | 49.0% |
| Rose Stanton Insurance Brokers Pty Ltd | 49.0% |
| Rothbury Group Limited | 30.1% |
| RSM Group Pty Ltd | 49.0% |
| Sapphire Star Pty Ltd | 30.0% |
| Scott & Broad Pty Ltd | 49.0% |
| Southside Insurance Brokers Pty Ltd | 49.0% |
| Steadfast Life Pty Ltd | 50.0% |
| Sterling Insurance Pty Ltd | 39.5% |
| Tradewise Insurance Pty Ltd | 48.0% |
| Tudor Insurance Australia (Insurance Brokers) Pty Ltd and Tudor Insurance Agency Unit Trust | 48.0% |
| Watkins Taylor Stone Insurance Brokers Pty Ltd and D&E Watkins Unit Trust | 35.0% |

| | Ownership interest % |
|---|---:|
| Webmere Pty Ltd | 49.0% |
| **Joint ventures** | |
| Macquarie Premium Funding Pty Ltd | 50.0% |

The aggregate share of profits after tax of associates and joint venture accounted for using equity method is $4.721 million.

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2014 financial statements and accompanying notes.

This report is based on the consolidated financial statements which have been reviewed by KPMG.

**Attachment A – Steadfast Group Ltd Half year financial report – 31 December 2014**

Steadfast®

# 2015 HALF YEAR FINANCIAL REPORT

STEADFAST GROUP LIMITED | ABN 98 073 659 677

**SCALE STRENGTH STEADFAST**

# FINANCIAL REPORT

For the half year ended 31 December 2014

## CONTENTS

# Steadfast Group Limited
# Directors' Report

The Directors present their report together with the consolidated financial statements of Steadfast Group Limited (Steadfast or the Company) and its subsidiaries, and the Group's interests in associates and joint venture (Steadfast Group or the Group) for the half year ended 31 December 2014 and the auditor's review report thereon.

## Directors

The Directors of the Company at any time during or since the end of the half year are as follows. Directors were in office for the entire period unless otherwise stated.

| Name | Date of appointment |
|---|---|
| **Chairman** | |
| Frank O'Halloran, AM | 21 October 2012 |
| **Managing Director & CEO** | |
| Robert Kelly | 18 April 1996 |
| **Other Directors** | |
| David Liddy | 1 January 2013 |
| Anne O'Driscoll | 1 July 2013 |
| Philip Purcell | 1 February 2013 |
| Greg Rynenberg | 10 August 1998 |
| | |
| **Former Director** | |
| Jonathan Upton | Retired on 29 October 2014 |

## Operating and financial review

### Operating results for the half year

| | Note | 31 Dec 2014 $'000 | 31 Dec 2013 $'000 |
|---|---|---|---|
| EBITA – consolidated entities | 4 | **28,162** | 15,504 |
| Share of EBITA from associates and joint venture | 4 | **9,391** | 11,356 |
| EBITA from core operations – pre-corporate expenses | | **37,553** | 26,860 |
| Corporate expenses | 4 | **(3,062)** | (2,392) |
| EBITA from core operations – post-corporate expenses | | **34,491** | 24,468 |
| Finance costs (net of interest received on surplus cash held) | 4 | **(2,273)** | (413) |
| Amortisation expense | 4 | **(6,718)** | (5,115) |
| Profit before income tax before non-trading items | | **25,500** | 18,940 |
| Less: non-trading items | 4 | **(1,557)** | (3,397) |
| Profit before income tax after non-trading items | | **23,943** | 15,543 |
| Income tax expense | 4 | **(7,612)** | (5,846) |
| **Net profit after income tax for the year** | | **16,331** | 9,697 |
| Non-controlling interests | | **(2,588)** | (865) |
| **Net profit after income tax attributable to owners of Steadfast Group Limited** | | **13,743** | 8,832 |
| Other comprehensive income | | **291** | 595 |
| Total comprehensive income after income tax attributable to owners of Steadfast Group Limited | | **14,034** | 9,427 |

The Group's total comprehensive income after income tax attributable to owners for the half year was $14.034 million (31 December 2013: $9.427 million).

The increase in comprehensive income after tax was mainly due to:

- a full six months of trading – prior period results reflect approximately five months only following the listing of the Company on the Australian Securities Exchange (ASX) in August 2013;
- profits from businesses acquired subsequent to the ASX listing;
- a reduction in non-trading expenses. In the prior period, these related primarily to specific activities to facilitate the Company restructure and listing on the ASX. The significant non-trading items in the current reporting period include:

- $0.891 million (pre-tax $1.273 million) in relation to due diligence and restructuring costs, primarily for the acquisition of Calliden Group Limited pursuant to a Scheme of Arrangement and the immediate on sale of general insurance operations and two underwriting agencies to Munich Holdings of Australasia; and
- $0.946 million (pre-tax $1.351 million) in relation to additional deferred consideration expensed – due to companies acquired upon ASX listing exceeding forecasts; offset by
- $0.747 million (pre-tax $1.067 million) in relation to gain on reversal of deemed interest costs on the interest free executive loans that was expensed in the prior period.

- offset by higher funding costs, amortisation and tax expense attributable to the increased scale of operations.

Some of the financial data in the table above, namely the EBITA related items, are not disclosed in accordance with current Australian Accounting Standards requirements. However, all financial data is based on the information disclosed in the reviewed financial statements and notes to the financial statements of the Group and follow the recognition requirements of Australian Accounting Standards.

### Review of financial condition

#### *Financial position*

The total assets of the Group as at 31 December 2014 were $993.831 million compared to $821.877 million as at 30 June 2014. The increase was mainly attributable to the acquisition of a number of businesses in the period as disclosed in Note 10.

These acquisitions were predominantly funded via debt which together with the recording of the liabilities contained in the books of the acquirees, caused total liabilities of the Group as at 31 December 2014 to increase from $296.839 million at 30 June 2014 to $458.666 million at 31 December 2014.

The increasing of the gearing levels were foreshadowed by the Company. Total debt on the Group's balance sheet has now increased to $121.848 million of which $113.052 million was drawn from the Company's facility with Macquarie Bank, thus leaving an available facility of $16.948 million for acquisitions as at 31 December 2014.

#### *Cash from operations*

The operating net cash flows, before broking trust account movements, of $21.092 million are higher than the prior period reflecting the increased scale of operation of the Group and the receipt of dividends from many of the Group's associates during the current reporting period. Dividends received from associates was higher in the half year ending 31 December 2014 as the associates were acquired predominately in August 2013 and were not required to pay dividends until February 2014.

The net cash inflow/(outflow) from operating activities for the half year ended 31 December 2013 included a net outflow of $20.794 million from broking accounts and net inflows from the balance of operating activities of $4.899 million. At the time of acquisition in August 2013, the liabilities of the brokers included cash held on trust which was subsequently remitted to insurers in accordance with normal trading terms. The seasonality of insurance premium receipts following June renewals meant that the amounts held on trust at acquisition in August 2013 were higher than the $56.512 million balance as at 31 December 2013. The increased scale of operations in 2014 has offset this seasonal reduction in cash held on trust.

The company invested into a number of insurance intermediaries, funded predominantly from the Group's debt facilities as noted above. The increase in cash held on trust is predominantly a result of acquisition of these subsidiaries. This is reflected in the cash flows from investing activities, where the cash held on trust is deducted from the payments for acquisitions.

### Events subsequent to reporting date

Subsequent to 31 December 2014, the following events occurred:

- the Board declared an interim dividend of two cents per share, 100% franked;
- the Company has acquired two underwriting agencies and two insurance brokers for $330.000 million in aggregate (including transaction costs) and will fund this with $30.000 million debt and $300.000 million equity raise with expected settlement in March 2015;
- an extension of the Corporate debt facility from $130.000 million to $180.000 million has been put in place with Macquarie Bank.

Further details of the above events are set out in note 16.

### Likely developments

The Group's business strategy going forward is to grow shareholder value through maintaining and growing its market position in the provision of insurance and related services, with a core focus on general insurance intermediation.

To achieve this strategy, the Group will in particular focus on:

- acquiring equity interests in insurance brokers and underwriting agencies;
- continuing to support the growth and development of all Steadfast Network Brokers, Steadfast underwriting agencies, premium funders and other ancillary businesses;
- maintaining and developing its relationship with strategic partners who provide products for distribution by the Group;
- realisation of synergies from hubbing and back office systems;
- acquiring non-insurance businesses which offer complementary products and services; and
- the cross-sell of products and services between Steadfast Network Brokers and other businesses with which the Group has a relationship.

In assessing future business acquisitions described above, strict acquisition criteria will be applied, including that an acquisition is expected to be earnings per share accretive for the Group within 12 months of the acquisition concerned.

The Group intends to work closely with the existing management team of each acquired business, and allow each business to operate in a manner consistent with the Group's co-ownership model. In most cases, this model involves ongoing equity participation of key management personnel in the business acquired.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half year ended 31 December 2014.

### Rounding

The Group is of the kind referred to in the class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investment Commission. In accordance with that class order, amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed at Sydney this 16 February 2015 in accordance with a resolution of the Directors.

**Frank O'Halloran, AM**
Chairman

**Robert Kelly**
Director

KPMG

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Steadfast Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Andrew Dickinson
*Partner*

Sydney

16 February 2015

## Steadfast Group Limited
## Consolidated Statement of Profit or Loss and Other Comprehensive Income
## For the half year ended 31 December 2014

| | Note | 31 Dec 2014 $'000 | 31 Dec 2013 $'000 |
|---|---|---|---|
| Fee and commission income | | **81,331** | 44,228 |
| Less: Brokerage commission paid | | **(10,466)** | (4,650) |
| Net fee and commission income | | **70,865** | 39,578 |
| Marketing and administration fees | | **15,583** | 13,451 |
| Interest income | | **2,905** | 2,146 |
| Other revenue | | **13,913** | 9,802 |
| | | **103,266** | 64,977 |
| Share of profits of associates accounted for using the equity method | | **2,987** | 4,167 |
| Share of profits of joint venture accounted for using the equity method | | **1,734** | 2,071 |
| Profit on fair value of investments | | **-** | 4,611 |
| Other income | | **227** | 178 |
| | | **108,214** | 76,004 |
| Employment expense | | **(46,036)** | (36,184) |
| Steadfast Network Broker rebates expense | | **(4,348)** | (3,335) |
| Occupancy expense | | **(3,826)** | (2,265) |
| Selling expense | | **(7,541)** | (3,845) |
| Administration, brokers support service and other expenses | | **(15,784)** | (10,682) |
| Amortisation expense | | **(4,565)** | (3,161) |
| Depreciation expense | | **(1,142)** | (783) |
| Finance costs | | **(1,779)** | (551) |
| Due diligence and restructure costs | 10 | **(1,273)** | (2,328) |
| **Profit before income tax expense** | | **21,920** | 12,870 |
| Income tax expense | | **(5,589)** | (3,173) |
| **Profit after income tax expense for the half year** | | **16,331** | 9,697 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Net movement in foreign currency translation reserve | | **416** | 850 |
| Income tax expense on other comprehensive income | | **(125)** | (255) |
| Other comprehensive income for the period, net of tax | | **291** | 595 |
| **Total comprehensive income for the half year, net of tax** | | **16,622** | 10,292 |
| *Profit for the half year is attributable to:* | | | |
| Non-controlling interests | | **2,588** | 865 |
| Owners of Steadfast Group Limited | | **13,743** | 8,832 |
| | | **16,331** | 9,697 |
| *Total comprehensive income for the half year is attributable to:* | | | |
| Non-controlling interests | | **2,588** | 865 |
| Owners of Steadfast Group Limited | 4 | **14,034** | 9,427 |
| | | **16,622** | 10,292 |
| Basic earnings per share (cents per share) | 5 | **2.74** | 2.08 |
| Diluted earnings per share (cents per share) | 5 | **2.73** | 2.07 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

# Steadfast Group Limited
## Consolidated Statement of Financial Position
## As at 31 December 2014

| | Note | 31 Dec 2014 $'000 | 30 June 2014 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **54,648** | 38,551 |
| Cash held on trust | | **116,722** | 76,679 |
| Receivables from broking/underwriting agency operations | | **106,812** | 133,460 |
| Other receivables | | **27,231** | 16,680 |
| Related party loans receivable | | **914** | 914 |
| Other | | **4,255** | 1,730 |
| Total current assets | | **310,582** | 268,014 |
| **Non-current assets** | | | |
| Related party loans receivable | | **7,392** | 7,711 |
| Property, plant and equipment | | **25,011** | 19,825 |
| Deferred tax assets | | **9,385** | 5,817 |
| Investments in associates | 11 | **142,620** | 144,388 |
| Interest in joint venture | 12 | **3,042** | 4,425 |
| Intangible assets | 7 | **105,381** | 76,606 |
| Goodwill | 7 | **378,573** | 289,162 |
| Other | | **11,845** | 5,929 |
| Total non-current assets | | **683,249** | 553,863 |
| **Total assets** | | **993,831** | 821,877 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Bank overdrafts | 8 | **270** | 654 |
| Payables on broking/underwriting agency operations | | **212,232** | 188,222 |
| Other payables | | **38,679** | 23,706 |
| Borrowings | 8 | **315** | 862 |
| Income tax payable | | **8,211** | 4,929 |
| Provisions | | **6,628** | 6,388 |
| Deferred consideration | | **10,100** | 13,598 |
| Total current liabilities | | **276,435** | 238,359 |
| **Non-current liabilities** | | | |
| Borrowings | 8 | **121,533** | 19,528 |
| Other payables | | **1,233** | 1,285 |
| Deferred tax liabilities | | **37,428** | 25,865 |
| Deferred consideration | | **13,678** | 6,454 |
| Provisions | | **8,359** | 5,348 |
| Total non-current liabilities | | **182,231** | 58,480 |
| **Total liabilities** | | **458,666** | 296,839 |
| **Net assets** | | **535,165** | 525,038 |
| **Equity** | | | |
| Share capital | 9 | **490,760** | 488,187 |
| Treasury shares held in trust | 9 | **(2,144)** | (1,070) |
| Foreign currency translation reserve | 9 | **1,101** | 810 |
| Share based payments reserve | 9 | **2,637** | 3,187 |
| Undistributed profits reserve | 9 | **17,297** | 6,328 |
| Other reserves | 9 | **1,058** | (2,578) |
| Retained earnings | | **10,166** | 20,937 |
| Equity attributable to the owners of Steadfast Group Limited | | **520,875** | 515,801 |
| Non-controlling interests | | **14,290** | 9,237 |
| **Total equity** | | **535,165** | 525,038 |

The above consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

# Steadfast Group Limited
# Consolidated Statement of Changes in Equity
# For the half year ended 31 December 2014

| 31 Dec 2014 | Equity attributable to owners of Steadfast Group Limited | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Treasury shares held in trust $'000 | Foreign currency translation reserve $'000 | Share based payments reserve $'000 | Un-distributed profits reserve $'000 | Other reserves $'000 | Retained earnings $'000 | $'000 | $'000 |
| Balance at 1 July 2014 | **488,187** | **(1,070)** | **810** | **3,187** | **6,328** | **(2,578)** | **20,937** | **9,237** | **525,038** |
| Profit after income tax expense for the half year | - | - | - | - | - | - | **13,743** | **2,588** | **16,331** |
| Other comprehensive income for the half year, net of tax | - | - | **291** | - | - | - | - | - | **291** |
| Total comprehensive income for the half year | - | - | **291** | - | - | - | **13,743** | **2,588** | **16,622** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | |
| Shares issued for Dividend Reinvestment Plan (note 9) | **2,573** | - | - | - | - | - | - | - | **2,573** |
| Shares acquired and held in trust (note 9) | - | **(2,084)** | - | - | - | - | - | - | **(2,084)** |
| Shares allotted through Dividend Reinvestment Plan (note 9) | - | **(36)** | - | - | - | - | - | - | **(36)** |
| Shares allotted to employees under Employee Conditional Rights Scheme | - | **1,046** | - | **(1,046)** | - | - | - | - | - |
| Share based payments expense on executive shares and employee share plans | - | - | - | **496** | - | - | - | - | **496** |
| Transfer of retained earnings to profit reserve | - | - | - | - | **10,969** | - | **(10,969)** | - | - |
| Acquisition of non-controlling interests (note 10) | - | - | - | - | - | - | - | **2,060** | **2,060** |
| Disposal of part equity interests in subsidiaries without loss of control | - | - | - | - | - | **3,636** | - | **2,212** | **5,848** |
| Dividends declared and paid | - | - | - | - | - | - | **(13,545)** | **(1,807)** | **(15,352)** |
| Balance at 31 December 2014 | **490,760** | **(2,144)** | **1,101** | **2,637** | **17,297** | **1,058** | **10,166** | **14,290** | **535,165** |

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

# Steadfast Group Limited
# Consolidated Statement of Changes in Equity
# For the half year ended 31 December 2014

| 31 Dec 2013 | Equity attributable to owners of Steadfast Group Limited | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital<br>$'000 | Treasury shares held in trust<br>$'000 | Foreign currency translation reserve<br>$'000 | Share based payments reserve<br>$'000 | Other reserves<br>$'000 | Retained earnings<br>$'000 | $'000 | $'000 |
| Balance at 1 July 2013 | 317 | - | 157 | - | - | 11,195 | 713 | 12,382 |
| Profit after income tax expense for the half year | - | - | - | - | - | 8,832 | 865 | 9,697 |
| Other comprehensive income for the half year, net of tax | - | - | 595 | - | - | - | - | 595 |
| Total comprehensive income for the half year | - | - | 595 | - | - | 8,832 | 865 | 10,292 |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Contributions of equity, net of transaction costs | 486,827 | - | - | - | - | - | - | 486,827 |
| Shares acquired and held in trust | - | (1,057) | - | - | - | - | - | (1,057) |
| Share based payments expense on executive shares and employee share plans | - | - | - | 2,395 | - | - | - | 2,395 |
| Share based payments expense on share options granted | - | - | - | 365 | - | - | - | 365 |
| Put option liability on acquisition of subsidiaries | - | - | - | - | (1,062) | - | - | (1,062) |
| Acquisition of non-controlling interests | - | - | - | - | - | - | 6,857 | 6,857 |
| Disposal of part equity interests in subsidiaries without loss of control | - | - | - | - | (496) | - | 630 | 134 |
| Dividends declared and paid | - | - | - | - | - | - | (715) | (715) |
| Balance at 31 December 2013 | 487,144 | (1,057) | 752 | 2,760 | (1,558) | 20,027 | 8,350 | 516,418 |

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

**Steadfast Group Limited**
**Consolidated Statement of Cash Flows**
**For the half year ended 31 December 2014**

| | Note | 31 Dec 2014 $'000 | 31 Dec 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **163,216** | 91,013 |
| Payments to suppliers and employees, and member rebates | | **(146,549)** | (89,505) |
| Dividends received from associates and joint venture | | **9,879** | 3,510 |
| Interest received | | **2,194** | 2,225 |
| Interest and other finance costs paid | | **(1,779)** | (551) |
| Income taxes paid | | **(5,869)** | (1,793) |
| Net cash from operating activities before customer trust accounts movement | | **21,092** | 4,899 |
| Net movement in customer trust accounts (net cash receipts/payments on behalf of customers) | | **1,284** | (20,794) |
| Net cash from operating activities | 13 | **22,376** | (15,895) |
| **Cash flows from investing activities** | | | |
| Payment for acquisitions of subsidiaries and business assets, net of cash acquired and repayment of subsidiaries' loans | | **(84,902)** | (100,100) |
| Refundable payment under scheme of arrangement | | **(6,250)** | - |
| Proceeds on part disposal of investment under scheme of arrangement | | **37,041** | - |
| Payments for investments in associates and joint venture | | **(921)** | (70,435) |
| Proceeds on part disposal of investments in subsidiaries in hubbing arrangements | | **2,324** | 5,371 |
| Payments for property, plant and equipment | | **(442)** | (1,322) |
| Payments for intangible assets | | **(553)** | - |
| Net cash used in investing activities | | **(53,703)** | (166,486) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **-** | 333,703 |
| Payments of transaction costs on issue of shares | | **-** | (15,951) |
| Payments for purchase of treasury shares | | **(2,084)** | (1,057) |
| Proceeds from borrowings | | **102,005** | - |
| Repayment of borrowings | | **(547)** | (36,623) |
| Repayment of related party loans | | **897** | - |
| Repayment of non-related party loans | | **2,236** | - |
| Provision of related party loan | | **(216)** | - |
| Provision of non-related party loans | | **(1,660)** | - |
| Dividends paid to owners of Steadfast, net of dividend reinvestment plan | | **(10,973)** | (715) |
| Dividends paid to non-controlling interests | | **(1,807)** | - |
| Net cash from financing activities | | **87,851** | 279,357 |
| Net increase/(decrease) in cash and cash equivalents | | **56,524** | 96,976 |
| Cash and cash equivalents at the beginning of the financial period | | **114,576** | 11,478 |
| Cash and cash equivalents at the end of the financial period* | | **171,100** | 108,454 |
| * Balance represents: | | | |
| Cash and cash equivalents | | **54,648** | 52,151 |
| Cash held on trust | | **116,722** | 56,512 |
| Bank overdrafts | 8 | **(270)** | (209) |
| | | **171,100** | 108,454 |

The above consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

## Note 1. General information

This general purpose financial report is for the half year ended 31 December 2014 and comprises the consolidated financial statements for Steadfast Group Limited (Steadfast or the Company) and its subsidiaries, and the Group's interests in associates and a joint venture (Steadfast Group or the Group). These general purpose financial statements are presented in Australian dollars, which is Steadfast's functional and presentation currency.

The Company is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 3, 99 Bathurst Street, Sydney NSW 2000.

The principal activities during the half year of the Group were the distribution of insurance policies and related services.

This general purpose half year financial report was authorised for issue by the Board on 16 February 2015.

This report should be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcement made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Note 2. Significant accounting policies

### A. Statement of compliance

This general purpose half year financial report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the recognition and measurement requirements of other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the ASX Listing Rules.

International Financial Reporting Standards (IFRS) refer to the overall framework of standards and pronouncements approved by the International Accounting Standards Board. IFRS forms the basis of the Australian Accounting Standards. This half year financial report of the Group does not include all information required for annual financial statement presentation in accordance with IFRS.

### B. Basis of preparation of the financial report

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in the Group and are the same as those applied for the most recent annual financial report unless otherwise noted. These financial statements have been prepared under the historical cost convention, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets and financial liabilities.

#### *i. Changes in accounting polices*

The Company has adopted all of the new recognition and measurement requirements, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the year ending 30 June 2015 and thus they are also applicable for the half year ended 31 December 2014. Adoption of these standards has not had any material effect on the financial position or performance of the Group.

#### *ii. Reclassification of comparatives*

Certain prior year comparative information has been revised in this financial report to conform to the current period's presentation. The reclassifications are for improving readability of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position by providing further details/breakdown of income and assets and liabilities on the face of these two statements.

#### *iii. Rounding*

The Group is of the kind referred to in the class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investment Commission. In accordance with that class order, amounts in this financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

### iv. ***Australian Accounting Standards issued and not yet effective***

The Company has not early adopted and applied any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory for the half year ended 31 December 2014.

New, revised or amending Accounting Standards and Interpretations will be adopted by the Company in the operating year commencing 1 July after the effective date of these standards and interpretations as set out in the table below.

| Title | Description | Effective date | Operating year | Note |
|---|---|---|---|---|
| AASB 9 | Financial Instruments and the relevant amending standards | 1 January 2018 | 30 June 2019 | (i) |
| AASB 2014-3 | Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 | 30 June 2017 | (i) |
| AASB 2014-4 | Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 | 30 June 2017 | (i) |
| AASB 15 | Revenue from Contracts with Customers | 1 January 2017 | 30 June 2018 | (i) |
| AASB 2014-5 | Amendments to Australian Accounting Standards arising from AASB 15 | 1 January 2017 | 30 June 2018 | (i) |
| AASB 2014-9 | Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements | 1 January 2016 | 30 June 2017 | (i) |
| AASB 2014-10 | Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 | 30 June 2017 | (i) |
| AASB 2015-1 | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle | 1 January 2016 | 30 June 2017 | (i) |

*Table note*

(i) These changes are not expected to have a significant financial impact, if any.

## Note 3. 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 may differ from 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 half year ended 31 December 2014 and the next financial year ending 30 June 2015 are discussed below.

### A. Fair value of assets acquired

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. 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 fair value, then the amounts recognised as at the acquisition date will be retrospectively revised.

Fair value is estimated with reference to the market transactions for similar assets or discounted cash flow analysis.

### B. Deferred consideration

The Group has made a best estimate of the amount of consideration payable for the acquisitions where there is a variable purchase price (generally, a multiple of future period earnings before interest expense, tax and amortisation (EBITA)) after performing due diligence on the acquisition. Should the final EBITA vary from these estimates, the Group will be required to increase or reduce the final consideration payable and recognise the difference as expense or income.

### C. Goodwill

Goodwill is assessed annually for impairment or when there is evidence of impairment.

The recoverable amount of goodwill is estimated using discounted cash flow analysis of expected future income of the relevant cash generating unit (CGU) deducting the carrying amount of the identifiable net assets of the CGU. Key assumptions used in the calculation of recoverable amounts are the discount rates, terminal value growth rates and EBITA growth rates.

### D. Intangible assets

The carrying amounts of intangible assets with finite lives are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated on the same basis as goodwill above.

An impairment loss is recognised if the carrying amount of the intangible asset exceeds its recoverable amount.

### E. Estimation of useful lives of assets

The Group 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.

### F. Recovery of deferred tax assets

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

### G. Rebates accruals

Included in accrued expenditure is an accrual for rebates from the Group to Steadfast Network Brokers which is calculated based on a percentage of eligible income received and receivable from the Group's insurance and premium funding partners.

## Note 4. Operating segments

The Group's corporate structure includes equity investments in insurance intermediary entities (insurance broking and underwriting agencies and premium funders) and ancillary businesses. Discrete financial information about each of these entities is reported to management on a regular basis and accordingly management considers each entity to be a discrete business operation. The Company believes that all of the Group's equity investments in insurance intermediary entities exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the general insurance intermediary sector. This assessment is based on each of the business operations having similar products and services, similar types of customer, employing similar operating processes and procedures and operating within similar regulatory environments. The Group is in the business of distributing and advising on insurance products in Australia, New Zealand and Singapore.

In addition to reviewing performance based on statutory profit after tax, the Chief Operating Decision Maker (being the Managing Director & CEO) also reviews the additional performance measure, earnings before interest expense, tax, and amortisation (EBITA) broken down by consolidated entities, and associates and joint venture.

The additional performance measure, EBITA, and other related information (broken down by consolidated entities, and associates and joint venture) provided on a regular basis to the Chief Operating Decision Maker is outlined in the table below.

| | | **31 Dec 2014** | | | **31 Dec 2013** | | |
|---|---|---|---|---|---|---|---|
| | **Table note** | **Insurance intermed-iary $'000** | **Other $'000** | **Total $'000** | **Insurance intermed-iary $'000** | **Other $'000** | **Total $'000** |
| EBITA – consolidated entities | | **27,317** | **845** | **28,162** | 14,698 | 806 | 15,504 |
| Share of EBITA from associates and joint ventures (Note 11, 12) | | **9,294** | **97** | **9,391** | 11,016 | 340 | 11,356 |
| EBITA from core operations – pre-corporate expenses | | **36,611** | **942** | **37,553** | 25,715 | 1,146 | 26,860 |
| Corporate expenses | | **(3,062)** | **-** | **(3,062)** | (2,392) | - | (2,392) |
| EBITA from core operations – post-corporate expenses | | **33,549** | **942** | **34,491** | 23,322 | 1,146 | 24,468 |
| Finance costs (net of interest received on surplus cash held) | (i) | **(2,273)** | **-** | **(2,273)** | (413) | - | (413) |
| Amortisation expense | (ii) | **(6,525)** | **(193)** | **(6,718)** | (4,984) | (131) | (5,115) |
| Profit before income tax before non-trading items | | **24,751** | **749** | **25,500** | 17,925 | 1,015 | 18,940 |
| Less: non-trading items | (iii) | **(1,557)** | **-** | **(1,557)** | (3,397) | - | (3,397) |
| Profit before income tax after non-trading items | | **23,194** | **749** | **23,943** | 14,528 | 1,015 | 15,543 |
| Income tax expense | (iv) | **(7,415)** | **(197)** | **(7,612)** | (5,536) | (310) | (5,846) |
| **Net profit after income tax for the year** | | **15,779** | **552** | **16,331** | 8,992 | 705 | 9,697 |
| Non-controlling interests | | **(2,588)** | **-** | **(2,588)** | (804) | (61) | (865) |
| **Net profit after income tax attributable to owners of Steadfast Group Limited** | | **13,191** | **552** | **13,743** | 8,188 | 644 | 8,832 |
| Other comprehensive income | | **291** | **-** | **291** | 595 | - | 595 |
| Total comprehensive income after income tax attributable to owners of Steadfast Group Limited | | **13,482** | **552** | **14,034** | 8,783 | 644 | 9,427 |

**TABLE NOTE**

(i) Breakdown of finance costs net of interest received on surplus cash held are as below.

| | | | | | | |
|---|---|---|---|---|---|---|
| Finance (costs)/income – consolidated entities (net of interest received on surplus cash held) | **(1,779)** | **-** | **(1,779)** | 78 | - | 78 |
| Finance costs – associates and joint venture (Note 11, 12) | **(494)** | **-** | **(494)** | (491) | - | (491) |
| | **(2,273)** | **-** | **(2,273)** | (413) | - | (413) |

| | 31 Dec 2014 Insurance intermed-iary $'000 | Other $'000 | Total $'000 | 31 Dec 2013 Insurance intermed-iary $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| (ii) Breakdown of amortisation expenses are as below. | | | | | | |
| Amortisation expense – consolidated entities | **(4,409)** | **(156)** | **(4,565)** | (3,051) | (110) | (3,161) |
| Amortisation expense – associates and joint venture (Note 11, 12) | **(2,116)** | **(37)** | **(2,153)** | (1,933) | (21) | (1,954) |
| | **(6,525)** | **(193)** | **(6,718)** | (4,984) | (131) | (5,115) |
| (iii) Breakdown of non-trading income/(expenses) are as below. | | | | | | |
| Net (loss)/profit on changes in value of investments | **(1,351)** | **-** | **(1,351)** | 4,611 | - | 4,611 |
| Due diligence and restructure costs | **(1,273)** | **-** | **(1,273)** | (2,328) | - | (2,328) |
| Executive loans fair value adjustment | **666** | **-** | **666** | (6,015) | - | (6,015) |
| Deemed interest revenue on interest free Executive loans | **401** | **-** | **401** | 335 | - | 335 |
| | **(1,557)** | **-** | **(1,557)** | (3,397) | - | (3,397) |
| (iv) Breakdown of income tax expenses are as below. | | | | | | |
| Income tax expense – consolidated entities | **(5,402)** | **(187)** | **(5,589)** | (2,965) | (208) | (3,173) |
| Income tax expense – associates and joint venture (Note 11, 12) | **(2,013)** | **(10)** | **(2,023)** | (2,571) | (102) | (2,673) |
| | **(7,415)** | **(197)** | **(7,612)** | (5,536) | (310) | (5,846) |

## Note 5. Earnings per share

| | 31 Dec 2014 cents | 31 Dec 2013 cents |
|---|---|---|
| **A. Reporting period value** | | |
| Basic earnings per share | **2.74** | 2.08 |
| Diluted earnings per share | **2.73** | 2.07 |

| | 31 Dec 2014 $'000 | 31 Dec 2013 $'000 |
|---|---|---|
| **B. Reconciliation of earnings used in calculating earnings per shares** | | |
| Profit after income tax | **16,331** | 9,697 |
| Non-controlling interests | **(2,588)** | (865) |
| Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of basic and diluted earnings per share | **13,743** | 8,832 |

| | 31 Dec 2014 Number in '000 | 31 Dec 2013 Number in '000 |
|---|---|---|
| **C. Reconciliation of weighted average number of shares used in calculating earnings per share** | | |
| Re-weighting shares | **65,686** | 65,686 |
| Ordinary shares issued on the Company's listing on ASX | **428,385** | 350,176 |
| Executive shares | **6,900** | 8,994 |
| Ordinary shares issued for Dividend Reinvestment Plan | **1,454** | - |
| Weighted average number of ordinary shares issued | **502,425** | 424,856 |
| Weighted average number of treasury shares held in trust | **(1,110)** | (456) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **501,315** | 424,400 |
| **Weighted average number of dilutive potential ordinary shares related to** | | |
| Effect of share based payment arrangements[(a)] | **349** | 690 |
| Effect of deemed bonus shares on share options[(b)] | **948** | 1,109 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **502,612** | 426,199 |

The weighted average number of ordinary shares or dilutive potential ordinary shares is calculated by taking into account the period from the issue date of the shares to the reporting date unless otherwise stated as below.

(a) Steadfast operates share based payments arrangements (being an employee conditional rights scheme, a short term incentive plan and a long term incentive plan) where eligible employees could receive conditional rights instead of cash. One conditional right will convert to one ordinary share subject to vesting conditions being met. These share based payments arrangements are granted to employees free of costs and no consideration will be paid on conversion to Steadfast's ordinary shares. These arrangements have a dilutive effect to the basic earnings per share in the current reporting period.

(b) 3.000 million share options were issued to a key management personnel of an acquired business with an exercise price of $1 per share. Because the average share price exceeds the exercise price, 0.948 million shares are deemed to be bonus shares.

## Note 6. Dividends

### A. Dividends on ordinary shares during the half year

During the half year ended 31 December 2014, the following dividends were declared and paid by the Company:

| | Cents per share | Total amount $'000 | Payment date | Tax rate for franking credit | Percentage franked |
|---|---|---|---|---|---|
| **31 December 2014** | | | | | |
| 2014 final dividend | 2.7 | 13,545 | 8 October 2014 | 30% | 100% |

### B. Dividend reinvestment

A Dividend Reinvestment Plan (DRP) operates which allows equity holders to elect to receive their dividend entitlement in the form of the Company's ordinary shares. The price of DRP shares is the average share market price, less a discount if any (determined by the directors) calculated over the pricing period (which is at least five trading days) as determined by the directors for each dividend payment date.

### C. Dividend not recognised at reporting date

On 16 February 2015, the Board resolved to pay the following dividend. As this occurred after the reporting date, the dividends declared have not been recognised in this financial report.

| | Cents per share | Total amount $'000 | Expected payment date | Tax rate for franking credit | Percentage franked |
|---|---|---|---|---|---|
| **2015 interim dividend** | **2.0** | **10,068** | **14 April 2015** | **30%** | **100%** |

The Company's DRP will operate by issuing ordinary shares to participants by issuing new shares with an issue price per share of the average market price as defined by the DRP terms with 2.5% discount applied. The last election notice for participation in the DRP in relation to this interim dividend is 24 February 2015.

## Note 7. Intangible assets and goodwill

| | Customer relationships $'000 | Capitalised software $'000 | Other Intangible assets $'000 | Total intangible assets $'000 | Goodwill $'000 |
|---|---|---|---|---|---|
| **31 December 2014** | | | | | |
| **A. Composition** | | | | | |
| At cost | **112,097** | **1,377** | **3,659** | **117,133** | **378,573** |
| Accumulated amortisation | **(11,434)** | **(315)** | **(3)** | **(11,752)** | **-** |
| | **100,663** | **1,062** | **3,656** | **105,381** | **378,573** |
| **B. Movements (6 months)** | | | | | |
| Balance at the beginning of the financial period[(a)] | **75,964** | **642** | **-** | **76,606** | **289,162** |
| Additions | **-** | **497** | **56** | **553** | **-** |
| Additions through business combinations | **29,858** | **-** | **3,603** | **33,461** | **91,798** |
| Reduction on part disposal of subsidiaries in hubbing arrangements | **(765)** | **-** | **-** | **(765)** | **(2,387)** |
| Reversal of accumulated amortisation in hubbing arrangements | **91** | **-** | **-** | **91** | **-** |
| Amortisation expense | **(4,485)** | **(77)** | **(3)** | **(4,565)** | **-** |
| Balance at the end of the financial period | **100,663** | **1,062** | **3,656** | **105,381** | **378,573** |
| **30 June 2014** | | | | | |
| **C. Composition** | | | | | |
| At cost | 83,004 | 880 | - | 83,884 | 289,162 |
| Accumulated amortisation | (7,040) | (238) | - | (7,278) | - |
| | 75,964 | 642 | - | 76,606 | 289,162 |
| **D. Movements (12 months)** | | | | | |
| Balance at the beginning of the financial period | 7,918 | 5 | - | 7,923 | 28,131 |
| Changes in cash consideration | - | - | - | - | (601) |
| Additions | - | 241 | - | 241 | - |
| Additions through business combinations[(a)] | 79,291 | 450 | - | 79,741 | 281,980 |
| Reduction on part disposal of subsidiaries in hubbing arrangements | (4,626) | - | - | (4,626) | (20,348) |
| Reversal of accumulated amortisation in hubbing arrangements | 563 | - | - | 563 | - |
| Amortisation expense | (7,182) | (54) | - | (7,236) | - |
| Balance at the end of the financial period | 75,964 | 642 | - | 76,606 | 289,162 |

(a) The comparative information has been revised to recognise measurement period adjustments to the provisional amounts recognised on prior period business combinations.

| | 31 Dec 2014 $'000 | 30 June 2014 $'000 |
|---|---|---|

## Note 8. Borrowings

| | 31 Dec 2014 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Bank loans** | | |
| Current | **315** | 862 |
| Non-current | **121,533** | 19,528 |
| | **121,848** | 20,390 |
| **Bank facilities available** | | |
| *Bank facilities drawn down* | | |
| Bank loans | **121,848** | 20,390 |
| Lines of credit (bank overdrafts) | **270** | 654 |
| | **122,118** | 21,044 |
| *Undrawn bank facilities* | | |
| Bank loans | **16,949** | 63,610 |
| Lines of credit | **730** | 346 |
| | **17,679** | 63,956 |
| *Total bank facilities available* | | |
| Bank loans | **138,797** | 84,000 |
| Lines of credit | **1,000** | 1,000 |
| | **139,797** | 85,000 |

**A. Movement of borrowings**

The outstanding borrowings as at 31 December 2014 represent bank loans drawn down:

- $113.052 million by the Company to fund acquisition of subsidiaries; and
- by certain subsidiaries of the Group to support their operations.

**B. Bank facility details**

During the half year, the Group extended its revolving line of credit facility with Macquarie Bank Limited from $85.000 million to $130.000 million. The key terms and conditions of the bank facilities were disclosed in the annual report for the year ended 30 June 2014 and remain unchanged except for the variable interest rate. The variable interest rate ranges between BBSW plus margin of 1.30% and 1.90% per annum (depending on quantum of borrowings) and interest is payable monthly.

Subsequent to balance date a further $50.000m facility has been entered into with renegotiation by 31 December 2015.

## Note 9. Capital and reserves

### A. Share capital

| | 31 Dec 2014 Number of shares in 000's | 30 June 2014 Number of shares in 000's | 31 Dec 2014 $'000 | 30 June 2014 $'000 |
|---|---|---|---|---|
| **Reconciliation of movements** | | | | |
| Balance at the beginning of the financial period | **501,638** | 1 | **488,187** | 317 |
| Conversion to preferred capital shares | - | (1) | - | - |
| Shares issued on the Company's listing on the ASX | - | 500,971 | - | 498,944 |
| Less: Transaction costs on issue of ordinary shares, net of income tax | - | - | - | (12,077) |
| Shares issued under the Dividend Reinvestment Plan | **1,715** | 667 | **2,573** | 1,003 |
| Shares issued in capital raising | | - | | - |
| Balance at the end of the financial period | **503,353** | 501,638 | **490,760** | 488,187 |

## B. Treasury shares held in trust

| | 31 Dec 2014 Number of shares in '000 | 30 June 2014 Number of shares in '000 | 31 Dec 2014 $'000 | 30 June 2014 $'000 |
|---|---|---|---|---|
| **Reconciliation of movements** | | | | |
| Balance at the beginning of the financial period | **754** | - | **(1,070)** | - |
| Shares acquired | **1,305** | 745 | **(2,084)** | (1,057) |
| Shares allotted through Dividend Reinvestment Plan | **24** | 9 | **(36)** | (13) |
| Shares allocated to employees under Employee Conditional Rights Scheme | **(738)** | - | **1,046** | - |
| Balance at the end of the financial period | **1,345** | 754 | **(2,144)** | (1,070) |

Treasury shares are ordinary shares of Steadfast bought on market by the trustee (a wholly owned subsidiary of the Group) of an employee share plan for meeting future obligations under that plan when conditional rights vest and shares are allocated to participants.

## C. Nature and purpose of reserves

### *i. Foreign currency translation reserve*

The foreign currency translation reserve records the foreign currency differences from the translation of the financial information of foreign operations that have a functional currency other than Australian dollars.

### *ii. Share based payments reserve*

The share based payments reserve is used to recognise the fair value at grant date of equity settled share based remuneration provided to employees and a key management personnel of a subsidiary and the discount on Executive Shares.

### *iii. Other reserves*

The other reserves are used to recognise other movements in equity including the fair value of put options issued to a shareholder of a subsidiary over that subsidiary's shares and the net effect on disposal of partial equity ownership in subsidiaries without loss of control.

### *iv. Undistributed profits reserve*

The undistributed profits reserve consists of current financial period's net profit attributable to owners of the Group and any retained amount carried forward from prior periods transferred from retained earnings. This reserve will ultimately be used to pay dividends declared by the Board.

# Note 10. Business combinations

## Acquisitions for the half year ended 31 December 2014

During the half year ended 31 December 2014, the Group completed a number of acquisitions in accordance with the Group's strategy.

The following disclosures provide the provisional financial impact to the Group at the acquisition date. Only those significant acquisitions with total consideration over $20 million are disclosed separately. Other acquisitions are disclosed in aggregate.

## Acquisition of subsidiaries

The following tables provide:

- detailed information for two businesses acquired during the half year with consideration in excess of $20 million, and
- aggregated information for seven acquired businesses (Other acquisitions) where consideration was less than $20 million.

Note 10.f. contains a list of subsidiaries acquired and the respective ownership interests. The two for which consideration paid/payable exceeded $20 million are as follows;

- Six underwriting agencies acquired from Calliden Group Ltd (Calliden Group), an ASX listed general insurance company headquartered in New South Wales. The acquisition was achieved by a scheme of arrangement under which the Group acquired all the issued shares in Calliden Group and then immediately on sold the general insurance operations and two underwriting agencies to Munich Holdings of Australasia, a subsidiary of Munich Re. Amounts shown as consideration for Calliden Group is net of proceeds from the immediate on-sale of certain assets to Munich Holdings of Australasia. The net consideration consists of gross consideration of $94.074 million less contribution from Munich Holdings of Australasia of $43.291 million. The identifiable assets and liabilities acquired shown in Note 10.b. are the details relevant to the interests retained by the Group.
- Ausure Group (Ausure), an authorised representative network of insurance professionals in 150 locations across Australia.

*a. Consideration paid/payable*

| 31 December 2014 | Calliden Group $'000 | Ausure $'000 | Other acquisitions $'000 | Total $'000 |
|---|---|---|---|---|
| Cash | 50,783 | 13,265 | 16,924 | 80,972 |
| Deferred consideration[(a)] | - | 11,576 | 5,326 | 16,902 |
| Scrip for scrip[(b)] | - | - | 2,505 | 2,505 |
| Total | 50,783 | 24,841 | 24,755 | 100,379 |

(a) Pursuant to the Share and Unit Purchase Agreements, some of the consideration will be settled based on future year actual financial performance and thus was recognised as deferred consideration by the Group. The deferred consideration is estimated based on the assumption that the acquirees will meet the forecast revenue and/or earnings target. Any variation at time of settlement will be recognised in profit or loss.

(b) Some acquisitions made through existing subsidiaries of the Group have been partially completed on a scrip for scrip basis.

*b. Identifiable assets and liabilities acquired*

| 31 December 2014 | Calliden Group $'000 | Ausure $'000 | Other acquisitions $'000 | Total $'000 |
|---|---|---|---|---|
| Cash, and cash equivalents[(1)] | 12,880 | 30,464 | 4,215 | 47,559 |
| Trade and other receivables[(2)] | 31,550 | 1,783 | 1,659 | 34,992 |
| Property, plant and equipment | 5,410 | 344 | 134 | 5,888 |
| Deferred tax assets | - | 58 | 254 | 312 |
| Identifiable intangibles | 19,237 | 5,976 | 8,248 | 33,461 |
| Other assets | 1,388 | 1,831 | 55 | 3,274 |
| Trade and other payables | (44,538) | (30,108) | (3,492) | (78,138) |
| Income tax payable | (621) | (1,478) | 110 | (1,989) |
| Provisions | (3,222) | (410) | (751) | (4,383) |
| Deferred tax liabilities | (5,846) | (1,793) | (2,243) | (9,882) |
| Other liabilities | (17,169) | (1,217) | (2,067) | (20,453) |
| Total net identifiable assets/(liabilities) | (931) | 5,450 | 6,122 | 10,641 |

(1) Includes cash held on trust

(2) The trade receivables comprise contractual amounts and are expected to be fully recoverable.

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 amounts, then the acquisition accounting will be revised.

*c. Goodwill on acquisition*

| 31 December 2014 | Calliden Group $'000 | Ausure $'000 | Other acquisitions $'000 | Total $'000 |
|---|---|---|---|---|
| Total consideration paid/payable[(a)] | 50,783 | 24,841 | 24,755 | 100,379 |
| Total net identifiable (assets)/liabilities acquired | 931 | (5,450) | (6,122) | (10,641) |
| Non-controlling interests acquired[(b)] | - | 1,427 | 633 | 2,060 |
| Goodwill on acquisition[(c)] | 51,714 | 20,818 | 19,266 | 91,798 |

(a) Total consideration paid for Calliden Group is shown net of on-sale proceeds received from Munich Holdings of Australasia. As at 31 December 2014, the fair value of assets and liabilities are provisional and pending final valuation.

(b) Non-controlling interests acquired are based on the proportionate ownership interest in the total net identifiable assets recognised at the acquisition date. For the operations and business being put into a business hub, non-controlling interests represents the fair value at the hubbing date.

(c) Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired and non-controlling interests at the acquisition date. The majority of the goodwill relates to benefits from the combination of synergies as well as the acquired subsidiaries ability to generate future profits. None of the goodwill recognised is expected to be deductible for tax purposes.

*d. Financial performance of acquired subsidiaries*

The contribution for the period since acquisition by the acquired subsidiaries to the financial performance of the Group is outlined in the table below.

| 31 December 2014 | Calliden Group $'000 | Ausure $'000 | Other acquisitions $'000 | Total $'000 |
|---|---|---|---|---|
| Revenue | - | 3,410 | 3,835 | 7,245 |
| EBITA | - | 1,397 | 2,029 | 3,426 |
| Profit after income tax | - | 1,007 | 1,413 | 2,420 |

Operating results for the Calliden Group will be included from 1 January 2015. If the acquisitions of subsidiaries occurred on 1 July 2014, the Group's total revenue, EBITA and profit after income tax attributable to the owners of the Group for the half year ended 31 December 2014 would have increased by $32.369 million, $9.453 million and $5.071 million respectively.

*e. Acquisition-related costs*

The Group incurred acquisition-related costs, being external consultancy, accounting and legal fees for business interests acquired during the half year ended 31 December 2014.

The acquisition-related costs have been included in due diligence and restructure costs in the Group's consolidated statement of profit or loss and other comprehensive income.

*f. Subsidiaries acquired*

The table below outlines all the subsidiaries acquired during the half year ended 31 December 2014. There are changes in ownership of some acquired entities due to internal restructuring in the form of hubbing arrangements.

| Name of subsidiary acquired | Table note | Ownership interest as at 31 December 2014 % |
|---|---|---|
| Allied Insurance Group Limited | | 100.00 |
| Ausure Group Pty Ltd | | 73.82 |
| Ausure Pty Ltd | | 73.82 |
| Ausure Unit Trust | | 73.82 |
| Allstate Insurance Pty Ltd | | 73.82 |
| Ausure Financial Services Pty Ltd | | 65.00 |
| Calliden Group Ltd | (i) | 100.00 |
| Calliden Agency Services Ltd | (i) | 100.00 |
| Multi-Functional Policies Pty Ltd | (ii) | 75.80 |
| Steadfast Re Pty Ltd | (iii) | 50.00 |
| Actionquote Holdings Pty Ltd | | 100.00 |
| CAIP Services Pty Ltd | | 100.00 |
| Ausure Brisbane Pty Ltd | (iv) | 80.00 |
| Les Wigginton Pty Ltd | (iv) | 80.00 |

***Table note***

(i) The Group acquired Calliden Group Ltd via a scheme of arrangement under which the Group acquired all the issued shares in Calliden Group and then immediately on sold the general insurance operations and two underwriting agencies to Munich Holdings of Australasia, a subsidiary of Munich Re.

(ii) The Group increased its equity interest in Multi-Functional Policies Pty Ltd (MFP) from 49.00% to 75.80% through Brecknock Insurance Brokers Pty Ltd (Brecknock), an existing subsidiary of the Group. The 75.80% equity interest in MFP represents the Group's effective interest in MFP.

(iii) Although the Group only has 50.00% equity interest in Steadfast Re Pty Ltd (Steadfast Re), the Group has control over Steadfast Re due to the terms of the sale and purchase agreement, which give the Group the ability to direct the key financial and operating activities of Steadfast Re.

(iv) The Group acquired Ausure Brisbane Pty Ltd and Les Wigginton Pty Ltd through Regional Insurance Brokers Pty Ltd, an existing subsidiary of the Group. The 80.00% equity interest in Ausure Brisbane Pty Ltd and Les Wigginton Pty Ltd represents the Group's effective interest in Ausure Brisbane Pty Ltd and Les Wigginton Pty Ltd.

## Note 11. Investments in associates

| | 6 months 31 Dec 2014 $'000 | 12 months 30 June 2014 $'000 |
|---|---|---|
| **Reconciliation of movements** | | |
| Balance at the beginning of the financial period | **144,388** | 8,219 |
| Acquisition of associates | **2,787** | 139,251 |
| Reclassification of investment in associates to investment in subsidiaries | **(1,177)** | (9,450) |
| Reclassification of investment in a subsidiary to investment in associates due to hubbing arrangement | **-** | 46 |
| Share of EBITA from associates | **6,557** | 17,732 |
| Less share of: | | |
| Finance costs | **(377)** | (778) |
| Amortisation expense | **(1,913)** | (2,443) |
| Income tax expense | **(1,280)** | (4,372) |
| Share of associates' profit after income tax | **2,987** | 10,139 |
| Dividends received | **(6,762)** | (4,799) |
| Net foreign exchange movements | **397** | 982 |
| Balance at the end of the financial period | **142,620** | 144,388 |

## Note 12. Interest in joint venture

| | 6 months 31 Dec 2014 $'000 | 12 months 30 June 2014 $'000 |
|---|---|---|
| **Reconciliation of movements** | | |
| Balance at the beginning of the financial period | **4,425** | 3,593 |
| Share of EBITA from joint venture | **2,834** | 5,324 |
| Less share of: | | |
| Finance costs | **(117)** | (280) |
| Amortisation expense | **(240)** | (479) |
| Income tax expense | **(743)** | (1,369) |
| Share of joint venture's profit after income tax | **1,734** | 3,196 |
| Dividends received | **(3,117)** | (2,364) |
| Balance at the end of the financial period | **3,042** | 4,425 |

## Note 13. Reconciliation of profit/(loss) after income tax to net cash from operating activities

| | 31 Dec 2014 $'000 | 31 Dec 2013 $'000 |
|---|---|---|
| Profit/(loss) after income tax expense/(benefit) for the year | **16,331** | 9,697 |
| **Adjustments for** | | |
| Depreciation and amortisation and loss on disposal of property, plant and equipment | **5,710** | 4,003 |
| Share of profits of associates and joint venture | **(4,721)** | (6,238) |
| Income tax paid | **(5,869)** | (1,793) |
| Dividends received from associates and joint venture | **9,879** | 3,510 |
| (Gain)/loss on fair value of investments | **159** | (4,314) |
| Loss on settlement of deferred consideration | **1,204** | - |
| Capitalised interest income | **(694)** | - |
| Executive loans fair value adjustment | **(666)** | 3,680 |
| Share based payments and incentives accruals | **376** | 3,266 |
| **Change in operating assets and liabilities** | | |
| Change in trade and other receivables | **56,902** | 24,727 |
| Change in deferred tax assets | **(3,256)** | (7,834) |
| Change in other assets | **(1,152)** | (267) |
| Change in trade and other payables | **(39,155)** | (48,912) |
| Change in income tax payable | **6,917** | 10,001 |
| Change in deferred tax liabilities | **1,928** | 1,005 |
| Change in other liabilities | **(20,506)** | 144 |
| Change in provisions | **(1,011)** | (6,570) |
| Net cash from operating activities | **22,376** | (15,895) |

## Note 14. Related party transactions

### A. Transactions with subsidiaries

All transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

### B. Transactions with other related parties

The following transactions occurred with related parties:

| | 31 Dec 2014 $ | 31 Dec 2013 $ |
|---|---|---|
| ***i. Sale of goods and services*** | | |
| Marketing and administration fees received from associates on normal commercial terms | **85,234** | 64,639 |
| Marketing and administration fees received from joint venture on normal commercial terms | **1,748,984** | 1,491,587 |
| Commission income received/receivable from associates on normal commercial terms | **28,378** | 48,096 |
| ***ii. Interest income*** | | |
| Interest income received/receivable from joint venture | **120,505** | 219,408 |
| ***iii. Payment for goods and services*** | | |
| Estimated Steadfast Network Broker rebate expense paid or payable to associates on the basis as determined by the Board | **699,425** | 700,755 |
| Commission expense paid/payable to associates on normal commercial terms | **1,285,004** | 602,429 |
| Service fees paid to associates | **33,267** | 1,024,971 |

| | 31 Dec 2014 $ | 30 June 2014 $ |
|---|---|---|
| ***iv. Receivable from and payable to related parties*** | | |
| The following balances are outstanding at the reporting date in relation to transactions with related parties: | | |
| *a. Current receivables* | | |
| Trade receivables from associates | **2,961,848** | 4,261,029 |
| Trade receivables from joint venture | **32** | 144,863 |
| *b. Current payables* | | |
| Trade payables to associates | **29,849** | 124,964 |
| ***v. Loans to/from related parties*** | | |
| The following balances are outstanding at the reporting date in relation to loans with related parties: | | |
| *a. Current receivables* | | |
| Loan to joint venture | **603,125** | 603,125 |
| Executive loans | **310,500** | 310,500 |
| *b. Non-current receivables* | | |
| Loan to joint venture | **2,412,500** | 3,015,625 |
| Executive loans | **4,457,611** | 4,389,769 |
| Loans to associates | **521,977** | 305,000 |

## Note 15. Contingencies

### A. Contingent assets

There are no material changes in contingent assets since the end of the last annual reporting period.

### B. Contingent liabilities

***Debt guarantees provided to associates***

The Group has guaranteed loan facilities to associates which are limited to the shares held by the Group in each entity. The value of each guarantee is dependent on a valuation of the shares which support the guarantee.

***Macquarie Bank put options***

Steadfast Group Limited has granted options to Macquarie Bank Limited ("Macquarie") to put shares held by other shareholders in associates to the Group at fair value if Macquarie enforces its security over those shares. These have been granted in relation to shares held by other shareholders in associates over which Macquarie holds a security interest to secure indebtedness by those shareholders.

## Note 16. Events after the reporting period

### A. Interim dividend

On 16 February 2015, the Board declared an interim dividend of 2.0 cents per share, 100% franked. The dividend will be paid on 14 April 2015. The Company's DRP will operate by issuing new ordinary shares to participants with an issue price per share of the average market price as defined by the DRP terms with 2.5% discount applied. The last election notice for participation in the DRP in relation to this interim dividend is 24 February 2015.

### B. Acquisitions

On 16 February 2015 the Group announced the acquisition of underwriting agencies and insurance brokers for a cost of $330.000 million. The acquisitions are being funded with $30.000 million debt and $300.000 million equity raise. The acquisitions are due to settle in March 2015.

### C. Debt Funding

In February 2015 the Company signed an extension of its Corporate Debt Facility from $130.000 million to $180.000 million. The terms and conditions are identical to the $130.000 million facility except that the $50.000 million extension expires 31 December 2015.

# Steadfast Group Limited
# Directors' declaration

In the opinion of the Directors of Steadfast Group Limited:

- the financial statements and notes 1 to 15 are prepared in accordance with the requirements of the Corporations Act 2001, including:
  - giving a true and fair view of the financial position of the Group as at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
  - complying with Australian Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 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 at Sydney this 16th day of February 2015 in accordance with a resolution of the Directors.

**Frank O'Halloran, AM**
Chairman

**Robert Kelly**
Director

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

## Report on the financial report

We have reviewed the accompanying half-year financial report of Steadfast Group Limited, which comprises consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Steadfast Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Steadfast Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Andrew Dickinson
*Partner*

Sydney

16 February 2015