Steadfast Group Limited (ASX: SDF)

# Annual Report 2017

Steadfast

STRENGTH WHEN YOU NEED IT

The largest general insurance broker network and group of underwriting agencies in Australasia, with growing operations in Asia and Europe.

**Vision:**

To enhance the value of Steadfast Group aligned businesses through our combined strength, creating exceptional value for our shareholders.

**Mission:**

We aim to grow shareholder value through maintaining and growing our market position in the provision of insurance distribution and related services with a core focus on general insurance.

**Values:**

- We are united
- We achieve
- We are strong

# Our industry

Steadfast Group focuses on the intermediated general insurance market in Australasia, with growing operations in Asia and Europe. Within this market, Steadfast Group primarily focuses on small-to-medium enterprises (SMEs) which make up 87% of our clients by gross written premium.

The SME market is advice driven which means that client relationships are key to Steadfast Group.

**28%**

market share of intermediated general insurance brokers in Australia[1]

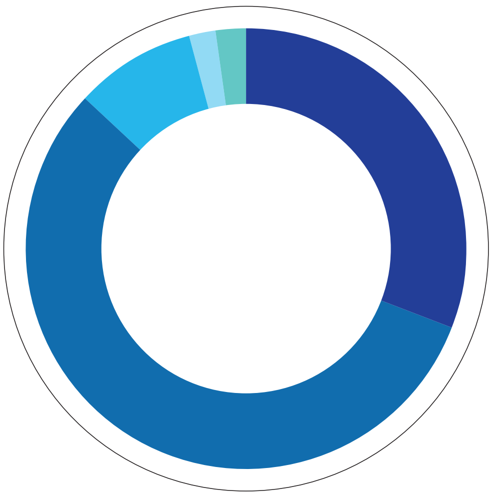
**2.3m**

policies placed in FY17

**87%**

of Steadfast Group clients are small-to-medium enterprises

### Steadfast Group client base



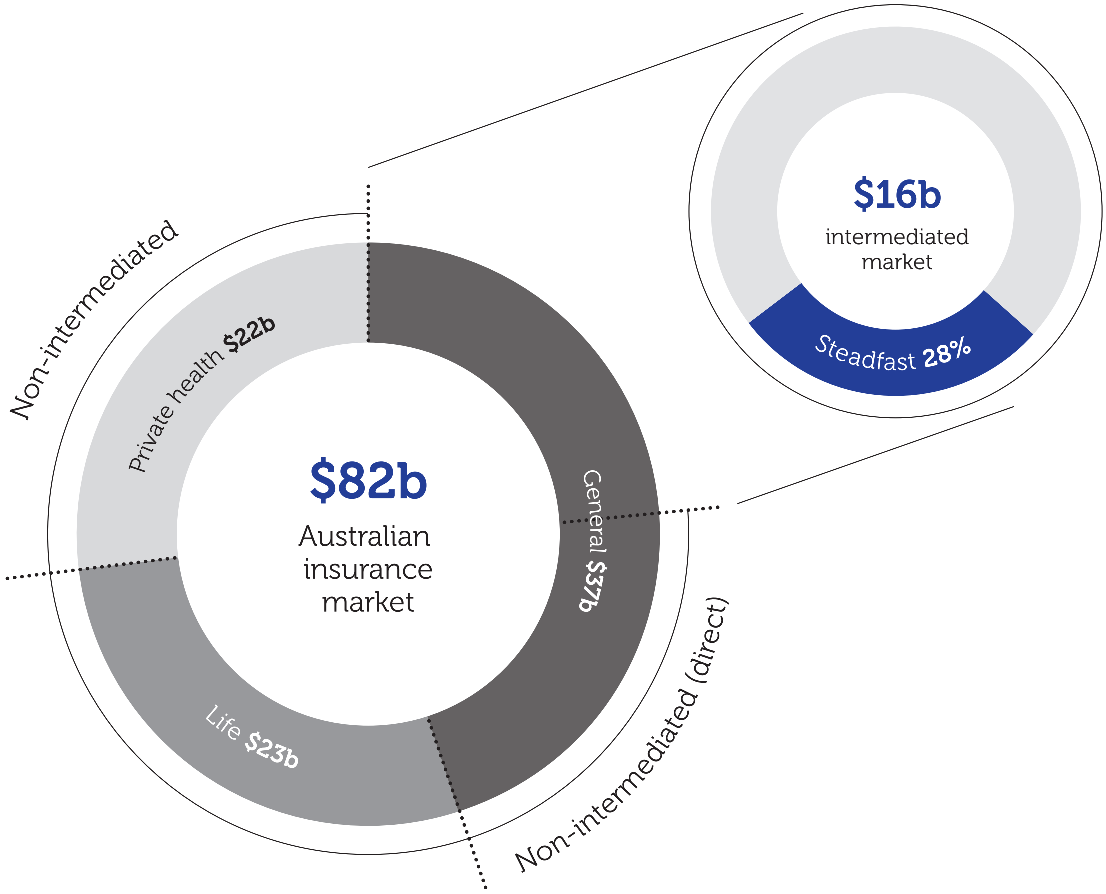
| | |
|---|---|
| Small enterprises | 56% |
| Medium enterprises | 31% |
| Retail: Home/Motor | 9% |
| Retail: Other | 2% |
| Corporate | 2% |



[1]Steadfast Group and APRA Intermediated General Insurance Performance Statistics (December 2016)

# Key market: Australian intermediated general insurance[1]

The intermediated general insurance market consists of insurance brokers and underwriting agencies. Australia is Steadfast Group's largest market, of which the Group has a 28% share, with a total $16b of gross written premium generated in 2016.




Steadfast Group does not carry underwriting risk

## What is an insurance broker?

An insurance broker is a qualified professional who advises their clients on insurance and risk management strategies. A broker acts on behalf of their client to arrange insurance most suitable to their specific circumstances and works directly with insurers to arrange cover as well as manage any claim process. They are paid a fixed or percentage-based commission and often a fee for their advice.

Steadfast Network brokers are primarily focused on the small-to-medium enterprise market where they use their experience and expertise to offer specialised advice directly to their clients.

## What is a broker network?

A collection of individual brokers who work together and pool their gross written premium under a mutual banner and obtain services which are best in class.

## What is an underwriting agency?

An underwriting agency distributes specialised products through insurance brokers (and through direct channels for personal lines business) on behalf of insurers.

Steadfast Underwriting Agencies use specialised market knowledge to offer products in niche areas through general insurance brokers, both Steadfast Network and non-Steadfast Network brokers.

[1]APRA Quarterly General Insurance Statistics (December 2016).

**Steadfast Group (listed on ASX) has three business units primarily focused on the intermediated general insurance market.**

Steadfast Group is the largest general insurance broker network and group of underwriting agencies in Australasia, with growing operations in Asia and Europe.

# Steadfast Group

# Steadfast Network

| | |
|---|---|
| 361 | general insurance brokers |
| 62 | equity holdings by Steadfast Group (all of which are in the Steadfast Network) |

The Steadfast Network is the largest general insurance broker network in Australasia. It has 361 Network brokers primarily focused on small-to-medium enterprise clients and generated $5 billion of gross written premium in FY17. The Steadfast Network was co-founded 21 years ago led by Steadfast Group Managing Director & CEO, Robert Kelly, initially with 43 brokers and has grown continually since. Steadfast Network brokers receive improved market access, exclusive products and services. Steadfast Group receives marketing and administration (M&A) fees from insurers in exchange for access to the Steadfast Network which is used to provide products and services to the Network with a portion rebated back to brokers.

Steadfast Group currently has equity holdings in 62 brokers in the Steadfast Network. Equity holdings range from 25% to 100% with Steadfast Group receiving a corresponding share of earnings from each broker. Steadfast Group will combine or 'hub' these brokers where growth opportunities, economies of scale and synergies can be obtained.

All brokers in the Network are treated equally with no preference given to those where there is a Steadfast Group equity holding.

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# Steadfast Underwriting Agencies

24 underwriting agencies

75 products offered by Steadfast Underwriting Agencies

Steadfast Underwriting Agencies is the largest group of underwriting agencies in Australasia. The 24 agencies generated $777 million of gross written premium in FY17 by offering specialised products in niche areas.

In December 2014, eight agencies were acquired from Calliden (an ASX listed company), four months later, two large, market leading agencies (UAA and CHU) were purchased from QBE to create the largest underwriting agency group in Australasia.

Steadfast Group has an equity holding in all 24 Steadfast Underwriting Agencies. Most are majority owned with Steadfast Group receiving a corresponding share of earnings. Each agency retains their individual brand to highlight their unique offering. Approximately half of gross written premium is placed outside of the Steadfast Network.

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# Complementary businesses

7 businesses supporting the Steadfast Network and Steadfast Underwriting Agencies

Mixture of wholly owned, part owned and joint venture businesses

Steadfast Group has seven complementary businesses which support the operations of the Steadfast Network and Steadfast Underwriting Agencies and provide an EBITA contribution to intermediaries and other businesses in the Group.

| | |
|---|---|
| **Steadfast Technologies**<br>Technology services (see page 17 for more detail) | **100% owned** |
| **Steadfast Business Solutions**<br>Back office service provider | **100% owned** |
| **Work Health Options**<br>Work health consultancy | **70% owned** |
| **Steadfast Re**<br>Reinsurance broker | **50% owned** |
| **Steadfast Life**<br>Specialised life insurance broker | **50% owned** |
| **Macquarie Pacific Funding**<br>Premium funding<br>(Joint venture with Macquarie) | **50% owned** |
| **Meridian Lawyers**<br>Specialised legal practice | **25% owned** |

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# Our 21 year journey

• Steadfast Group • Steadfast Network brokers
▪ Steadfast Underwriting Agencies • Complementary businesses

Steadfast was established in 1996 as a collective buying and service group for independent brokers. The Network quickly grew to become the largest general insurance broking network in Australasia. In August 2013, Steadfast listed on the ASX to raise funds to become a co-owner and consolidator of brokers, underwriting agencies and complementary businesses.

21 years on, the Group is the largest distribution channel of general insurance products across Australasia, with growing operations in Asia and Europe.

## PRE INITIAL PUBLIC OFFERING

### 1996

**43**
Steadfast Network brokers

Founded as a collective buying and service group for independent brokers in Australia

### 2005

Establishment of Miramar Underwriting Agency with a 50% ownership position

### 2007

Establishment of Macquarie Premium Funding, a 50% owned joint venture with Macquarie

## POST INITIAL PUBLIC OFFERING

### 2013

**ASX listed**
at an IPO price of $1.15 per share, raised $334 million and purchased equity interests in 59 brokers, three agencies and two complementary businesses (White Outsourcing and Meridian Lawyers)

**$3.9b**
Network broker GWP

**278**
Network brokers

**$114m**
Underwriting Agencies GWP

**5**
Underwriting Agencies

Macquarie Premium Funding merged with Pacific Premium Funding to form Macquarie Pacific Funding

## 2014

**$4.1b**
Network broker GWP

**306**
Network brokers

**$145m**
Underwriting Agencies GWP

**10**
Underwriting Agencies

- Joined the ASX 200 index
- Acquired the second largest broker network in New Zealand which was renamed Steadfast New Zealand
- Established a referring network in Asia
- Launched retail product offerings through Steadfast Direct
- Established Steadfast Life with a 50% ownership
- Established Steadfast Re, a 50% owned joint venture with the former management of the Australian & New Zealand reinsurance broking business of Beach & Associates Limited

## 2015

**$4.4b**
Network broker GWP

**304**
Network brokers

**$385m**
Underwriting Agencies GWP

**22**
Underwriting Agencies

- Established hubs in six states and merged 25 entities into eight hubs
- Purchased eight Calliden underwriting agencies
- Raised $300m in equity to fund acquisitions, primarily the CHU and UAA agencies
- Became the largest underwriting agency group in Australia
- Reached an ASX market capitalisation of

**$1b+**

## 2016

**$4.5b**
Network broker GWP

**343**
Network brokers

**$745m**
Underwriting Agencies GWP

**22**
Underwriting Agencies

**$40m**
Steadfast Direct GWP

- Developed common back office IT systems for Steadfast brokers and Agencies
- Launched the Steadfast Client Trading Platform
- Launched the Steadfast Underwriting Agencies London super binder
- Reached an ASX market capitalisation of

**$1.5b+**

## 2017

**$5.0b**
Network broker GWP

**361**
Network brokers

**$777m**
Underwriting Agencies GWP

**24**
Underwriting Agencies

**$86m**
Steadfast Direct GWP

- Launched Steadfast Network in Singapore
- Acquired equity stake in unisonBrokers and renamed unisonSteadfast
- Reached an ASX market capitalisation of

**$2.0b+**

# 2017 financial highlights

Underlying NPAT

**$66m**

up 10% year-on-year

Underlying EPS (NPAT)

**8.9cps**

up 10% year-on-year

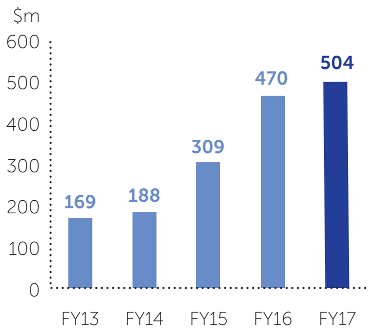
Full year dividend

**7.0cps**

up 17% year-on-year

Underlying revenue

**$504m** up 7% year-on-year

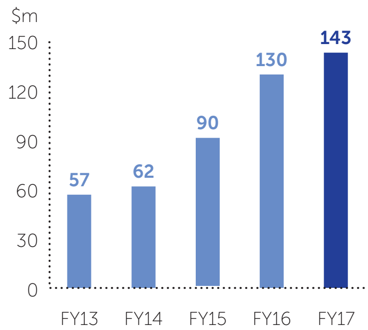



Total shareholder return since listing

**196%**[1]

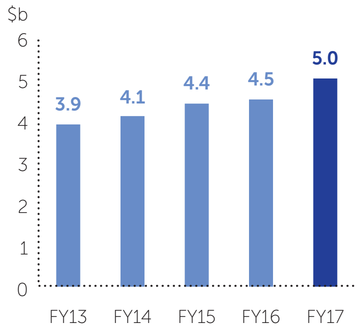
Underlying EBITA

**$143m** up 11% year-on-year



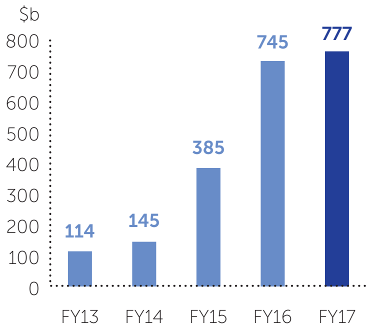

Steadfast Network GWP

**$5.0b** up 10% year-on-year




Steadfast Underwriting Agencies

**$777m** up 4% year-on-year




Total billings

**$6.5b+**

Steadfast Network brokers, Steadfast Underwriting Agencies GWP plus fees, levies, taxes

[1]Total shareholder return as at 30 June 2017 including FY17 dividend and further value to shareholders who participated in the 2015 rights issue

## Message from the Chairman

# 'Steadfast Group has delivered another strong set of financial results and continues to invest for the future.'

The Directors are pleased to report another year of strong financial and operational performance which saw 9.8% growth in underlying net profit after tax and 10.6% growth in earnings before interest, tax and amortisation (EBITA). This excellent result was driven by organic growth and margin improvement, particularly in our broker business. Importantly, the increase in profit was achieved as we continued to invest in new broker services and technology to deliver longer term value to your company (see page 17 for more detail).

### Total shareholder return and dividend

Shareholders who have been invested in Steadfast Group since our IPO in August 2013 have benefited from a 196% total return (including the final 2017 dividend). Our ASX market capitalisation reached $2 billion (as at 30 June 2017) largely driven by the growth in underlying earnings and our outlook for continued growth from the Steadfast Network.

Our strong financial performance, including record underlying net profit after tax and cash flow, has allowed the Board to declare a fully franked final dividend of 4.4 cents per share up 22% from last year. This is a total dividend of 7.0 cents per share (fully franked), growth of 17% year-on-year. The total 2017 dividend is in line with our target payout ratio of between 65% and 85% of underlying net profit after tax adjusting for non-trading items.

### Steadfast Network growth

One of our core strategies is to continue to grow the Steadfast Network by providing quality products and services to our brokers. In FY17, we were again successful in growing the Network by adding 18 new brokers across Australia, New Zealand, Asia and London (see page 20 for more detail). We also continued our successful acquisition and hubbing strategy as referred to on page 13 of this report.

### Capital management

We continue to be prudent with our capital by following a strict acquisition strategy. As at the year end, the total Group gearing ratio was 18.5% which is well below the Board mandated total gearing maximum ratio of 30%. Long term corporate debt facilities of $285 million are in place with a maturity date of August 2020, with $111 million unutilised and available for the financing of acquisitions.

### Environmental, social and governance

Steadfast Group is committed to supporting the communities in which we operate. In 2017, we donated over 1% of underlying net profit after tax to charitable causes including $350,000 to nine different organisations through the Steadfast Foundation (see page 22 for more detail). Our sustainability ambassador, Tim Jarvis AM, is sponsored by Steadfast Group for his climate change research and is engaged with Steadfast Network brokers and Steadfast Underwriting Agencies to develop practical strategies on climate change (see page 23 for more detail).

We believe our diverse workforce is a key strength of Steadfast Group with females making up 57% of all employees group-wide and 41% of management positions while 24% of our staff are from a non-English speaking background. We also see the importance of succession planning which is in place for all senior executives.

Corporate governance remains a key focus for the Board. This includes regular review of senior management and business performance against strategic objectives and oversight of risk management. Another year of strong results is testament to management performance, with no material breaches demonstrating the strong risk management framework that is in place.

### Annual General Meeting

Our Annual General Meeting will be held on Thursday 26 October 2017 in Sydney. I encourage our shareholders to attend. The senior management team, the Directors and I will be available to answer your questions on Steadfast Group's performance and future strategy.

### Thank you

I would like to extend my gratitude to all our employees who are extremely well led by Robert Kelly, Managing Director & CEO, for another year of record growth. I would also like to thank all our brokers in the Steadfast Network, our Steadfast Underwriting Agencies, our strategic partners and our clients for their commitment to the success of Steadfast Group. I am very fortunate to have the support of Robert and a small Board of Directors who are all focused on their responsibilities and commitment to increasing the wealth of our shareholders.

**Frank O'Halloran, AM**
Chairman

# Message from the Managing Director & CEO

Steadfast Group has a 28% share by broker of the near $16 billion intermediated general insurance market in Australia. We are the largest general insurance broker network and underwriting agencies group in Australasia and have achieved this by offering innovative products, services and support to attract brokers and underwriting agencies to join Steadfast.

We are proud of what we have achieved but we are not complacent and see technology as the next evolution in our service offering. Our investment in technology is culminating in the development of the Steadfast Client Trading Platform, a contestable marketplace offering Steadfast Network brokers efficient access to improved products from our insurer partners to support our Network broker's clients.

## Financial performance

We are pleased to report record earnings before interest, tax and amortisation ($143m, up 10.6%), record net profit before tax ($66m, up 9.8%) and over $6.5 billion of total network billings including $5bn of gross written premium (GWP) from the Steadfast Network.

## Steadfast Network broker growth

The Steadfast Network grew to 361 brokers in FY17, which includes nine brokers from our international expansion into Singapore, as brokers continue to be attracted to our exclusive products and services.

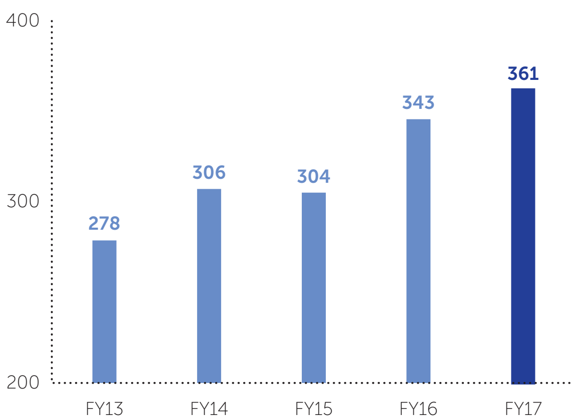
## Acquisitions

Steadfast Group had another busy year acquiring brokers. In total we acquired new equity holdings in nine brokers and increased our existing equity holdings in a further 12 brokers (see page 13 for more detail) providing 3% growth in acquisition EBITA.

## New Steadfast Underwriting Agency

Steadfast Underwriting Agencies launched a new agency in FY17, Blend Insurance Solutions, which specialises in the accident and health sector. It aligns with our strategy of focusing on niche product segments and is a joint venture with Canadian-based Fairfax Financial Holdings (see page 14 for more detail).

Number of brokers in the Steadfast Network




## Investment in technology

Over our 21 year history we have worked with our Steadfast Network brokers and Underwriting Agencies to support them in offering the best possible products and services to their clients. The next evolution is through technology where we have invested in developing our own systems which allows us to control and analyse our data to adapt to our users needs (see page 17 for more detail).

This has required significant investment over the recent years and we expect to see higher commission revenue and improved efficiency as a result. Steadfast Network brokers will have exclusive access to the Steadfast Client Trading Platform, a contestable marketplace and instant quoting system which allows them to obtain market data for their clients as efficiently as possible (see page 18 for more detail). This will allow brokers to spend more time with their clients, tailoring their cover to their personalised risk management needs and generating new business opportunities.

Importantly, the Steadfast Client Trading Platform seamlessly integrates with INSIGHT, another major technological investment. INSIGHT is a content management system which increases efficiency and reduces back office costs and is exclusively available to Steadfast Network brokers. We have received considerable demand for this new initiative from brokers and will be investing in the year ahead to integrate the system across the Network.

Our investment in the Steadfast Client Trading Platform also gives our Underwriting Agencies the ability to offer international capacity through the London super binder, via our technology platform, UnderwriterCentral, which sits alongside our local insurer partners in the contestable market available to brokers.

## International footprint

International growth of our Network is a key strategy for Steadfast Group. In recent years we have successfully replicated our model in New Zealand. In Asia, we have initially focused on the Singapore market where we have nine brokers with further applications pending. We continue to roll out products and services to our Singapore brokers as the network grows and are investigating opportunities in other Asian jurisdictions.

In June 2017 we acquired a stake in unisonBrokers (renamed unisonSteadfast) which is one of the world's largest general insurance broker networks with over 200 brokers in 130 countries and $US17 billion of GWP. In time, we will create new revenue streams by offering products and services to unisonSteadfast brokers while Steadfast Network brokers will also have the ability to offer global coverage to their clients.

## Outlook

Steadfast Group is primarily focused on the small-to-medium enterprise general insurance which is experiencing a hardening market, particularly in the June 2017 renewals period.

We expect our ongoing investment in technology to continue to deliver revenue in FY18 with a further uplift in FY19 as more Steadfast Network brokers use the Steadfast Client Trading Platform and integrate INSIGHT into their business. The resulting sales and margin growth and cost

# 'Steadfast Group has reported record results while investing for the next phase of growth.'

# $5b

Steadfast Network gross written premium

# $66m

Underlying NPAT

# 24

Steadfast Underwriting Agencies

efficiencies will benefit Steadfast Group through our equity holdings in 62 Steadfast Network brokers and continue to attract new brokers to join the Network.

Our focus on the relationship and advice driven small-to-medium enterprises market gives us a stable customer, product and geographical base. Combined with our investment in technology and international strategy, we see strong growth opportunities in FY18 and beyond.

We have given FY18 guidance of EBITA of between $155 million and $165 million and NPAT of between $70 million and $75 million. This guidance allows for:

- 5% to 7% premium price increase across brokers' portfolios
- Growth from key initiatives
- Broker-led organic growth and margin improvement
- No material acquisition growth
- Ongoing spend on new technology initiatives for future growth
- 2H 18 impact of closure of builders warranty agency

## Thank you

'None of us are as good as all of us' and 'Stronger Together' are the Steadfast Group mottos and nowhere is this better reflected than in the performance of our staff who work enthusiastically towards achieving our strategy. I would also like to thank our Board members, Steadfast Network brokers, Steadfast Underwriting Agencies and strategic partners for their contribution towards our excellent performance this year.

We have been on our journey for 21 years but there is still much more to achieve and I look forward to many more years ahead.

**Robert Kelly**
Managing Director & CEO

# Steadfast Network

The Steadfast Network has 361 general insurance brokers who receive superior market access, exclusive products and services backed by the size and scale of the Steadfast Group. Brokers in the Network have access to over 160 products and services which support their business and allow them to focus on their clients' insurance and risk management needs. Key benefits to being a Steadfast Network broker include improved policy wordings, broker services, exclusive access to Steadfast's technology (see page 17 for more detail) and triage support for challenging claims.

Steadfast Network brokers receive all of these products and services at no cost to them.

Insurer partners have access to over $5.0 billion of gross written premium from the small-to-medium enterprise market through the Steadfast Network.

## Exclusive to Steadfast Network brokers

**Scale and strength**
Size gives us strong relationships with insurer partners.

**Products and services**
Access to over 160 services supporting their business & clients.

**Technology**
Specialised technology services.

**Helplines**
Legal, contractual liability, compliance, human resources & technical.

**Steadfast triage**
Provides expert support across claims, ethics & placement.

**Training and networking events**
Market leading professional development through face-to-face & webinars.

**Erato PI program**
Professional indemnity cover for Steadfast Network brokers.

**Steadfast Direct**
Home, motor & landlord products offered to clients through Steadfast Network brokers.

**Marketing**
Sales and marketing support.

**Policy wordings**
Best in class wordings utilising broker & triage input.

**Market access**
Access to the leading insurance providers from Australia & around the world.

## Strategic partners

Over the Group's 21 year history, Steadfast Group has developed strong relationships with carefully selected insurers, underwriting agencies and premium funders to support the Steadfast Network. These relationships extend to Steadfast Network brokers providing them with an extensive marketplace of product and service providers.

### Major insurer partners

AIG, Allied World, Allianz, Chubb, CGU, iag, Lloyd's, MetLife, NZI, QBE, Vero, Zurich

### Premium funders

BOQ Finance, elantis Premium Funding, Macquarie Pacific Funding

## Equity brokers

Steadfast Group currently has equity holdings in 62 brokers, all of which are in the Steadfast Network. Steadfast Group will look to acquire an equity position in a broker based on cultural alignment, strategic rationale and financial performance. As these brokers are generally part of the Steadfast Network, they are already well known to Steadfast Group which facilitates the due diligence and acquisition process.

Steadfast Group may combine or 'hub' these brokers where growth opportunities, economies of scale and synergies can be obtained. Currently there are 11 hubs across Australia, with a total of 7 brokers being added to these hubs in FY17.

## Future activities

The Steadfast Network continually adds and improves products and services to support brokers in the Network based on broker feedback, to best serve their clients and grow their business as well as attract new brokers to join.

Technology is a key way in which we support brokers in the Steadfast Network and a major focus in the years ahead. The Steadfast Client Trading Platform will continue to roll out (see page 18 for more detail) with five major insurance classes now contracted. Although it has only been in operation for a short period, it is expected that the contestable marketplace, best-in-class policy wording, client services and improved remuneration to attract Steadfast Network brokers to use the system. The Steadfast Client Trading Platform is exclusive to Steadfast Network brokers.

The Steadfast Network is also expanding its footprint in international markets (see page 20 for more detail). The Steadfast Network model has been successfully replicated in New Zealand with 38 brokers generating gross written premium of NZ$330m. Singapore is the current focus of the Asian rollout with nine initial brokers agreeing to join the Network and five insurers agreeing to support improved policy wordings and commission rates.

In June 2017, Steadfast Group acquired a stake in unisonBrokers (renamed unisonSteadfast), a global general insurance network, which has over 200 broker members in 130 countries, generating US$17 billion of gross written premium. This is a strategic partnership and over the medium term new revenue streams will be created by using our experience to grow the products and services available on the unisonSteadfast network. Steadfast Network brokers will benefit from access to the unisonSteadfast multi-jurisdictional product offering for their clients.

# Strategy

Operate a Network that is stronger together and the network of choice for brokers

Continually enhance services that are provided to Steadfast Network brokers to meet the needs of their clients

Build and develop relationships with insurers and other strategic partners

Grow international presence

# 2017 achievements

| | |
|---|---|
| $5.0b | record gross written premium |
| 361 | brokers now in the Network up 18 from FY16 |
| 9 | new brokers in Singapore |
| US$17b | unisonSteadfast network GWP |

# Steadfast Underwriting Agencies

Steadfast Underwriting Agencies is the largest underwriting agency group in Australasia. The agencies extend our intermediated general insurance distribution capability by offering brokers, inside and outside of the Steadfast Network, specialised products and capacity in niche markets.

### Blend Insurance Solutions

Blend is the newest underwriting agency in the Steadfast Underwriting Agencies group. It was launched in May 2017 as a 50/50 joint venture with Advent, part of Fairfax Financial Holdings. Blend specialises in offering accident and health capacity to brokers and has secured renewal rights to Beazley's Australian portfolio.

### London super binder

The London super binder was launched in August 2016 creating a single binder facilitating simple access to Lloyd's of London capacity. This binder allows Lloyd's to participate in the Steadfast Client Trading Platform (see page 18 for more detail) alongside local insurer partners. In addition, the binder has the ability to offer capacity to other global jurisdictions, including New Zealand, Asia and Europe, supporting Steadfast Group's international growth strategy (see page 20 for more detail).

### Future activities

Steadfast Underwriting Agencies will continue to look for opportunities to enter new niche markets to expand its product offering. This could be in the form of an acquisition, start-up, or joint venture (similar to Blend Insurance Solutions).

Gross written premium

| | | | |
|---|---|---|---|
| 2017 | $777m | 2014 | $145m |
| 2016 | $745m | 2013 | $114m |
| 2015 | $385m | 2012 | $46m |

Each of the 24 Steadfast Underwriting Agencies preserves its brand and unique offering. Retaining individual brands is particularly important as around half of our agencies' business is placed with brokers outside of the Steadfast Network.

| | |
| --- | --- |
| A+HPRO | Personal accident, sickness and travel |
| ARGIS insurance | Complete farm package |
| Blend | Accident and health |
| calliden home | Home and contents for owner-occupied homes |
| CHU | Residential and commercial strata |
| DAWES | Specialised and exotic motorcar and motorcycle |
| EMERGENCE | Emerging risks |
| HOSTSURE Underwriting Agency | Community care, entertainment, hospitality and security |
| IUA | Business interruption focused on SMEs |
| Mansions of Australia | High-value homes |
| MECON Insurance | Building and construction industry |
| MIRAMAR | SME insurance programs |
| nminsurance | Marine and motorcycle |
| PROCOVER Underwriting Agency | Professionals including engineers, architects and doctors |
| protecsure | Specialised equipment, tradesmen, small business, and marine transit |
| PROTEUS Marine Insurance | Marine hull, cargo and transit |
| QUS simply for brokers | Property insurance |
| Residential Builders Underwriting Agency | Builders' warranty |
| Sports Underwriting Australia | Sports and leisure-related businesses |
| SPS Steadfast Placement Solutions | Hard-to-place risks, exclusive to Steadfast Network Brokers |
| STERLING Insurance | Hard-to-place and complex risks, including environmental liability |
| Trident Marine Insurance | Marine hull and other marine industry |
| UAA | Mobile plant and equipment |
| winsure Underwriting | Hospitality, leisure and entertainment sector |

## Strategy

Grow existing underwriting agencies and enter new markets

Grow international presence through the London super binder and establishment of agencies overseas

## 2017 achievements

**$777m** record gross written premium

**50/50** joint venture with Fairfax Financial Holdings to create Blend Insurance Solutions

# Complementary businesses

Steadfast Network brokers and Steadfast Underwriting Agencies benefit from the support of seven complementary businesses which are also part of the Steadfast Group.

| | | |
|---|---|---|
| Steadfast Technologies<br>**100% owned** | Technology services operation developing and administering proprietary software (see page 17 for more detail), Virtual Underwriter and INSIGHT, which power the Steadfast Client Trading Platform (see page 18 for more detail) and are exclusive to Steadfast Network brokers.<br>Steadfast Technologies also administers the UnderwriterCentral system for Steadfast Underwriting Agencies and other underwriting agencies. | Steadfast TECHNOLOGIES |
| Steadfast Business Solutions<br>**100% owned** | Back office service provider for insurance intermediaries retaining the key relevant functionality from White Outsourcing which was divested in December 2016. | Steadfast BUSINESS SOLUTIONS |
| Workplace Health Options<br>**70% owned** | Workplace health consultancy. | WHO WORK HEALTH OPTIONS |
| Steadfast Re<br>**50% owned** | Reinsurance broker specialising in treaty and facultative reinsurance, wholesale insurance solutions and analytics. | Steadfast Re Reinsurance Brokers |
| Steadfast Life<br>**50% owned** | Specialised life insurance broker allowing brokers on the Steadfast Network to offer life insurance product directly to their clients. | Steadfast Life |
| Macquarie Pacific Funding<br>**50% owned** | Joint venture with Macquarie offering premium funding facilities to clients looking to pay premiums by instalment. | MACQUARIE Macquarie Pacific Funding |
| Meridian Lawyers<br>**25% owned** | Legal practice specialising in insurance matters. | MERIDIAN LAWYERS |

# Steadfast Technologies

## Technology is a key competitive advantage for Steadfast Network brokers and Underwriting Agencies.

Steadfast provides specialised technology services to our brokers and underwriting agencies through Steadfast Technologies, a complementary business. Investment in key technology platforms enables us to access and control data which flows between clients, brokers and insurers. By analysing this data, Steadfast Network brokers and Underwriting Agencies are better able to serve their clients.

### VIRTUAL UNDERWRITER

The Steadfast Virtual Underwriter is a digital marketplace which provides Steadfast Network brokers with access to a variety of insurance products based on a single agreed question set. The system is integrated with a group of leading insurers and provides an efficient way to rapidly receive a range of insurance quotes in a single view. It displays a comprehensive, side-by-side comparison showing the differences in each insurer's terms, products and services for each quote.

The Virtual Underwriter has been seamlessly integrated with insurer and broker back office management systems, including Steadfast's INSIGHT broker platform. This eliminates costly, time consuming and error prone data re-entry into multiple systems.

#### Key advantages

- Rapidly generates and compares quotes from different insurer partners without re-keying data into multiple insurer systems
- Real-time, straight-through processing throughout the life of a policy
- Increased client insights from data analytics

### INSIGHT

INSIGHT is a broking platform with a powerful search engine which gives brokers a single view of their customers and an instant view of their business at any time. It is cloud-based, accessible from anywhere and designed as an open platform to enable connectivity to other business applications if required.

There has been strong interest from Steadfast Network brokers wanting to utilise INSIGHT to help manage their business. Steadfast Group is making a significant investment to roll out the platform as it will deliver substantial efficiencies and cost savings for brokers who will be able to remove their dependency on legacy systems.

#### Key advantages

- Controls, analyses and reports all data
- Automated data recovery and back up
- Open to interface with other business systems, accounting or other software packages
- High degree of cyber security protection

### UNDERWRITER CENTRAL

UnderwriterCentral is a cloud-based agency management system designed specifically for underwriting agencies. It is an effective, flexible and affordable software solution that allows underwriters to manage the full policy lifecycle, as well as implement underwriting rules, rating and claims management.

UnderwriterCentral is the first platform in the world to electronically interface with Lloyd's of London. This allows underwriting agencies to easily deliver data into the London market adding further efficiencies to the underwriting process.

UnderwriterCentral is available to Steadfast Underwriting Agencies and other underwriting agencies.

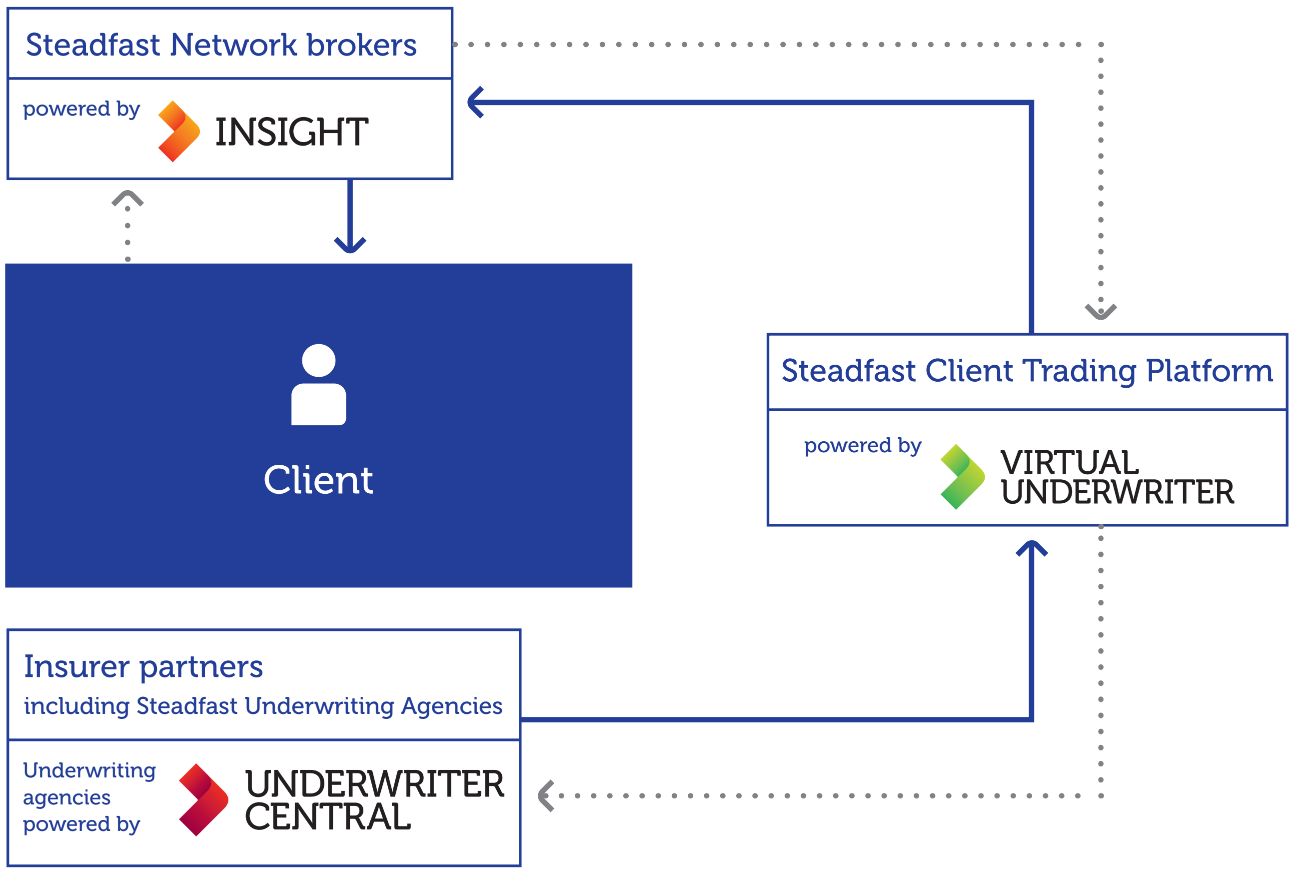
#### Key advantages

- Turnkey solution for underwriting agencies to manage clients, policies and claims
- Supports multiple, customised insurance products through its powerful configuration capability
- Built-in document management
- eCommerce portal capability

Key initiative

# The Steadfast Client Trading Platform

A contestable marketplace allowing Steadfast Network brokers and insurer partners to deliver the best value for their clients.




Insurance classes now contracted:

- Business pack
- Professional lines
- Liability
- Property
- Commercial motor

## Insurance classes

Each class of insurance has separate Steadfast Client Trading Platform (SCTP wording) tailored to that category.

## Powered by Steadfast Technologies – Virtual Underwriter and INSIGHT

The Virtual Underwriter platform provides a contestable marketplace and seamlessly integrates with INSIGHT streamlining processes and allowing data analytics.

## Insurer partners

We have worked closely with our insurer partners to allow their systems to operate seamlessly with the SCTP resulting in significant cost reductions. 13 insurer partners have agreed to join the SCTP in one or more insurance classes:

### Major Insurer Partners

AIG, Allied World, Allianz, Berkley, calibre Insurance, CHUBB, CGU, LLOYD'S, QBE, vero, ZURICH, PROCOVER, MIRAMAR

### Advantages for clients

- Market leading policy wording
- Instant policy issue
- Genuine contestable marketplace
- Triage claims service

### Advantages for Steadfast Network brokers

- Automated market access to leading policy providers
- Higher commission rates
- Complete data analytics

### Advantages for insurer partners

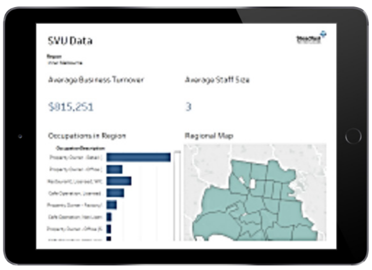
- Automated access to Steadfast Network for all policies placed on platform
- Significantly reduced technology costs

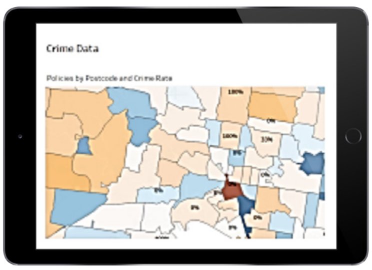
### Benefits for Steadfast Group

- Technology is a key differentiator for Steadfast Group
- Superior technology offering will attract more brokers and clients, growing the size of the Steadfast Network
- Steadfast Group will receive increased marketing and administration fees driven by growth in the gross written premium written by the Steadfast Network
- Increased commissions paid to Steadfast Network brokers using the Steadfast Client Trading Platform will benefit Steadfast Group where equity positions are held
- Use of data analytics will allow brokers to better serve their clients, offer more products and attract new clients
- Steadfast Network brokers will benefit from efficiency and cost savings from access to a contestable marketplace and INSIGHT platform

## Data analytics proposition

The transfer of data is key in the insurance industry. Owning our technology systems means that we access and control data giving Steadfast Network brokers the ability to analyse it. This gives our brokers an advantage over competitors and the ability to better serve their clients.

## Key initiative

# International footprint

Steadfast Group is successfully expanding the Steadfast Network model to international markets. Steadfast Group also acquired a stake in unisonBrokers (renamed unisonSteadfast) to further extend our international reach and facilitate access to new jurisdictions for Steadfast Network brokers.

## unisonsteadfast

In June 2017, Steadfast Group acquired a stake in unisonBrokers to increase our global presence. unisonBrokers is one of the largest global network of general insurance brokers with 200 brokers across 130 countries and US$17 billion of gross written premium generated across the network.

Following the transaction, unisonBrokers was renamed unisonSteadfast and Robert Kelly (Steadfast Group Managing Director & CEO), Samantha Hollman (Steadfast Group Chief Operating Officer) and Heinrich Eder (former Managing Director of Munich Re, Australia) joined the unisonSteadfast Supervisory Board.

This strategic partnership will provide opportunities for both parties as unisonSteadfast brokers will benefit from Steadfast Group's success in providing broker products and services, while Steadfast Network brokers will be able to leverage the multi-jurisdictional market access for their clients.

In the medium term, unisonSteadfast will develop new revenue streams by offering new products and services to brokers. Steadfast Group will also consider, in concert with unisonSteadfast, acquiring equity holdings in suitable brokers in the unisonSteadfast network.

The strategic partnership will grow the global distribution platform for both networks. Steadfast's current operations in Australia, New Zealand, Asia (except China) and London (wholesale) will continue unchanged. The rest of the world will operate as unisonSteadfast.

### Steadfast Network model replication – New Zealand and Asia

The Steadfast Network model has been successfully replicated in jurisdictions where there is a similar insurance market, strong regulatory framework and demand from brokers to join a network offering bespoke policy wordings, market competitive pricing and a range of products and services that give them a competitive edge.

When entering a new international jurisdiction, the Steadfast Network will initially build revenue streams to avoid a large capital outlay. Agreements with insurer partners create marketing and administration (M&A) fees ensuring that the initial roll out can be cost neutral, with additional products and services made available to each jurisdiction as demand grows.

### Benefits for Steadfast Group

International growth strategy is low risk, capital light and revenue-led

Diversify market presence beyond Australia and New Zealand

unisonSteadfast creates the ability to offer multi-jurisdictional coverage for Steadfast Network and Underwriting Agency clients


1

## New Zealand

New Zealand is the first international market where the Steadfast Network model was successfully replicated with 38 brokers joining the Network in the three years since launch. Steadfast Network brokers in New Zealand generated gross written premium of NZ$330m (+7%) in FY17 and Steadfast Group has acquired an equity holding in three brokers.

Steadfast Underwriting Agencies also have a strong presence in New Zealand, with 5 agencies present to support the Steadfast Network and other brokers located there.

2

## Asia

Asia presented another opportunity to replicate the Steadfast Network model, with the rollout currently focused on Singapore. During FY17, nine selected brokers joined the Steadfast Network in Singapore. Significant progress has been made in building revenue streams with five insurer partners agreeing to support M&A fees allowing brokers in the Network to benefit from improved policy wordings and the development of products and services.

3

## London

Our London presence gives access to London and European insurance and reinsurance markets for Steadfast Underwriting Agencies and Steadfast Network brokers. We will continue to extend our European presence as the London super binder continues to grow through the unisonSteadfast Network.

# Environmental, social and governance

Steadfast Group is committed to supporting our community, promoting workforce diversity and strong governance practices.

**>1%**

of Steadfast Group underlying net profit after tax donated to charitable causes in FY17

**$1.4m**

raised by Steadfast Foundation since inception in 2011


## Philanthropy

Steadfast Group actively supports the communities in which we live and work, donating over 1% of underlying net profit after tax to charitable causes in FY17.

## Steadfast Foundation

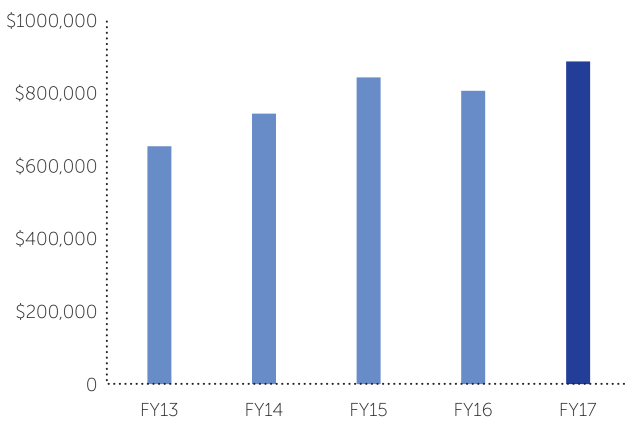
The Steadfast Foundation was created in 2011 and has donated a total of $1.4 million since inception. In FY17 donations were made to charitable causes including:

Assistance Dogs Australia
breast cancer care wa
Children's Cancer Institute
Donor Mate
Make-A-Wish Australia
Prostate Cancer Foundation of Australia

## Steadfast Convention gala dinner fundraise

Attendees at the gala dinner, held on the final night of the Steadfast Convention in April 2017, raised over $220,000 for KidsXpress, this year's chosen charity. KidsXpress supports children who are facing emotional trauma by offering counselling and the opportunity to express themselves creatively.

Steadfast Group - annual donations



## Supporting our community

Steadfast Group is committed to supporting the communities in which we operate. For example, Steadfast Network brokers support those affected by a catastrophe to manage the claims process and receive their entitlements regardless of whether they bought their insurance through a Steadfast Network broker or not. For example, following the catastrophic bushfires in the Blue Mountains and Victoria, the Steadfast Network ran radio and print advertising to offer support to those affected.

**Steadfast Bushfire Insurance Claims Helpline**

Steadfast is Australia's largest network of insurance brokers. We have built genuine relationships with our Insurance Partners and are not exclusively aligned with any particular insurer. Steadfast Brokers work on behalf of the customer to assist in making a claim.

Steadfast understands the confusion and uncertainty you might be feeling as you try to navigate the best way forward following the bushfire damage to your homes, property and business.

We have set up a Steadfast Bushfire Insurance Claims Helpline to assist those who don't know where to begin.

**If you know who your insurance is with:**

- Your first step is to contact your broker who will need to report your claim to the insurer as soon as possible
- If you do not have a broker then you need to contact your insurer directly

**If you find yourself in any of the situations described below:**

- You are insured but not sure who your insurance provider is
- You are not sure if you are covered and are in need of advice and assistance
- You are not satisfied with the claims process
- You think you need legal help with a claim
- You just need someone to talk to for general insurance or claims information

**We will assist at no charge and direct you to the relevant channel for free professional advice*.**

**To contact Steadfast for assistance:**
Go to **www.steadfast.com.au** and submit your details via our online form
Or please call us on **1800 080 989**

* This service is not a substitute for professional legal advice. Professional advice should be sought before any action is taken about an insurance claim. Any advice provided by or on behalf of Steadfast may have been prepared without taking into account your personal circumstances, objectives or needs. You should consider the appropriateness of the advice, taking these matters into account, before you act on any advice. Steadfast reserves the right to refuse or withdraw assistance under the hotline or to cease to provide these services, in its absolute discretion, at any time, and without notice.

Steadfast
STRENGTH WHEN YOU NEED IT

Our training teams hold regular personal development sessions for Steadfast Network brokers to keep them appraised of the latest developments in areas such as climate change and cyber security so that they can best support their clients and the community to manage their risk.

# 41%

of management positions held by females

# 47%

of head office employees born outside Australia

## Sustainability Ambassador – Tim Jarvis

As part of Steadfast Group's social awareness and desire to make a positive contribution to environmental issues, we have engaged Tim Jarvis AM as our sustainability ambassador. Tim is an environmental scientist, polar explorer, speaker, author and filmmaker. He is working with Steadfast Group on practical solutions that promote a roadmap for change on environmental issues including climate change, reducing carbon footprint and embedding awareness of environmental issues into decision making.

Through his ambassador role with Steadfast Group, Tim engaged with a number of brokers and their clients to address climate change and respond to the economic and moral challenges.

## Know Risk

Steadfast Group contributes $100,000 per annum to Know Risk, a program designed to educate the community about insurance and risk through interactive content. It offers web based videos and tools as well as mobile applications and is administered by the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

## Workforce diversity

Steadfast Group sees a diverse workforce as a key strength of the organisation. There is a focus on hiring and promoting talent from diverse backgrounds and fostering equal opportunity. In terms of gender diversity, 41% of management positions are held by females while 47% of employees in our head office are female and 57% Group wide. In addition, Steadfast Group has continued sponsorship of the "Head over Heels" initiative aimed at increasing the representation of female entrepreneurs and leaders by contributing $150,000 to the organisation over the past three years. Steadfast Group also participates in the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) women's forum which is focused on promoting gender awareness initiatives across the insurance industry.

Steadfast Group also fosters an ethnically diverse workforce with 47% of the head office workforce born outside Australia and 24% from non-English speaking backgrounds.

## Governance

Steadfast Group has a comprehensive risk management and corporate governance framework. The Board regularly reviews business and management performance and is pleased to note that no material breaches were reported in FY17. For more information on our risk management and governance polices, please refer to our investor website.

# Supporting our people

We support our people to allow them to best serve our clients and our community.

## Supporting our Network brokers

### Steadfast Convention

The Steadfast Convention is the premier event for Steadfast Network brokers, Underwriting Agencies and strategic partners. It is held in April in a different city each year and offers the opportunity for professional development and networking. In 2017, the 19th Steadfast Convention was held at the International Convention Centre in Sydney with a record attendance of over 2,300 brokers and 100 exhibitors including the major insurers, underwriting agencies and support services. There were 24 sessions from industry experts and a central 'expo' where attendees could network and interact.

### Town hall meetings

Town hall meetings are held three times a year in cities all across Australia and are an important communication channel between Steadfast Network brokers and Steadfast Group. Led by Robert Kelly, Steadfast Group Managing Director and CEO, members of senior management meet with brokers to give an update on Steadfast Network projects and initiatives. It is also an opportunity for brokers to give feedback to senior management on Steadfast Network products and services as well as issues affecting their clients.

### Professional development days

Steadfast Group holds professional development days covering relevant topics for Steadfast Network brokers. In FY17, there were four roadshows to 11 towns and cities across Australia with over 4,000 broker attendees. Recent topics include business interruption, industrial special risks, liability and professional indemnity.

**2,300+**

Steadfast convention attendees

**4,000+**

brokers attended professional development days in FY17.

**1,000+**

hours of face-to-face training delivered to our staff members

## Supporting our staff

### Creating a positive culture

Steadfast Group is committed to maintaining and enhancing a positive culture that drives company performance. We have a clear set of company values which are embedded in the business and incorporated into all we do. An annual employee engagement survey is conducted which is embedded with a continuous improvement methodology. Despite our rapid growth, our Group-wide engagement score has been successfully maintained at 68% for three years running. This is 8% above the Australian industry norm and puts us in the high-performing engagement zone.

### Developing our people

Steadfast Group runs the College of Leadership, offering our current and future leaders the opportunity to develop while exposing them to forward-thinking, relevant and practical leadership methodologies and applications. In addition our people partake in annual development planning to ensure continued technical and non-technical development with over 1,000 hours of face-to-face and 2,000 hours of online training undertaken in the last year.

### Volunteering

We have a volunteer programme which offers each staff member a volunteer day each year to spend with the charities supported by the Steadfast Foundation (see page 22 for more detail). We have arranged to support eight organisations as part of our volunteer programme in the coming year.

# Board of Directors

### Frank O'Halloran, AM
**Non-Executive Chairman (independent)**

Frank had over 35 years' experience at QBE where he was Group CEO from 1998 until 2012. He also worked with Coopers & Lybrand for 13 years where he started his career as a Chartered Accountant. Frank was President of the ICA from 1999 to 2000 and was inducted into the International Insurance Hall of Fame in 2010. He is the Chairman of The Salvation Army Territorial Appeal and Fund Development Committee.

### Robert Kelly
**Managing Director & CEO**

Robert co-founded Steadfast and has over 45 years' experience in the insurance industry. He is ranked the second most influential person in insurance by *Insurance News,* and was awarded the ACORD Rainmaker Award in 2014. Robert is a Qualified Practising Insurance Broker, a Fellow of NIBA, a Senior Associate of ANZIIF, a Certified Insurance Professional and a Graduate member of the Australian Institute of Company Directors.

### David Liddy, AM
**Non-Executive Director (independent)**

David has 44 years' experience in banking, including postings in London and Hong Kong. He was Managing Director of Bank of Queensland from 2001 to 2011. David is a Director of Emerchants Limited. He is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

### Anne O'Driscoll
**Non-Executive Director (independent)**

Anne has over 30 years of business experience. A Chartered Accountant since 1984, she was CFO of Genworth Australia from 2009 to 2012 following more than 13 years with IAG. Anne is member of the Board of Infomedia Limited, Commonwealth Bank's insurance subsidiaries (CommInsure) and MDA National Insurance Pty Ltd. She is a Fellow of ANZIIF, a Graduate member of the Australian Institute of Company Directors and a graduate of Harvard's Advanced Management Program.

### Philip Purcell
**Non-Executive Director (independent)**

Philip has 43 years' experience in the insurance and legal industries. He has been a partner at Dunhill Madden Butler, PricewaterhouseCoopers Legal and Ebsworth & Ebsworth, and has held two Board positions with GE in Australia. Philip is a consultant to Norton Rose Fulbright, a leading global legal practice, and also assists clients who are engaged in commercial transactions or mediation of commercial disputes.

### Greg Rynenberg
**Non-Executive Director (independent)**

Greg has 40 years of experience in the insurance broking industry with 32 years spent running his own business, East West Group. East West Group is a Steadfast Network Broker not owned by Steadfast. Greg is a Qualified Practising Insurance Broker, Fellow of NIBA and an Associate of ANZIIF. He holds an Advanced Diploma in Financial Services (General Insurance Broking) and was named NIBA Queensland Broker for 2014.

# Senior Management Team

### Robert Kelly
**Managing Director & CEO**

Robert co-founded Steadfast and has over 45 years' experience in the insurance industry. He is ranked the second most influential person in insurance by *Insurance News,* and was awarded the ACORD Rainmaker Award in 2014. Robert is a Qualified Practising Insurance Broker, a Fellow of NIBA, a Senior Associate of ANZIIF, a Certified Insurance Professional and a Graduate member of the Australian Institute of Company Directors.

### Stephen Humphrys
**Chief Financial Officer**

Stephen joined Steadfast in 2013 and has over 30 years' experience as a Chartered Accountant and extensive experience in acquisitions and integrations. As Managing Director of Moore Stephens Sydney for 10 years and Chairman of Moore Stephens Australasia for three, Stephen played a key role in placing Moore Stephens into the top 10 accounting firms in Australia. Stephen is a Fellow of the Institute of Chartered Accountants.

### Samantha Hollman
**Chief Operating Officer**

Samantha has 23 years' experience in the insurance industry including 17 years at Steadfast. She was promoted to COO in September 2016 to direct and manage operational activities of the organisation to ensure the implementation of the overall strategy. Samantha works closely with the Managing Director & CEO and the Board to implement strategic initiatives for the Group on a national and international level. Samantha sits on the unisonSteadfast Supervisory Board.

### Simon Lightbody
**Chief Executive Officer of Steadfast Underwriting Agencies**

Simon has worked in the insurance industry for 25 years in both the UK (at Lloyd's of London) and Australia, including nine years within his own business, Miramar Underwriting Agency (Miramar). Steadfast entered into the underwriting agency market in 2005 as a 50% joint venture partner of Miramar and acquired the remaining balance in August 2013.

### Allan Reynolds
**Executive General Manager Direct, New Zealand & Singapore**

Allan joined Steadfast in 2002, and in April 2015 took on the Direct, New Zealand & Singapore portfolios. With a background in product development and distribution, corporate strategy and portfolio management, Allan has more than 40 years of industry experience in general insurance broking. He holds a Diploma of Business Studies (Insurance), is a Certified Insurance Professional and is a Fellow, honorary member and Chairman of ANZIIF.

### Nick Cook
**Executive General Manager Partner & Broker Services**

Nick, who joined Steadfast in February 2015, had over 12 years' experience at Zurich Financial Services, including three as the Head of Customer & Proposition Development (where he was responsible for the performance of Zurich products & propositions in the marketplace) and nine years as a distribution manager. He is an Associate ANZIIF member and has graduated from both the AGSM Leadership Program and the Prosci Organizational Change Management Program.

Adrian Humphreys
**Executive General Manager Business Development**

Adrian joined Steadfast in January 2015 in a new role to help brokers grow their business. He was previously Managing Director of Lloyd's Australia where he grew the business by 84% to over $2 billion in under five years while increasing the number of agencies. Adrian has over 10 years' experience in insurance, working for both Lloyd's of London and Aon. Prior to insurance, he worked at KPMG Financial Services.

Peter Roberts
**Executive General Manager Business Solutions**

Peter joined Steadfast in 2013 and focuses on back office outsourcing opportunities for the Group. He was also Managing Director of White Outsourcing until stepping down on 30 June 2016 to concentrate on his role at Steadfast Business Solutions. Peter has over 25 years' experience in accounting and back office services to the financial services sector, is a member of the Institute of Chartered Accountants, and commenced his career in accounting with KPMG.

Duncan Ramsay
**General Counsel**

Duncan began with Steadfast in June 2014 after 20 years at QBE. He was Group General Counsel and Company Secretary at QBE. He was also a director or secretary of a number of QBE-controlled entities in Australia. Duncan's career commenced in 1986 with Freehills in Sydney. He holds degrees in commerce and law, a graduate certificate in applied risk management and is a Fellow of ANZIIF and the Governance Institute of Australia.

Linda Ellis
**Group Company Secretary & Corporate Counsel**

Linda joined Steadfast in 2013. She has over 15 years' experience as a lawyer in Sydney and London, including at King & Wood Mallesons, Atanaskovic Hartnell and Clifford Chance. Linda has diverse experience in capital markets, corporate and commercial law, and corporate governance. She is a Graduate member of the Australian Institute of Company Directors, holds a BEC and LLB (Hons 1) and is on the Board of Mosman Church of England Preparatory School.

# 'Steadfast Group has again delivered record underlying earnings and dividends for shareholders.'

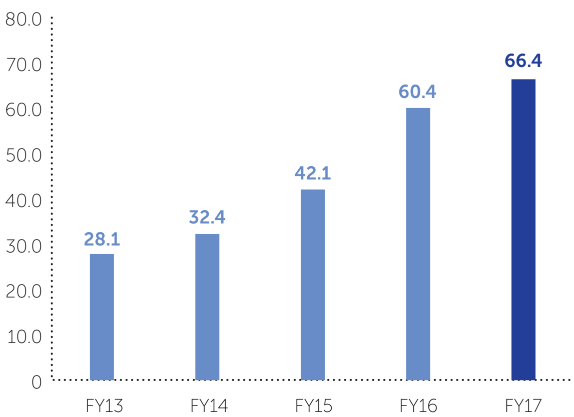
**10.6%**

underlying EBITA growth

**9.8%**

underlying NPAT growth

**Underlying net profit after tax ($m)**




Steadfast Group produced strong underlying FY17 earnings growth while continuing to invest for the future. We delivered record results including growth in underlying earnings before interest, tax and amortisation (EBITA) of 10.6% and growth in underlying net profit after tax (NPAT) attributable to shareholders of 9.8%. This was driven by record fees and commissions from our equity positions in insurance brokers and underwriting agencies as well as record marketing and administration (M&A) fees for the Steadfast Network.

Our conversion of profits into cash continues to be high at 98% of underlying cash profits.

**Reconciliation of statutory and underlying earnings**

| Year ended 30 June, $million | 2017 | 2016 |
|---|---|---|
| Revenue | **504.1** | 470.2 |
| Underlying EBITA | **143.3** | 129.6 |
| Underlying NPAT | **66.4** | 60.4 |
| Underlying NPATA | **87.2** | 82.0 |
| Underlying EPS (NPAT) | **8.87** | 8.09 |
| Underlying EPS (NPATA) | **11.65** | 11.00 |
| **Reconciliation of earnings:** | | |
| Statutory comprehensive income after tax | **66.8** | 73.4 |
| Change in value and sale of investments | **(2.9)** | (2.2) |
| Share based payment expense on share options and executive loans and shares | **(0.4)** | (0.4) |
| Deferred acquisition adjustments | **(4.2)** | (23.9) |
| Non-recurring impairments and fair value adjustments | **7.1** | 13.5 |
| Underlying NPAT | **66.4** | 60.4 |
| **Underlying NPAT growth** | **9.8%** | |
| Amortisation | **20.8** | 21.6 |
| Underlying NPATA[1] | **87.2** | 82.0 |
| **Underlying NPATA growth** | **6.4%** | |

## Investing for future growth

Steadfast Group is investing in key projects including rolling out our technology to Steadfast Network brokers and Underwriting Agencies to drive future growth (see page 17 for more detail). We invested in new technology initiatives in FY17 and will continue to do so in FY18 to deliver benefits to shareholders in FY19 and beyond.

We also invested in growing our future fees and commissions revenue streams by investing a total of $45m on building equity stakes in our brokers and Underwriting Agencies. In FY17, our equity holdings contributed 94% of our total EBITA (pre Corporate Office).

## EBITA contribution

Our growth in earnings resulted from both organic growth as well as acquisition growth. Our equity brokers (53% of total underlying EBITA) delivered revenue growth as well as higher margins. Our agencies (41% of total underlying EBITA) also delivered strong underlying results despite lower profit shares that are typical of softer insurance market conditions. We also delivered earnings growth from our new acquisitions, which more than countered the loss of earnings resulting from the divestment of certain non-core assets, including White Outsourcing.

[1]Calculated on same basis since IPO

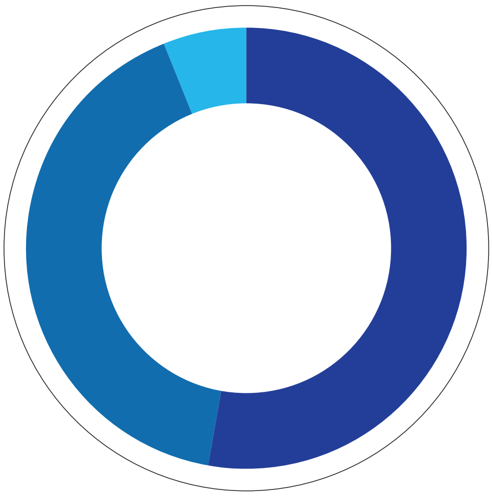
# 98%

of NPATA converted into cash

# $111m

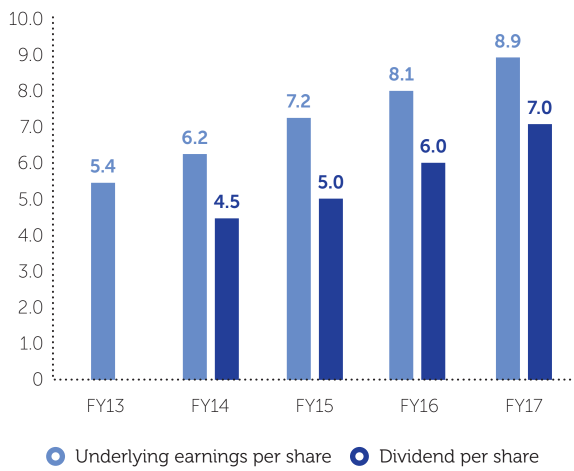
debt facilities to fund growth

**FY17 underlying EBITA mix**



| | |
|---|---|
| Investments in Steadfast equity brokers | 53% |
| Investments in Steadfast Underwriting Agencies | 41% |
| Earnings from other businesses | 6% |

**Earnings per share and dividend growth (cents per share)**




## Strong balance sheet

Our balance sheet remains strong and well positioned for future acquisition growth. Our total Group gearing was 18.5% against a Board approved maximum gearing ratio of 30%. We have over $111m available in our debt facilities to fund corporate activities including future acquisitions. Our three year facility was extended in August 2017 by a further one year, meaning all our corporate debt facilities have a maturity date of August 2020.

## Dividends up 17% Year on Year

We announced a fully franked, final dividend of 4.4 cents per share payable on 13 October 2017. This brings our total dividend to 7 cents per share, a record high. This is a 17% increase on the FY16 total dividend and in line with our target payout ratio of 65% to 85% of underlying net profit after tax (after adjusting for non-trading items).

## Robust risk management

We have implemented numerous internal controls across our business and continue to make progress on the centralisation of many back office functions. In addition, we have a robust internal audit program which has now reviewed the financial, operational and compliance procedures for the vast majority of our businesses.

## Thank you

Again, I thank all those staff who contribute to our financial reporting and analysis, who provide quality and timely data to all our stakeholders, allowing them to effect informed and timely decisions.

**Stephen Humphrys**
Chief Financial Officer

# 2017 Financial Report

# Directors' Report

The Directors present their report together with the consolidated financial statements of Steadfast Group Limited (Steadfast or the Company), its subsidiaries and interests in associates and joint ventures (collectively Steadfast Group or the Group) for the financial year ended 30 June 2017 (FY17) and the auditor's report thereon.

## DIRECTORS

The Directors of the Company at any time during or since the end of the financial 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, AM | 1 January 2013 |
| Anne O'Driscoll | 1 July 2013 |
| Philip Purcell | 1 February 2013 |
| Greg Rynenberg | 10 August 1998 |

### DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the Directors in the three years preceding the end of the financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| Frank O'Halloran, AM | SubZero Group Limited | December 2013 to June 2016 |
| Robert Kelly | None | |
| David Liddy, AM | Collection House Limited | March 2012 to November 2016 |
| | Emerchants Limited | Since April 2012 |
| Anne O'Driscoll | Infomedia Limited | Since December 2014 |
| Philip Purcell | None | |
| Greg Rynenberg | None | |

Particulars of the Directors' qualifications and experience are set out under Board of Directors on page 25.

## COMPANY SECRETARIES

### LINDA ELLIS, BEC, LLB (HONS 1), GAICD

Linda Ellis joined the Company in June 2013 as Group Company Secretary & Corporate Counsel. Linda is a lawyer with over 15 years' experience. Further details of Linda's experience are set out under Senior Management Team on page 27.

### PETER ROBERTS, BBUS, CA

Peter Roberts was appointed Company Secretary in May 2013 and has over 25 years' experience in the fields of chartered accountancy and specialises in back-office services to the financial services sector. Peter is also Executive General Manager – Business Solutions. Further details of Peter's experience are set out under Senior Management Team on page 27.

## DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were as follows:

| Director | Board | | Audit & Risk Committee | | Nomination Committee | | Remuneration & Succession Planning Committee | |
|---|---|---|---|---|---|---|---|---|
| Total number of meetings held | | 6 | | 4 | | 3 | | 4 |
| | Eligible to attend as a member | Attended as a member | Eligible to attend as a member | Attended as a member | Eligible to attend as a member | Attended as a member | Eligible to attend as a member | Attended as a member |
| Frank O'Halloran, AM | 6 | 6 | 4 | 4 | 3 | 3 | 4 | 4 |
| Robert Kelly | 6 | 6 | 4 | 4 | 3 | 3 | 4 | 4 |
| David Liddy, AM | 6 | 5 | 4 | 4 | 3 | 3 | 4 | 4 |
| Anne O'Driscoll | 6 | 6 | 4 | 4 | 3 | 3 | 4 | 4 |
| Philip Purcell | 6 | 6 | 4 | 4 | 3 | 3 | 4 | 4 |
| Greg Rynenberg | 6 | 6 | 4 | 4 | 3 | 3 | 4 | 4 |

Particular details of the responsibilities of the members of the Board and the various committees are set out in the Corporate Governance Statement lodged with the Australian Securities Exchange (ASX) on the same date as this report, and are available in the corporate governance section of the Steadfast Investor website (http://investor.steadfast.com.au/).

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the provision of services to Steadfast Network brokers, the distribution of insurance policies via insurance brokerages and underwriting agencies, and related services.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group. The Group continued to acquire insurance intermediaries during the year.

## OPERATING AND FINANCIAL REVIEW

### A. OPERATING RESULTS FOR THE YEAR

The trading results for the year are summarised as follows (refer Note 4):

| | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|
| Revenue – consolidated entities | 392,159 | 358,483 |
| Expenses – consolidated entities | (272,816) | (249,075) |
| EBITA* – consolidated entities | 119,343 | 109,408 |
| Share of EBITA from associates and joint ventures | 24,006 | 20,683 |
| EBITA from core operations | 143,349 | 130,091 |
| Finance costs | (9,697) | (9,187) |
| Amortisation expense | (23,683) | (24,164) |
| Profit before income tax before non-trading items | 109,969 | 96,740 |
| Income tax expense on profit before non-trading items | (31,628) | (28,774) |
| **Profit after income tax before non-trading items** | 78,341 | 67,966 |
| Non-trading items: | | |
| Income | 8,205 | 27,173 |
| Expenses | (7,411) | (18,572) |
| Income tax benefit/(expense) on non-trading items | (948) | 4,551 |
| **Net profit after income tax for the year** | 78,187 | 81,118 |
| Non-controlling interests (NCI) in profit after tax before non-trading items | (11,949) | (7,519) |
| NCI in non-trading items: | | |
| Profit before income tax | 769 | (171) |
| Income tax benefit/(expense) on non-trading items | (215) | 52 |
| **Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT)** | 66,792 | 73,480 |
| Other comprehensive income attributable to owners of Steadfast Group Limited | (214) | (59) |
| Total comprehensive income after income tax attributable to owners of Steadfast Group Limited | 66,578 | 73,421 |

* EBITA refers to earnings before interest expense, tax and amortisation of acquired intangible assets.

The increase in profit after income tax before non-trading items was mainly due to:

- revenue growth derived by the existing businesses;
- efficiency gains extracted by these businesses;
- increased marketing and administration fee revenue in Australia and New Zealand; and
- acquisitions of interests in further businesses.

This additional profit was partially offset by:

- increased expenditure on technology;
- divestment of businesses including White Outsourcing Pty Ltd; and
- higher income tax expense.

There was a reduction in non-trading net gains during the year. Included in non-trading net gains are:

- profit on sale of investments;
- income reported from downwards revised estimates of deferred acquisition payments where earnout arrangements existed (this was more significant in the 2016 financial year); and
- impairment of certain intangible assets mainly relating to the Calliden acquisition in the 2015 financial year as a result of the impact of the impending closure of the builders warranty agency.

Refer Note 4 for further details.

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

## B. REVIEW OF FINANCIAL CONDITION

### I. Financial position

The total assets of the Group as at 30 June 2017 were $1,800.027 million compared to $1,712.498 million as at 30 June 2016. The increase was mainly attributable to the addition of assets from acquired businesses throughout the year as detailed in Note 10 to the financial statements.

Total liabilities of the Group as at 30 June 2017 were $886.859 million compared to $814.357 million as at 30 June 2016. The increase was mainly attributable to the assumption of liabilities in the books of the newly acquired businesses.

The increase in the Group's equity from $898.141 million at 30 June 2016 to $913.168 million at 30 June 2017 largely reflects retention of profits.

The Group has a multibank syndicated facility that will allow the Group to borrow up to $285.000 million. As at balance date, the Group had the ability to borrow an additional $110.515 million from this facility.

### II. Cash from operations

The net inflows of $107.952 million include net inflows from operating activities of $85.635 million and a net inflow of $22.317 million to broking accounts.

The net operating cash flows, before broking trust account movements, of $85.635 million are higher than those for the prior period, reflecting the continued growth of the Group. This amount represents the continued strong conversion of profit into cash inflows from which the dividends paid were funded leaving the remaining free cash flow available for corporate activities, including acquisitions of further business interests.

### III. Capital management

As at 30 June 2017, the Company had a total of 749.752 million ordinary shares on issue. This was unchanged for the year as obligations under the Dividend Reinvestment Plan were managed by on-market purchases of shares.

The Board leverages the Group's equity, adopting a maximum 25.0% corporate gearing ratio (defined as corporate debt: corporate debt and equity). As at 30 June 2017, the Company's corporate gearing ratio was 16.0% (2016: 16.0%). In recognition that subsidiaries may require debt to fund bolt-on acquisitions, the Group has limited the extent of subsidiary borrowings to an additional 5% leverage. The Group's total gearing ratio at year end was 18.5% (2016: 18.4%). Refer Note 9C.

## STRATEGY AND PROSPECTS

Steadfast's business strategy is to increase shareholder value through maintaining and growing its market position in the provision of insurance distribution and related services, with a core focus on general insurance intermediation. The table below details the key strategies of the Group together with FY17 accomplishments and the prospects for future years. Considerable achievements were delivered on each of the ongoing strategic objectives. Steadfast Group has a robust risk management framework which includes regularly assessing industry and Company-specific risks relevant to the Group and its prospects. This assessment and the strategies in place to manage these risks are detailed in the next section.

| Strategy | FY17 achievements | Prospects and strategic initiatives |
|---|---|---|
| Maintain and develop premier service offering to Steadfast Network brokers | • Steadfast Client Trading Platform (SCTP) rollout<br>• INSIGHT broker system redeveloped and rollout scheduled<br>• Continued provision of over 160 services to Network and regular communication with Network brokers including through regular town hall meetings<br>• Steadfast Convention, the premier event in general insurance in Australia, held with record attendance<br>• Business development and marketing solutions delivered across the Network<br>• Steadfast Direct further developed<br>• Further services rolled out in New Zealand | • Continue FY17 strategic initiatives and build on FY17 achievements<br>• Continue to enhance and communicate the Network value proposition<br>• Continue to develop market leading technology solutions in brokers and underwriting agencies<br>• Increase Network broker usage of SCTP<br>• Continue to improve back-office functionality |
| Maintain, build and enhance Steadfast's strategic relationships for the benefit of the Steadfast Network | • Initiatives with strategic partners implemented e.g. Steadfast Direct developed into a contestable platform with AIG and IAG<br>• Joint venture established e.g. Blend with Advent, a subsidiary of Fairfax Financial Holdings<br>• Product range expanded<br>• New strategic partners added | • Continue FY17 strategic initiatives and build on FY17 achievements including continuing to seek new opportunities with strategic partners<br>• Drive Network broker usage of the SCTP<br>• Grow the London super binder footprint |
| Improve profitability, margin, earnings per share and Total Shareholder Return (TSR) through organic and acquisitive growth | • FY17 financial results delivered in line with guidance<br>• Share price rose from $1.98 to $2.66 in FY17<br>• Back-office services enhanced and further rollouts achieved across the Group<br>• Hubbed seven brokers into four<br>• Commenced offshoring of broker processing functions<br>• Increased offshoring of certain functions: back-office, marketing and IT<br>• UnderwriterCentral further enhanced and rollout scheduled<br>• Increased M&A fees | • Continue FY17 strategic initiatives and build on FY17 achievements<br>• Improve EBITA margins<br>• Continue to implement marketing and business development/sales initiatives to grow sales and Steadfast revenue<br>• Drive Network broker usage of the SCTP<br>• Expand offshoring division to other back-office activities<br>• Grow the London super binder<br>• Continue to develop our market leading technology solutions in broker and underwriting agency spaces<br>• Continue to challenge expense base |

| Strategy | FY17 achievements | Prospects and strategic initiatives |
| --- | --- | --- |
| Growth through both acquisitions and adding new Steadfast Network brokers | • Net addition of nine new brokers to Steadfast Network in Australia and New Zealand as well as establishment of Singapore network including 9 new members<br>• Acquisition of equity in 9 new brokers and increased holding in 12 equity brokers – executed in accordance with strict cultural and financial acquisition guidelines<br>• Executed hubbing, bolt-on acquisitions and management buy-ins to drive the co-owner model<br>• Continually assessed other potential acquisitions in the acquisition pipeline | • Grow the network domestically and internationally<br>• Continue FY17 strategic initiatives and build on FY17 achievements<br>• Proactively seek out acquisition opportunities including from the broader broker market |
| Expand and solidify Steadfast's international reach | • Acquisition of non-controlling stake in unisonSteadfast, based in Germany<br>• Steadfast cluster launched in Singapore<br>• Underlying business expansion into Asia<br>• Grew presence in New Zealand by adding new brokers to the Network | • Continue to investigate potential equity opportunities offshore when appropriate<br>• Develop cluster groups offshore as appropriate<br>• Continue to leverage strategic relationships to develop the Group's international footprint<br>• Support underlying operating business expansion offshore as appropriate<br>• Maximise the value of the unisonSteadfast relationship |
| Continue to develop the London office to support the Steadfast Network | • London office open and operational<br>• Steadfast Re placement services expanded into London | • Expand broking resources in London<br>• Use the London office as an avenue for the Network to access the London market<br>• Continue to promote the London office to the Network |
| Grow the London super binder footprint | • London super binder operational and writing new and renewal business | • Realise revenue growth and cost reduction<br>• Seek to capture greater share of the Network Gross Written Premium (GWP) for product lines via the London super binder<br>• Extend the London super binder to unisonSteadfast network |
| Complete Steadfast Client Trading Platform (SCTP) | • Live for Property, Liability, PI and Business Insurance underwritten by major insurers<br>• Commercial motor panel selected | • Roll out further product lines and connect further strategic partners to the SCTP<br>• Drive Network broker usage of SCTP |
| Continue to enhance organisational profitability and sustainability | • Continued provision of technology solutions that support key strategies e.g. development of Steadfast Direct to contestable platform<br>• Executed first one-year extension of the $235m three-year tranche of the $285m syndicated debt facility<br>• Strong corporate governance and ongoing improvements in risk management and governance policies and procedures<br>• Brand kept reputable and strong<br>• Brand awareness grown and initiatives executed e.g. digital and social media<br>• Strong dynamic, ethical culture continues<br>• Initiatives executed to engage workforce to ensure quality people to drive business performance and support diversity | • Continue FY17 strategic initiatives and build on FY17 achievements<br>• Optimise funding structure and financing<br>• Seek to ensure remuneration practices are designed to retain and attract high quality staff<br>• Continue to review the industry and seek opportunities to ensure Steadfast Group remains strong and viable |

## RISKS

In seeking to achieve its strategic goals, Steadfast is subject to a number of risks which may materially adversely affect operating and financial performance. Steadfast adopts a rigorous risk management process which is an integral part of the Company's corporate governance structure and monitors those risks to which it is exposed that are outside the Group's control. Some of the key risks include:

| Risk | Description | Risk management strategies |
|---|---|---|
| Investment risk: | | |
| A. Acquiring and holding equity in operating businesses | • Insufficient funding to capitalise on opportunities<br>• Deficiencies in due diligence by Steadfast<br>• Transition to new owners may be disruptive and costly<br>• Potential unknown or contingent liabilities<br>• Reliance on partners performing satisfactorily | • Ongoing monitoring of available capital and resources<br>• Stringent due diligence<br>• Selecting acquisitions which are expected to transition well and have a good cultural fit<br>• Tight acquisition and shareholders' agreements<br>• Thorough transition management<br>• Close oversight and audit of ongoing operations, profit and profit margins, including continual reporting and reviews<br>• Business continuity planning |
| B. Investment impairment risk | • Investments which are subject to a permanent decrease in value<br>• Investment write down or impairment results in an expense for the Group | • Close monitoring of investments<br>• Steadfast works with management of businesses in which Steadfast is invested to optimise results |
| Information technology (IT) systems risk | • Risk of data loss/fraud, system breakdown<br>• Potential material adverse effect on ability to deliver services and profitability<br>• Implementation risk for the INSIGHT and UnderwriterCentral systems into our businesses | • Back-up, restoration and recovery procedures<br>• IT security guidelines implemented<br>• IT risk assessment program and other procedures<br>• Experienced personnel and controlled rollout with monitoring, management and continual improvement in the rollout process |

| Risk | Description | Risk management strategies |
|---|---|---|
| Reduction in income caused by: | | |
| A. Loss of Steadfast Network brokers | • Network brokers can leave the Steadfast Network at any time, potentially resulting in a reduction in Marketing and Administration (M&A) fees for Steadfast | • Provision of excellent services and support to Steadfast Network brokers<br>• Continue to share M&A fees, in the form of Network broker rebates, with members<br>• Considerable ongoing engagement with Network brokers including seeking and addressing feedback<br>• Conversion of Network brokers to Steadfast proprietary INSIGHT broking system |
| B. Reduction in rates for marketing and administration fees, commission rates or advice fees | • Strategic partners may seek to reduce rates of M&A fees paid to Steadfast<br>• Insurers may seek to reduce rates of commission paid to brokers<br>• Potential reduction in M&A fees (and commission due to lower GWP) if strategic partners are lost and not replaced within appropriate timeframe | • Diversity of earnings via a number of revenue sources e.g. M&A fees, profits from operating businesses derived from commission and other revenue<br>• Continue to engage strategic partners and offer a powerful value proposition to them to justify the M&A fees and commission rates<br>• Operating businesses seek to increase fees to mitigate any loss of commission arising from reduced premiums<br>• Significant effort expended in maintaining and strengthening relationships with strategic partners of which most are longstanding<br>• Continually adding new strategic partners |
| C. Loss of capacity for underwriting agencies | • Risk the underwriter withdraws capacity for strategic reasons (exit of lines of business or country exit)<br>• Risk an underwriter withdraws due to uneconomic underwriting results | • Longstanding delivery of attractive results to underwriters<br>• Longstanding strong relationships with both incumbent underwriters and/or alternative capacity<br>• Steadfast Underwriting Agencies (SUA) has a diverse range of specialist products and capacity providers<br>• Replacement capacity available for profitable portfolios<br>• Establishment of London super binder provides better access to deeper insurance markets |
| D. Reliance on strategic partners | • Potential reduction in M&A fees (and commission due to lower GWP) if strategic partners are lost and not replaced within appropriate timeframe | • Significant effort expended in maintaining and strengthening relationships with strategic partners of which most are longstanding<br>• Continually adding new strategic partners |
| E. Reduction in GWP in the Australian and New Zealand general insurance markets | • Group has a number of revenue sources linked to size and growth of GWP in Australian and New Zealand markets<br>• GWP is influenced by factors including pricing decisions by insurers and level of demand for general insurance products (which can be influenced by economic conditions)<br>• Any softening in local and global economic conditions would be expected to lead to a softening in the level of GWP | • Initiatives to increase the size of the Steadfast Network, make further investments in insurance brokers and underwriting agencies and other strategic initiatives (including increasing fee income) have the capacity to partially offset pressure on profitability of any softening in GWP<br>• Small-to-medium enterprises (SME) sector, which accounts for 85%+ of Steadfast's total GWP sold through the Steadfast Network, has historically experienced higher growth in GWP with less volatility compared to the large corporate sector<br>• Growth in other markets e.g. Steadfast Direct, Asia and other international markets |

| Risk | Description | Risk management strategies |
|---|---|---|
| External factors: | | |
| A. Increased competition or market change | • Increased competition from new entrants and existing market participants, including increased commoditisation of business insurance products<br>• Changes in the remuneration model for insurance brokers or underwriting agencies<br>• Increased competition or change in market structure for premium funding<br>• More customers buying direct from insurers through the internet | • Diversity in investments (i.e. portfolio of underwriting agencies, premium funding and complementary services as well as insurance broking)<br>• Diversity in earnings (e.g. M&A fees as well as profits from investments)<br>• Geographical spread of the businesses of subsidiaries and associates |
| B. Disruption risk | • Risk of business model disruption due to external factors including, but not limited to, technological (Insurtech) developments, new business models developed by existing competitors and regulation changes | • Steadfast constantly monitors and evaluates international and local developments impacting the Steadfast business model and other industries to learn about disruption opportunities as they emerge |
| C. Regulatory risk | • Risk that Steadfast's subsidiaries and associates may not individually comply with their Australian Financial Services Licence requirements or financial services regulation more generally and their licence may be in the worst case suspended or withdrawn<br>• Risk that regulatory changes may impact the Group's or entities within the Group's business model either through costly and burdensome regulations or from the structure and management of the operations | • Initial due diligence on acquisition includes reviews of historical and current compliance. Steadfast also provides a range of services to advise and assist the entities within the Group with regulatory change and compliance<br>• Continue to monitor the entities within the Group from an operations viewpoint<br>• An ongoing internal audit program, which includes a review of compliance<br>• Along with other broker representative organisations, the Group monitors and consults on regulatory changes with the regulators to ensure changes are introduced in the most efficient way for the industry and to minimise unintended consequences |
| People risk | • Loss of key executives<br>• Loss of key individuals in operating businesses with consequential material business interruption<br>• Potential loss of key customer relationships | • Succession planning<br>• Appropriate earn-outs, shareholdings and restraints to protect ongoing business<br>• Market-competitive remuneration<br>• Career development opportunities |
| Fraud or embezzlement of Group or client funds | • Particularly in operating businesses where Steadfast does not control the day-to-day operations | • Appropriate policies and procedures implemented and regularly reviewed<br>• Fidelity insurance held<br>• Implement INSIGHT broker system improving day-to-day broker visibility and system controls and audit trails |
| International expansion risk | • Steadfast business model, skills, services and experience may not be transferable and successful in other countries<br>• Management may lose focus on domestic operations resulting in missed opportunities or operational issues may not be addressed on a timely basis | • Due diligence is performed on each country to ensure Steadfast will add value to the country. Steadfast takes time to assemble a compelling deliverable offer for each new market<br>• Appropriate resources engaged in both domestic and international operations. Resource levels regularly monitored and operating performance levels reviewed using internal and external inputs<br>• Monitoring percentage of funds invested overseas |

## DIVIDENDS

Details of dividends paid or declared by the Company are set out in Note 6 to the accounts.

During the financial year ended 30 June 2017, a final dividend for 2016 of 3.6 cents per share and an interim dividend for 2017 of 2.6 cents per share were declared and paid, both fully franked.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2017, the Board declared a final dividend of 4.4 cents per share, 100% franked. Further details are set out in Note 17 to the accounts.

## ENVIRONMENTAL REGULATION

The Group's operations are not subject to any particular significant environmental regulations under a law of the Commonwealth or under State or Territory legislation.

## INDEMNIFICATION AND INSURANCE OF OFFICERS

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and Officers against all liabilities to another person that may arise from their position as Directors or Officers of the Company and its subsidiaries, except if, in the Board's reasonable opinion, the liability arises out of conduct which is fraudulent, criminal, dishonest or a wilful default of the Directors' or Officers' duties.

In accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and Officers against liabilities incurred in their role as Directors and Officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the Company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

## NON-AUDIT SERVICES

During the financial year, KPMG, the Group's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group, and have been reviewed by the Audit & Risk Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms, for audit and non-audit services provided during the financial year are provided in Note 24 to the financial statements.

# Remuneration Report

# Remuneration Report – Audited

## 1. INTRODUCTION

The Remuneration Report outlines Steadfast's remuneration philosophy, framework and outcomes for the financial year ended 30 June 2017 (FY17) for all key management personnel (KMP), including all Non-executive Directors and the Executive Team made up of the Managing Director & Chief Executive Officer (MD & CEO) and certain direct reports. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly.

### 1.1 Key management personnel

The current KMP of the Group for the entire financial year unless otherwise stated, are as follows:

| Name | Role | Date of appointment |
|---|---|---|
| **Non-executive Directors** | | |
| Frank O'Halloran, AM[(a)(d)] | Chairman, Non-executive Director | 21 October 2012 |
| David Liddy, AM[(b)(d)] | Non-executive Director | 1 January 2013 |
| Anne O'Driscoll[(c)(d)] | Non-executive Director | 1 July 2013 |
| Philip Purcell[(d)] | Non-executive Director | 1 February 2013 |
| Greg Rynenberg[(d)] | Non-executive Director | 10 August 1998 |
| **Executive Director** | | |
| Robert Kelly | Managing Director & CEO | 18 April 1996 |
| **Other key management** | | |
| Stephen Humphrys | Chief Financial Officer | 2 January 2013 |
| Samantha Hollman[(e)] | Chief Operating Officer | 4 January 2000 |
| Simon Lightbody | CEO, Steadfast Underwriting Agencies | 1 January 2015 |
| Allan Reynolds | Executive General Manager - Direct, New Zealand & Singapore | 5 December 2002 |
| Linda Ellis[(f)] | Group Company Secretary & Corporate Counsel | 3 June 2013 |
| **Former key management** | | |
| Dana Williams (former Chief Operating Officer) ceased to be KMP on 23 September 2016 following her resignation. | | |

***Table notes***

(a) Frank O'Halloran is Chairman of the Nomination Committee.

(b) David Liddy is Chairman of the Remuneration & Succession Planning Committee.

(c) Anne O'Driscoll is Chairman of the Audit & Risk Committee.

(d) All Non-executive Directors listed in the table above are independent directors.

(e) Samantha Hollman was in the role of Executive General Manager – Project, Brand, People prior to becoming the Chief Operating Officer on 17 October 2016.

(f) Linda Ellis was reinstated as KMP from 1 July 2016.

## 2. REMUNERATION OUTCOMES FOR 2017

The following table outlines the returns the Group delivered to its shareholders. The Company experienced significant development and transformation to facilitate its successful listing on the ASX in August 2013. As a result, historical analysis of financial performance for the financial years prior to 2014 does not provide meaningful comparative information to the users of this report.

### 2.1 Link between Steadfast's performance and remuneration

Earnings per share (EPS) is used as a core financial measure for determining incentives payables (if any) to the Executive Team in FY17, and together with achievement against annual key performance objectives, remains the financial performance measure for short-term incentives (STI). The EPS used in determining STI and long-term incentive plan (LTI) for FY17 excludes non-trading income and expenses approved by the Board. This is consistent with prior year calculations.

As presented in last year's Remuneration report, the Board has approved the adoption of Total Shareholder Return (TSR) as a second financial performance measure for DEA awarded in August 2016 and beyond. This is a result of the Board's ongoing review of remuneration strategy to further strengthen the alignment between shareholder returns and executive remuneration. Refer Section 3.1.1 for further details on the remuneration changes in FY17.

TSR is calculated as the change in share price plus dividends declared and any capital returns measured over the financial year together with a future three-year vesting period.

Historical data pertaining to the key financial metrics involved in calculating STI and LTI are shown in the table below:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Net profit/(loss) attributable to owners of the Company ($'000) | (13,437)* | 25,087 | 42,104 | 73,480 | **66,792** |

* The earnings for 2013 were $7.075 million after adjusting for non-trading items.

The reconciliation on the reported EPS to the adjusted EPS used for STI and LTI is as follows:

| | 2014[(a)] $'000 | 2015[(b)] $'000 | 2016 $'000 | 2017 $'000 |
|---|---|---|---|---|
| Reported net profit attributable to owners of the Company[(e)] | 25,087 | 42,104 | 73,480 | **66,792** |
| Less: non-trading income (Note 4 (iv)) | (4,732) | (3,186) | (27,173) | **(8,205)** |
| Add: non-trading expenses (Note 4 (v)) | 9,298 | 3,302 | 18,572 | **7,411** |
| Add: July 2013 trading results, pre-tax | 4,507 | – | – | **–** |
| Less: non-trading tax effect | (1,738) | (126) | (4,551) | **948** |
| Less: non-controlling interests in non-trading items (net of tax) | – | – | 119 | **(554)** |
| Adjusted pro forma net profit attributable to owners of the Company | 32,422 | 42,094 | 60,447 | **66,392** |
| Adjusted pro forma diluted EPS (cents per share) (Note 5A) | 6.22 | 7.24 | 8.09 | **8.87** |
| **Growth from prior financial year (%)** | 19.1% | 16.4% | 11.8% | **9.6%** |
| **Growth required for minimum STI (%)** | 5.0% | 5.0% | 5.0% | **5.0%** |
| **Growth required for maximum STI (%)[(f)]** | 15.0% | 15.0% | 12.5% | **10.0%** |
| **UBS weighted EPS growth for industrial companies (%)[(c)]** | 7.4% | 5.8% | (3.0%) | **5.6%** |
| **UBS weighted EPS growth for finance sector (%)[(c)]** | 8.3% | 3.6% | (4.6%) | **5.9%** |
| **Opening share price ($)[(d)]** | 1.15 | 1.26 | 1.62 | **1.98** |
| **Closing share price ($)** | 1.26 | 1.62 | 1.98 | **2.66** |
| **Change in share price (cents per share)[(d)]** | 11.0 | 36.0 | 36.0 | **68.0** |
| **Interim dividend declared per share (cents per share)** | 1.8 | 2.0 | 2.4 | **2.6** |
| **Final dividend declared per share (cents per share)** | 2.7 | 3.0 | 3.6 | **4.4** |
| **TSR for the year (cents per share)** | 15.5 | 41.0 | 42.0 | **75.0** |
| **TSR for the year (%)** | 14.7% | 32.5% | 25.9% | **37.9%** |
| **Dividend paid** | 9,017 | 23,611 | 40,297 | **46,485** |

***Table notes***

(a) The 2014 adjusted pro forma net profit attributable to owners of the Company reflected the full 12 months' operations of the Group. The 2014 TSR of 14.7% is an annualised figure.

(b) The diluted EPS is adjusted for the bonus element of the rights issue completed in March 2015, including restating 2014.

(c) Data sourced from *Australian Equity Strategy* report published by UBS on 6 July 2017. Figures shown for 2016 above are actual (figures in 2016 Annual report are estimates). Figures shown for 2017 are estimates.

(d) IPO share price of $1.15 is used as opening share price for 2014.

(e) A question was posed by the representative of the Australian Shareholders Association at the 2016 AGM querying why statutory earnings are not used in calculating the EPS used for calculating STI and LTI. Non-trading income and expenses approved by the Board are excluded for consistency with prior periods and to achieve a better measure of underlying performance of the business. This was also the case in prior years. For these reasons, and in accordance with section 300A(1)(g) of the *Corporations Act 2001* which requires the Board to provide an explanation of its proposed action in response to comments made at the most recent AGM in relation to a prior year Remuneration Report, or if the Board does not consider any action is required, the Board's reasons for inaction, the Board does not consider that any change is required. It should be noted that non-trading items excluded in 2015 and 2016 were net gains of $0.010 million and $13.033 million respectively.

(f) Figures represent growth required for maximum STI granted in August 2014, 2015, 2016 and 2017.

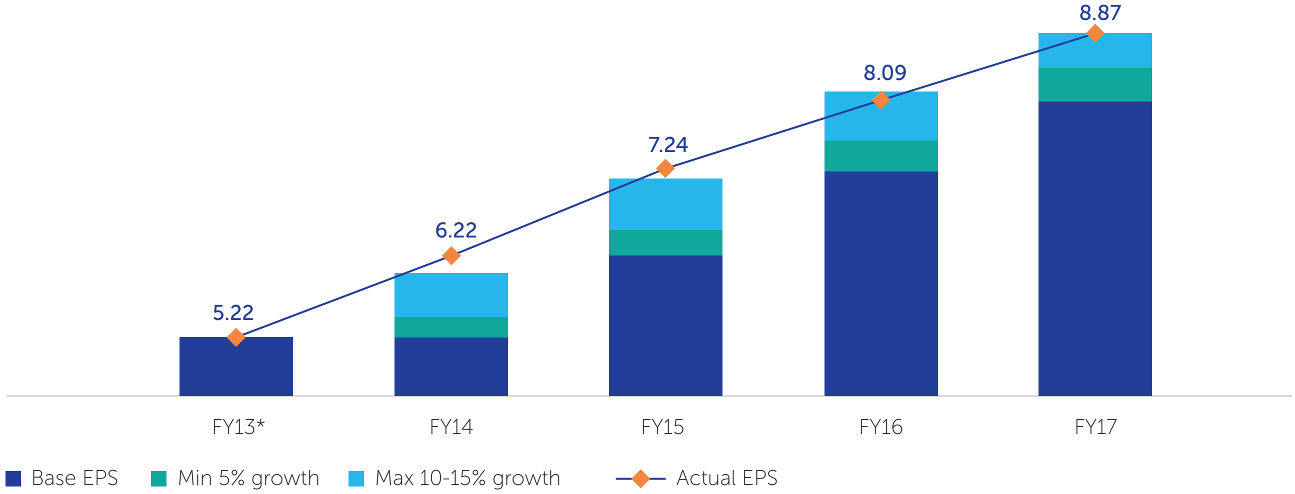
**Pro forma diluted EPS (cents per share):**

The graph below shows the base, minimum, maximum and actual pro forma diluted EPS (cents per share) used for determining STI and LTI for the financial years ended 30 June 2014, 2015, 2016 and 2017. The pro forma diluted EPS for the prior financial year is the base used for calculating growth for the following financial year.

No STI is payable if the growth in pro forma diluted EPS is less than 5%. The maximum STI is awarded if the pro forma diluted EPS growth is 15% or higher for the awards granted in August 2014 and 2015; 12.5% or higher for awards granted in August 2016; and 10% or higher for awards to be granted in August 2017.

Pro forma diluted EPS growth accounts for 75% weighting on LTI award granted in August 2016 and beyond (previously: 100%), which is not payable unless at least 5% straight line growth is achieved over a future three-year vesting period for the LTI award to be granted in August 2017 (previously: 5% compound growth).

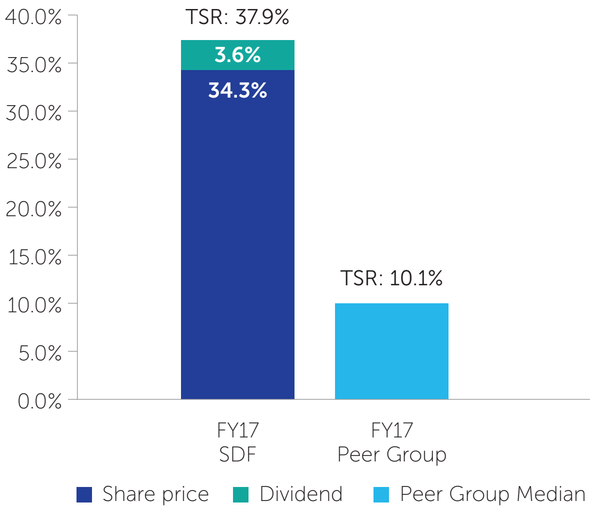
**Pro forma diluted EPS (for awards granted in August of the financial year)**




* FY13 data is based on pro-forma financial information as if the Group operations listed in August 2013 had operated in the Group for FY13.

**Total Shareholder Return (TSR):**

The graph below shows the Company's FY17 TSR compared against the median TSR of Top 200 ASX companies excluding those in the mining industry (peer group). TSR accounts for 25% weighting on LTI award granted in August 2016 and beyond (previously: nil weighting), which is not payable unless at least at median (previously: at average) of peer group is achieved over the reporting year and the future three-year vesting period.



### 2.2 Maximum potential and actual STI and LTI outcomes

All participants of the STI and LTI schemes have to achieve at least 60% of their annual key performance objectives to be eligible for any incentive payments.

The MD & CEO's performance against his annual key performance indicators (KPIs) set at the beginning of FY17 is set out below:

| FY17 performance measures | Weighting % | Achieved % | Comments |
|---|---|---|---|
| • Achieve budgeted growth of 8% in adjusted pro forma net profit after tax | 20 | 20 | Achieved growth of 9.8% in adjusted pro forma net profit after tax |
| • Improve broker margins | 20 | 20 | Broking margin improved from 26.6% to 30.2% |
| • Continue growth of Steadfast Network brokers | 15 | 12 | Steadfast Network brokers grew by 9 in Australia and 10 in Singapore |
| • Successful implementation of INSIGHT (three-year project) | 15 | 12 | On target for delivery in 2018 and within budget |
| • Successful implementation of UnderwriterCentral (three-year project) | 10 | 8 | On target for delivery in 2018 and within budget |
| • Successful implementation of new technology for back-office efficiencies | 10 | 5 | Progressing slowly with delays due to third party commitments |
| • Retention, development and succession planning of key executive roles | 10 | 10 | KMP retained and succession plans are in place for key executive roles |
| | **100** | **87** | |

The above scorecard shows more than 60% of KPIs were achieved.

The table below provides details of maximum potential STI and LTI, and actual STI and LTI awarded to KMP.

| | Fixed pay $ | Maximum STI potential (% of fixed pay) | Actual STI outcome[(a)] (% of fixed pay) | STI – cash outcome (60% of outcome) $ | STI – deferred equity award outcome (40% of outcome) $[(b)] | Maximum LTI potential (% of fixed pay) | Actual LTI outcome[(a)] (% of fixed pay) | LTI – deferred equity award outcome $[(b)] |
|---|---|---|---|---|---|---|---|---|
| Robert Kelly | 900,000 | 150.00% | 101.67% | 549,000 | 366,000 | 75.00% | 75.00% | 675,000 |
| Stephen Humphrys | 525,000 | 100.00% | 71.00% | 223,650 | 149,100 | 75.00% | 75.00% | 393,750 |
| Samantha Hollman[(c)] | 450,000 | 68.00% | 51.37% | 138,708 | 92,472 | 50.00% | 50.00% | 225,000 |
| Simon Lightbody | 450,000 | 50.00% | 40.33% | 108,900 | 72,600 | 50.00% | 50.00% | 225,000 |
| Allan Reynolds | 370,000 | 50.00% | 40.33% | 89,540 | 59,693 | 50.00% | 50.00% | 185,000 |
| Linda Ellis | 210,000 | 50.00% | 40.33% | 50,820 | 33,880 | 50.00% | 50.00% | 105,000 |

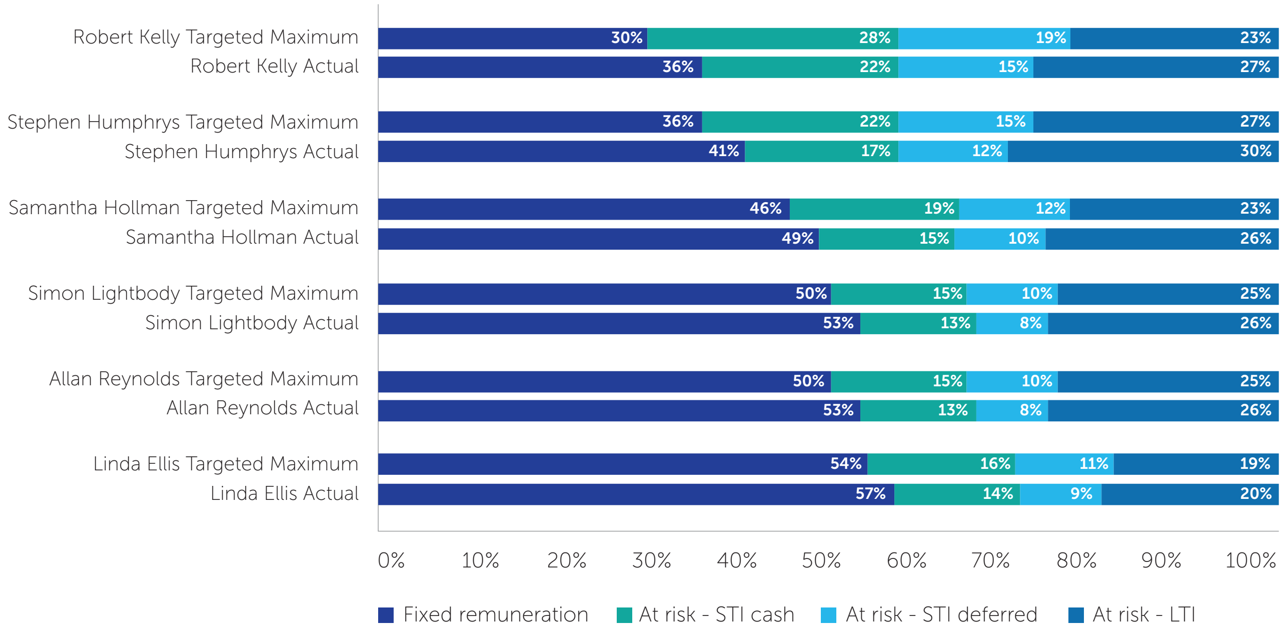
***Table notes***

(a) All participants of the FY17 STI and LTI schemes have exceeded the 60% non-financial performance hurdle and therefore are eligible.

(b) The number of conditional rights to be granted to the Executive Team has been determined by the dollar value of deferred equity award (DEA) outcome divided by the weighted average share price over the five trading days prior to the date of this report. The LTI award outcome is subject to meeting future financial performance hurdles detailed in Section 3.4.

(c) For Samantha Hollman the maximum STI potential was 50% of fixed pay from 1 July 2016 to 16 October 2016. From 17 Oct 2016 to 30 June 2017 the maximum STI potential was increased to 75% of fixed pay after being appointed as Chief Operating Officer.

### 2.3 Targeted maximum potential and actual remuneration mix for FY17:




### 2.4 STI and LTI vesting information:

Summary of vesting conditions on the STI and LTI plans are as detailed below:

| | STI | LTI |
|---|---|---|
| **Vesting conditions** | • Tenure of employment<br>• No material adverse change to the reported results over the retention period of three years<br>• Refer Section 3.3 for more details including award conditions | • Awarded in August 2016<br>• Tenure of employment<br>• Achieve at least 60% of the annual key performance objectives<br>• 75% based on average diluted EPS increasing by a compound 5% to 12.5% per annum over a future three-year vesting period, vesting made on a 50-100% straight line basis.<br>• 25% based on minimum TSR measured against average of peer group<br>• Refer Section 3.4 for more details including award conditions |

Should all vesting conditions be met, the DEAs of conditional rights will convert to Steadfast ordinary shares over the following years (refer Section 6.2 for the vesting date of the STI and LTI conditional rights):

| DEA awarded | | August 2016 | August 2017 | August 2018 | August 2019 | August 2020 |
|---|---|---|---|---|---|---|
| **August 2014** | ***STI*** | | ● | | | |
| | ***LTI*** | | | | ● | |
| **August 2015** | ***STI*** | ● | ● | ● | | |
| | ***LTI*** | | | ● | | |
| **August 2016** | ***STI*** | | ● | ● | ● | |
| | ***LTI*** | | | | ● | |
| **August 2017** | ***STI*** | | | ● | ● | ● |
| | ***LTI*** | | | | | ● |

- ● Vesting occurs three years after grant date
- ● Vesting occurs five years after grant date
- ● Vesting occurs in three equal tranches after one, two, and three years from grant date

During the current financial year, one-third of the DEAs granted in August 2015 were vested in August 2016 and in accordance with the terms of the STI, the applicable number of Steadfast ordinary shares is transferred to relevant Executive Team members at nil cost to them. Refer Section 6.3 for number of Steadfast ordinary shares transferred to the relevant Executive Team members.

## 3. 2017 REMUNERATION EXPLAINED

The listing of the Company necessitated the introduction of a remuneration structure which aligns with the current ASX Corporate Governance Practice and commenced from 1 July 2013.

The Group aims to reward executives with a level of remuneration commensurate with their responsibilities and position within the Group and their ability to influence shareholder value creation. The incentive schemes are designed to encourage participants to strive to ensure Steadfast outperforms the market on an ongoing basis (refer table 2.1 for EPS growth comparison against the finance sector and broader market).

The remuneration framework links rewards with the strategic goals and performance of the individual and the Group and provides a market-competitive mix of both fixed and variable rewards. To retain and attract high-calibre employees, the Group has adopted an approach to position fixed remuneration and total remuneration at the 75th percentile. Key Performance Indicators (KPIs) together with weightings are established for each individual and are aligned to the Group's strategic objectives.

The key elements of the executive remuneration are:

- fixed remuneration consisting of cash salary, superannuation and non-monetary benefits (Section 3.2);
- an annual incentive referred to as short-term incentive (STI) plan (Section 3.3); and
- a long-term incentive referred to as long-term incentive (LTI) plan (Section 3.4).

Refer Section 2.3 for targeted maximum remuneration mix.

### 3.1 Remuneration framework

The objective of the Group's executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market practice for delivery of remuneration. The incentive schemes are designed to incentivise performance that is better than market.

The Board embodies the following principles in its remuneration framework:

- a performance-based reward structure;
- competitive and reasonable rewards to attract and retain high-calibre executives;
- strong links between executive rewards and shareholder value;
- a significant proportion of executive remuneration is at risk, and is linked to achievement of pre-determined individual KPIs and financial performance targets; and
- transparent reward structures.

### *3.1.1 Target remuneration mix*

The Board believes that the fundamental driver for executive remuneration should be long-term financial performance that generates value for Steadfast shareholders. The at risk (or variable) remuneration components of the Executive Team are set by referencing to regulation and current market practices. To ensure the Executive Team remain focused on long-term outcomes without encouraging excessive risk taking, the following conditions apply:

- financial performance hurdles:
  - diluted EPS growth has been chosen to meet and align with shareholders' objectives. This measure was chosen by the Board, after considering alternatives such as return on capital employed (ROCE), or return on equity (ROE). The Board considers that EPS is, on balance, the best driver of executive behaviour that achieves superior performance outcomes for Steadfast and its shareholders. It is also a relatively simple and transparent measure that is easily reconciled to reported net profit (see Section 2.1). As funding mix can impact EPS, it is noted that the Board has approved a maximum corporate gearing ratio of 25.0%. In recognition that subsidiaries may require debt to fund bolt-on acquisitions, the Group has limited the extent of subsidiary borrowings to an additional 5% leverage. The corporate gearing ratio at year end was 16.0%. The total gearing ratio at year end was 18.5%, both materially unchanged from the prior year;
  - TSR was introduced as the second financial performance hurdle for LTI awarded in August 2016. This measure was added by the Board as a result of their ongoing review of the remuneration framework, current market practice and market feedback. The Board considers TSR is an effective way to incentivise and measure shareholder value creation.

- non-financial performance hurdle – each member of the Executive Team has been set annual performance objectives known as KPIs with weightings aligned to the Group's strategic objectives, and must achieve at least 60% of those objectives to be eligible for any STI and LTI;
- 40% of the STI is granted as deferred equity awards and is intended to be satisfied by the issue or transfer of ordinary shares in the capital of the Company over a three-year period from the grant date – being one-third at the end of years one, two and three;
- subject to meeting the personal and financial objectives, vesting of the LTI occurs after three years from the grant date and is satisfied by the issue or transfer of ordinary shares in the capital of the Company; and
- the Board retains the discretion to adjust any unpaid or unvested performance-related remuneration (such as STI – Cash, STI – DEA and LTI) downwards if it is appropriate to do so. This discretion, applies to all the STI and LTI awards on applicable dates for vesting of share-based payment awards.

The Board has set the total remuneration of the Managing Director & CEO at a level to correspond to the 75th percentile of CEO remuneration of a comparator group of companies. The 75th percentile was chosen in light of the considerable experience of the Managing Director & CEO and his very strong performance in the role, including the very strong financial performance of Steadfast since its initial public offering (IPO) in August 2013 as demonstrated by the Company achieving:

- a 9.6% adjusted pro forma diluted EPS growth in FY17;
- a 58.1% adjusted pro forma diluted EPS growth for the period since the IPO; and
- a TSR of 196% for the period since the IPO, inclusive of FY17 final dividend of 4.4 cents per share payable in October 2017.

As part of the ongoing review of remuneration, the STI and LTI plans were refined to ensure incentives aligned with the Group's remuneration philosophy, market-competitiveness and market feedback on the incentive schemes. The Board approved the remuneration changes as set out below for the financial year ending 30 June 2017 (FY17) and 30 June 2018 (FY18).

| Remuneration changes | FY17 terms (awarded in August 2016) | | FY18 new terms (awarded in August 2017) | |
|---|---|---|---|---|
| STI | Maximum STI awarded when diluted EPS growth of 12.5% is achieved. | | Maximum STI awarded when diluted EPS growth of 10.0% is achieved. | |
| LTI | 75% based on average diluted EPS increasing by a compound 5% to 12.5% per annum over a future three-year vesting period. The vesting schedule is outlined below: | | 75% based on average diluted EPS increasing by a straight line 5% to 10% per annum over a future three-year vesting period. The vesting schedule is outlined below: | |
| | **Compound average diluted EPS growth** | **Vesting outcome** | **Straight line diluted EPS growth** | **Vesting outcome** |
| | Below 5% | 0% | Below 5% | 0% |
| | At 5% | 50% | At 5% | 50% |
| | 5% to 12.5% | Straight line between 50% to 100% | 5% to 10% | Straight line between 50% to 100% |
| | 12.5% or higher | 100% | 10% or higher | 100% |
| | 25% based on Total Shareholder Return (TSR)[a] measured against Top 200 ASX companies excluding those in the mining industry (peer group). | | 25% based on Total Shareholder Return (TSR)[a] measured against Top 200 ASX companies excluding those in the mining industry (peer group). | |
| | **TSR** | **Vesting outcome** | **TSR** | **Vesting outcome** |
| | Less than average of peer group | 0% | Less than median of peer group | 0% |
| | At average of peer group | 50% | At median of peer group | 50% |
| | Exceeding average of peer group by 100% or below | Straight line between 50% to 100% | Exceeding median of peer group by 75% or below | Straight line between 50% to 100% |
| | Exceeding average of peer group by 100% or higher | 100% | Exceeding median of peer group by 75% or higher | 100% |

(a) TSR is calculated as the change in share price plus dividends declared and any capital returns measured over the financial year together with a future three-year vesting period.

### 3.2 Fixed remuneration for FY17

The table below outlines the key details of executives' fixed remuneration.

| Component | Details |
|---|---|
| **Description** | Cash salary, superannuation, and non-monetary benefits. |
| **Purpose and link to strategy** | Helps to attract and retain high-calibre executives.<br>Reflects individual role, experience and performance. |
| **Operation** | Reviewed annually by the Remuneration & Succession Planning Committee and fixed for 12 months (unless there is a significant role change), with any changes effected from 1 July each financial year. Decision influenced by:<br>• role, experience and performance;<br>• reference to comparative remuneration in the market; and<br>• total organisational salary budgets.<br>Executive Team is provided with cash salary, superannuation, car parking ($7,200 per annum), income protection and life insurance ($10,400 per annum). |
| **Potential reward** | Fixed remuneration targeted at 30%–54% of total remuneration. |

### 3.3 Short-term incentives for FY17

The table below outlines the key details of the STI plan. STI awards in FY17 are summarised in Section 2.2 of the Remuneration Report.

| Component | Details |
|---|---|
| **Operation** | STI Plan consisting of cash and deferred equity award. |
| **Purpose and link to strategy** | Recognises the contributions and achievements of the Executive Team and helps to attract and retain talent. |
| **Potential reward** | STI awards are performance-based, at risk reward arrangements with Board discretion.<br>The combined total of at risk remuneration (STI and LTI combined) is targeted at 46%–70% of total remuneration. |
| **Performance metrics** | ***STI – Cash award (60% of total STI); Deferred equity award (40% of total STI)***<br>• Continuous employment for the vesting period for deferred equity awards split one-third over one, two and three years; and<br>• vesting is subjected to future performance hurdles below. |
| **Performance measures** | **Non-financial measures:**<br>Personal, cultural and behavioural objectives aligned to the Group's strategic objectives as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible for any STI. The MD & CEO achieved a substantial majority of his FY17 non-financial objectives with weightings (refer Section 2.2).<br>**Financial measures relating to awards issued during FY17 (awarded in August 16):**<br>No STI is payable unless at least 5% EPS growth is achieved against the base pro forma EPS. Maximum STI can be awarded if the EPS growth is 12.5% or higher. |
| **Potential maximum STI** | MD & CEO can earn up to 150% of his annual fixed remuneration.<br>The other executives within the Executive Team can earn 50% to 100% of their annual fixed remuneration. |
| **Approval of the STI** | The MD & CEO's STI is recommended by the Remuneration & Succession Planning Committee based on the Group's financial and his non-financial performance outcomes and approved by the Board.<br>The STI of other members of the Executive Team is recommended by the MD & CEO to the Remuneration & Succession Planning Committee, based on the Group's financial and their non-financial performance outcomes. It is recommended by the Remuneration & Succession Planning Committee and approved by the Board. |
| **Rationale for choosing performance measures** | The non-financial measures are chosen to ensure each member of the Executive Team performs specific tasks that support the success of Steadfast.<br>The financial measure of EPS growth is chosen to ensure long-term shareholder value is increased. |

| Component | Details |
|---|---|
| **Forms of STI reward elements** | 60% is paid as cash, normally in September following the end of financial year.<br>40% is granted as deferred equity award of conditional rights to Steadfast ordinary shares (DEA) and vesting over a three-year tenure hurdle from the grant date. The conditional rights will vest in three equal tranches after one, two and three years from the grant date. |
| **Key terms of DEA** | DEA is normally granted in August following the end of financial year.<br>These rights are granted to the participants at no cost, to the dollar value of their DEA awarded.<br>The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date.<br>The participants in the STI Plan become eligible to receive one Steadfast ordinary share per conditional right, subject to their continuing employment with the Group over the vesting period post grant date, and no material adverse change to the reported results. The Remuneration & Succession Planning Committee noted there had not been any negative material deterioration in EPS from prior year adjustments in the subsequent year.<br>These rights will accrue notional dividends and any bonus element inherent in any rights issue, which will be paid as additional shares upon vesting. |
| **Forfeiture conditions** | The Board retains the discretion to adjust any unpaid or unvested performance-related remuneration (such as STI – Cash, STI – deferred portion) downwards if it is appropriate to do so.<br>The conditional rights will be forfeited if the executive resigns before the vesting date.<br>When an executive ceases employment in special circumstances, such as redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast ordinary shares, subject to Board discretion. |

### 3.4 Long-term incentives for FY17

The table below outlines the key details of the LTI plan. LTI awards in FY17 are summarised in Section 2.2 of the Remuneration Report.

| Component | Details |
|---|---|
| **Purpose and link to strategy** | Provides opportunity for the Executive Team to acquire equity in the Company as a reward for increasing EPS and TSR over the longer term and helps to attract and retain talent. |
| **Operation** | LTI Plan consisting of DEA. |
| **Potential reward** | LTI awards are discretionary, performance-based, at risk reward arrangements.<br>The combined total of at risk remuneration (LTI and STI combined) is targeted at 46%–70% of total remuneration. |
| **Performance metrics** | ***LTI – Deferred equity award (100%)***<br>• Continuous employment and performance rating to be met for the three-year vesting period; and<br>• vesting is subjected to future performance hurdles below. |
| **Future performance hurdles** | Non-financial measures:<br>Personal, cultural and behavioural objectives aligned to the Group's strategic objectives as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible to any LTI. The MD & CEO achieved a substantial majority of his FY17 non-financial objectives with weightings (refer Section 2.2).<br>Financial measures relating to awards issued during FY17 (awarded in August 2016):<br>• 75% is based on average pro forma diluted EPS growth, which is not payable unless at least 5% compound growth is achieved over a future three-year vesting period; The vesting schedule is outlined below: |

| Compound average diluted EPS growth | Vesting outcome |
|---|---|
| Below 5% | 0% |
| At 5% | 50% |
| 5% to 12.5% | Straight line between 50% to 100% |
| 12.5% or higher | 100% |

and

- 25% is based on TSR measured against Top 200 ASX companies excluding those in the mining industry (peer group), which is not payable unless TSR is at least the average of peer group. TSR is calculated as the change in share price plus dividends declared and any capital returns measured over the financial year together with a future three-year vesting period. The vesting schedule is outlined below:

| TSR | Vesting outcome |
|---|---|
| Less than average of peer group | 0% |
| At average of peer group | 50% |
| Exceeding average of peer group by 100% or below | Straight line between 50% to 100% |
| Exceeding average of peer group by 100% or higher | 100% |

| Component | Details |
|---|---|
| **Potential maximum LTI** | The MD & CEO can earn up to 75% of his annual fixed remuneration.<br>The other executives within the Executive Team can earn 50% to 75% of their annual fixed remuneration. |
| **Approval of the LTI** | The Board approves the LTI based on the financial and non-financial performance outcome as recommended by the Remuneration & Succession Planning Committee. |
| **Forms of LTI reward** | DEA of conditional rights to Steadfast ordinary shares and vesting after a three-year tenure hurdle and meeting future performance hurdles from the grant date. |
| **Rationale for choosing performance measures** | The financial measures of EPS growth and TSR are chosen to ensure long-term shareholders value is increased.<br>The non-financial measures are chosen to ensure each member of the Executive Team performs specific tasks that support the success of Steadfast. |
| **Key terms of DEA** | DEA is normally granted on the date the audited financial results are announced.<br>These rights are granted to the participants (at no cost), to the dollar value of a percentage of their fixed remuneration in accordance with the LTI Plan.<br>The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date.<br>The participants in the LTI Plan become eligible to receive one Steadfast ordinary share per conditional right, subject to their continuing employment with the Group for the three-year period from the grant date and meeting performance hurdles, subject to Board discretion.<br>These rights will not accrue notional dividends. |
| **Forfeiture conditions** | The Board retains the discretion to adjust any unpaid or unvested LTI downwards if it is appropriate to do so.<br>The conditional rights will be forfeited if the executive resigns before the vesting date.<br>When an executive ceases employment in special circumstances, such as redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast shares subject to Board discretion. |

### 3.5 Keeping executives' and shareholders' interest aligned

| Component | Details |
|---|---|
| **Shareholding requirements** | There is no specific policy requiring the Executive Team to hold any of Steadfast's ordinary shares. However, the Executive Team have acquired Steadfast's ordinary shares, through the following means:<br>• re-weighting shares allocated to the MD & CEO as a shareholder who held ordinary shares before the Company's change of constitution as approved by its Extraordinary General Meeting in June 2013;<br>• allotment of ordinary shares to Mr Lightbody as part consideration for the acquisition by Steadfast, as part of the initial public offer in August 2013, of Miramar, an underwriting agency business then partly owned by Mr Lightbody;<br>• subscription for ordinary shares as part of the Company's initial public retail and institutional offer and subsequent rights issues;<br>• for three executives, acquisition of Executive Shares through the Executive Loan Arrangement (for further details, refer Section 6.4 Executive loans);<br>• participation in the Company's Dividend Reinvestment Plan;<br>• conditional rights converting into ordinary shares at the end of August 2014;<br>• potential vesting of DEAs granted through the STI and LTI Plans in the financial years from 1 July 2014 onwards (refer Sections 3.3 and 3.4 for further details of the STI and LTI Plans); and<br>• purchase of shares on market within trading windows. |

Section 6.3 provides movements of Steadfast's ordinary shares held by the Executive Team during the current financial year.

## 4. REMUNERATION IN DETAIL

### 4.1 Statutory remuneration disclosure

The table below provides remuneration details for the Executive Team (including the MD & CEO and his direct reports).

For an executive who was newly appointed to the Executive Team during either financial year, the remuneration information provided in the table below relates to the period from the date of their appointment as KMP to the year ended 30 June. Refer Section 1.1 Key management personnel for KMP who were appointed during the financial year ended 30 June 2016 and 2017.

| | Short-term employment benefits | | | Post-employment benefits | Other long-term employment benefits | Subtotal (excluding share-based payments) | Share-based payments | Total |
|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | | | |
| | Cash salary and leave accruals $ | Short-term incentive $ | Non-monetary benefits $ | Super-annuation $ | Long service leave accruals $ | $ | $ | $ |
| **Key Management Personnel (including Managing Director & CEO):** | | | | | | | | |
| Robert Kelly, Managing Director & CEO | | | | | | | | |
| **2017** | **927,566** | **549,000** | **35,816** | **19,616** | **18,924** | **1,550,922** | **230,714** | **1,781,636** |
| 2016 | 931,331 | 574,200 | 27,453 | 19,308 | 23,051 | 1,575,344 | 504,469 | 2,079,813 |
| Stephen Humphrys, Chief Financial Officer | | | | | | | | |
| **2017** | **552,978** | **223,650** | **38,025** | **19,616** | **9,872** | **844,141** | **83,959** | **928,100** |
| 2016 | 509,306 | 228,000 | 20,719 | 19,308 | – | 777,333 | 207,648 | 984,981 |
| Samantha Hollman, Chief Operating Officer(6) | | | | | | | | |
| **2017** | **426,933** | **138,708** | **29,832** | **19,616** | **5,565** | **620,654** | **59,747** | **680,401** |
| 2016 | 299,378 | 75,600 | 16,524 | 19,308 | (1,334) | 409,476 | 77,987 | 487,463 |
| Simon Lightbody, CEO, Steadfast Underwriting Agencies | | | | | | | | |
| **2017** | **460,270** | **108,900** | **23,898** | **19,616** | **13,843** | **626,527** | **63,036** | **689,563** |
| 2016 | 440,469 | 110,680 | 9,093 | 19,308 | 14,344 | 593,894 | 37,480 | 631,374 |
| Allan Reynolds, Executive General Manager - Direct, New Zealand & Singapore | | | | | | | | |
| **2017** | **357,832** | **89,540** | **27,692** | **19,616** | **8,036** | **502,716** | **36,107** | **538,823** |
| 2016 | 334,069 | 90,720 | 11,622 | 19,308 | 8,338 | 464,057 | 119,785 | 583,842 |
| Linda Ellis, Group Company Secretary & Corporate Counsel(7) | | | | | | | | |
| **2017** | **199,365** | **50,820** | **25,760** | **18,469** | **3,099** | **297,513** | **17,350** | **314,863** |
| 2016 | – | – | – | – | – | – | – | – |
| **Former Key Management Personnel** | | | | | | | | |
| Dana Williams, Chief Operating Officer(8) | | | | | | | | |
| **2017** | **133,775** | **–** | **8,603** | **6,476** | **–** | **148,854** | **–** | **148,854** |
| 2016 | 445,187 | 159,300 | 10,841 | 19,308 | – | 634,636 | 125,475 | 760,111 |

***Table notes***

(1) Cash salary includes amounts paid in cash plus any salary sacrifice items. Annual leave accruals are determined in accordance with Accounting Standard, AASB 119 *Employee Benefits*.

(2) The 2017 short-term incentive (STI) represents 60% of the total STI awarded and approved by the Board and will be paid in cash in September 2017.

(3) This amount includes car parking and the relevant fringe benefit tax, cost of income protection and life insurance provided by the Group.

(4) Superannuation contribution is paid in line with legislative requirements.

(5) Long service leave accruals are determined in accordance with AASB 119 *Employee Benefits*.

(6) Samantha Hollman was appointed Chief Operating Officer on 17 October 2016. Prior to this, Mrs Hollman held the position of Executive General Manager – Projects, Brand, People. Mrs Hollman was KMP for the full period in 2017 and 2016.

(7) Linda Ellis was reinstated as KMP from 1 July 2016. Mrs Ellis is employed on a 60% of full-time basis.

(8) Dana Williams ceased being a KMP on 23 September 2016 following her resignation.

### 4.2 Conditional rights

In August 2016, the Remuneration & Succession Planning Committee approved the allocation of conditional rights to the KMP being the DEA portion of the STI and LTI based on FY16 results. The STI conditional rights will vest in three equal tranches on 24 August 2017, 24 August 2018 and 24 August 2019 should all conditions of vesting be met. The LTI conditional rights will vest 24 August 2019 should all conditions of vesting be met. The STI conditional rights participated in the Dividend Reinvestment Plan (DRP) in October 2016 and April 2017 for the final FY16 dividends and half-year FY17 interim dividends respectively.

The table below provides the number of conditional rights held by members of the Executive KMP at 30 June 2016 and 30 June 2017.

| | Balance 30 June 2016 | STI granted during FY17 | LTI granted during FY17 | DRP granted | STI vested and/or transferred during FY17[(a)] | Forfeited | Balance 30 June 2017 |
|---|---|---|---|---|---|---|---|
| Robert Kelly | 1,180,571 | 175,130 | 199,012 | 36,512 | (95,615) | – | **1,495,610** |
| Stephen Humphrys | 531,409 | 69,540 | 114,375 | 16,438 | (33,031) | – | **698,731** |
| Samantha Hollman | 209,462 | 23,058 | 48,037 | 6,397 | (12,107) | – | **274,847** |
| Simon Lightbody | – | 33,757 | 70,328 | 923 | – | – | **105,008** |
| Allan Reynolds | 360,327 | 27,670 | 82,350 | 10,802 | (16,337) | – | **464,812** |
| Linda Ellis | 235,495 | 16,141 | 33,626 | 6,496 | (13,908) | – | **277,850** |
| Dana Williams[(b)] | 286,172 | 48,586 | 102,937 | – | (27,815) | (409,880) | **–** |
| | 2,803,436 | 393,882 | 650,665 | 77,568 | (198,813) | (409,880) | **3,316,858** |

***Table notes***

(a) One-third of the DEAs granted in August 2015 were vested in the current financial year. In accordance with the terms of the STI plan, eligible participants of the plan received one Steadfast ordinary share per conditional right at nil cost to them upon vesting.

(b) The unvested conditional rights were forfeited upon Ms William's resignation in September 2016.

Refer Section 6.2 for the fair value of the conditional rights awarded in August 2016.

### 4.3 Executive service agreements

Steadfast has ongoing executive service agreements (Executive Agreements) with each of the members of the Executive KMP. These Executive Agreements may be terminated by written notice from either party or by the Company making a payment in lieu of notice.

The Executive Agreements outline the components of remuneration paid to executives and require the remuneration of executives to be reviewed annually. The Executive Agreements do not require the Company to increase base salary, pay a short-term incentive or offer a long-term incentive in any given year.

The table below contains the key terms of the Executive KMP's Executive Agreements. The Executive Agreements do not provide for any termination payments, other than payment in lieu of notice by the Company.

| Name | Notice period from the Company | Notice period from the employee | Termination provisions in relation to payment in lieu of notice |
|---|---|---|---|
| Robert Kelly* | 12 months | 12 months | 12 months fixed remuneration |
| Stephen Humphrys | 6 months | 6 months | 6 months fixed remuneration |
| Samantha Hollman | 6 months | 6 months | 6 months fixed remuneration |
| Simon Lightbody | 6 months | 6 months | 6 months fixed remuneration |
| Allan Reynolds | 6 months | 6 months | 6 months fixed remuneration |
| Linda Ellis | 6 months | 6 months | 6 months fixed remuneration |

* Mr Kelly has agreed not to terminate his employment contract before 31 December 2020.

In accordance with the requirements of *Corporations Act 2001*, termination provisions could include the payment of unused annual leave and long service leave accruals where applicable.

#### 4.3.1 Retrenchment entitlements

In the event of redundancy, Mr Kelly will be paid an amount equal to 12 months fixed remuneration.

#### 4.3.2 Termination under other situations

In the event of gross negligence or gross misconduct, the Company may terminate the Executive Agreement immediately by notice in writing and without payment in lieu of notice.

## 5. NON-EXECUTIVE DIRECTOR REMUNERATION

### 5.1 Fee structure and policy

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit which is reviewed periodically and recommended for approval by shareholders.

The fee structure is designed to provide the Group with the ability to attract and retain directors of the highest calibre.

The aggregate amount of remuneration sought to be approved by shareholders and the manner in which it is paid to Directors is reviewed annually. The Board considers advice from external consultants as well as fees paid to Non-executive Directors of comparable companies when undertaking the review process.

For the financial year ended 30 June 2017, no consultants were engaged to provide information on Non-executive Director remuneration to the Remuneration & Succession Planning Committee. No recommendation as defined by the *Corporations Act 2001* was provided by any remuneration consultant.

Independent and non-independent Non-executive Director remuneration consists of three elements:

- Board fees;
- committee fees; and
- superannuation, which is paid in line with legislative requirements.

Directors do not receive retirement benefits beyond superannuation contributions and do not participate in any incentive programs.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

At the Extraordinary General Meeting held on 14 June 2013, the shareholders approved the maximum aggregate Directors' fee pool of $900,000 per annum for each financial year effective from 1 July 2013.

The table below contains the annual fee structure for the Steadfast Board and committees (inclusive of superannuation).

| | | Board $ | Audit & Risk Committee $ | Remuneration & Succession Planning Committee $ | Nomination Committee $ |
|---|---|---|---|---|---|
| **Chairman** | **2017** | **225,000** | **20,000** | **20,000** | **–** |
| | 2016 | 220,000 | 20,000 | 20,000 | – |
| **Members** | **2017** | **115,000** | **5,000** | **5,000** | **–** |
| | 2016 | 110,000 | 5,000 | 5,000 | – |

No additional remuneration will be paid for the Chairman and members of the Nomination Committee nor any directorships of subsidiaries.

### 5.2 Minimum shareholding requirement

Non-executive Directors are not required under the Company's constitution to hold any of Steadfast's ordinary shares.

However, contained in each Director's letter of appointment from the Company is a term and condition that the Non-executive Directors must hold an amount equal to 50% of their annual remuneration in the Company's ordinary shares by the end of their second year in office.

Refer Section 6.3 for details of Steadfast's ordinary shares held by the Non-executive Directors.

### 5.3 Remuneration details for Non-executive Directors

The table below provides remuneration details of the Non-executive Directors on the Company’s Board.

| | Short-term employment benefits | | Post-employment benefits | Total |
|---|---|---|---|---|
| | Board fees $ | Committee fees $ | Superannuation $ | $ |
| **Current Non-executive Directors** | | | | |
| Frank O’Halloran, AM | | | | |
| **2017** | **205,479** | **9,905** | **19,616** | **235,000** |
| 2016 | 200,913 | 9,779 | 19,308 | 230,000 |
| David Liddy, AM | | | | |
| **2017** | **105,023** | **22,831** | **12,146** | **140,000** |
| 2016 | 100,457 | 22,831 | 11,712 | 135,000 |
| Anne O’Driscoll | | | | |
| **2017** | **105,023** | **22,831** | **12,146** | **140,000** |
| 2016 | 100,457 | 22,831 | 11,712 | 135,000 |
| Philip Purcell | | | | |
| **2017** | **105,023** | **9,132** | **10,845** | **125,000** |
| 2016 | 100,457 | 9,132 | 10,411 | 120,000 |
| Greg Rynenberg | | | | |
| **2017** | **105,023** | **9,132** | **10,845** | **125,000** |
| 2016 | 100,457 | 9,132 | 10,411 | 120,000 |

## 6. ADDITIONAL INFORMATION

### 6.1 Remuneration governance

This report meets the remuneration reporting requirements of the *Corporations Act 2001* and Accounting Standard AASB 124 *Related Party Disclosures*. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

#### 6.1.1 Role of the Remuneration & Succession Planning Committee

The Remuneration & Succession Planning Committee of the Board is responsible for reviewing and determining remuneration arrangements for the Non-executive Directors and the Executive Team made up of the Managing Director & CEO and his direct reports listed in the KMP table in Section 1.1.

#### 6.1.2 Use of remuneration consultant

The Remuneration & Succession Planning Committee directly engages and considers market remuneration data from remuneration consultants as required. The data provided by remuneration consultants is used as a guide for remuneration decisions with respect to the Executive Team. Remuneration consultants are engaged no less than every three years to provide information on fixed remuneration packages and incentives to the Remuneration & Succession Planning Committee.

No remuneration recommendations as defined by the *Corporations Act 2001* were provided.

### 6.2 Valuation of conditional rights

The table below details the fair value of conditional rights issued affecting remuneration of KMP in the previous, current or future reporting periods:

| Description | Recipient | Grant date | Vesting date | Fair value at grant date[b] $ | Volume weighted average share price (VWAP)[c] $ |
|---|---|---|---|---|---|
| October 2016 STI conditional rights[a] | MD & CEO | 27 October 2016 | 24 August 2017 | 2.1292 | 2.1858 |
| October 2016 STI conditional rights[a] | MD & CEO | 27 October 2016 | 24 August 2018 | 2.1234 | 2.1858 |
| October 2016 STI conditional rights[a] | MD & CEO | 27 October 2016 | 24 August 2019 | 2.1128 | 2.1858 |
| August 2016 STI conditional rights[a] | Other executives | 24 August 2016 | 24 August 2017 | 2.1264 | 2.1858 |
| August 2016 STI conditional rights[a] | Other executives | 24 August 2016 | 24 August 2018 | 2.1179 | 2.1858 |
| August 2016 STI conditional rights[a] | Other executives | 24 August 2016 | 24 August 2019 | 2.1047 | 2.1858 |
| October 2015 STI conditional rights[a] | MD & CEO | 30 October 2015 | 24 August 2016 | 1.4992 | 1.4881 |
| October 2015 STI conditional rights[a] | MD & CEO | 30 October 2015 | 24 August 2017 | 1.4939 | 1.4881 |
| October 2015 STI conditional rights[a] | MD & CEO | 30 October 2015 | 24 August 2018 | 1.4841 | 1.4881 |
| August 2015 STI conditional rights[a] | Other executives | 24 August 2015 | 24 August 2016 | 1.4519 | 1.4881 |
| August 2015 STI conditional rights[a] | Other executives | 24 August 2015 | 24 August 2017 | 1.4442 | 1.4881 |
| August 2015 STI conditional rights[a] | Other executives | 24 August 2015 | 24 August 2018 | 1.4323 | 1.4881 |
| October 2016 LTI conditional rights | MD & CEO | 27 October 2016 | 24 August 2019 | 1.9834 | 2.1858 |
| August 2016 LTI conditional rights | Other executives | 24 August 2016 | 24 August 2019 | 1.9500 | 2.1858 |
| October 2015 LTI conditional rights | MD & CEO | 30 October 2015 | 24 August 2018 | 1.4841 | 1.4881 |
| August 2015 LTI conditional rights | Other executives | 24 August 2015 | 24 August 2018 | 1.4323 | 1.4881 |
| October 2014 STI conditional rights | MD & CEO | 29 October 2014 | 25 August 2017 | 1.4312 | 1.3960 |
| August 2014 STI conditional rights | Other executives | 25 August 2014 | 25 August 2017 | 1.3253 | 1.3960 |
| October 2014 LTI conditional rights | MD & CEO | 29 October 2014 | 25 August 2019 | 1.4001 | 1.3960 |
| August 2014 LTI conditional rights | Other executives | 25 August 2014 | 25 August 2019 | 1.2908 | 1.3960 |

***Table notes***

(a) The STI conditional rights granted in October 2016, August 2016, October 2015 and August 2015 will vest in three equal tranches after one, two and three years from the grant date.

(b) The fair value at grant date is determined in accordance with Accounting Standard, AASB 2 *Share-based Payment*.

(c) To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average share price of Steadfast shares over the five trading days on the Australian Securities Exchange prior to Steadfast announcing its full-year results.

### 6.3 Shareholdings

The table below summarises the movement in holdings of ordinary shares during the year and the balance at the end of the financial year both in total and held nominally by related parties of Non-executive Directors and KMPs.

| | Total shares held at 1 July 2016 | Purchases | Shares transferred upon vesting of DEA | Shares allocated via DRP | Sales/ Reductions | Total shares held at 30 June 2017 | Shares held nominally at 30 June 2017[(a)] |
|---|---|---|---|---|---|---|---|
| Frank O'Halloran, AM[(b)] | 1,947,826 | – | – | – | (450,000) | 1,497,826 | 802,174 |
| Robert Kelly[(b)] | 5,391,543 | – | 95,615 | 10,363 | – | 5,497,521 | 401,906 |
| David Liddy, AM[(b)] | 250,000 | – | – | – | – | 250,000 | 250,000 |
| Anne O'Driscoll[(b)] | 163,043 | – | – | – | – | 163,043 | 163,043 |
| Philip Purcell[(b)] | 160,142 | – | – | – | – | 160,142 | 160,142 |
| Greg Rynenberg[(b)] | 745,633 | – | – | 19,733 | – | 765,366 | 765,366 |
| Stephen Humphrys | 1,466,667 | – | 33,031 | – | (499,698) | 1,000,000 | – |
| Samantha Hollman | 316,437 | – | 12,107 | 8,695 | – | 337,239 | 253,281 |
| Simon Lightbody | 1,792,314 | 20,000 | – | – | – | 1,812,314 | 455,314 |
| Allan Reynolds | 1,021,045 | – | 16,337 | 3,635 | – | 1,041,017 | 38,371 |
| Linda Ellis | 199,350 | 55,700 | 13,908 | – | (14,000) | 254,958 | – |
| Dana Williams[(c)] | – | – | 27,815 | – | (27,815) | – | – |

***Table notes***

(a) Shares held nominally are included in the column headed 'Total shares held at 30 June 2017'. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the KMP.

(b) For the Directors, total shares held directly and nominally also represented the relevant interest in the listed securities, being ordinary shares of the Company, as notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this Directors' Report.

(c) Individual shareholdings removed upon cessation as a KMP of the Company.

### 6.4 Executive loans

In the Extraordinary General Meeting held on 14 June 2013, the shareholders approved the making by the Company of full recourse loans to three continuing KMP. They have entered into loan agreements with the Company (Executive Loan Agreements). Under the Executive Loan Agreements, the Company provided loans to these executives with the loan proceeds to be used only to fund the acquisition of ordinary shares in the capital of the Company at a fixed price of $1.00 per share pursuant to the Company's initial retail and institutional offer (Executive Shares).

The loans were intended:

- to recognise and reward the services and contributions provided by these executives to the development and ongoing transformation of the Company;
- to assist in the retention of these executives; and
- as part of the Company's remuneration strategy to align the interests of the Executive Team to shareholder value.

The key terms of the Executive Loan Agreements are:

- interest-free, unsecured and full recourse loans;
- all dividends in respect of Executive Shares must be applied towards repayment of the loans; and
- to be repaid in full five years after the date on which the loans are provided.

During the financial year ended 30 June 2014, the Executive loans were recognised at fair value. The Executive loans were interest-free loans, and the Executive Shares were issued at a fixed price of $1.00 (being the minimum price to meet the condition of listing). The fixed price was different to the final share price of the Company when listed on the ASX in August 2013. A share-based payments expense on Executive Shares of $4.015 million was recorded in FY14 to recognise the difference between the cost and the fair value of the Executive loans. The share-based payments expense of $4.015 million is likely to be reversed over the period to the final repayment date. $3.464 million has been reversed as at 30 June 2017.

The Executive Shares are subject to escrow restrictions. Apart from the exceptions as noted below, the key restrictions are:

- for the period from the receipt by the executives of the Executive Shares until the end of the term of the loan (or upon the loan being accelerated due to an event of default) the executives agreed not to dispose of the Executive Shares or grant security over the Executive Shares (subject to certain exceptions as set out below) without the prior consent of the Board; and
- the executives agreed to the application of a holding lock in respect of the Executive Shares.

The exceptions to the above escrow restrictions on Executive Shares are:

- if the disposal does not cause the executive to breach the trading restrictions and the Executive Shares are disposed of during the permitted trading window under the Executive Loan Agreements. Under the trading restrictions, each executive may only sell their Executive Shares as below:

| Date | Cumulative amount of Executive Shares that may be sold |
|---|---|
| 30 August 2015 | ≤ 20% of total Executive Shares |
| 30 August 2016 | ≤ 40% of total Executive Shares |
| 30 August 2017 | ≤ 60% of total Executive Shares |
| 30 August 2018 | ≤ 80% of total Executive Shares |
| 30 August 2019 | ≤ 100% of total Executive Shares |

- should the executive leave, then the shares are not subject to the trading restrictions noted above;
- the proceeds from the disposal of the Executive Shares are to be applied towards the repayment of the Executive loans first, in the same proportion as the percentage of total Executive Shares disposed. The executives are entitled to retain any profits or gains from the disposal of the Executive Shares; and
- the disposal is made in the event of the death of the executive, the executive being declared bankrupt or the executive ceasing to be employed by the Company as a consequence of termination of an employment contract, ill health or retirement.

The table below provides the amount of the Executive loans provided to three executives and the fair value at the drawn down date and movement during the financial year.

| | Face value of Executive loans $ | Fair value of Executive loans drawn down at start of the year $ | Deemed interest income during the year $ | Repayment during the year $ | Fair value of Executive loans at the end of the year $ |
|---|---|---|---|---|---|
| Robert Kelly | 5,000,000 | 3,637,626 | 368,316 | (310,000) | 3,695,942 |
| Stephen Humphrys | 1,000,000 | 727,431 | 73,631 | (62,000) | 739,062 |
| Allan Reynolds | 900,000 | 654,852 | 66,324 | (55,800) | 665,376 |
| | 6,900,000 | 5,019,909 | 508,271 | (427,800) | 5,100,380 |

### 6.5 Related party transactions

The following transactions occurred with Directors' (Robert Kelly and Greg Rynenberg) related parties which are part of Steadfast Network but are not part of Steadfast Group:

| | 2017 $ | 2016 $ |
|---|---|---|
| **i. Sale of goods and services** | | |
| Marketing and administration fees received from Directors' related entities on normal commercial terms | 22,268 | 27,683 |
| **ii. Payment for goods and services** | | |
| Estimated Steadfast Network broker rebate expense to Directors' related entities on the basis as determined by the Board | 48,947 | 40,648 |
| The following balances are outstanding at the reporting date in relation to transactions with related parties: | | |
| **iii. Current receivable from related parties** | | |
| Trade receivables from Directors' related entities | 6,536 | – |

### ROUNDING

The Group is of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission. In accordance with that Instrument, amounts in the Directors' Report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed at Sydney on 23 August 2017 in accordance with a resolution of the Directors.

**Frank O'Halloran, AM**
Chairman

**Robert Kelly**
Managing Director & CEO

# Lead Auditor's Independence Declaration

UNDER SECTION 307C OF *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 audit for the year ended 30 June 2017, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

**KPMG**

**Andrew Dickinson**
Partner

Sydney
23 August 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **REVENUE** | | | |
| Fee and commission income | | **431,125** | 404,828 |
| Less: brokerage commission paid | | **(119,241)** | (124,830) |
| Net fee and commission income | | **311,884** | 279,998 |
| Marketing and administration fees | | **35,310** | 32,404 |
| Interest income | | **7,467** | 7,222 |
| Other revenue | | **34,636** | 37,159 |
| | | **389,297** | 356,783 |
| Share of profits of associates accounted for using the equity method | 12 | **12,104** | 9,071 |
| Share of profits of joint ventures accounted for using the equity method | 13 | **1,937** | 2,095 |
| Profit on fair value of investments | | **–** | 1,600 |
| Net gain from adjustments to deferred consideration estimates | 10 | **3,421** | 23,874 |
| Net gain from sale of subsidiaries | 4 | **4,065** | – |
| Other income | | **3,826** | 3,399 |
| | | **414,650** | 396,822 |
| **EXPENSES** | | | |
| Employment expense | | **(175,513)** | (159,046) |
| Selling expense | | **(20,747)** | (15,255) |
| Administration, brokers' support service and other expenses | | **(46,895)** | (48,908) |
| Steadfast Network Broker rebates expense | | **(11,362)** | (10,158) |
| Occupancy expense | | **(14,451)** | (13,071) |
| Amortisation expense | 7 | **(21,473)** | (20,888) |
| Depreciation expense | | **(3,292)** | (3,119) |
| Impairment expense | 4, 7, 12 | **(6,459)** | (18,090) |
| Loss on fair value of investments | | **(803)** | – |
| Finance costs | | **(9,096)** | (8,432) |
| | | **(310,091)** | (296,967) |
| **Profit before income tax expense** | | **104,559** | 99,855 |
| Income tax expense | 20 | **(26,372)** | (18,737) |
| **Profit after income tax expense for the year** | | **78,187** | 81,118 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS** | | | |
| Net movement in foreign currency translation reserve | | **(277)** | 379 |
| Cash flow hedge effective portion of change in fair value | | **(28)** | (463) |
| Income tax expense on other comprehensive income | | **91** | 25 |
| Other comprehensive income for the period, net of tax | | **(214)** | (59) |
| **Total comprehensive income for the year, net of tax** | | **77,973** | 81,059 |

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:** | | | |
| Non-controlling interests | | 11,395 | 7,638 |
| Owners of Steadfast Group Limited | | 66,792 | 73,480 |
| | | 78,187 | 81,118 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:** | | | |
| Non-controlling interests | | 11,395 | 7,638 |
| Owners of Steadfast Group Limited | | 66,578 | 73,421 |
| | | 77,973 | 81,059 |
| **EARNINGS PER SHARE** | | | |
| Basic earnings per share (cents per share) | 5 | 8.96 | 9.86 |
| Diluted earnings per share (cents per share) | 5 | 8.92 | 9.84 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 21 | **66,537** | 67,457 |
| Cash held on trust | 21 | **263,198** | 224,752 |
| Receivables of broking/underwriting agency operations | | **343,882** | 301,011 |
| Trade and other receivables | | **45,248** | 35,466 |
| Related party loans | 22 | **1,031** | 976 |
| Other | | **4,984** | 4,455 |
| Total current assets | | **724,880** | 634,117 |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 7 | **717,397** | 712,329 |
| Intangible assets | 7 | **154,990** | 165,280 |
| Investments in associates | 12 | **125,690** | 121,783 |
| Interest in joint ventures | 13 | **11,362** | 2,211 |
| Deferred tax assets | 20 | **3,419** | 8,284 |
| Property, plant and equipment | | **27,498** | 27,908 |
| Related party loans | 22 | **6,182** | 7,197 |
| External shareholder loans | 14C | **27,489** | 29,800 |
| Other | | **1,120** | 3,589 |
| Total non-current assets | | **1,075,147** | 1,078,381 |
| **Total assets** | | **1,800,027** | 1,712,498 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Payables on broking/underwriting agency operations | | **533,975** | 453,322 |
| Trade and other payables | | **49,551** | 48,002 |
| Bank overdrafts | 8, 21 | **526** | 464 |
| Borrowings | 8 | **995** | 1,116 |
| Deferred consideration | 10 | **5,222** | 11,821 |
| Income tax payable | | **13,727** | 17,583 |
| Provisions | | **15,020** | 15,363 |
| Total current liabilities | | **619,016** | 547,671 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 8 | **204,945** | 200,326 |
| Deferred consideration | 10 | **1,366** | 1,848 |
| Other payables | | **3,788** | 3,005 |
| Deferred tax liabilities | 20 | **50,655** | 55,342 |
| Provisions | | **7,089** | 6,165 |
| Total non-current liabilities | | **267,843** | 266,686 |
| **Total liabilities** | | **886,859** | 814,357 |
| **Net assets** | | **913,168** | 898,141 |

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 9 | **796,857** | 796,857 |
| Treasury shares held in trust | 9 | **(7,014)** | (4,396) |
| Foreign currency translation reserve | | **(165)** | 28 |
| Share-based payments reserve | | **3,761** | 3,675 |
| Undistributed profits reserve | | **64,086** | 31,542 |
| Other reserves | | **(20,484)** | (15,108) |
| Retained earnings | | **35,161** | 47,399 |
| Equity attributable to the owners of Steadfast Group Limited | | **872,202** | 859,997 |
| Non-controlling interests | | **40,966** | 38,144 |
| **Total equity** | | **913,168** | 898,141 |

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

| 2017 | 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 2016 | 796,857 | (4,396) | 28 | 3,675 | 31,542 | (15,108) | 47,399 | 38,144 | 898,141 |
| Profit after income tax expense for the year | – | – | – | – | – | – | 66,792 | 11,395 | 78,187 |
| Other comprehensive income for the year, net of tax | – | – | (193) | – | – | (21) | – | – | (214) |
| Total comprehensive income for the year | – | – | (193) | – | – | (21) | 66,792 | 11,395 | 77,973 |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:** | | | | | | | | | |
| Shares acquired and held in trust (Note 9) | – | (2,827) | – | – | – | – | – | – | (2,827) |
| Share-based payments on Executive Shares and employee share plans | – | – | – | 86 | – | – | – | – | 86 |
| Shares allotted through Dividend Reinvestment Plan (Note 9) | – | (252) | – | – | – | – | – | – | (252) |
| Shares allotted to employees under Employee Conditional Rights Scheme (Note 9) | – | 461 | – | – | – | – | – | – | 461 |
| Transfer of retained earnings to profit reserve | – | – | – | – | 32,544 | – | (32,544) | – | – |
| Acquisition of non-controlling interests (Note 10) | – | – | – | – | – | – | – | 2,665 | 2,665 |
| Changes in equity interests in subsidiaries without loss of control | – | – | – | – | – | (5,355) | – | (1,249) | (6,604) |
| Dividends declared and paid (Note 6) | – | – | – | – | – | – | (46,486) | (9,989) | (56,475) |
| Balance at 30 June 2017 | 796,857 | (7,014) | (165) | 3,761 | 64,086 | (20,484) | 35,161 | 40,966 | 913,168 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

| 2016 | 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 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of Steadfast Group Limited | | | | | | | | |
| Balance at 1 July 2015 | 787,946 | (3,018) | (237) | 3,130 | 6,562 | (10,698) | 39,196 | 18,684 | 841,565 |
| Profit after income tax expense for the year | – | – | – | – | – | – | 73,480 | 7,638 | 81,118 |
| Other comprehensive income for the year, net of tax | – | – | 265 | – | – | (324) | – | – | (59) |
| Total comprehensive income for the year | – | – | 265 | – | – | (324) | 73,480 | 7,638 | 81,059 |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:** | | | | | | | | | |
| Shares issued for Dividend Reinvestment Plan (Note 9) | 8,911 | – | – | – | – | – | – | – | 8,911 |
| Shares acquired and held in trust (Note 9) | – | (1,388) | – | – | – | – | – | – | (1,388) |
| Share-based payments on Executive Shares and employee share plans | – | – | – | 710 | – | – | – | – | 710 |
| Shares allotted through Dividend Reinvestment Plan (Note 9) | – | (155) | – | – | – | – | – | – | (155) |
| Shares allotted to employees under Employee Conditional Rights Scheme (Note 9) | – | 165 | – | (165) | – | – | – | – | – |
| Transfer of retained earnings to profit reserve | – | – | – | – | 47,282 | – | (47,282) | – | – |
| Acquisition of non-controlling interests (Note 10) | – | – | – | – | – | – | – | (279) | (279) |
| Changes in part equity interests in subsidiaries without loss of control | – | – | – | – | – | (4,086) | – | 19,247 | 15,161 |
| Dividends declared and paid (Note 6) | – | – | – | – | (22,302) | – | (17,995) | (7,146) | (47,443) |
| Balance at 30 June 2016 | 796,857 | (4,396) | 28 | 3,675 | 31,542 | (15,108) | 47,399 | 38,144 | 898,141 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 404,955 | 376,862 |
| Payments to suppliers and employees, and Network broker rebates | | (299,159) | (289,209) |
| Dividends received from associates and joint ventures | | 14,064 | 12,910 |
| Interest received | | 6,989 | 5,773 |
| Interest and other finance costs paid | | (9,154) | (7,710) |
| Income taxes paid | | (32,060) | (14,658) |
| Net cash from operating activities before customer trust accounts movement | | 85,635 | 83,968 |
| Net movement in customer trust accounts (net cash receipts/payments on behalf of customers) | | 22,317 | 42,259 |
| Net cash from operating activities | 21 | 107,952 | 126,227 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for acquisitions of subsidiaries and business assets, net of cash acquired | | (4,372) | (10,521) |
| Payments for investments in associates and joint ventures | | (16,671) | (17,632) |
| Payments for step-up investment in subsidiaries on hubbing arrangements | | (3,835) | (3,593) |
| Payments for deferred consideration of subsidiaries, associates and business assets | | (11,745) | (23,138) |
| Proceeds from disposal of investment in subsidiaries, net of cash disposed | | 25,168 | – |
| Proceeds from disposal of investment in associates | | – | 497 |
| Proceeds from part disposal of investment in subsidiaries on hubbing arrangements | | 1,763 | – |
| Payments for property, plant and equipment | | (2,241) | (5,306) |
| Payments for intangible assets | | (7,595) | (5,637) |
| Net cash used in investing activities | | (19,528) | (65,330) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid to owners of Steadfast (net of Dividend Reinvestment Plan in 2016) | | (46,486) | (31,385) |
| Proceeds from borrowings | | 55,429 | 210,553 |
| Repayment of borrowings | | (51,135) | (180,331) |
| Payments for purchase of treasury shares | | (2,827) | (1,388) |
| Repayment of related party loan | | 1,552 | 976 |
| Payments for related party loans | | (100) | (200) |
| Repayment of non-related party loans | | 3,256 | 2,038 |
| Payments for non-related party loans | | (654) | (1,440) |
| Dividends paid to non-controlling interests | | (9,989) | (7,146) |
| Net cash used in financing activities | | (50,954) | (8,323) |
| Net increase in cash and cash equivalents | | 37,470 | 52,574 |
| Cash and cash equivalents at the beginning of the financial year | | 291,745 | 239,171 |
| Effect of movements in exchange rates on cash held | | (6) | – |
| Cash and cash equivalents at the end of the financial year | 21 | 329,209 | 291,745 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 1. GENERAL INFORMATION

This general purpose financial report is for the year ended 30 June 2017 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 joint ventures (Steadfast Group or the Group). These 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 4, 99 Bathurst Street, Sydney NSW 2000.

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report, which is not part of the financial report.

This general purpose financial report was authorised for issue by the Board on 23 August 2017.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### A. STATEMENT OF COMPLIANCE

This financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the Australian Securities Exchange (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 financial report of the Group complies with IFRS.

### B. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The significant accounting policies adopted in the preparation of this financial report are set out below. These accounting policies have been applied consistently by all entities in the Group and are the same as those applied for the previous reporting period 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. New and amended standards adopted by the Group

The Group has adopted the following revised or amending Accounting Standard and Interpretation issued by the Australian Accounting Standards Board that is mandatory for the year ended 30 June 2017. Adoption of this standard has not had any material effect on the financial position or performance of the Group.

| Title | Description |
|---|---|
| AASB 1057 | Application of Australian Accounting Standards |

#### II. Reclassification of comparatives

Prior year comparative information relating to stamp duty, due diligence and restructure costs in the consolidated statement of profit or loss and other comprehensive income has been revised in this financial report to conform to the current period's presentation. This is now contained within line item Administration, brokers' support service and other expenses.

Prior year comparative information relating to corporate expenses in Note 4 of this financial report has been revised to conform to the current period's presentation. This is now contained within line item Expenses – consolidated entities.

#### III. Rounding

The Group is of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission. In accordance with that Instrument, amounts in this financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

### C. PRINCIPLES OF CONSOLIDATION

#### I. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of identifiable net assets acquired and non-controlling interests is recorded as goodwill. If the consideration transferred is less than the fair value of identifiable net assets acquired and non-controlling interests, the difference is recognised directly in profit or loss. Costs of acquisition are expensed as incurred, except if they related to the issue of debt or equity securities.

#### II. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases.

#### III. Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquired subsidiaries' identifiable net assets at the date of acquisition. For the operations and business being put into a business hub, NCI represent the fair value at the hubbing date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### IV. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### V. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Group's share of the profit or loss of associates and the joint ventures is included in the Group's profit or loss.

#### VI. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

### D. REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is recognised to the extent that there is no future obligation. Where there is a future obligation, a portion is deferred over the expected service period.

Revenue is measured at the fair value of the consideration received or receivable.

#### I. Fee and commission income

Commission, brokerage and fees are recognised when the related service has been provided and it is probable that the Group 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. Where there is a future obligation to provide claims handling services, a portion of the commission income is deferred over the expected service period.

#### II. Marketing and administration (M&A) fees

The Company has negotiated with strategic partners, such as insurers, premium funders and underwriting agencies, to receive M&A fees based on the amount of business placed with those entities for the Group's preferred products. These amounts are recognised as revenue when base premium is placed (in the case of insurers and underwriting agencies) or premiums funded (in the case of premium funders).

#### III. Claims experience benefit

The Group may receive a claims experience benefit payment or payments in respect of certain types of insurance products placed with insurance companies. Revenue is recognised for a claims experience benefit for a particular policy year when it is likely that a claims experience benefit is receivable and the amount can be measured reliably.

Factors taken into account in recognising a claims experience benefit include the number of years that have passed since the end of a policy year and whether various claims have been closed or can be reliably measured.

#### IV. Other revenue

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

### E. TAXATION

#### Tax consolidation

The Company (the head entity) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

In addition, certain controlled subsidiaries and their wholly-owned Australian subsidiaries have formed income tax consolidated groups under the tax consolidation regime. These entities are also taxed as a single entity and the deferred tax assets and liabilities of these tax consolidated groups are offset in the consolidated financial statements.

### F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash at bank, 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. This includes cash held by the subsidiaries for business operations/operating expenses purposes.

Cash held on trust relates to cash held for insurance premiums received from policyholders which will ultimately be paid to underwriters. Cash held on trust cannot be used to meet business operations/operating expenses other than payments to underwriters and/or refunds to policyholders.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

### G. RECEIVABLES OF BROKING/UNDERWRITING AGENCY OPERATIONS

Receivables from broking/underwriting agency operations are initially recognised based on the invoiced amount to customers. After initial recognition, provision is made for lapses or cancellations of insurance policies or other matters that may lead to non-collection.

These receivables are generally due for settlement within 30 to 90 days. Collectability of receivables is reviewed on an ongoing basis.

### H. INTANGIBLE ASSETS

Identifiable intangible assets acquired separately or in a business combination (mainly customer relationships and capitalised software) 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. The useful lives of these intangible assets are assessed on acquisition. Internally developed software costs are capitalised once the project is assessed to be feasible. The costs capitalised include licensing and direct labour costs. The useful lives of capitalised software assets are assessed when the project is completed and available for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and provision for impairment.

Intangible assets with finite lives are amortised over their useful lives, currently estimated to be up to 10 years, and their useful lives are reviewed annually.

### I. PAYABLES ON BROKING/UNDERWRITING AGENCY OPERATIONS

These amounts represent insurance premiums payable to insurance companies for broking/underwriting agency operations on amounts invoiced to customers and liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.

### J. HEDGE ACCOUNTING

Hedge accounting is applied when the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting.

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to interest rate fluctuations associated with the corporate debt facility. For cash flow hedges, the portion of the gain or loss on the hedge instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts deferred in equity are transferred to profit or loss in the same period the hedged item is recognised in the profit or loss.

### K. AUSTRALIAN ACCOUNTING STANDARDS ISSUED AND NOT YET EFFECTIVE

The Group has not early adopted and applied any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory for the year ended 30 June 2017.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

The Group intends to adopt new, revised or amending Accounting Standards and Interpretations in the operating year commencing 1 July after the effective date of these standards and interpretations as set out in the table below. The Group does not expect any adverse impact to financial covenants as a result of applying the new standards.

| Title | Description | Effective date | Operating year | Note |
|---|---|---|---|---|
| AASB 9 | Financial Instruments and the relevant amending standards | 1 January 2018 | 30 June 2019 | (i) |
| AASB 15 | Revenue from Contracts with Customers and the relevant amending standards | 1 January 2018 | 30 June 2019 | (ii) |
| AASB 16 | Leases | 1 January 2019 | 30 June 2020 | (iii) |
| AASB 2016-2 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | 1 January 2017 | 30 June 2018 | (i) |
| AASB 2016-5 | Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions | 1 January 2018 | 30 June 2019 | (i) |

***Table notes***

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

(ii) The Group has completed a preliminary review of the contracts with insurers and customers and has identified claims handling services as an area that is likely to be affected by the new revenue standard. The application of the new standard may result in the identification of separate performance obligations for handling claims on behalf of customers as part of the insurance brokerages' customary business practices, which could affect the timing of revenue recognition. Based on the results of the preliminary review, the Group does not expect a material impact on the consolidated statement of profit or loss on the basis that the business volumes would not change significantly from one reporting period to the next. The Group intends to apply paragraph C3(b) of the new standard on transition which does not require comparative financial information to be restated. Under this transition approach, the cumulative effect of initially applying this new standard is recognised as an adjustment to opening retained earnings of the first annual reporting report, i.e. financial year ending 30 June 2019. Based on results of the preliminary review, the estimated adjustment to opening retained earnings and deferred income provision is in the range of \$7 million to \$13 million.

At this stage, the Group does not intend to adopt the standard before its effective date of 1 January 2018. The Group will make more detailed assessments of the effect over the next twelve months.

(iii) The primary impact of the new leases standard will be the accounting for the Group's operating leases.

The Group intends to apply the short-term and low value recognition exemptions available under paragraph 5 of AASB 16. The Group intends to adopt paragraph C8(b)(i) modified retrospective approach on transition with practical expedients as permitted by the new standard. The modified retrospective approach does not require comparative financial information to be restated.

Based on operating lease commitments as at 30 June 2017, the application of the modified retrospective approach under paragraph C8(b)(i) would have had the following estimated impacts on the balance sheet on 1 July 2017 if the Group had been required to apply the new standard on that date:

- \$27 million increase in lease liability measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- \$25 million increase in right-of-use asset measured at either its carrying amount as if the new standard had been applied since the commencement date of the lease, discounted using the Group's incremental borrowing rate at the date of initial application; and
- \$1 to \$2 million opening retained earnings adjustment.

It is expected that on initial application of the abovementioned options, there will be:

- increases in property, plant and equipment and the corresponding lease liabilities;
- front-loaded lease expense comprising of interest and depreciation expenses; and
- reclassification of cash flows in the consolidated statement of cash flows.

At this stage, the Group does not intend to adopt the standard before its effective date of 1 January 2019. The Group will make more detailed assessments of the effect over the next twelve months.

## 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 (refer to the respective notes) during the year ended 30 June 2017 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. Fair value is estimated with reference to the market transactions for similar assets or discounted cash flow analysis.

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.

### B. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's deferred consideration liability is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial liability is determined, including the valuation technique and inputs used. For the Group's financial instruments not measured at fair value, the carrying amount of these financial instruments provides a reasonable approximation of their fair values.

| Financial instrument | Fair value hierarchy | Valuation technique | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Deferred consideration | Level 3 | The fair value is calculated based on a contracted multiple of forecast EBITA or fees and commissions | Forecast EBITA or fees and commissions | The estimated fair value would increase/decrease if the forecast EBITA or fees and commissions were higher/lower |
| Interest rate swaps | Level 2 | The fair value is calculated using the present value of the estimated future cash flow based on observable yield curves | Not applicable | Not applicable |

### C. DEFERRED CONSIDERATION

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

### D. GOODWILL

Goodwill is not amortised but assessed for impairment annually or more frequently when there is an evidence of impairment.

The recoverable amount of goodwill is estimated using the higher of fair value or the value in use analysis 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.

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

### E. 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.

### F. EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are carried at the lower of the equity-accounted amount and the recoverable amount.

The carrying amounts of equity-accounted investments (which include embedded amounts of intangible assets) 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 equity-accounted investment exceeds its recoverable amount.

### G. 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/decrease where the useful lives are less/greater than previously estimated. It would also change if the amortisation methodology was reassessed. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### H. 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.

## NOTE 4. OPERATING SEGMENTS

The Company's corporate structure includes equity investments in insurance intermediary entities (insurance broking, underwriting agencies and premium funders) and complementary 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, United Kingdom and Singapore; and investment in unisonSteadfast network headquartered in Germany. In regards to geographical information, the revenue and non-current assets attributed to geographies outside of Australasia are currently immaterial to the Group and hence no separate disclosure has been made.

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

## NOTE 4. OPERATING SEGMENTS continued

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

| | Table note | 2017 Insurance intermediary $'000 | 2017 Other $'000 | 2017 Total $'000 | 2016 Insurance intermediary $'000 | 2016 Other $'000 | 2016 Total $'000 |
|---|---|---|---|---|---|---|---|
| Revenue – consolidated entities | | 383,272 | 8,887 | 392,159 | 345,477 | 13,006 | 358,483 |
| Expenses – consolidated entities | | (262,153) | (10,663) | (272,816) | (238,195) | (10,880) | (249,075) |
| EBITA – consolidated entities | | 121,119 | (1,776) | 119,343 | 107,282 | 2,126 | 109,408 |
| Share of EBITA from associates and joint ventures (Note 12, 13) | | 23,513 | 493 | 24,006 | 20,341 | 342 | 20,683 |
| EBITA from core operations | | 144,632 | (1,283) | 143,349 | 127,623 | 2,468 | 130,091 |
| Finance costs (net of interest received on surplus cash held) | (i) | (9,681) | (16) | (9,697) | (9,169) | (18) | (9,187) |
| Amortisation expense | (ii) | (23,150) | (533) | (23,683) | (23,420) | (744) | (24,164) |
| Profit/(loss) before income tax from core operations before non-trading items | | 111,801 | (1,832) | 109,969 | 95,034 | 1,706 | 96,740 |
| Income tax benefit/(expense) on profit before non-trading items | (iii) | (32,215) | 587 | (31,628) | (28,268) | (506) | (28,774) |
| **Profit/(loss) after income tax before non-trading items** | | 79,586 | (1,245) | 78,341 | 66,766 | 1,200 | 67,966 |
| Non-trading items: | | | | | | | |
| Income | (iv) | 21 | 8,184 | 8,205 | 27,173 | – | 27,173 |
| Expenses | (v) | (7,411) | – | (7,411) | (18,572) | – | (18,572) |
| Income tax benefit/(expense) on non-trading items | | 165 | (1,113) | (948) | 4,551 | – | 4,551 |
| **Net profit after income tax for the year** | | 72,361 | 5,826 | 78,187 | 79,918 | 1,200 | 81,118 |
| Non-controlling interests (NCI) in profit after tax before non-trading items | | (11,949) | – | (11,949) | (7,519) | – | (7,519) |
| NCI in non-trading items: | | | | | | | |
| Profit before income tax | | 769 | – | 769 | (171) | – | (171) |
| Income tax benefit/(expense) on non-trading items | | (215) | – | (215) | 52 | – | 52 |
| **Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT)** | | 60,966 | 5,826 | 66,792 | 72,280 | 1,200 | 73,480 |
| Other comprehensive income attributable to owners of Steadfast Group Limited | | (214) | – | (214) | (59) | – | (59) |
| Total comprehensive income after income tax attributable to owners of Steadfast Group Limited | | 60,752 | 5,826 | 66,578 | 72,221 | 1,200 | 73,421 |

## NOTE 4. OPERATING SEGMENTS continued

***Table notes***

| | 2017 Insurance intermediary $'000 | 2017 Other $'000 | 2017 Total $'000 | 2016 Insurance intermediary $'000 | 2016 Other $'000 | 2016 Total $'000 |
|---|---|---|---|---|---|---|
| (i) Breakdown of finance costs: | | | | | | |
| Finance costs – consolidated entities | (9,096) | – | (9,096) | (8,432) | – | (8,432) |
| Finance costs – associates and joint ventures (Note 12, 13) | (585) | (16) | (601) | (737) | (18) | (755) |
| | (9,681) | (16) | (9,697) | (9,169) | (18) | (9,187) |
| (ii) Breakdown of amortisation expenses of acquired intangibles: | | | | | | |
| Amortisation expense – consolidated entities | (19,852) | (460) | (20,312) | (20,216) | (672) | (20,888) |
| Amortisation expense – associates and joint ventures (Note 12, 13) | (3,298) | (73) | (3,371) | (3,204) | (72) | (3,276) |
| | (23,150) | (533) | (23,683) | (23,420) | (744) | (24,164) |
| (iii) Breakdown of income tax benefit/(expense) on profit before non-trading items: | | | | | | |
| Income tax benefit/(expense) – consolidated entities | (26,135) | 711 | (25,424) | (22,856) | (432) | (23,288) |
| Income tax expense – associates and joint ventures (Note 12, 13) | (6,080) | (124) | (6,204) | (5,412) | (74) | (5,486) |
| | (32,215) | 587 | (31,628) | (28,268) | (506) | (28,774) |
| (iv) Breakdown of non-trading income: | | | | | | |
| Net profit on change in value of investments | – | – | – | 1,600 | – | 1,600 |
| Reversal of deemed interest income on interest-free executive loans | 508 | – | 508 | 530 | – | 530 |
| Net gain on disposal of customer list | 211 | – | 211 | 1,169 | – | 1,169 |
| Net gain on re-estimation and settlement of deferred consideration | 3,421 | – | 3,421 | 23,874 | – | 23,874 |
| Net gain/(loss) from sale of subsidiaries | (4,119) | 8,184 | 4,065 | – | – | – |
| | 21 | 8,184 | 8,205 | 27,173 | – | 27,173 |
| (v) Breakdown of non-trading expenses: | | | | | | |
| Net loss on change in fair value of investments | (803) | – | (803) | – | – | – |
| Impairment loss (Note 7F) | (6,459) | – | (6,459) | (18,090) | – | (18,090) |
| Non-recurring amortisation expense | – | – | – | (482) | – | (482) |
| Other expenses | (149) | – | (149) | – | – | – |
| | (7,411) | – | (7,411) | (18,572) | – | (18,572) |

## NOTE 5. EARNINGS PER SHARE

| | 2017 Cents | 2016 Cents |
|---|---|---|
| **A. REPORTING PERIOD VALUE** | | |
| Basic earnings per share | **8.96** | 9.86 |
| Diluted earnings per share | **8.92** | 9.84 |

The higher earnings per share reported in the year ended 30 June 2016 compared to the year ended 30 June 2017 is primarily due to the high level of non-trading items in 2016, in particular the net gain on re-estimation and settlement of deferred consideration as detailed in Note 4.

If all non-trading items were removed the adjusted pro forma earnings per share would be as follows:

| | | |
|---|---|---|
| Adjusted pro forma basic earnings per share | **8.90** | 8.11 |
| Adjusted pro forma diluted earnings per share | **8.87** | 8.09 |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **B. RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE** | | |
| Profit after income tax | **78,187** | 81,118 |
| Non-controlling interests | **(11,395)** | (7,638) |
| Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of statutory basic and diluted earnings per share | **66,792** | 73,480 |
| Removing non-trading items*: | | |
| Income | **(8,205)** | (27,173) |
| Expenses | **7,411** | 18,572 |
| Income tax expense/(benefit) | **948** | (4,551) |
| Non-controlling interests (net of tax) | **(554)** | 119 |
| Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of adjusted pro forma basic and diluted earnings per share | **66,392** | 60,447 |

* The separate identification of non-trading items is not disclosed in accordance with current Australian Accounting Standards requirements.

## NOTE 5. EARNINGS PER SHARE continued

| | 2017 Number in '000 | 2016 Number in '000 |
|---|---|---|
| **C. RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES USED IN CALCULATING EARNINGS PER SHARE** | | |
| **I. Weighted average number of ordinary shares issued** | | |
| Weighted average number of ordinary shares issued | **749,752** | 747,928 |
| Weighted average number of treasury shares held in trust | **(3,916)** | (2,721) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **745,836** | 745,207 |
| **II. Weighted average number of dilutive potential ordinary shares related to** | | |
| Weighted average number of ordinary shares | **745,836** | 745,207 |
| Effect of share-based payments arrangements[a] | **1,153** | 729 |
| Effect of deemed bonus shares on share options[b] | **1,706** | 1,144 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **748,695** | 747,080 |

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 (EPS).

(b) 3.000 million share options were issued to a member of key management personnel of an acquired business in 2013 with an exercise price of $1.00 per share. Because the average share price exceeds the exercise price, 1.706 million shares (2016: 1.144 million) are deemed to be bonus shares.

## NOTE 6. DIVIDENDS

| | Cents per share | Total amount $'000 | Payment date | Tax rate for franking credit | Percentage franked |
|---|---|---|---|---|---|
| **A. DIVIDENDS ON ORDINARY SHARES** | | | | | |
| **2017** | | | | | |
| **2017 interim dividend** | **2.6** | **19,495** | **13 April 2017** | **30%** | **100%** |
| **2016 final dividend** | **3.6** | **26,991** | **14 October 2016** | **30%** | **100%** |
| **2016** | | | | | |
| 2016 interim dividend | 2.4 | 17,994 | 14 April 2016 | 30% | 100% |
| 2015 final dividend | 3.0 | 22,302 | 14 October 2015 | 30% | 100% |

It is standard practice that the Board declares the dividend for a period after the relevant reporting date. A dividend is not accrued for until it is declared and so the dividends for a period are generally recognised and measured in the financial reporting period following the period to which the dividends relate.

The dividends recognised in the current reporting period include $0.252 million (2016: $0.155 million) paid in relation to treasury shares held in a trust controlled by the Group. All the treasury shares participate in the Dividend Reinvestment Plan (DRP).

### B. DIVIDEND POLICY

The Company targets a dividend payout ratio in the range of 65% to 85% of net profit after tax attributable to shareholders of the Company with a minimum dividend payout ratio of 50% of net profit after tax and before amortisation expense.

### C. DIVIDEND REINVESTMENT

A Dividend Reinvestment Plan (DRP) 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 calculated over the pricing period (which is at least five trading days) as determined by the Board for each dividend payment date.

## NOTE 6. DIVIDENDS continued

### D. DIVIDEND NOT RECOGNISED AT REPORTING DATE

On 23 August 2017, 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 |
|---|---|---|---|---|---|
| 2017 final dividend | 4.4 | 32,989 | 13 October 2017 | 30% | 100% |

The Company's DRP will operate by purchasing ordinary shares on market. No discount will be applied. The last election notice for participation in the DRP in relation to this final dividend is 13 September 2017.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **E. FRANKING CREDITS** | | |
| Franking account balance at reporting date at 30% | **32,827** | 27,942 |
| Franking credits to arise from payment of income tax payable | **1,592** | 8,824 |
| Franking credits available for future reporting periods | **34,419** | 36,766 |
| Franking account impact of dividends declared before issuance of financial report but not recognised at reporting date | **(14,138)** | (11,568) |
| Franking credits available for subsequent financial periods based on a tax rate of 30% | **20,281** | 25,198 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax relating to the parent entity at the reporting date;
- franking debits that will arise from the payment of dividends not recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## NOTE 7. INTANGIBLE ASSETS AND GOODWILL

| | Customer relationships \$'000 | Capitalised software \$'000 | Other intangible assets \$'000 | Total intangible assets \$'000 | Goodwill \$'000 |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **A. COMPOSITION** | | | | | |
| At cost | **208,667** | **14,105** | **7,816** | **230,588** | **721,918** |
| Accumulated amortisation and impairment | **(69,188)** | **(1,757)** | **(4,653)** | **(75,598)** | **(4,521)** |
| | **139,479** | **12,348** | **3,163** | **154,990** | **717,397** |
| **B. MOVEMENTS** | | | | | |
| Balance at the beginning of the financial year | **154,967** | **6,361** | **3,952** | **165,280** | **712,329** |
| Additions | **–** | **7,526** | **69** | **7,595** | **–** |
| Additions through business combinations | **11,163** | **–** | **–** | **11,163** | **38,145** |
| Reduction upon loss of control | **(9,779)** | **(676)** | **–** | **(10,455)** | **(30,055)** |
| Disposals – accumulated amortisation and impairment upon loss of control | **2,569** | **571** | **–** | **3,140** | **1,058** |
| Amortisation expense transferred to other reserve on hubbing | **202** | **–** | **–** | **202** | **–** |
| Amortisation expense – acquired intangibles | **(19,181)** | **(273)** | **(858)** | **(20,312)** | **–** |
| Amortisation expense – developed intangibles | **–** | **(1,161)** | **–** | **(1,161)** | **–** |
| Impairment | **(454)** | **–** | **–** | **(454)** | **(4,072)** |
| Net foreign currency exchange difference | **(8)** | **–** | **–** | **(8)** | **(8)** |
| Balance at the end of the financial year | **139,479** | **12,348** | **3,163** | **154,990** | **717,397** |
| **2016** | | | | | |
| **C. COMPOSITION** | | | | | |
| At cost | 207,291 | 7,255 | 7,747 | 222,293 | 713,837 |
| Accumulated amortisation and impairment | (52,324) | (894) | (3,795) | (57,013) | (1,508) |
| | 154,967 | 6,361 | 3,952 | 165,280 | 712,329 |
| **D. MOVEMENTS** | | | | | |
| Balance at the beginning of the financial year | 175,742 | 1,746 | 3,464 | 180,952 | 669,321 |
| Additions | – | 5,095 | 543 | 5,638 | – |
| Additions through business combinations | 13,360 | – | 3,109 | 16,469 | 46,405 |
| Reduction upon loss of control | (678) | – | – | (678) | (2,459) |
| Amortisation expense transferred to other reserve on hubbing | 201 | – | – | 201 | – |
| Amortisation expense | (19,484) | (480) | (924) | (20,888) | – |
| Impairment | (14,343) | – | (2,240) | (16,583) | (1,507) |
| Net foreign currency exchange difference | 169 | – | – | 169 | 569 |
| Balance at the end of the financial year | 154,967 | 6,361 | 3,952 | 165,280 | 712,329 |
| **E. AMORTISATION RATES PER ANNUM** | 10.0% | 20.0%–100.0% | 20.0%–33.3% | | |

## NOTE 7. INTANGIBLE ASSETS AND GOODWILL continued

### F. IMPAIRMENT TESTING OF IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

The Group performs impairment testing for all goodwill on an annual basis and for any identifiable intangibles that have impairment indicators. For the year ended 30 June 2017, the Group has recognised an impairment provision of $6.459 million (2016: $18.090 million). The impairment of certain intangible assets mainly relates to the Calliden acquisition in the 2015 financial year as a result of the impact of the impending closure of the builders warranty agency. Impairment losses for each category of intangible assets are shown in Section B above. When assessing the recoverable amount of customer relationships, the Group considered client retention rates and current market conditions to determine both fair value and value in use of each asset.

In performing impairment testing, each subsidiary acquired or portfolio of businesses acquired is considered a separate cash generating unit (CGU) or grouped into one CGU where operations are linked.

To conduct impairment testing, the Group compares the carrying value with the recoverable amount of each asset. The recoverable amount is the higher of:

- value in use – a discounted cash flow model, based on a five-year projection on the approved budget of the tested CGUs with a terminal value; and
- fair value – based on the Group's estimates of sustainable earnings before interest expense, tax and amortisation of acquired intangible assets (EBITA) for each CGU multiplied by an earnings multiple appropriate for similar businesses less costs to sell.

The following table sets out the key assumptions for the value in use model:

| | 2017<br>% | 2016<br>% |
|---|---|---|
| Post-tax discount rates[(a)] | 10.0% or 11.0% | 9.8% or 11.5% |
| Pre-tax discount rates | 13.7% or 14.0% | 12.7% or 15.2% |
| Revenue growth rate[(b)] – one year to five years extrapolation | 4.0% to 5.9% per annum | 4.0% to 5.9% per annum |
| Long-term revenue growth rate[(c)] | 3.25% per annum | 3.25% per annum |

(a) Post-tax discount rates reflect the Group's weighted average cost of capital (WACC), adjusted for additional risks specific to each CGU. The WACC takes into account market risks, size of the business, current borrowing interest rates, borrowing capacity of the businesses and the risk free rate. External advice has been sought in relation to the determination of appropriate discount rates to be used.

(b) The Group has estimated revenue growth of between 4.0% and 5.9% per annum for the financial years between 2018 and 2022 based on short-term forecasts and current performance, including initiatives pertaining to the rollout of the Steadfast Client Trading Platform to further products.

(c) The Group considers that a long-term revenue growth rate of 3.25% is appropriate, based on the current market conditions and historical Gross Written Premium (GWP) trends.

No reasonable possible change in assumptions would result in the recoverable amount of a CGU being materially less than the carrying value.

## NOTE 8. BORROWINGS

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **A. BANK LOANS** | | |
| Current | **995** | 1,116 |
| Non-current | **205,680** | 201,265 |
| Capitalised transaction costs | **(735)** | (939) |
| | **205,940** | 201,442 |

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **B. BANK FACILITIES AVAILABLE** | | |
| **I. Bank facilities drawn down or applied** | | |
| Bank loans – corporate facility | **174,000** | 170,500 |
| Bank loans – subsidiaries | **32,676** | 31,881 |
| Lines of credit – corporate facility | **485** | 428 |
| Lines of credit – subsidiaries | **526** | 464 |
| | **207,687** | 203,273 |
| **II. Bank facilities not drawn down or applied** | | |
| Bank loans – corporate facility | **105,000** | 110,500 |
| Bank loans – subsidiaries | **225** | – |
| Lines of credit – corporate facility | **5,515** | 3,572 |
| Lines of credit – subsidiaries | **1,249** | 1,211 |
| | **111,989** | 115,283 |
| **III. Total bank facilities available** | | |
| Bank loans | **311,901** | 312,881 |
| Lines of credit | **7,775** | 5,675 |
| | **319,676** | 318,556 |

### C. CORPORATE FACILITY DETAILS

As at 30 June 2017:

- the Company had a $285.000 million multibank syndicated facility (corporate facility) with Macquarie Bank and ANZ Banking Group (30 June 2016: $285.000 million); and
- $174.000 million of the $285.000 million facility has been drawn down which, together with $0.485 million for bonds and rental guarantees, leaves $110.515 million available in the corporate facility for future drawdowns (2016: $114.072 million).

## NOTE 8. BORROWINGS continued

### D. KEY TERMS AND CONDITIONS OF CORPORATE FACILITIES

The key terms and conditions of the multibank syndicated facility with Macquarie Bank and ANZ Banking Group for Steadfast as at 30 June 2017 were as follows:

- $285.000 million facility consisting of a three-year tranche of $235.000 million and a five-year tranche of $50.000 million;
- the three-year tranche has the potential for two one-year extensions by agreement of all parties at the end of the first and second year of the facility. The second one-year extension was completed in August 2017, moving the maturity date of the three-year tranche from August 2019 to August 2020;
- the five-year tranche matures in August 2020;
- variable interest rate – based on BBSY plus a margin;
- the facility is guaranteed by certain wholly-owned subsidiaries and is secured over all of the present and after acquired property of the Company and the guarantors (other than certain excluded property), which is standard in facilities of this nature; and
- other terms and conditions are consistent with a facility of this size and nature and the circumstances of Steadfast.

The facility charges variable interest rates based on BBSY plus the applicable margin. The Company has entered into an interest rate swap with notional amount of $75.000 million where the Company swaps the floating rate payment into fixed rate payments. Refer Note 14 for further details on the interest rate swap.

### E. BORROWING BY ASSOCIATES AND JOINT VENTURES

As at 30 June 2017, the Group's associates and joint ventures had a total of $42.406 million (2016: $37.674 million) of bank borrowings (including bank overdrafts and loans). The Group's proportionate share of the associates and joint ventures' bank borrowings is $18.630 million (2016: $16.352 million).

As the associates are equity-accounted, these borrowings are not included in the Group balance sheet. Refer Note 12C for summarised financial information of associates.

## NOTE 9. NOTES TO THE STATEMENT OF CHANGES IN EQUITY AND RESERVES

| | 2017 Number of shares in '000 | 2016 Number of shares in '000 | 2017 $'000 | 2016 $'000 |
|---|---|---|---|---|
| **A. SHARE CAPITAL** | | | | |
| **Reconciliation of movements** | | | | |
| Issued ordinary shares, fully paid at the beginning of the financial year | **749,752** | 743,414 | **796,857** | 787,946 |
| Shares issued for the Dividend Reinvestment Plan | **–** | 6,338 | **–** | 8,911 |
| Issued ordinary shares, fully paid at the end of the financial year | **749,752** | 749,752 | **796,857** | 796,857 |

Ordinary shares in the Company have no par value and entitle the holder to participate in dividends as declared from time to time. All ordinary shares rank equally with regard to the Company's residual assets.

| | 2017 Number of shares in '000 | 2016 Number of shares in '000 | 2017 $'000 | 2016 $'000 |
|---|---|---|---|---|
| **B. TREASURY SHARES HELD IN TRUST** | | | | |
| **Reconciliation of movements** | | | | |
| Balance at the beginning of the financial year | **2,942** | 2,036 | **4,396** | 3,018 |
| Shares allocated to employees | **(213)** | (100) | **(461)** | (165) |
| Shares acquired | **1,308** | 907 | **2,827** | 1,388 |
| Shares allotted through the Dividend Reinvestment Plan | **107** | 99 | **252** | 155 |
| Balance at the end of the financial year | **4,144** | 2,942 | **7,014** | 4,396 |

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. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue its listing on the ASX, provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to minimise the cost of capital, within the risk appetite approved by the Directors.

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

The Group monitors capital on the basis of corporate gearing ratio, which is calculated as borrowings attributable to the Company (corporate borrowings) divided by total equity and corporate borrowings. The Company's current maximum corporate gearing ratio determined by the Board is 25%. In recognition that subsidiaries may require debt to fund bolt-on acquisitions, the Group has limited the extent of subsidiary borrowings to an additional 5% leverage. The gearing ratios at reporting date are as follows:

| | Note | 2017 $'000 | 2016 $'000 | Maximum approved |
|---|---|---|---|---|
| Corporate borrowings | 8 | **174,000** | 170,500 | |
| Total borrowings | 8 | **207,687** | 202,845 | |
| Total Group equity | | **913,168** | 898,141 | |
| Total Group equity and corporate borrowings | | **1,087,168** | 1,068,641 | |
| Total Group equity and total borrowings | | **1,120,855** | 1,100,986 | |
| Corporate gearing ratio | | **16.0%** | 16.0% | 25.0% |
| Total gearing ratio | | **18.5%** | 18.4% | 30.0% |

## NOTE 9. NOTES TO THE STATEMENT OF CHANGES IN EQUITY AND RESERVES continued

### D. 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; a member of the key management personnel of a subsidiary; as well as the discount on Executive Shares.

**III. Other reserves**

The other reserves are used to recognise other movements in equity including: cumulative net change in fair value of hedging instruments; 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 any retained amount from prior periods transferred from retained earnings. This reserve will be utilised should the Board declare a dividend from this reserve.

## NOTE 10. BUSINESS COMBINATIONS

### ACQUISITIONS FOR THE YEAR ENDED 30 JUNE 2017

During the year ended 30 June 2017, the Group completed a number of acquisitions in accordance with its strategy.

**Acquisition of subsidiaries**

The following disclosures provide information for eight acquired businesses. As no acquisition is individually material, the information is shown in aggregate. Note 10f contains a list of subsidiaries acquired and the respective ownership interests.

***a. Consideration paid/payable***

| 2017 | Acquisitions $'000 |
|---|---|
| Cash | **26,612** |
| Deemed consideration[(a)] | **7,224** |
| Deferred consideration[(b)] | **7,969** |
| Subsidiaries' scrip for scrip[(c)] | **3,886** |
| Total | **45,691** |

(a) This amount represents the fair value of the original investments in Phoenix Insurance Brokers Pty Ltd and Steadfast QIS Pty Ltd at the date the Group increased its shareholding and gained control of these entities which were previously associates of the Group.

(b) Pursuant to the Share Purchase Agreements, some of the consideration will be settled based on future years' actual financial performance and thus was recognised as deferred consideration by the Group. The deferred consideration is estimated based on a contracted multiple of forecast EBITA or fees and commissions. Any variations at the time of settlement will be recognised as an expense or income in the statement of profit or loss and other comprehensive income. The deferred consideration shown above represents:

- $6.659 million of deferred consideration for which the maximum amount of payment is not capped; and
- $1.310 million of deferred consideration which is fixed.

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

## NOTE 10. BUSINESS COMBINATIONS continued

### *b. Identifiable assets and liabilities acquired*

| 2017 | Acquisitions $'000 |
|---|---|
| Cash and cash equivalents[(a)] | 22,240 |
| Trade and other receivables[(b)] | 20,361 |
| Property, plant and equipment | 817 |
| Deferred tax assets | 314 |
| Identifiable intangibles | 11,163 |
| Other assets | 297 |
| Trade and other payables | (37,719) |
| Income tax payable | (280) |
| Provisions | (1,309) |
| Deferred tax liabilities | (4,158) |
| Other liabilities | (1,515) |
| Total net identifiable assets acquired | 10,211 |

(a) Includes cash held on trust.

(b) 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*

| 2017 | Acquisitions $'000 |
|---|---|
| Total consideration paid/payable | 45,691 |
| Total net identifiable assets acquired | (10,211) |
| Non-controlling interests acquired | 2,665 |
| Goodwill on acquisition* | 38,145 |

* The majority of 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.

| 2017 | Acquisitions $'000 |
|---|---|
| Revenue | 15,402 |
| EBITA | 5,443 |
| Profit after income tax | 4,200 |

A number of acquisitions occurred early in the 2017 financial year. If the acquisitions of subsidiaries occurred on 1 July 2016, the Group's total revenue and profit after income tax for the year ended 30 June 2017 would have been $424.993 million and $79.866 million respectively.

## NOTE 10. BUSINESS COMBINATIONS continued

### *e. Acquisition-related costs*

The Group incurred acquisition-related costs, including stamp duty and legal fees, for business interests acquired during the year ended 30 June 2017.

### *f. Subsidiaries acquired*

The table below outlines all the subsidiaries acquired during the year ended 30 June 2017. It includes some entities in which the Group had a prior equity interest and that became subsidiaries following internal restructuring.

| Name of subsidiary acquired | Table note | Ownership interest as at 30 June 2017 % |
|---|---|---|
| AIS Holdings WA Pty Ltd | (i) | 56.55 |
| Armbro Insurance Brokers Pty Ltd | (ii) | 55.00 |
| Asset Insurance Brokers Pty Ltd | (iii) | 100.00 |
| Ballyglisheen Pty Ltd (trades as Steel Pacific) | (iv) | 50.00 |
| Phoenix Insurance Brokers Pty Ltd | (v) | 61.00 |
| Steadfast IFS Pty Ltd | | 50.98 |
| Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd) | (v) | 61.91 |
| Trident Insurance Group Pty Ltd | | 60.00 |

***Table notes***

(i) The Group acquired AIS Holdings WA Pty Ltd (AIS) through Centrewest Holdings Pty Ltd, an existing subsidiary of the Group. The equity interest in AIS represents the Group's effective interest in the entity.

(ii) The Group sold its equity interest in Armbro Insurance Brokers Pty Ltd (Armbro) to Consolidated Insurance Agencies Pty Ltd (CIA), which also acquired the remaining equity interest from external shareholders. As a result of these transactions, Armbro became a subsidiary of the Group and the Group's equity interest in this entity became 55%. The equity interest in Armbro represents the Group's effective interest in the entity.

(iii) The Group acquired Asset Insurance Brokers Pty Ltd (AIB) through Steadfast IRS Pty Ltd, an existing wholly-owned subsidiary of the Group.

(iv) Although the Group only has 50% equity interest in Ballyglisheen Pty Ltd, the Group has control over the entity due to the terms of the sale and purchase agreement that give the Group the ability to direct the key financial and operating activities.

(v) The Group acquired additional shares in Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd) and Phoenix Insurance Brokers Pty Ltd. As a result, Steadfast QIS Pty Ltd and Phoenix Insurance Brokers Pty Ltd became subsidiaries of the Group.

## NOTE 10. BUSINESS COMBINATIONS continued

### *g. Deferred consideration reconciliation*

The following table shows a reconciliation of movements in deferred consideration for the years ended 30 June 2017 and 30 June 2016.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | **13,669** | 55,327 |
| Settlement of deferred consideration | **(11,745)** | (23,138) |
| Non-cash settlement of deferred consideration | **(106)** | (3,745) |
| Additions from new acquisitions in business combinations | **7,969** | 7,901 |
| Additions from new acquisitions of associates | **222** | 1,003 |
| Additions from new acquisitions in step-up acquisitions and hubbing arrangements | **–** | 195 |
| Net gain in profit or loss on settlement or reassessment | **(3,421)** | (23,874) |
| Balance at the end of the financial year | **6,588** | 13,669 |
| Disclosed as: | | |
| Deferred consideration current | **5,222** | 11,821 |
| Deferred consideration non-current | **1,366** | 1,848 |
| Balance at the end of the financial year | **6,588** | 13,669 |

The balance of deferred consideration at the end of the financial year represents:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Amount payable is limited | **88** | 247 |
| Amount payable is not capped | **6,009** | 8,250 |
| Amount payable is fixed | **491** | 5,172 |
| | **6,588** | 13,669 |

## NOTE 11. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following key subsidiaries.

| Name | Table note | Country of incorporation | Ownership interest 2017 % | Ownership interest 2016 % |
|---|---|---|---|---|
| **A. PARENT ENTITY** | | | | |
| Steadfast Group Limited | | Australia | | |
| **B. SUBSIDIARIES – OPERATING ENTITIES** | | | | |
| **I. Insurance broking businesses** | | | | |
| Steadfast Insurance Brokers Pty Ltd | | Australia | **100.00** | 100.00 |
| AIS Holdings WA Pty Ltd | | Australia | **56.55** | – |
| Armbro Insurance Brokers Pty Ltd | (vii) | Australia | **55.00** | – |
| Asset Insurance Brokers Pty Ltd | | Australia | **100.00** | – |
| Austcover Holdings Pty Ltd | | Australia | **50.00** | 50.00 |
| Ausure Group Pty Ltd and its related entities | | Australia | **62.00** | 60.50 |
| Ballyglisheen Pty Ltd (trades as Steel Pacific) | (ii) | Australia | **50.00** | – |
| Body Corporate Brokers Pty Ltd | | Australia | **100.00** | 100.00 |
| Capital Insurance (Broking) Group Pty Ltd and Capital Insurance Broking Group Unit Trust and its subsidiaries | | Australia | **47.00** | 47.00 |
| Centrewest Holdings Pty Ltd | | Australia | **56.55** | 67.00 |
| Commercial-Industrial Insurance Consultants Pty Ltd | | Australia | **80.00** | 80.00 |
| Consolidated Insurance Agencies Pty Ltd | | Australia | **55.00** | 55.00 |
| Corporate Insurance Brokers Ballina (NSW) Pty Ltd and Corporate Insurance Brokers Pty Ltd | | Australia | **80.00** | 80.00 |
| Cyclecover Pty Ltd | | Australia | **80.00** | 80.00 |
| Gallivan, Magee & Associates Pty Ltd | | Australia | **80.00** | 80.00 |
| Garaty Murnane Insurance Brokers Pty Ltd | | Australia | **60.00** | 60.00 |
| Gardner Insurance Brokers Qld Pty Ltd | | Australia | **77.00** | 65.00 |
| G.W.S. Pty Ltd | | Australia | **80.00** | 80.00 |
| ICF (Australia) Pty Ltd and its related entities | | Australia | **100.00** | 100.00 |
| IC Frith (NZ) Limited and its related entities | | New Zealand | **90.00** | 90.00 |
| Insurance Broking Queensland Pty Ltd | | Australia | **77.00** | 65.00 |
| Masterman Insurance Brokers Pty Ltd and Robert Masterman Insurance Broking Unit Trust | | Australia | **80.00** | 80.00 |
| Jakomil Pty Ltd and The Milbar Unit Trust | | Australia | **56.55** | 67.00 |
| Mega Capital Holdings Pty Ltd | | Australia | **100.00** | 100.00 |
| Multi-Functional Policies Pty Ltd | | Australia | **–** | 83.24 |
| National Credit Insurance (Brokers) Pty Ltd (incorporating IMC Trade Credit) | | Australia | **86.95** | 86.95 |
| Newmarket Grand West Pty Ltd | | Australia | **90.00** | 90.00 |
| Newmarket Insurance Brokers Pty Ltd | | Australia | **90.00** | 90.00 |
| Phoenix Insurance Brokers Pty Ltd | (viii) | Australia | **61.00** | – |
| PID Holdings Pty Limited | | Australia | **100.00** | 100.00 |
| Professional Risk Placements Pty Ltd | | Australia | **100.00** | 100.00 |

## NOTE 11. SUBSIDIARIES continued

| Name | Table note | Country of incorporation | Ownership interest 2017 % | Ownership interest 2016 % |
|---|---|---|---|---|
| Quattro Risk Services Pty Ltd (formerly Finn Foster & Associates Pty Ltd) | | Australia | **60.00** | 60.00 |
| Queensland Insurance Brokers Pty Ltd | (i) | Australia | **61.91** | 80.00 |
| QIS Financial Services Pty Ltd | (i) | Australia | **–** | 80.00 |
| RIB Group Holdings Pty Limited and its subsidiaries (RIB Group) | | Australia | **81.08** | 80.00 |
| RSM Financial Services Pty Ltd | | Australia | **–** | 100.00 |
| Sawtell & Salisbury Pty Ltd and Sawtell & Salisbury Unit Trust | | Australia | **77.00** | 65.00 |
| Steadfast Brecknock Insurance Brokers Pty Ltd (formerly Brecknock Insurance Brokers Pty Ltd) | | Australia | **95.10** | 83.24 |
| Steadfast IFS Pty Ltd | | Australia | **50.98** | – |
| Steadfast IRS Pty Limited | | Australia | **100.00** | 100.00 |
| Steadfast NZ Holdings Limited | | New Zealand | **100.00** | 100.00 |
| Steadfast NZ Limited | | New Zealand | **100.00** | 100.00 |
| Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd) | (i) | Australia | **61.91** | – |
| Steadfast Re Pty Ltd | | Australia | **50.00** | 50.00 |
| Steadfast Taswide Insurance Brokers Pty Ltd | | Australia | **74.70** | 73.21 |
| Trident Broking Pty Ltd | | Australia | **60.00** | 100.00 |
| Trident Insurance Group Pty Ltd | | Australia | **60.00** | – |
| VBIH Pty Ltd | | Australia | **80.00** | 80.00 |
| V.F.P. Insurance Brokers Pty Limited | | Australia | **95.10** | 80.00 |
| Virtus Insurance Brokers Pty Ltd (formerly Brecknock Insurance Brokers (VIC) Pty Ltd) | | Australia | **72.00** | 64.00 |
| Waveline Investments Pty Ltd | | Australia | **56.55** | 67.00 |
| Webmere Pty Ltd | | Australia | **77.00** | 65.00 |
| Work Health Alternatives Pty Ltd | | Australia | **70.00** | 70.00 |
| **II. Underwriting agency businesses** | | | | |
| Steadfast Underwriting Agencies Holdings Pty Ltd | | Australia | **100.00** | 100.00 |
| SUA Services Pty Ltd | | Australia | **100.00** | 100.00 |
| Associated Marine Underwriting Agency Pty Limited | | Australia | **100.00** | 100.00 |
| CAIP Services Pty Ltd | (v) | Australia | **–** | 70.00 |
| Calliden Group Pty Ltd and its subsidiaries | | Australia | **100.00** | 100.00 |
| CHU Underwriting Agencies Pty Ltd | | Australia | **100.00** | 100.00 |
| CHUiSaver Underwriting Agency Pty Ltd | | Australia | **100.00** | – |
| Grange Underwriting Pty Ltd | | Australia | **77.00** | 65.00 |
| Hostsure Underwriting Agency Pty Ltd | | Australia | **100.00** | 100.00 |
| Miramar Underwriting Agency Pty Limited | | Australia | **100.00** | 100.00 |
| NM Insurance Pty Ltd | | Australia | **75.00** | 75.00 |
| Procover Underwriting Agency Pty Ltd | | Australia | **100.00** | 100.00 |
| Protecsure Pty Limited | | Australia | **80.00** | 80.00 |
| Residential Builders Underwriting Agency Pty Ltd | | Australia | **80.00** | 100.00 |

## NOTE 11. SUBSIDIARIES continued

| Name | Table note | Country of incorporation | Ownership interest 2017 % | Ownership interest 2016 % |
|---|---|---|---|---|
| Proteus Marine Insurance Pty Ltd | | Australia | **87.50** | – |
| Sports Underwriting Australia Pty Ltd | | Australia | **80.00** | 80.00 |
| Steadfast Placement Solutions Pty Ltd | | Australia | **100.00** | 100.00 |
| Underwriting Agencies of Australia Pty Ltd | | Australia | **90.00** | 90.00 |
| Underwriting Agencies of New Zealand Limited | | New Zealand | **90.00** | – |
| Winsure Underwriting Pty Limited | | Australia | **100.00** | 100.00 |
| WM Amalgamated Pty Ltd | | Australia | **84.16** | 85.00 |
| **III. Complementary businesses** | | | | |
| Actionquote Holdings Pty Ltd and its subsidiaries | | Australia | **100.00** | 100.00 |
| CHU Services Pty Ltd | (vi) | Australia | **100.00** | – |
| InsuranceCONNECT Pty Ltd | | Australia | **100.00** | 100.00 |
| Steadfast Business Solutions Pty Ltd | (v) | Australia | **100.00** | – |
| Steadfast Convention Pty Ltd | | Australia | **100.00** | 100.00 |
| Steadfast Foundation Pty Ltd | (iii) | Australia | **100.00** | 100.00 |
| Steadfast Share Plan Nominee Pty Ltd | (iv) | Australia | **100.00** | 100.00 |
| Steadfast Technologies Pty Ltd | | Australia | **100.00** | 100.00 |
| Steadfast Technology Services Pty Ltd | | Australia | **100.00** | 100.00 |
| Steadfast Technology Services NZ Limited | | New Zealand | **100.00** | – |
| White Outsourcing Pty Limited | (v) | Australia | **–** | 100.00 |

***Table notes***

(i) The following entities went through internal restructuring – transferring the equity interests of the broking business and its operations into a business hub headed by another entity within the Group (hubbing) during the financial year. The ownership interest in the table above represents the ownership interest post restructuring:

- Steadfast QIS hub – On 1 July 2016, the Group sold its 80% equity interest in Queensland Insurance Brokers Pty Ltd (QIS) and QIS Financial Services Pty Ltd (QISFS) to Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd), which also acquired the remaining 20% of QIS and QISFS from external shareholders. Steadfast QIS issued additional shares to the Group to fund these acquisitions. As a result of these transactions, Steadfast QIS became a subsidiary of the Group. In April 2017, Steadfast QIS sold all ownership in QISFS to its management.

(ii) Although the Group only has 50% of equity interest in Ballyglisheen Pty Ltd (Steel Pacific), the Group effectively has control over Steel Pacific as the Group has the right to appoint (and has appointed) half of the Directors, and the Group has the ability to direct the key financial and operating activities of Steel Pacific under the terms of the sale and purchase agreement.

(iii) A trustee for Steadfast Foundation, a charitable foundation.

(iv) A trustee for Steadfast employee share plan trust.

(v) White Outsourcing Pty Limited (WOS) and CAIP Services Pty Ltd were sold during the year. The sale of WOS excluded the broker accounting function which has been re-branded and moved to a newly formed entity Steadfast Business Solutions Pty Ltd. The net gain on sale is disclosed in Note 4.

(vi) CHU Services Pty Ltd was formed to provide additional non-underwriting services to customers.

(vii) The Group sold its equity interest in Armbro Insurance Brokers Pty Ltd (Armbro) to Consolidated Insurance Agencies Pty Ltd (CIA), which also acquired the remaining equity interest from external shareholders. As a result of these transactions, Armbro became a subsidiary of the Group and the Group's equity interest in this entity became 55%. The 55% equity interest in Armbro represents the Group's effective interest in the entity.

(viii) The Group purchased an additional 15% interest in Phoenix Insurance Brokers Pty Ltd (Phoenix). The Group's ownership of Phoenix increased to 61% and Phoenix became a subsidiary.

## NOTE 12. INVESTMENTS IN ASSOCIATES

### A. DETAILS OF ASSOCIATES

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

| | Ownership interest | | Equity-accounted | |
|---|---|---|---|---|
| Name | 2017 % | 2016 % | 2017 $'000 | 2016 $'000 |
| **I. Insurance broking businesses** | | | | |
| Abbott Insurance Brokers Limited[(a)] | **45.00** | – | **10,179** | – |
| Armbro Insurance Brokers Pty Ltd[(b)] | **–** | 40.00 | **–** | 1,536 |
| Armstrong's Insurance Brokers Pty Ltd and Armstrong's Insurance Brokers Unit Trust | **25.00** | 25.00 | **786** | 832 |
| Ausure Group Pty Ltd – associates thereof | **26.29** | 27.02 | **3,787** | 3,577 |
| Blackburn (Insurance Brokers) Pty Ltd and Liability Brokers Pty Ltd | **49.00** | 49.00 | **3,398** | 3,607 |
| Covercorp Pty Ltd | **49.00** | 49.00 | **1,133** | 1,158 |
| Edgewise Insurance Brokers Pty Ltd and The Bradstock GIS Unit Trust | **34.22** | 25.00 | **3,123** | 2,126 |
| Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd | **37.00** | 37.00 | **3,849** | 3,739 |
| Finpac Insurance Advisors Pty Ltd | **49.00** | 49.00 | **1,042** | 1,078 |
| Glenowar Pty Ltd | **49.00** | 49.00 | **4,242** | 4,276 |
| IPS Insurance Brokers Pty Ltd | **40.00** | 40.00 | **3,107** | 3,100 |
| J.D.I. (YOUNG) Pty Limited | **25.00** | 25.00 | **803** | 821 |
| Johansen Insurance Brokers Pty Ltd | **48.00** | 48.00 | **4,513** | 4,677 |
| King Insurance Brokers Pty Ltd | **37.00** | 37.00 | **–** | – |
| Lanyon Partners Consolidated Pty Ltd | **45.00** | 45.00 | **4,997** | 4,908 |
| McKillops Insurance Brokers Pty Ltd | **49.00** | 49.00 | **4,735** | 4,845 |
| Melbourne Insurance Brokers Pty Ltd | **49.00** | 49.00 | **1,621** | 1,545 |
| Northern City Insurance Brokers (VIC) Pty Ltd | **50.00** | – | **9** | – |
| Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd)[(c)] | **–** | 49.00 | **–** | 3,550 |
| Optimus 1 Pty Ltd | **25.00** | 25.00 | **597** | 584 |
| Paramount Insurance Brokers Pty Ltd | **25.00** | 25.00 | **1,034** | 1,092 |
| Phoenix Insurance Brokers Pty Ltd[(d)] | **–** | 46.00 | **–** | 4,851 |
| Pollard Advisory Services Pty Ltd | **49.00** | 49.00 | **4,778** | 4,714 |
| QUS Pty Ltd | **45.00** | 46.50 | **1,165** | 1,103 |
| Risk Partners Pty Ltd | **45.00** | 45.00 | **9,641** | 7,503 |
| Rose Stanton Insurance Brokers Pty Limited | **49.00** | 49.00 | **701** | 680 |
| Rothbury Group Limited[(a)] | **44.51** | 44.44 | **24,255** | 22,857 |
| RSM Group Pty Ltd | **49.00** | 49.00 | **5,347** | 5,953 |
| Sapphire Star Pty Ltd | **30.00** | 30.00 | **1,268** | 1,318 |
| Scott & Broad Pty Ltd | **42.88** | 42.88 | **8,299** | 8,242 |
| Southside Insurance Brokers Pty Limited | **49.00** | 49.00 | **631** | 660 |
| Steadfast Eastern Insurance Brokers Pty Ltd | **34.38** | 34.38 | **321** | 378 |
| Steadfast Life Pty Ltd | **50.00** | 50.00 | **3,012** | 3,018 |

## NOTE 12. INVESTMENTS IN ASSOCIATES continued

| Name | Ownership interest 2017 % | Ownership interest 2016 % | Equity-accounted 2017 $'000 | Equity-accounted 2016 $'000 |
|---|---|---|---|---|
| Tudor Insurance Australia (Insurance Brokers) Pty Ltd and Tudor Insurance Agency Unit Trust | **48.00** | 48.00 | **2,048** | 2,002 |
| unisionSteadfast AG[(a)] | **26.25** | – | **1,829** | – |
| Watkins Taylor Stone Insurance Brokers Pty Limited and D&E Watkins Unit Trust | **35.00** | 35.00 | **1,771** | 1,824 |
| **II. Underwriting agencies businesses** | | | | |
| Emergence Insurance Group Pty Ltd | **33.33** | 33.33 | **164** | 200 |
| Sterling Insurance Pty Limited | **39.50** | 39.50 | **5,216** | 7,346 |
| Tradewise Insurance Pty Ltd | **–** | 48.00 | **–** | – |
| **III. Complementary businesses** | | | | |
| Meridian Lawyers Limited | **25.00** | 25.00 | **2,289** | 2,081 |

(a) All entities classified as associates have their principal operations in Australia with the exception of:
- Abbott Insurance Brokers Limited and Rothbury Group Limited whose principal operations are in New Zealand; and
- unisonSteadfast AG whose principle operation is in Germany.

(b) The Group sold its equity interest in Armbro Insurance Brokers Pty Ltd (Armbro) to Consolidated Insurance Agencies Pty Ltd (CIA), which also acquired the remaining equity interest from external shareholders. As a result of these transactions, Armbro became a subsidiary of the Group and the Group's equity interest in this entity became 55%. The 55% equity interest in Armbro represents the Group's effective interest in the entity.

(c) The following entities went through internal restructuring – transferring the equity interests of the broking business and its operations into a business hub headed by another entity within the Group (hubbing) during the financial year. The ownership interest in the table above represents the ownership interest post restructuring:
- Steadfast QIS hub – On 1 July 2016, the Group sold its 80% equity interest in Queensland Insurance Brokers Pty Ltd (QIS) and QIS Financial Services Pty Ltd (QISFS) to Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd), which also acquired the remaining 20% of QIS and QISFS from external shareholders. Steadfast QIS issued additional shares to the Group to fund these acquisitions. As a result of these transactions, Steadfast QIS became a subsidiary of the Group.

(d) The Group purchased an additional 15% interest in Phoenix Insurance Brokers Pty Ltd (Phoenix). The Group's ownership of Phoenix increased to 61% and Phoenix became a subsidiary.

## NOTE 12. INVESTMENTS IN ASSOCIATES continued

### B. RECONCILIATION OF MOVEMENTS

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | **121,783** | 122,351 |
| Acquisition of associates | **15,821** | 18,635 |
| Reclassification to investment in subsidiaries | **(8,053)** | (16,257) |
| Disposal of associates through hubbing arrangements | **(1,671)** | (1,842) |
| Share of EBITA from associates | **20,596** | 17,004 |
| Add share of: | | |
| Non-trading income (Note 4 (iv)) | **211** | – |
| Less share of: | | |
| Finance costs | **(467)** | (574) |
| Amortisation expense | **(2,862)** | (2,795) |
| Income tax expense | **(5,374)** | (4,564) |
| Share of associates' profit after income tax | **12,104** | 9,071 |
| Dividend received/receivable | **(12,383)** | (9,580) |
| Impairment | **(1,933)** | – |
| Net foreign exchange movements | **22** | (595) |
| Balance at the end of the financial year | **125,690** | 121,783 |

### C. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

#### I. Disclosure in aggregate

These disclosures relate to the investment in all associates in aggregate. The figures below represent the financial position and performance of the associates as a whole and not just the Group's share.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Current assets | **297,502** | 241,831 |
| Non-current assets | **129,567** | 101,918 |
| Current liabilities | **258,794** | 210,357 |
| Non-current liabilities | **37,154** | 26,030 |
| Net assets | **131,121** | 107,362 |
| Revenue | **182,876** | 163,051 |
| EBITA | **47,575** | 42,778 |
| Profit after income tax | **32,692** | 27,261 |
| Total comprehensive income | **32,692** | 27,261 |

Included in liabilities is $42.406 million (2016: $37.674 million) of bank borrowings. Refer Note 8E.

## NOTE 13. INVESTMENT IN JOINT VENTURES

### A. DETAILS OF JOINT VENTURES

| Name | Ownership interest 2017 % | 2016 % |
|---|---|---|
| Blend Insurance Solutions Pty Ltd[(a)] | **50.00** | – |
| Macquarie Premium Funding Pty Ltd and its subsidiaries (Macquarie Pacific Funding Group)[(b)] | **50.00** | 50.00 |
| Ausure Ruralco Pty Ltd (formerly Ausure Consolidated Brokers Pty Ltd)[(c)] | **50.00** | – |

(a) Blend Insurance Solutions Pty Ltd (Blend) is a newly formed joint venture in 2017 between Advent Capital (Holdings) Pty Ltd and Steadfast Underwriting Agencies Holdings Pty Ltd. Blend is an underwriting agency focused on the distribution of accident and health, consumer and bespoke products in the Australian market, via brokers, third party distribution partnerships and direct.

(b) Macquarie Pacific Funding Group (MPF), which trades as Macquarie Pacific Funding, is a joint venture between Macquarie Bank Limited and the Company. MPF is an insurance premium funding provider. Macquarie Premium Funding Pty Ltd, the holding company of the MPF, is incorporated in Australia. It has operations in both Australia and New Zealand.

(c) Ausure Ruralco Pty Ltd (Ausure Ruralco) is a joint venture formed between Ausure Group Pty Ltd and Ruralco Holdings Pty Ltd (Ruralco). The joint venture focuses on financial services distribution in both regional and rural Australia.

### B. RECONCILIATION OF MOVEMENTS

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | **2,211** | 3,446 |
| Additions – deemed consideration[(a)] | **8,045** | – |
| Additions – cash | **850** | – |
| Share of EBITA from joint ventures | **3,410** | 3,679 |
| Less share of: | | |
| Finance costs | **(134)** | (181) |
| Amortisation expense | **(509)** | (481) |
| Income tax expense | **(830)** | (922) |
| Share of joint ventures' profit after income tax | **1,937** | 2,095 |
| Dividend received/receivable | **(1,681)** | (3,330) |
| Balance at the end of the financial year | **11,362** | 2,211 |

***Table note***

(a) This amount represents the fair value of the retained 50% in Ausure Ruralco Pty Ltd (Ausure Ruralco, formerly Ausure Consolidated Brokers Pty Ltd). Ausure Ruralco was a wholly-owned subsidiary of Ausure Group Pty Ltd (Ausure). In December 2016, Ausure sold 50% of its ownership interest in Ausure Ruralco to Ruralco Holdings Pty Ltd. As a result of the 50% sale, Ausure Ruralco became a joint venture of Ausure.

## NOTE 13. INVESTMENT IN JOINT VENTURES continued

### C. SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES

These disclosures relate to the financial position and financial performance of the joint ventures as a whole and not just the Group's share.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Current assets | **19,893** | 15,892 |
| Non-current assets | **13,230** | 6,068 |
| Current liabilities | **15,089** | 12,559 |
| Non-current liabilities | **3,788** | 4,615 |
| Net assets | **14,246** | 4,786 |
| Revenue | **52,041** | 48,700 |
| EBITA | **7,159** | 7,357 |
| Profit after income tax | **4,053** | 4,190 |
| Total comprehensive income | **4,053** | 4,190 |

## NOTE 14. FINANCIAL INSTRUMENTS

### A. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives (finance) under policies approved by the Directors. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and may hedge financial risks within the Group's operating units. Finance reports to the Directors on a regular basis.

### B. MARKET RISK

#### Interest rate risk

As at the reporting date, the Group had the following variable rate bank accounts and borrowings:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Weighted average interest rate % | Balance $'000 | Weighted average interest rate % | Balance $'000 |
| **Non-derivatives** | | | | |
| Cash at bank | **1.06** | **261,074** | 1.39 | 231,834 |
| Cash on deposit | **2.33** | **68,545** | 2.45 | 60,333 |
| Bank overdrafts | **6.75** | **(526)** | 6.75 | (464) |
| Bank loans | **3.59**[a] | **(205,940)** | 3.78[a] | (201,442) |
| | | **123,153** | | 90,261 |
| **Derivatives** | | | | |
| Interest rate swap | **3.79**[b] | **(75,000)**[b] | 3.79[b] | (75,000)[b] |

(a) Weighted average interest rate excludes any applicable line fee.

(b) The Group has entered into an interest rate swap with a notional amount of $75.000 million where the Group swaps the BBSY indexed floating rate payment into 3.79% fixed rate payment. The interest rate swap matures in August 2018. The Group entered into the interest rate swap to minimise the Group's exposure to interest rate risk, in which the Group agrees to exchange the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The swap is designed to hedge interest costs associated with the underlying corporate debt obligations. At 30 June 2017, after taking into account the effect of the interest rate swap, the Group had approximately 56.8% of the Group's corporate debt exposed to variable rates (2016: 56%).

The Group held $0.116 million (2016: $0.042 million) cash in hand which did not generate any interest income at the end of the financial year.

An increase/decrease in interest rates of one hundred (2016: one hundred) basis points would have a favourable/adverse effect on profit/(loss) after tax of $0.862 million (2016: favourable/adverse effect of $0.632 million) per annum.

The basis point change is based on the expected volatility of interest rates using market data, historical trends over prior years and the Group's ongoing relationships with financial institutions.

### C. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables and a loan to one of the joint ventures.

## NOTE 14. FINANCIAL INSTRUMENTS continued

The Group has funded $27.489 million (2016: $29.800 million) of loans to facilitate management buy-ins to certain businesses under the Group's owner-driver business model. These loans are disclosed as other non-current assets in the Consolidated Statement of Financial Position. These loans attract commercial interest rates, with dividends from these businesses used to fund interest and loan repayments. The shares held by management in those businesses are provided as loan collateral.

The Group's exposure to credit risk is concentrated in the financial services industry with parties that are considered to be of sufficiently high credit quality (including cash held with major Australian banks) to minimise credit risk losses. Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers and underwriting agencies have credit terms of up to 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experience.

The loan to joint venture Macquarie Pacific Funding Group is provided with a fixed maturity date, seven years from March 2013. The credit risk from the joint venture party is considered to be low as the loan is secured by all present and future assets of the joint venture party.

### D. LIQUIDITY RISK

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities, continuously monitoring actual and forecast cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

| | Weighted average interest rate % | 1 year or less $'000 | Between 1 to 2 years $'000 | Between 2 to 5 years $'000 | Over 5 years $'000 | Total contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Non-derivatives** | | | | | | |
| ***Non-interest bearing*** | | | | | | |
| Payables on broking/underwriting agency operations* | | 533,975 | – | – | – | 533,975 |
| Trade and other payables | | 49,551 | 3,788 | – | – | 53,339 |
| Deferred consideration | | 5,222 | 1,366 | – | – | 6,588 |
| ***Interest bearing*** | | | | | | |
| Bank loans | 3.59 | 1,031 | 1,643 | 221,661 | 3,346 | 227,681 |
| Total non-derivatives | | 589,779 | 6,797 | 221,661 | 3,346 | 821,583 |
| **Derivatives** | | | | | | |
| Hedge interest rate swaps (net settled) | | – | 491 | – | – | 491 |
| Total derivative | | – | 491 | – | – | 491 |

## NOTE 14. FINANCIAL INSTRUMENTS continued

| | Weighted average interest rate % | 1 year or less $'000 | Between 1 to 2 years $'000 | Between 2 to 5 years $'000 | Over 5 years $'000 | Total contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Non-derivatives** | | | | | | |
| ***Non-interest bearing*** | | | | | | |
| Payables on broking/underwriting agency operations* | | 453,322 | – | – | – | 453,322 |
| Trade and other payables | | 48,002 | 3,005 | – | – | 51,007 |
| Deferred consideration | | 11,821 | 1,848 | – | – | 13,669 |
| ***Interest bearing*** | | | | | | |
| Bank loans | 3.78 | 1,158 | 1,530 | 213,912 | 6,962 | 223,562 |
| Total non-derivatives | | 514,303 | 6,383 | 213,912 | 6,962 | 741,560 |
| **Derivatives** | | | | | | |
| Hedge interest rate swaps (net settled) | | – | – | 463 | – | 463 |
| Total derivative | | – | – | 463 | – | 463 |

* Paid to underwriters only upon receipt of premiums from customers.

## NOTE 15. CONTINGENCIES

### CONTINGENT LIABILITIES

**Macquarie Bank put options**

The Group has granted options to Macquarie Bank Limited (Macquarie) to enable 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. The Group expects no material net exposure from this arrangement as the contingent liabilities have contingent assets (being rights to shares held by the relevant shareholders) approximating similar values.

**Bank guarantee**

In the normal course of business, certain controlled entities in the Group have provided bank guarantees principally in respect of their contractual obligations on commercial leases.

## NOTE 16. COMMITMENTS

Contracted non-cancellable leases for property, plant and equipment committed at the reporting date but not recognised as liabilities or payables are provided below.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **OPERATING LEASE COMMITMENTS** | | |
| Within one year | **9,429** | 7,804 |
| One to five years | **17,582** | 16,330 |
| Over five years | **2,065** | 2,253 |
| | **29,076** | 26,387 |

## NOTE 17. EVENTS AFTER THE REPORTING PERIOD

### FINAL DIVIDEND

On 23 August 2017, the Board declared a final dividend for 2017 of 4.4 cents per share, 100% franked. The dividend will be paid on 13 October 2017.

## NOTE 18. PROFIT AND LOSS INFORMATION

This note provides further information about individual items recognised in the statement of comprehensive income.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **A. EMPLOYEE BENEFITS (INCLUDED IN EMPLOYMENT EXPENSE)** | | |
| Contributions to defined contribution superannuation funds | **12,858** | 11,380 |
| Share-based payments | **86** | 710 |
| **B. RENTAL EXPENSE RELATING TO OPERATING LEASES** | | |
| Lease payments | **11,820** | 10,665 |

## NOTE 19. SHARE-BASED REMUNERATION

### SHARE-BASED PAYMENTS – EMPLOYEE RELATED

Share-based remuneration encourages employee share ownership, links employee reward to the performance of the Group and assists with retention of key personnel.

The Company intends to settle its obligations under share-based payment arrangements by the on-market purchase of the Company's ordinary shares which will be held in trust pending exercise of vested rights by employees. The Group has established a practice of purchasing a tranche of shares on or near grant date at the prevailing market price to facilitate building up a portfolio sufficient to meet the obligations when rights vest.

Trading in the Company's ordinary shares awarded under the share-based remuneration arrangements is covered by the same restrictions that apply to all forms of share ownership by employees. These restrictions prohibit an employee trading in the Company's ordinary shares when they are aware of price-sensitive information and limit their trading at other times.

The Group has the following types of share-based remuneration arrangements provided to employees; each arrangement has different purposes and different rules:

- short-term incentive plan; and
- long-term incentive plan.

The share-based payments are included in the employment expense line in the statement of comprehensive income.

**Senior management and executive share plans**

The senior management and executive share plan arrangements are awarded based on the terms and conditions as set out in the short-term and long-term incentive plans. The awards in these two plans when granted may be in the form of cash and/or conditional rights. The Remuneration & Succession Planning Committee has approved the participation of each individual in these arrangements as well as the actual awards based on the performance conditions in these two plans being met.

***a. The short-term incentive plan (STI)***

The STI plan is a discretionary, performance-based, at risk reward arrangement. STI is awarded based on each participant's performance hurdles and whether the financial performance hurdle of a minimum 5% of underlying earnings per share growth of the Group are met.

## NOTE 19. SHARE-BASED REMUNERATION continued

The key terms of the STI plan are:

- total STI will be awarded and settled in the form of cash and conditional rights as approved by the Board if diluted EPS growth targets and individual participant's performance criteria for the performance period (i.e. 1 July to 30 June) are met. If met:
  - 60% of STI will be settled in the form of cash and will be paid annually in September after the performance period; and
  - 40% of STI awarded will be deferred and granted in the form of conditional rights;
- conditional rights (rights) are granted for nil consideration;
- the vesting condition of rights is not market related and requires the participant to continue in relevant employment from the grant date of the rights (retention period), split one-third over one, two and three years;
- the rights will accrue notional dividends during the retention period;
- when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share per right for nil consideration upon exercise by the participant. The notional dividends will be converted into an equivalent number of Steadfast ordinary shares based on the Dividend Reinvestment Plan issue price applicable to each dividend;
- the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares;
- the vesting is conditional on there being no material adverse deterioration in the reported results during the performance period before the exercise of the rights; and
- if the vesting condition is not met then the rights lapse.

Further details of the 2017 STI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

### *b. The long-term incentive plan (LTI)*

The LTI plan is a discretionary, performance-based, at risk reward arrangement. LTI is awarded based on each participant's performance hurdles and whether the minimum financial performance hurdles in underlying earnings per share growth and Total Shareholder Return (TSR) are met.

The key terms of the LTI plan awarded in August 2016 were:

- LTI will be awarded in the form of conditional rights as approved by the Board and will be granted in August following the end of each financial year;
- conditional rights (rights) are granted for nil consideration;
- the vesting condition of rights is not market related and is conditional on meeting the following performance hurdles:
  - the participants meeting their individual performance hurdles during the three-year employment tenure from the grant date of the rights (retention period);
  - 75% based on the Group achieving a minimum 5% average compound per annum diluted EPS growth during the retention period; and
  - 25% based on the Group achieving a minimum TSR at average of peer group during the retention period;
- the rights will not accrue notional dividends during the retention period but do accrue for FY14 and FY15 plans;
- before vesting, the Board will determine the number of rights to vest based on the combined outcome of the performance hurdles;
- when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share for nil consideration upon exercise by the participant;
- the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares; and
- if the vesting conditions are not met then the rights lapse.

Further details of the 2017 LTI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

## NOTE 20. TAXATION

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **A. INCOME TAX (EXPENSE)/BENEFIT** | | |
| Profit before income tax expense | **104,559** | 99,855 |
| Income tax expense at statutory tax rate of 30% | **(31,368)** | (29,956) |
| **Tax effect of amounts that are not (deductible)/taxable in calculating taxable income:** | | |
| Share of after-tax profits of associates and joint ventures | **4,212** | 3,350 |
| Unrealised (loss)/gain on revised non-assessable deferred consideration | **(1,026)** | 7,840 |
| Difference on accounting and tax gain on sale of investments | **2,403** | (226) |
| Revaluation of fair value | **(241)** | 480 |
| Non-deductible items – including restructuring costs | **(740)** | 299 |
| Impairment | **(1,802)** | (452) |
| | **(28,562)** | (18,665) |
| Over/(under) provision for income tax of prior periods | **2,190** | (72) |
| Income tax expense | **(26,372)** | (18,737) |
| **B. MAJOR COMPONENTS OF INCOME TAX EXPENSE** | | |
| Current tax | **(32,007)** | (26,191) |
| Movement in deferred tax assets | **(1,210)** | 266 |
| Movement in deferred tax liabilities | **4,655** | 7,260 |
| Adjustments for current tax of prior periods | **2,190** | (72) |
| | **(26,372)** | (18,737) |
| **C. INCOME TAX ON ITEMS RECOGNISED DIRECTLY IN EQUITY** | | |
| Deferred tax assets | **264** | (88) |
| Deferred tax liabilities | **(43)** | 51 |
| | **221** | (37) |
| **D. DEFERRED TAX ASSETS** | | |
| **I. Composition** | | |
| Accrued expenses | **2,789** | 2,777 |
| Provisions | **7,119** | 6,348 |
| Expenditure claimable over five years | **2,044** | 3,626 |
| Employee share scheme | **745** | 848 |
| Deferred income | **2,252** | 1,997 |
| Others | **2,278** | 2,263 |
| | **17,227** | 17,859 |

## NOTE 20. TAXATION continued

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **II. Movements** | | |
| Balance at the beginning of the financial year | 8,284 | 10,357 |
| Add: reversal of offset against deferred tax liabilities | 9,575 | 7,022 |
| Gross balance at the beginning of the financial year | 17,859 | 17,379 |
| Credited to profit or loss | (1,210) | 266 |
| Credited to equity | 264 | (88) |
| Additions through business combinations | 314 | 302 |
| Balance at the end of the financial year before offset | 17,227 | 17,859 |
| Less: offset against deferred tax liabilities | (13,808) | (9,575) |
| Balance at the end of the financial year | 3,419 | 8,284 |

### E. DEFERRED TAX LIABILITIES

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **I. Composition** | | |
| Intangible assets | 41,451 | 47,827 |
| Receivables | 16,919 | 14,886 |
| Accrued income | 4,676 | 1,264 |
| Other | 1,417 | 940 |
| | 64,463 | 64,917 |
| **II. Movements** | | |
| Balance at the beginning of the financial year | 55,342 | 59,810 |
| Add: reversal of offset against deferred tax assets | 9,575 | 7,022 |
| Gross balance at the beginning of the financial year | 64,917 | 66,832 |
| Credited to profit or loss | (4,655) | (7,260) |
| Charged to equity | 43 | (51) |
| Additions through acquisitions | 4,158 | 5,396 |
| Balance at the end of the financial year before offset | 64,463 | 64,917 |
| Less: offset against deferred tax assets | (13,808) | (9,575) |
| Balance at the end of the financial year | 50,655 | 55,342 |

## NOTE 21. NOTES TO THE STATEMENT OF CASH FLOWS

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **A. COMPOSITION** | | |
| Cash and cash equivalents | **66,537** | 67,457 |
| Cash held on trust | **263,198** | 224,752 |
| Bank overdrafts | **(526)** | (464) |
| | **329,209** | 291,745 |
| **B. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES** | | |
| Profit after income tax expense for the year | **78,187** | 81,118 |
| **Adjustments for** | | |
| Depreciation and amortisation and gain on disposal of property, plant and equipment | **24,749** | 24,275 |
| Share of profits of associates and joint ventures | **(14,041)** | (11,166) |
| Income tax paid | **(32,060)** | (14,658) |
| Dividends received from associates/joint ventures | **14,064** | 12,910 |
| Net loss/(profit) on fair value of investment | **803** | (1,600) |
| Capitalised interest on loans | **(536)** | (726) |
| Net gain on disposal of investment in subsidiaries | **(4,065)** | – |
| Net gain from adjustments to deferred consideration estimates | **(3,421)** | (23,874) |
| Net gain on disposal of customer list | **–** | (1,169) |
| Share-based payments and incentives accruals | **1,994** | 1,986 |
| Impairment expense | **6,459** | 18,090 |
| **Change in operating assets and liabilities** | | |
| (Increase)/decrease in trade and other receivables | **(38,764)** | 13,281 |
| (Increase)/decrease in deferred tax assets | **4,806** | 2,375 |
| (Increase)/decrease in other assets | **104** | (1,018) |
| Increase/(decrease) in trade and other payables | **50,005** | 9,627 |
| Increase/(decrease) in income tax payable | **27,896** | 22,021 |
| Increase/(decrease) in deferred tax liabilities | **(6,330)** | (5,659) |
| Increase/(decrease) in other liabilities | **(732)** | 650 |
| Increase/(decrease) in provisions | **(1,166)** | (236) |
| Net cash from operating activities | **107,952** | 126,227 |

### C. SIGNIFICANT NON-CASH TRANSACTIONS IN RELATION TO INVESTING ACTIVITIES

**Investing activities**

During the financial year ended 30 June 2017, the Group completed a number of acquisitions (investing activities) to effect hubbing arrangements using the scrip of certain subsidiaries (refer Note 10a).

## NOTE 22. RELATED PARTY TRANSACTIONS

### A. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate remuneration received/receivable by the Directors and other members of key management personnel of the Group is set out below.

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term employee benefits | **4,266,585** | 4,294,492 |
| Post-employment benefits | **116,549** | 115,848 |
| Long-term benefits | **59,339** | 44,400 |
| Share-based payments | **490,913** | 1,072,844 |
| | **4,933,386** | 5,527,584 |

### B. TRANSACTIONS WITH SUBSIDIARIES

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

### C. TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

| | | |
|---|---|---|
| **I. Sale of goods and services** | | |
| Marketing and administration fees received from associates on normal commercial terms | **153,116** | 165,965 |
| Marketing and administration fees received from joint ventures on normal commercial terms | **2,528,684** | 2,537,988 |
| Commission income received/receivable from associates on normal commercial terms | **143,730** | 84,437 |
| **II. Interest income** | | |
| Interest income received/receivable from joint ventures | **138,167** | 185,538 |
| **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 | **773,656** | 896,910 |
| Commission expense paid/payable to associates on normal commercial terms | **3,397,672** | 2,533,913 |
| Service fees paid to associates | **9,505** | 14,220 |

**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 | **6,377,567** | 6,082,087 |
| Trade receivables from joint ventures | **102,146** | 88,434 |
| Dividend receivable from associates | **–** | 73,163 |
| ***b. Current payables*** | | |
| Trade payables to associates | **126,480** | 134,786 |

## NOTE 22. RELATED PARTY TRANSACTIONS continued

### V. Loans to related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

| | 2017 $ | 2016 $ |
|---|---|---|
| ***a. Current receivables*** | | |
| Loan to joint venture[(a)] | **603,125** | 603,125 |
| Executive loans[(b)] | **427,800** | 372,600 |
| | **1,030,925** | 975,725 |
| ***b. Non-current receivables*** | | |
| Loan to joint venture[(a)] | **1,206,250** | 1,809,375 |
| Executive loans[(b)] | **4,672,580** | 4,647,309 |
| Loans to associates | **302,976** | 739,825 |
| | **6,181,806** | 7,196,509 |

(a) The loan to a joint venture relates to Macquarie Pacific Funding Group (MPF). It has a face value of $1,809,375 (2016: $2,412,500). The loan receivable balance includes $nil accrued interest (2016: $nil).

The key terms and conditions of this loan are:

- variable interest rate based on the aggregate of Macquarie Bank Limited (MBL) Reference Rate and a margin of 2% per annum. The MBL Reference Rate refers to the interest rate determined by MBL and published by MBL at any time on its website;
- the loan is repayable seven years from the date of initial advance, which occurred in March 2013; and
- the loan is secured by all present and future assets of MPF.

(b) Executive loans are interest-free loans to certain executives provided at the time of listing for them to acquire Steadfast ordinary shares when the Company was listed on the ASX in August 2013.

The key terms and conditions of these loans are:

- interest-free, unsecured and full recourse loans;
- dividends received from the acquired shares to be applied towards part repayment of the loans; and
- to be repaid in full five years after the date on which the loans were provided.

## NOTE 23. PARENT ENTITY INFORMATION

The financial information provided in the table below is only for Steadfast Group Limited, the parent entity of the Group.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **A. STATEMENT OF COMPREHENSIVE INCOME** | | |
| Profit after income tax | **79,029** | 65,278 |
| Other comprehensive income | **(14)** | 419 |
| Total comprehensive income | **79,015** | 65,697 |
| **B. STATEMENT OF FINANCIAL POSITION** | | |
| Current assets | **70,685** | 43,202 |
| Total assets | **1,069,029** | 1,045,888 |
| Current liabilities | **30,503** | 43,158 |
| Total liabilities | **204,668** | 213,418 |
| **Equity** | | |
| Share capital | **796,857** | 796,857 |
| Reserves | **67,504** | 35,613 |
| Total equity | **864,361** | 832,470 |

### C. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for investments in subsidiaries, associates and joint ventures which are accounted for at cost, less any impairment. Dividends received are recognised as income by the parent entity.

### D. GOING CONCERN

The parent entity financial statements have been prepared on a going concern basis.

### E. GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The parent entity provided no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

### F. CONTINGENT ASSETS/LIABILITIES

The Company is exposed to the contingent assets and liabilities pertaining to the Macquarie Bank put options set out in Note 15.

### G. CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

## NOTE 24. REMUNERATION OF AUDITORS

| | 2017 $ | 2016 $ |
|---|---|---|
| **A. KPMG** | | |
| **I. Audit and review services** | | |
| Audit or review of the financial statements of the Company and certain subsidiaries | 1,387,251 | 1,485,671 |
| **II. Other assurance, taxation and due diligence services** | | |
| ***Other assurance services*** | | |
| Other assurance services | – | 43,350 |
| ***Other services*** | | |
| Taxation compliance and other advisory services | 80,954 | 82,780 |
| | 80,954 | 126,130 |
| **B. OTHER AUDITORS** | | |
| **I. Audit and review services** | | |
| Audit or review of the financial statements | 261,103 | 272,865 |
| **II. Services other than audit and review of financial statements** | | |
| ***Other services*** | | |
| Taxation advisory services | 133,522 | 110,644 |
| Other services | 2,995 | – |
| | 136,517 | 110,644 |

# Directors' declaration

1. In the opinion of the Directors of Steadfast Group Limited ('the Company'):
   (a) the consolidated financial statements and notes that are set out on pages 64 to 113 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.
3. The Directors draw attention to Note 2A to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney on 23 August 2017 in accordance with a resolution of the Directors:

**Frank O'Halloran, AM**
Chairman

**Robert Kelly**
Managing Director & CEO

# Independent Auditor's Report

TO THE SHAREHOLDERS OF STEADFAST GROUP LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### OPINION

We have audited the *Financial Report* of Steadfast Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| The key audit matter | How the matter was addressed in our audit |
|---|---|

### IMPAIRMENT OF GOODWILL AND INVESTMENTS IN ASSOCIATES

Refer Note 7, Goodwill ($717,397k), Note 12, Investments in Associates ($125,690k) and Note 3, Critical Accounting Judgements, Estimates and Assumptions.

The impairment of goodwill and investments in associates is a key audit matter as:

- goodwill and investments in associates represented 46.8% of the Group's total assets.
- the high number of individual Cash Generating Units (CGUs) (more than 60 at 30 June 2017) necessitated our consideration of Group's determination of CGUs and the valuation for each of the CGUs.
- the sectors in which the Group operates experienced competitive market conditions during the year which increased the uncertainty of forecast cash flows used in the impairment model for goodwill and investments in associates.
- we applied a significant level of judgement when considering Group's assessment of impairment.

We focused on the Group's valuation methodologies and the key inputs such as forecast cash flows and discount rates applied, as well as the assumptions underlying the forecast growth rates and terminal growth rates.

Our procedures included the following:

- We assessed Group's determination of CGUs based on our understanding of the nature of the Group's business. We also analysed the internal reporting of the Group to assess how results were monitored and reported.
- We compared the cash flow forecasts to Board approved forecasts. We also evaluated the forecast process undertaken by the Group by assessing the precision of prior year forecast cash flows by comparing to actual outcomes. We used knowledge from this evaluation to inform our detailed testing focus.
- We challenged the Group's forecast cash flows based on our understanding of general insurance industry trends, in particular the competitive market and customer retention rates. This included comparing growth assumptions to APRA statistics for the general insurance industry.
- With the assistance of KPMG valuation specialists we challenged the Group's valuation methodologies, discount rates and growth rates. This included comparing the Group's inputs to external data such as economic growth projections and interest rates. Where growth rates also reflect increases from the new Steadfast Client Trading Platform, we obtained copies of contracts in place and agreed commission rates within the growth calculation to contracts.
- We performed sensitivity analysis on the discount rate and growth rate inputs for all CGUs. Additionally, we cross checked the valuation results against earnings multiples inherent in the value of other comparable companies.

| The key audit matter | How the matter was addressed in our audit |
|---|---|

**DECENTRALISED OPERATIONS**

Refer Note 2, Significant Accounting Policies, Note 11, Subsidiaries and Note 12, Investments in Associates.

The Group comprises more than 100 subsidiaries and associates (components) whose operations are spread across Australia, New Zealand, London, Singapore and Germany. The Group's business is general insurance distribution, and the individual components are wide ranging in size and also in the customers and products of each business operation.

The decentralised and varied nature of these operations requires significant oversight by Steadfast management to monitor the activities, review component financial reporting and undertake the Group consolidation. This is an extensive process due to the variety of accounting processes and systems used across the Group.

This was a key audit matter for us given the high number of subsidiaries and associates, and the varied operations, accounting processes and systems. We focused on:

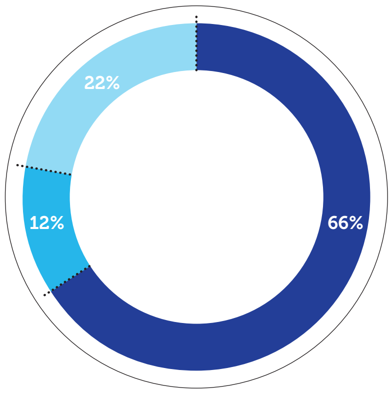
- understanding the components and identifying the significant risks of misstatement within them;
- the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances;
- the assessment of components compliance with Group accounting policies, particularly regarding revenue recognition; and
- the consolidation process and aggregating results from component procedures.

Audit procedures included the following:

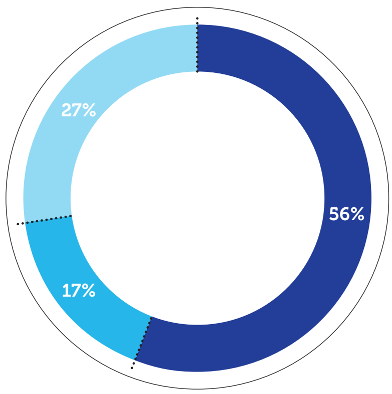
- We instructed component audit teams to perform procedures on the financial information prepared for consolidation purposes by 21 components. The selected components were those of most significance to the audit of the Group, either by individual size or by risk to the Group, and included over 78% of the Group's revenue and 73% of profit before tax. The objective of this approach was to gather evidence on significant balances that aggregate to form the Group's financial reporting.

The two charts below show the proportion of Group revenue and the Group profit before tax covered by full scope audits, specific risk-focused procedures and by head office audit procedures.

**Group total revenue**




**Group total profit before tax**




- Full scope audits conducted by component audit team
- Specific risk-focused audit procedures conducted by component audit teams
- Head office audit procedures

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| | • The component audit teams performed audits of the financial information of the components on specific Group reporting package information and local statutory financial reporting. This included full scope audits and specific risk-focused audit procedures. We worked with the component audit teams to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audits as they progressed to identify and address any issues, working with the component audit teams as appropriate. We read the audit reports to us and the underlying memos explaining component results. We evaluated the work performed by the component audit teams for sufficiency for our overall audit purpose. We also considered the components' compliance with the Group's accounting policies, including in recognising revenue.<br>• We tested the financial data used, in both the consolidation process and head office management review, for consistency with the financial data audited by component audit teams. We also assessed the consolidation process for compliance with accounting standards.<br>• For the other components, not within the scope of the component audit teams (22% of total group revenue and 27% of profit before tax), our head office audit procedures included testing the Group's key monitoring controls and performance of analytical procedures to deepen our understanding of these components. This included testing the head office management review of financial information received from components. We inspected a sample of bank reconciliations, statutory financial reports and accompanying audit reports, and enquired of head office and component management. In our analytical procedures we compared actual financial results to budgets and the prior year results, we enquired of management and considered trends within the insurance market. |

## OTHER INFORMATION

Other Information is financial and non-financial information in Steadfast Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar[2].pdf. This description forms part of our Auditor's Report.

## REPORT ON THE REMUNERATION REPORT

### OPINION

In our opinion, the Remuneration Report of Steadfast Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

### DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### OUR RESPONSIBILITIES

We have audited the Remuneration Report included in pages 41 to 62 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

**KPMG**

**Andrew Dickinson**
Partner

Sydney
23 August 2017

# Shareholders' Information

AS AT 16 AUGUST 2017

## ORDINARY SHARE CAPITAL

There were 749,751,634 fully paid ordinary shares held by 4,214 shareholders. All the shares carry one vote per share and carry the rights to dividends.

## DISTRIBUTION OF SHAREHOLDERS

The number of shareholders by size of holding are as follows:

| Range | No. of holders | No. of shares | % of issued capital |
|---|---|---|---|
| 100,001 and over | 426 | 694,766,182 | 92.67% |
| 10,001 to 100,000 | 1,440 | 46,806,046 | 6.24% |
| 5,001 to 10,000 | 607 | 4,621,859 | 0.62% |
| 1,001 to 5,000 | 1,130 | 3,232,991 | 0.43% |
| 1 to 1,000 | 611 | 324,556 | 0.04% |
| **Total** | **4,214** | **749,751,634** | **100.0%** |

There were 0 shareholders holding less than a marketable parcel based on a market price of $2.87 at the close of trading on 16 August 2017.

| SUBSTANTIAL SHAREHOLDERS | Date of notice | No. of shares | % of issued capital |
|---|---|---|---|
| Investors Mutual Ltd | 07/06/17 | 44,821,736 | 5.98 |
| Vinva Investment Management | 21/12/16 | 37,517,925 | 5.00 |

This information is based on the most recent substantial holder notices lodged with the ASX.

## TWENTY LARGEST SHAREHOLDERS

| Name | No. of shares | % of issued capital |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 174,101,625 | 23.22 |
| J P Morgan Nominees Australia Limited | 137,006,887 | 18.27 |
| National Nominees Limited | 66,981,533 | 8.93 |
| Citicorp Nominees Pty Limited | 63,516,137 | 8.47 |
| MacKay Insurance Services Pty Ltd | 29,481,109 | 3.93 |
| BNP Paribas Nominees Pty Ltd | 16,123,525 | 2.15 |
| Citicorp Nominees Pty Limited | 12,277,028 | 1.64 |
| BNP Paribas Noms Pty Ltd | 10,575,989 | 1.41 |
| UBS Nominees Pty Ltd | 9,688,496 | 1.29 |
| Argo Investments Limited | 9,431,269 | 1.26 |
| Mr Robert Bernard Kelly | 5,095,615 | 0.68 |
| Steadfast Share Plan Nominee Pty Ltd | 4,143,698 | 0.55 |
| RC & IP Gilbert Pty Ltd | 3,700,000 | 0.49 |
| RM & JA Alford Investments Pty Ltd | 3,185,000 | 0.42 |
| AMP Life Limited | 2,748,786 | 0.37 |
| Mr David Ingram | 2,691,440 | 0.36 |
| Australian Executor Trustees Limited | 2,440,823 | 0.33 |
| HSBC Custody Nominees (Australia) Limited-GSCO ECA | 2,114,408 | 0.28 |
| PAN Australian Nominees Pty Limited | 2,060,000 | 0.27 |
| NOTNEF Pty Ltd | 2,023,623 | 0.27 |
| **Total** | **559,386,991** | **74.61** |

## DIVIDEND DETAILS

| Dividend | Franking | Amount per share | DRP issue price | Payment date |
|---|---|---|---|---|
| Interim | Fully franked | 2.6 cents | $2.43 | 13 April 2017 |
| Final | Fully franked | 4.4 cents | * | 13 October 2017 |

The final dividend has an ex-dividend date of 11 September 2017, a record date of 12 September 2017, a payment date of 13 October 2017 and is eligible for Steadfast's Dividend Reinvestment Plan (DRP), which carries no discount.

*The DRP issue price for the final dividend is scheduled to be announced on 3 October 2017

# Corporate Directory

### DIRECTORS
Frank O'Halloran, AM (Chairman)
Robert Kelly (Managing Director & CEO)
David Liddy, AM
Anne O'Driscoll
Philip Purcell
Greg Rynenberg

### COMPANY SECRETARIES
Linda Ellis
Peter Roberts

### NOTICE OF AGM
The AGM will be held on Thursday 26 October 2017 at 10.00 am at the Sheraton on the Park, 161 Elizabeth Street, Sydney NSW 2000.

### CORPORATE OFFICE
STEADFAST GROUP LIMITED
Level 4
99 Bathurst Street
Sydney NSW 2000

Postal Address
PO Box A980
Sydney South NSW 1235

**P** 02 9495 6500
**E** investor@steadfast.com.au
**W** steadfast.com.au
**ACN** 073 659 677

### SHARE REGISTRY
LINK MARKET SERVICES
Level 12
680 George Street
Sydney NSW 2000

Postal Address
Locked Bag A14
Sydney South NSW 1235

**P** 1300 554 474
**E** registrars@linkmarketservices.com.au

### STOCK LISTING
Steadfast Group Limited ordinary shares are listed on the Australian Securities Exchange (ASX code: SDF).

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Steadfast

Steadfast Group Limited
ABN 98 073 659 677

www.steadfast.com.au