Steadfast Group Limited (ASX: SDF)

Annual Report

2018

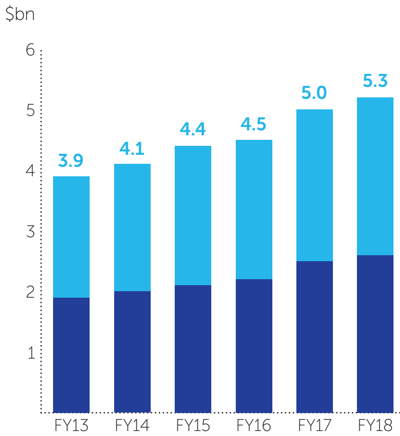
The largest general insurance broker network and group of underwriting agencies in Australasia, with growing operations in Asia and Europe.

Steadfast

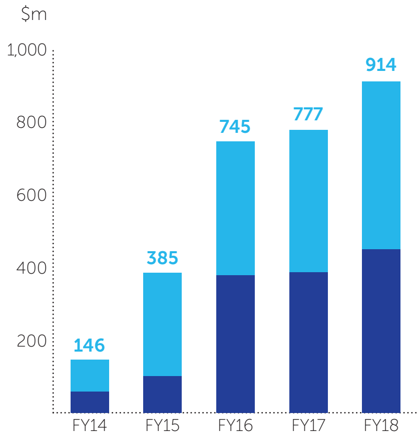
STRENGTH WHEN YOU NEED IT

Five years as a listed company

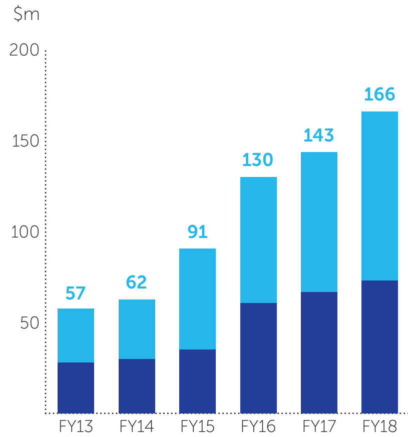
Steadfast Network GWP ($bn)



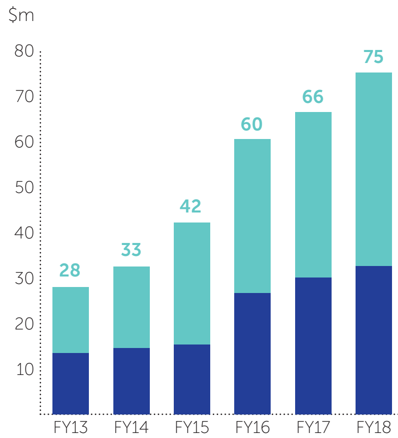
Steadfast Underwriting Agencies GWP ($m)



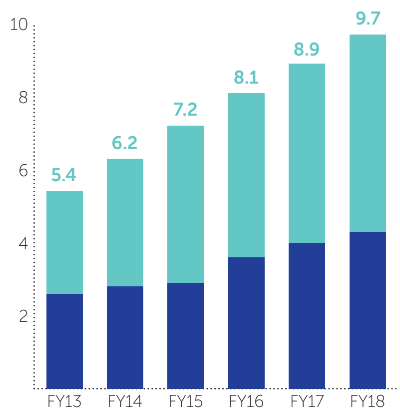
Underlying EBITA ($m)



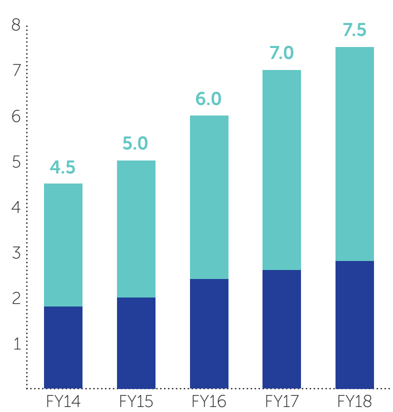
Underlying NPAT ($m)



Underlying earnings per share (NPAT) (cents per share)



Dividend per share (cents per share)



Vision:

Continually grow shareholder value through our leading general insurance distribution model and related businesses domestically and internationally.

Mission:

Deliver value to our broker network by being a market leader and an innovator in insurance broking.

Values:

- We are united
- We achieve
- We are strong

Key strategies and 2018 performance

Steadfast Group's vision is to continually grow shareholder value through our leading general insurance distribution model and related businesses domestically and internationally. We continually measure our performance against our key strategies with 2018 highlights set out below and a full report on page 33:

Key strategy	2018 performance	
Improve profitability, margin, earnings per share and total shareholder return through organic and acquisition growth	– Organic underlying EBITA growth of $13.8m (+9.6%) – Acquisition underlying EBITA growth of $8.4m (+5.9%) – Underlying EBITA margin (aggregated) of 30.5% (FY17: 30.3%) for equity brokers and 44.9% (FY17: 42.5%) for Steadfast Underwriting Agencies	– Underlying net profit after tax of $75.0m (+12.9%) – Underlying earnings per share of 9.7 cps (+9.5%) – Total dividend per share of 7.5 cps (+7.1%)
Maintain and develop premier service offering to Steadfast Network brokers	– GWP growth of 6% – Intermediated market share of 29% in Australia – Over 160 products and services provided to the Network – Record attendees at the Steadfast Convention	– Launched Steadfast Client Trading Platform; our market-leading technology to create greater competition for our Network's products which is exclusive to Steadfast Network brokers
Drive growth organically and through acquisition	– 16 new brokers joined the Steadfast Network in FY18	– 25 equity acquisitions in Steadfast Network brokers and underwriting agencies
Grow the Steadfast Client Trading Platform (SCTP)	– Six business lines live on SCTP equating to c.60% of the Steadfast Network's GWP available to be transacted through the platform	– 14 insurers and underwriting agencies now live on the SCTP – $231 million GWP transacted on SCTP in FY18
Expand and solidify Steadfast's international reach	– 53 brokers across the Steadfast Network in New Zealand and Asia with ten major insurers supporting the Network. – 200 brokers in unisonSteadfast Network	– Aggregation exercise of unisonSteadfast GWP near completion to enable discussions with global insurers
Continue to enhance organisational capability and sustainability	– Diverse income streams with growth of Steadfast Underwriting Agencies and international reach – 72% employee engagement score which is in the 'highly engaged workforce' category	– Use of SCTP improving competition for our Network's products, for the benefit of clients and improved profitability of existing businesses

Our diversified business model

Steadfast Group was established in 1996 and is the largest general insurance broker network and the largest underwriting agency group in Australasia with growing operations in Asia and Europe. We have grown the Steadfast Network to 377 brokers (of which Steadfast Group has equity in 64) and created a portfolio of 25 underwriting agencies. Our business model allows us to achieve sustainable growth. The diversified drivers of our business model are set out below and position us well to maintain and grow our market position.

Steadfast Group does not carry underwriting risk.

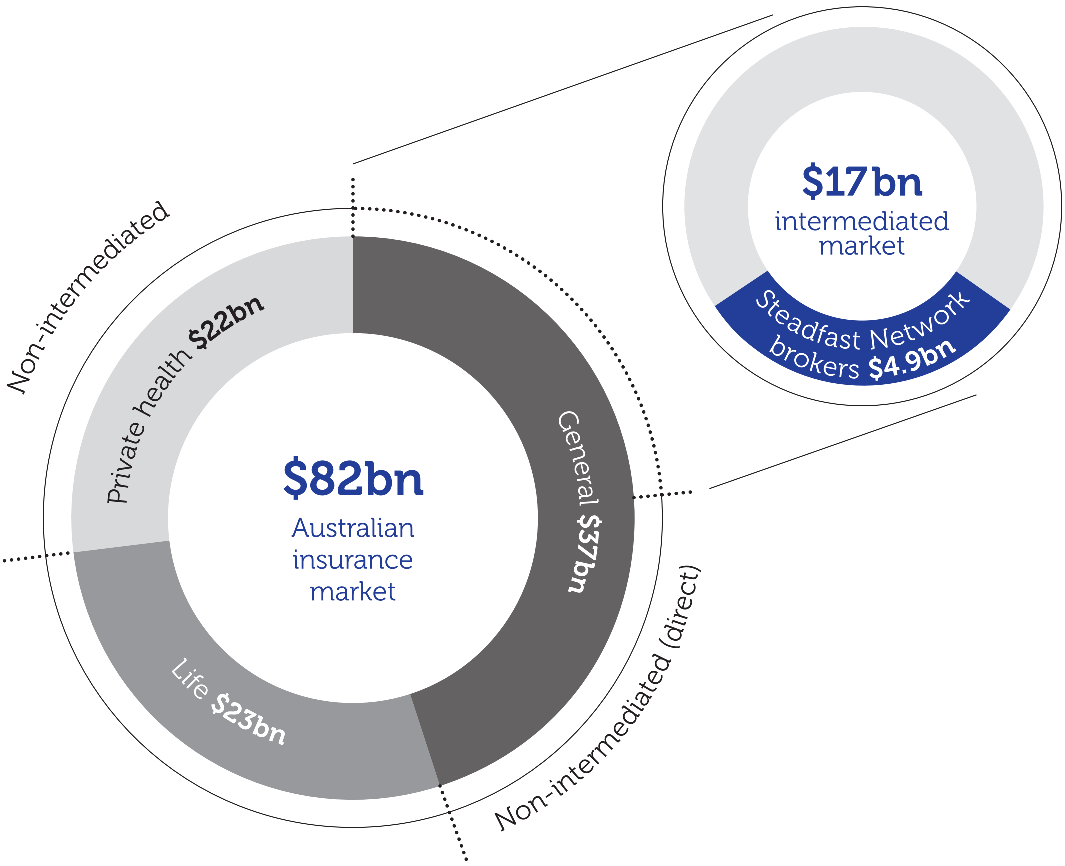
Our focus

Our 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, with gross written premium of $17 billion generated in 2017, of which our Network has a market share of 29%.

We are a key distribution channel for our insurer partners as the Steadfast Network has a large and diverse client base across Australia.



2.2m

policies placed in FY18

Measuring performance

Steadfast Network brokers' market share has grown from 25% to 29% of intermediated general insurance GWP in the last 5 years

[1]APRA Quarterly General Insurance Performance Statistics (March 2018), Steadfast Group and APRA Intermediated General Insurance Performance Statistics (December 2017).

Our focus

Our clients

Steadfast Group is primarily focused on the small-to-medium enterprise (SME) market. The SME market is advice-driven which means that client relationships are key to Steadfast Network brokers and Underwriting Agencies.

These relationships mean that the SME market is more stable than the corporate market.

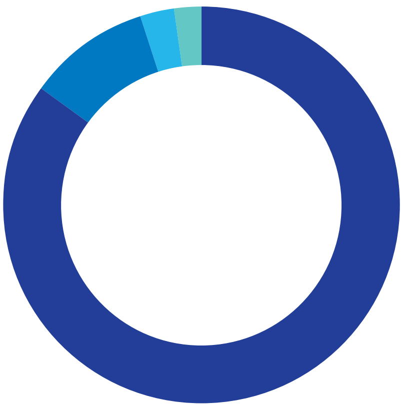
85%

of Steadfast Network clients are small-to-medium enterprises

Diversified product offering and client base

Steadfast Network brokers and Underwriting Agencies offer a diverse range of general insurance products to their clients across Australasia. This diversity of product and client base supports sustainable growth of GWP.

Diversified by client base

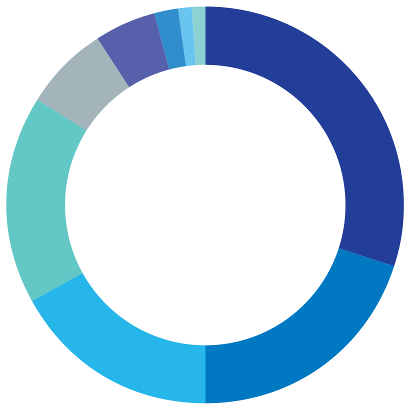


Small-to-medium enterprises (SMEs)	85%
Retail – home and motor	10%
Corporate	4%
Retail – other	1%

Diversified by product

Business pack	22%
Commercial motor	14%
Retail home and motor	10%
Commercial property and ISR	10%
Liability	8%
Professional risks	8%
Statutory covers	7%
Strata	7%
Rural and farm	4%
Construction and engineering	4%
Other	6%

Diversified by geography



VIC	30%
NSW	20%
QLD	17%
WA	17%
NZ	7%
SA	5%
TAS	2%
ACT	1%
NT	1%

Our focus

Our business

Steadfast Group has three business streams focused on servicing general insurance clients.

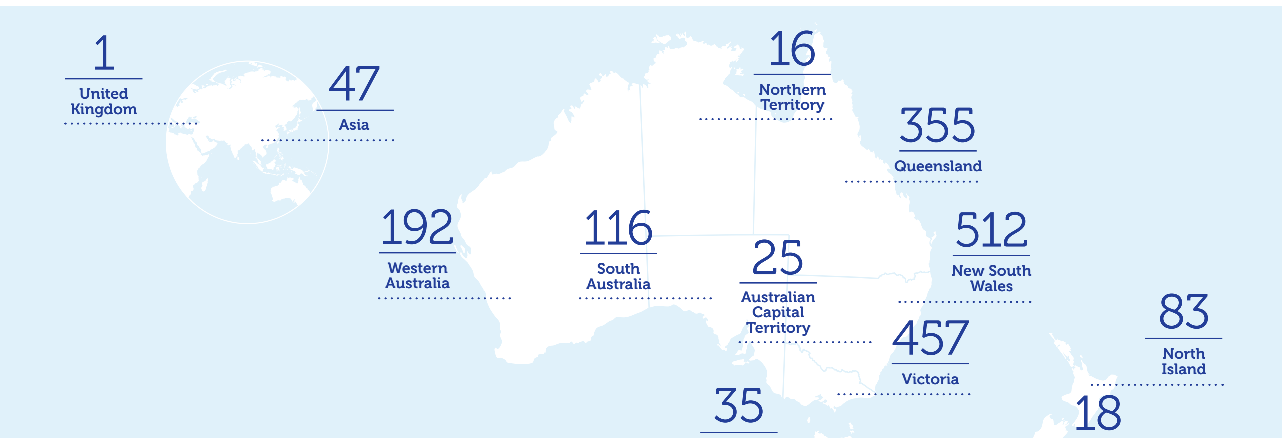
Steadfast Group (listed on the ASX)

1. Steadfast Network	2. Steadfast Underwriting Agencies	3. Complementary businesses
377 general insurance brokers	25 underwriting agencies	Seven businesses supporting the Steadfast Network and Steadfast Underwriting Agencies
200 brokers in unisonSteadfast Network (see page 13)	Steadfast Group has equity holdings in all 25 underwriting agencies	
Steadfast Group has equity holdings in 64 brokers (all of which are part of the Steadfast Network)		Mixture of wholly owned, part-owned and joint venture businesses

1. Steadfast Network

The Steadfast Network is the largest general insurance broker network in Australasia. The Network is made up of 377 brokers with around 1,900 offices, who receive superior market access and exclusive products and services backed by the scale of Steadfast Group. This allows them to focus on servicing their clients' insurance and risk management needs.

Steadfast Group holds equity stakes in 64 Network brokers and receives a corresponding share of dividends from each business.



Worldwide office network (excluding unisonSteadfast)

1. Steadfast Network cont.

Key benefits to brokers include:

- Market-leading policy wordings
- Exclusive access to Steadfast proprietary technology
- Training and marketing support

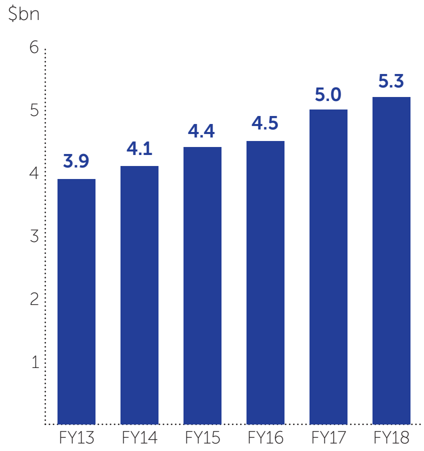
377

brokers in the Steadfast Network

160+

exclusive products and services and market-leading policy wordings

Steadfast Network GWP ($bn)[1]



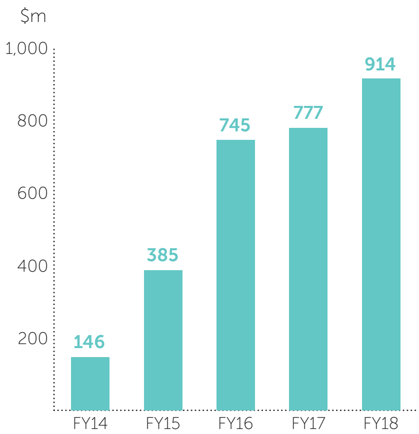
[1]Excludes unisonSteadfast

2. Steadfast Underwriting Agencies

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

Steadfast Group holds equity stakes in 25 underwriting agencies and receives a corresponding share of dividends from each business.

Steadfast Underwriting Agencies GWP ($m)



3. Complementary businesses

Seven complementary businesses support the operations of the Steadfast Network and Steadfast Underwriting Agencies and provide an EBITA contribution to the Group.

Steadfast TECHNOLOGIES

Steadfast BUSINESS SOLUTIONS

Steadfast Re Reinsurance Brokers

Steadfast Life

MACQUARIE Macquarie Pacific Funding

WHO WORK HEALTH OPTIONS

MERIDIAN LAWYERS

Our partners

Over our 22 year history, Steadfast Group has developed strong relationships with carefully selected insurers, underwriting agencies, premium funders and strategic partners to support the Steadfast Network.

Major insurer partners

AIG, Allianz, Allied World, Berkley Insurance Australia, calibre Insurance, CGU, CHUBB, iag, LLOYD'S, MetLife, NTI, QBE, vero, ZURICH

Strategic partner

JOHNS LYNG GROUP

Premium funders

BOQ FINANCE, elantis PREMIUM FUNDING, MACQUARIE Macquarie Pacific Funding

Measuring performance

$7bn+
total billings

16
new brokers joined the network in FY18

Our focus – **Our business**

Case study

Steadfast Network brokers are key advisors to their clients and are supported by the products and services offered by Steadfast to deliver the best outcomes. This expertise and support is particularly important when clients need us most.

Earlier this year, a Steadfast Network broker's client, a waste management company, suffered a catastrophic loss of their fleet of specialised waste collection trucks. This restricted their ability to operate and could have resulted in the loss of a key contract and a substantial loss of income and increased operating costs.

Their Steadfast Network broker, who had intimate knowledge of the business, used their expertise to recommend 'additional costs of working' and 'business interruption' cover. Based on this advice and Steadfast's superior policy wording, the client was covered for this type of catastrophe. This allowed the client to use their cover to source replacement vehicles in time to fulfil their obligations and avert the loss of a key contract.

This positive outcome for the client was made possible by the expertise and advocacy of the broker, Steadfast's superior policy wording and claims triage support and the use of a Steadfast-approved claims preparer combined with the swift action of the insurer. This demonstrates the importance of the client-broker relationship and benefits of the Steadfast Network.

Based on this advice and Steadfast's superior policy wording, the client was covered for this type of catastrophe.

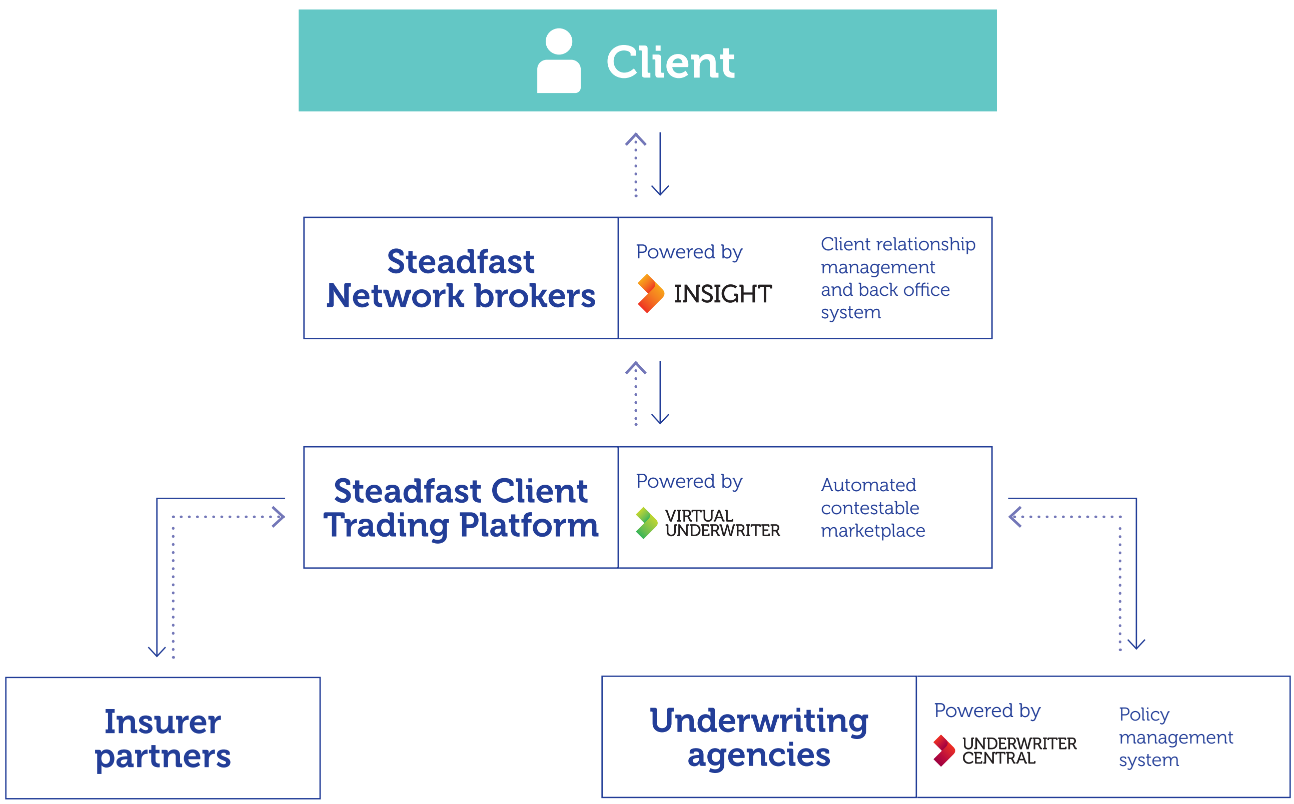
Our key strategies

Monetising our insurTech

Steadfast provides exclusive, market-leading technology to support broker and underwriting agency operations and facilitate interactions with our insurer partners to support client outcomes.

This technology positions us as a global leader in insurance technology (insurTech) and secures our strong market position.

- **Steadfast Virtual Underwriter:** powers the Steadfast Client Trading Platform (SCTP), a contestable digital marketplace giving brokers automated access to all insurers on the platform allowing comparison of policies and prices on a single screen.
  - > **Steadfast Direct**: part of SCTP product suite, offering automated access for brokers to domestic motor, home and landlords products for their clients.
- **INSIGHT:** client relationship management and back office system for brokers offering a single view of their business.
- **UnderwriterCentral:** underwriting agency management system which manages the entire policy lifecycle.



SCTP benefits for clients:

- Contestable digital marketplace generating improved pricing competition and coverage
- Market-leading policy wordings
- Instant policy issue, maintenance and renewal, all on a market contestable basis
- Supported by Steadfast claims Triage

SCTP benefits for brokers:

- Automated market access to leading insurers at no access cost
- Market-leading policies
- Fixed commission, same for all insurers
- In-depth data analytics
- Stimulates advisory discussions with clients

SCTP benefits for insurers:

- Automated access to Steadfast Network for all policies placed on the platform
- Significantly reduced technology and distribution costs
- Data analytics and market insights, live at all times
- Updated policy wordings, based on prior claims scenarios

General insurance lines live on SCTP

- Business pack
- Professional risks
- Commercial property and industrial special risks
- Liability
- Commercial motor
- Strata (in beta testing)
- Steadfast Direct (domestic home, motor and landlords)

Major insurer partners and underwriting agencies live on the SCTP

AIG, Allianz, Allied World, Berkley, Calibre Insurance, CGU, Chubb, IAL, Lloyd's, Miramar, Procover, QBE, Vero, Zurich

6

general insurance lines live on the SCTP

$2.3 billion

Steadfast Network annual GWP targeted to be transacted through the SCTP in five years

Measuring performance

14

major insurers and underwriting agencies have joined the platform

$231m

SCTP GWP in FY18

Our key strategies

International reach

Expanding our markets

While we are primarily focused on our Australian and New Zealand markets, we are also growing our international presence to create geographically diverse revenue streams. We are doing so with a low-risk 'capital-light' strategy where we either build revenue streams to self-fund expansion or potentially take an equity stake in an existing global network (unisonSteadfast).

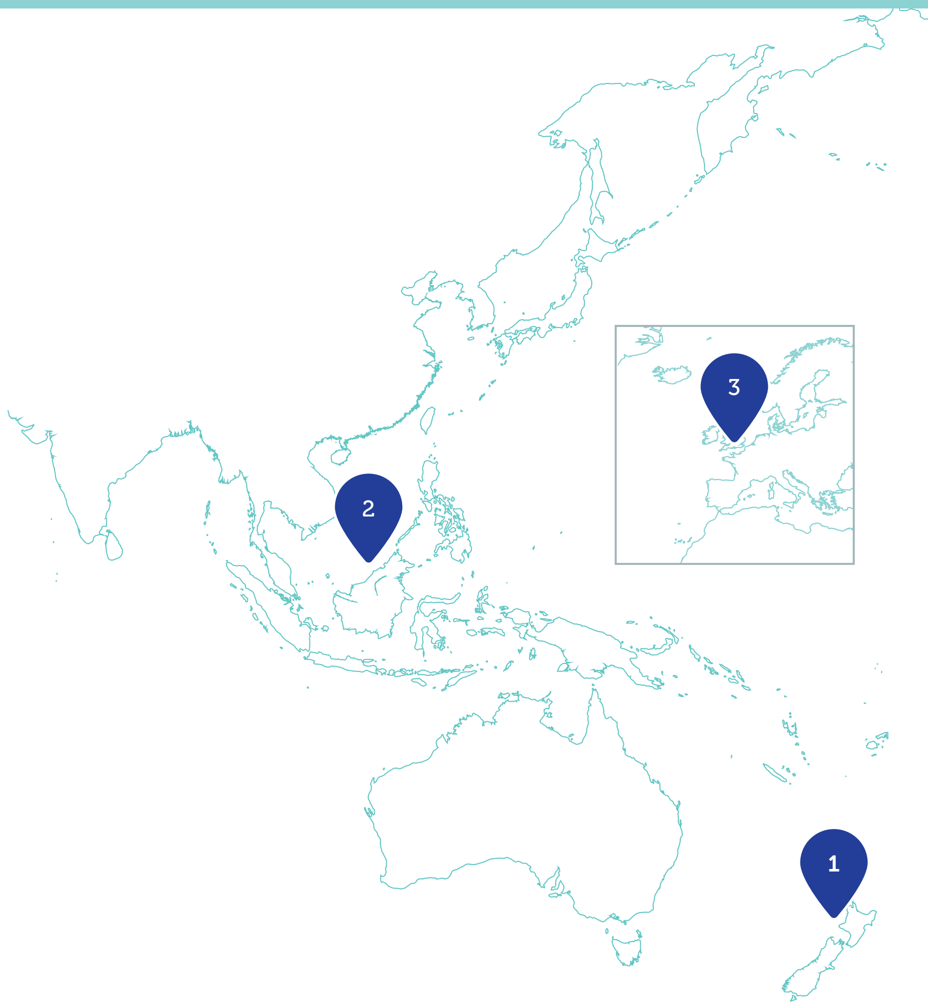
Replicating our model in New Zealand and Asia

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 market-leading policy wordings, market competitive pricing and a range of products and services that give them a competitive edge.

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.

53

network brokers in New Zealand and Asia



Steadfast offices

1. New Zealand 2. Asia 3. London

Measuring performance

NZ$366m

New Zealand GWP in FY18

5

major insurers supporting four lines of business in Singapore

Investment in an existing global broker network to access new markets and, in the long term, roll out Steadfast products and services.

In June 2017, Steadfast Group acquired a 26% stake, since increased to 40%, in unisonSteadfast which is one of the largest global networks of general insurance brokers with 200 brokers across 130 countries.

unisonsteadfast

200 brokers

130 countries

Head office: Hamburg, Germany

Recent developments

- **GWP aggregation –** data gathering from unisonSteadfast brokers enabling discussions with global insurers
- **Access to London market for unisonSteadfast brokers –** leveraging London 'super' binder to create first revenue stream for Steadfast Group from unisonSteadfast operations
- **Seeking to create first new product for unisonSteadfast brokers –** increasing professional indemnity (PI) cover for brokers, leveraging Steadfast Group's existing relationship with PI provider

2018 financial highlights

Underlying NPAT

$75m

up 13% year-on-year

Underlying EPS (NPAT)

9.7cps

up 10% year-on-year

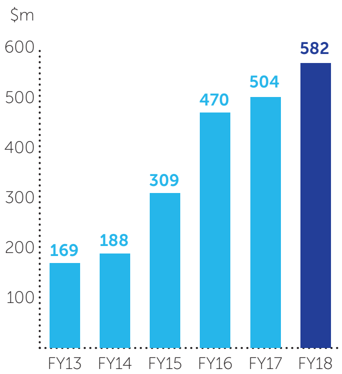
Total dividend

7.5cps

up 7% year-on-year

Underlying revenue

$582m up 15% year-on-year



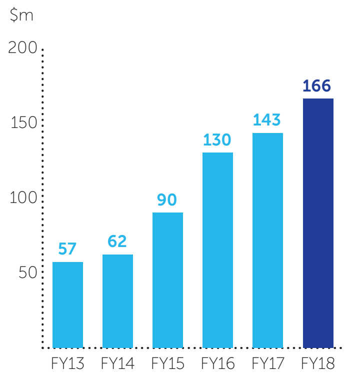
Total billings

$7.0bn+

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

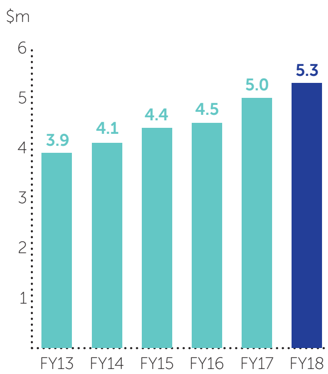
Underlying EBITA

$166m up 16% year-on-year



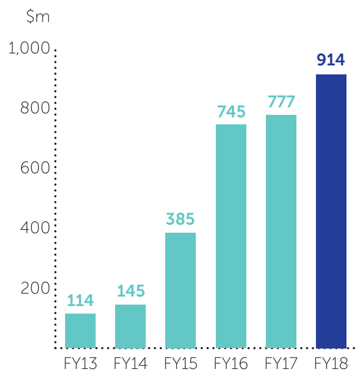
Steadfast Network GWP

$5.3bn up 6% year-on-year



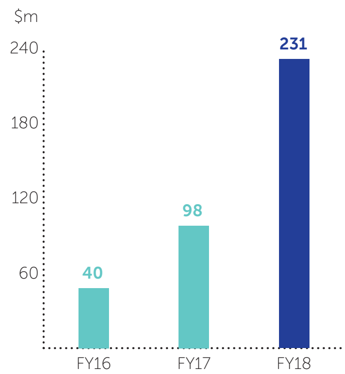
Steadfast Underwriting Agencies GWP

$914m up 18% year-on-year



Steadfast Client Trading Platform GWP

$231m up 136% year-on-year



Message from the Chairman

‘We expect our technology platform and growing international reach to underpin further growth for years to come.’

The Directors are pleased to report another result comfortably in-line with our guidance which was upgraded in December 2017. We saw 16% growth in underlying revenue, 16% growth in underlying earnings before interest, tax and amortisation (EBITA) and 13% growth in underlying net profit after tax (NPAT).

This result was driven by a combination of underlying organic EBITA growth (+$14 million) particularly in our underwriting agencies, and underlying acquisition EBITA growth (+$8 million).

Dividend

This strong financial performance has allowed the Board to declare a fully-franked final dividend of 4.7 cents per share (cps), up 7% from last year. This is a total dividend of 7.5 cps (fully franked), growth of 7% year-on-year.

The 2018 total dividend represents a payout ratio of 79%, in-line with our target range of 65% – 85% of underlying net profit after tax, adjusting for non-trading items.

Steadfast Network GWP growth

The Steadfast Network reported GWP of $5.3 billion in Australasia and Asia which is another record. This is an excellent performance by the Network brokers who are supported by our unrivalled offering of over 160 products and services. We expect our technology platform and growing international reach to underpin further growth for years to come.

Steadfast Underwriting Agencies profitability

The Steadfast Underwriting Agencies also reported record GWP of $914 million and a record underlying EBITA (IFRS) of $75 million which represents a 42% contribution to total Group EBITA. Our portfolio of 25 underwriting agencies has continued to grow their offering to brokers and their clients looking for coverage in niche markets and are a key part of our future growth prospects.

Capital management

We continue to be prudent with our capital as we assess potential acquisition opportunities against disciplined criteria. We made 25 equity acquisitions in FY18 totalling $136 million. Our Group gearing ratio is 17.5% which is well below the Board-mandated maximum of 30%, consisting of 25% corporate and 5% subsidiary ratios. Long-term corporate debt facilities of $285 million are in place with $109 million of unutilised capacity available to fund future acquisitions.

Corporate social responsibility and governance

We acknowledge our responsibilities to our community by donating more that 1% of our FY18 NPAT to charitable causes and encouraging our people to participate in various charitable activities.

We are focused on building a diverse workforce with 59% of employees across Steadfast Group entities being female including 40% in management positions. 47% of our head office employees were born outside Australia as were 24% of employees across Steadfast Group controlled entities. We also strengthened our Board with Gai McGrath joining as a Director in June 2018.

Steadfast Group continues to adhere to the corporate governance principles as set out by the ASX Corporate Governance Council. Our governance framework and robust risk management strategies are set out in more detail on page 37 and I am pleased to note another year in which there were no material departures from these principles.

Annual General Meeting

Our Annual General Meeting will be held on Thursday 18 October 2018 in Sydney. The Directors and senior management team will be available to answer your questions on our FY18 performance, strategy and prospects. I encourage all our shareholders to attend and hope to see you then.

Thank you

I would like to thank all our employees, who are extremely well led by our highly experienced Managing Director & CEO Robert Kelly, for their efforts this year. Their hard work, combined with that of the Steadfast Network brokers, Steadfast Underwriting Agencies and complementary businesses has driven our strong performance.

I would also like to extend my gratitude to my fellow board Directors who are focused on strong governance and driving shareholder value through organic and acquisition growth from our ever-increasing network of brokers.

Frank O’Halloran, AM
Chairman

Message from the Managing Director & CEO

I'm pleased to report another strong set of results to celebrate five years since listing on the Australian Securities Exchange (ASX). We delivered underlying earnings before interest, tax and amortisation (EBITA) growth of 16% and underlying net profit after tax (NPAT) growth of 13%. This came from growth of the Steadfast Network, a particularly strong performance by Steadfast Underwriting Agencies and further acquisitions.

Five year performance since listing

Our FY18 results mark five years since we listed on the ASX. During this time, we are proud to have grown underlying EBITA from $57 million to $166 million (+191%) and underlying NPAT from $28 million to $75 million (+168%). This has been driven by growth of the Steadfast Network, over 100 brokers have joined since IPO, our underwriting agencies which now consist of 25 agencies generating $914 million of GWP and acquisitions.

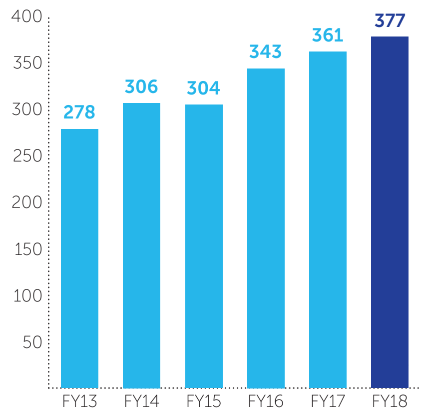
We have also delivered for our shareholders by growing underlying earnings per share (NPAT) from 5.4 cps to 9.7 cps (+80%) and total dividend per share from 4.5 cps to 7.5 cps (+67%). Our share price has grown from $1.15 at listing to $2.81 at 30 June 2018.

While we are proud of our performance so far, we still have plenty of work to do to execute our key growth strategies, particularly monetising our insurTech and developing our overseas broker network and unisonSteadfast.

Steadfast Network broker growth

We now have a total of 377 brokers in the Network with 324 in Australia and 53 across our international jurisdictions of New Zealand and Asia. In addition, there are 200 brokers in unisonSteadfast, a network in which we have a 40% stake.

Steadfast Network brokers



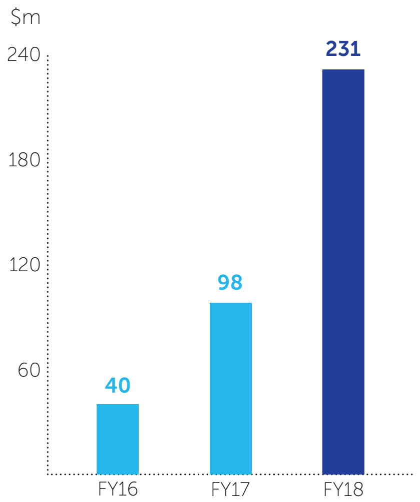
Monetising our insurTech

Steadfast offers market-leading technology exclusively to Network brokers. This technology, in collaboration with our insurer partners, allows Steadfast brokers to offer the best outcomes for their clients.

The Steadfast Client Trading Platform (SCTP) is live across six of our key insurance lines with 14 insurer and underwriting agency partners connected, offering a contestable marketplace to brokers and their clients. With around 60% of our GWP now available to be transacted through the SCTP, we expect increasing revenue contribution from the platform in FY19 which will continue to grow in subsequent years.

We will continue to invest in our technology as growing usage of the SCTP is a key medium-term strategy for Steadfast Group, and we've already had excellent feedback from brokers using this platform.

Steadfast Client Trading Platform GWP ($m)



$5.3bn

Steadfast Network GWP

$75m

Underlying NPAT

Steadfast Direct

Part of our SCTP offering, Steadfast Direct was launched in late FY15 to provide retail home and motor cover for brokers to offer their clients. As with other insurance lines on the SCTP, Steadfast Direct is an automated, contestable platform. This represents an outstanding success and is another example of the way that our proprietary insurTech is driving growth for Steadfast Network brokers and generating earnings for shareholders.

Strong underwriting agencies performance

Steadfast Underwriting Agencies have delivered record GWP of $914 million and record underlying EBITA (IFRS) of $75 million. This was driven by our key long-term strategies of aligning our product with distribution partners and our London 'super' binder going live on the SCTP. A rising premium pricing environment has also contributed to growth as insurers return prices towards technical levels.

Acquisitions

Acquisition growth provided a further uplift of 6% of underlying EBITA as we made 25 acquisitions in FY18. We are constantly evaluating broker acquisitions against our disciplined criteria as we look to acquire high-quality businesses that are accretive to our earnings. Our largest acquisition in FY18 was Whitbread Insurance Brokers and Axis Underwriting Services for consideration of approximately $100 million. These are particularly strong businesses and have made a positive contribution to our FY18 underlying EBITA performance.

Outlook

Our small-to-medium enterprise general insurance market has seen moderate premium price rises during FY18. We expect this trend to continue through FY19 as insurers look to improve their profitability.

We will continue to focus on rolling out and driving usage of our technology as we target $2.3 billion of Steadfast Network annual GWP to be transacted through the SCTP in five years. This will drive improved outcomes for clients, offer fixed remuneration for brokers and insurers and higher shareholder returns.

Our FY19 guidance is underlying EBITA of between $185 million and $195 million and underlying NPAT of between $82.5 million and $87.5 million. This guidance is subject to[1]:

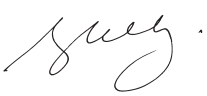
- insurers continuing to drive moderate premium price increases;
- increasing contribution from Steadfast Client Trading Platform; and
- ongoing technology investment.

Thank you

I would to thank our employees, Board members, Steadfast Network brokers, Steadfast Underwriting Agencies, complementary business and strategic partners for contributing to our success this year and over the last five years as a listed company.

I would also like to thank all our shareholders including those who supported our capital raise in December 2017 to help fund our growing business.

I look forward to continuing working with our team as we strive to achieve our strategies and growth targets in the years ahead.



Robert Kelly
Managing Director & CEO

[1]Also refer to pages 37-39

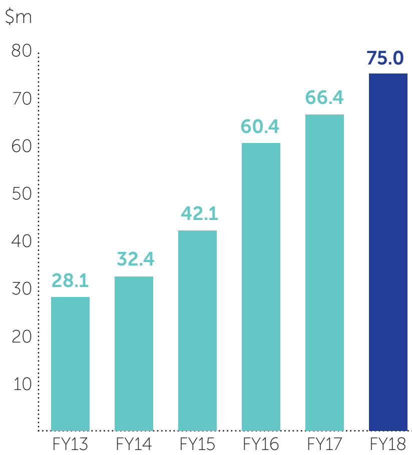
Message from the Chief Financial Officer

'Our track record of underlying EPS and DPS growth has provided excellent returns for our shareholders since we listed on the ASX five years ago.'

15.5%
underlying EBITA growth FY18

12.9%
underlying NPAT growth FY18

Underlying net profit after tax ($m)



Steadfast Group has reported strong FY18 financial results. We recorded underlying EBITA growth of 15.5% and underlying NPAT growth of 12.9%. This was driven by organic and acquisition growth of our portfolio of equity-held Steadfast Network brokers and Steadfast Underwriting Agencies (SUA).

This performance flowed through to cash flow with 99% of Group underlying cash converted into profit.

Reconciliation of statutory and underlying earnings

Year ended 30 June, $million	2018	2017
Revenue	582.5	504.1
Underlying EBITA	165.6	143.3
Underlying NPAT	75.0	66.4
Underlying NPATA	97.3	87.2
Underlying EPS (NPAT)	9.71	8.87
Underlying EPS (NPATA)	12.60	11.65
Reconciliation of earnings:		
Statutory comprehensive income after tax	75.9	66.8
Change in value and sale of investments	(0.2)	(2.9)
Share-based payment expense on share options and executive loans and shares	(0.4)	(0.4)
Deferred acquisition adjustments	(3.1)	(4.2)
Impairments	2.3	7.1
Non-recurring costs from closure of residential builders agency	0.5	–
Underlying NPAT	75.0	66.4
Underlying NPAT growth	12.9%	9.8%
Amortisation	22.3	20.8
Underlying NPATA[1]	97.3	87.2
Underlying NPATA growth	11.6%	6.4%

[1]Calculated on consistent basis since IPO

Organic growth

We delivered organic underlying EBITA growth of $13.8 million (+9.6%) which was driven by record GWP generated by the Group. The Steadfast Network and SUA reporting 6% and 18% of GWP growth respectively. Organic GWP growth of 5% combined with a strong performance from our equity-held brokers contributed to our organic growth. Price and volume growth drove the outstanding performance from our underwriting agencies.

Acquisition growth

We continued to build equity stakes in insurance brokers and underwriting agencies, making a total of 25 equity acquisitions contributing growth in underlying EBITA of $8.4 million (+9.6%). The largest acquisitions were Whitbread Insurance Brokers and Axis Underwriting Services, both acquired in December 2017 and funded from a $115 million capital raise. Whitbread Insurance Brokers is a long standing Steadfast Network broker and Axis Underwriting Services is a commercial and residential underwriting agency which complements our existing presence in that market.

EBITA contribution

While all business units achieved impressive growth, a strong performance by SUA increased their contribution to 42% of Group underlying EBITA (IFRS) in FY18.

Strong balance sheet

Our balance sheet remains strong with significant capacity to fund future growth with a total Group gearing ratio was 17.5%. We have $109 million available in our debt facilities to fund corporate activities including acquisitions.

Earnings per share (EPS) and dividend growth

We reported underlying EPS (NPAT) of 9.7 cents per share (cps) and a total dividend per share (DPS) of 7.5 cps. This is consistent with our track record of underlying EPS and DPS growth which has provided excellent returns for our shareholders since we listed on the ASX five years ago.

Thank you

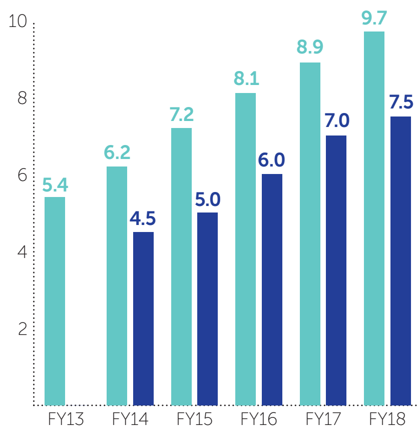
I would like to thank all of our staff from our Group head office, brokers and underwriting agencies who have contributed to our financial reporting and analysis. It is the culmination of another year of hard work providing our stakeholders with quality and timely data to support their decision making.

Stephen Humphrys
Chief Financial Officer

FY18 underlying EBITA mix (IFRS)

Investments in Steadfast equity brokers	**50%**
Investments in Steadfast Underwriting Agencies	**42%**
Earnings from other businesses	**8%**

Underlying earnings per share (NPAT) and dividend growth (cents per share)



- Underlying earnings per share (NPAT)
- Dividend per share

Corporate social responsibility

Steadfast Group and our subsidiaries actively support the communities in which we live and work. We have donated more than 1% of our underlying NPAT to charities in FY18 through three primary channels:

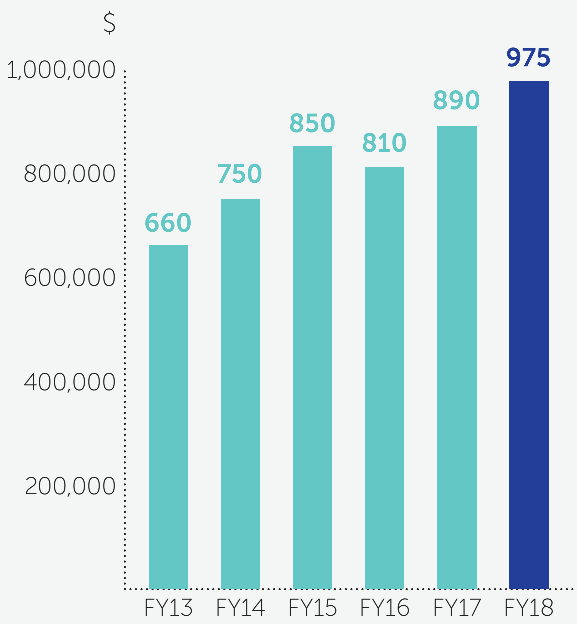
- **Steadfast Foundation**
- **Steadfast Convention gala charity dinner**
- **Industry aligned sponsorships**

Steadfast Foundation

The Steadfast Foundation was created in 2011 to facilitate donations to support charities that help people overcome adversity. In FY18 we made donations to the following charities:

Industry aligned sponsorships

Steadfast Group annual donations ($)



St Vincent de Paul's CEO Sleepout

Steadfast Group Managing Director & CEO Robert Kelly joined over 1,400 CEOs across Australia in the 'Vinnies CEO Sleepout'. Robert spent the night sleeping on concrete at the White Bay Cruise Terminal in Sydney to raise money to support the 250,000 Australians who seek help from homelessness services each year.

A total of $6 million was raised by the event with Robert being the highest fund raiser in New South Wales by contributing over $50,000, including a $2,000 contribution from Steadfast Group.

Corporate social responsibility

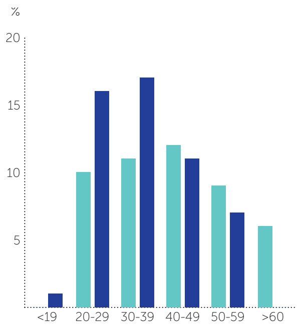
Our employees

Diversity

Employee gender profile

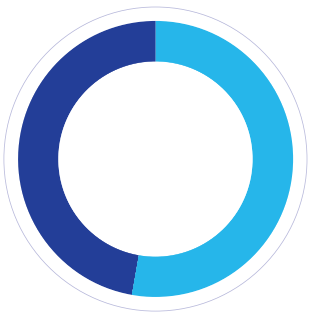
- Male
- Female

Employee age profile (%)



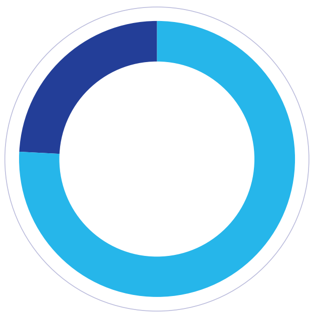
- Male
- Female

Employees born outside Australia



- Born inside Australia
- Born outside Australia

Employees from a non-English speaking background



- English speaking background
- Non-English speaking background

Training and supporting our people

Steadfast Group offers training to our employees and Network brokers to encourage continuous improvement.

Developing our staff

Steadfast Group employees have undertaken a total of 1,300 hours of face-to-face training and 1,100 hours of online training in FY18. This consists of technical and non-technical modules, including the "future leaders" programme focused on developing the next generation of executives.

1,300
hours of employee face-to-face training

4,000+
brokers attended professional development days

Training Steadfast Network brokers

Steadfast Group runs 'town halls' and accredited professional development days to continually train Steadfast Network brokers. This gives brokers the opportunity to keep up to date with latest products and services offered to the Network as well as technical and compliance requirements relating to the insurance broking industry.

This culminates at the annual Steadfast Convention, which is held over four days and attracts over 2,400 attendees and 100 exhibitors. This year's Convention, the 20th, was held in Melbourne and included 25 educational sessions from industry experts and a central 'expo' where attendees could interact.

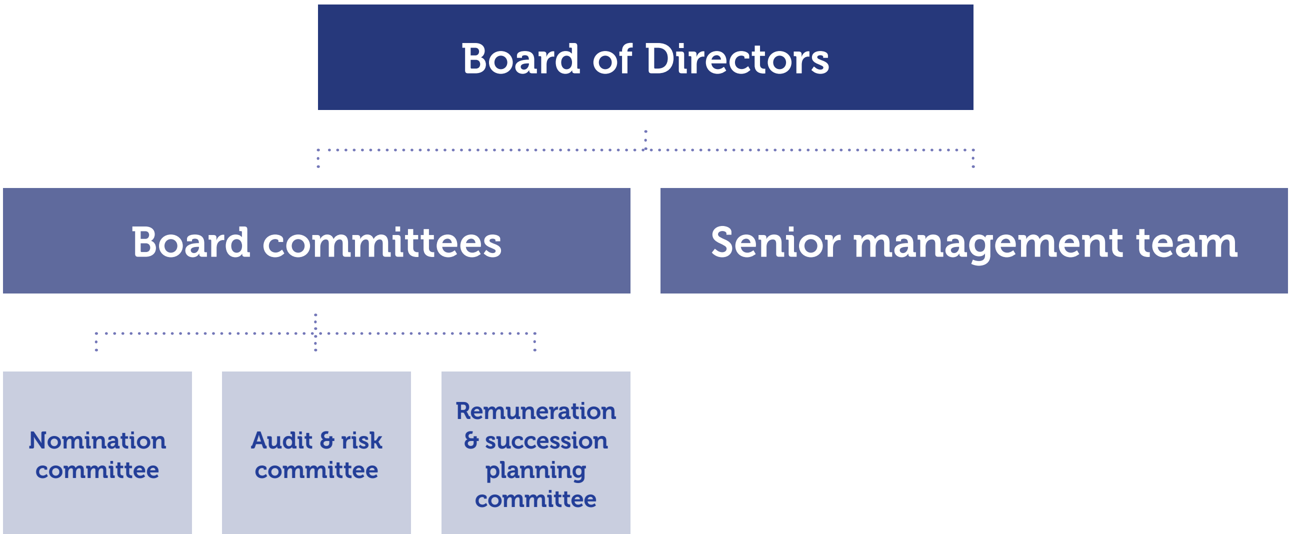
Steadfast Convention gala charity dinner

A total of $270,000 was raised by the 1,500 attendees on the night. This was donated to The Reach Foundation, a charity which supports disadvantaged young people to develop new strategies and skills for navigating life whilst encouraging each other to recognise their strengths, passions and potential.

REACH

Corporate governance

Steadfast Group's corporate governance framework aligns with the latest edition of the ASX Corporate Governance Council's Principles and Recommendations.



Corporate governance statement

Steadfast Group's corporate governance principles are set out in the corporate governance statement which is regularly reviewed and updated to reflect our operations. The full statement is available on the investor section of our website (http://investor.steadfast.com.au/Investor-Centre/?page=Corporate-Governance) with the key principles set out below:

Corporate governance principles

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the Board to add value

Principle 3: Promote ethical and responsible decision making

Principle 4: Safeguard integrity and financial reporting

Principle 5: Make timely and balanced disclosures

Principle 6: Respect the rights of shareholders

Principle 7: Recognise and manage risk

Principle 8: Remunerate fairly and responsibly

Steadfast Group's charters and policies

Steadfast Group has a series of charters and policies which support the corporate governance principles. They are listed below with the full documents available in the corporate governance section of the investor website:

- **Board and nomination committee charter**
- **Audit & risk committee charter**
- **Remuneration & succession planning committee charter**
- **Code of conduct**
- **Securities trading policy**
- **Diversity policy**
- **Risk management policy**
- **Anti-bribery and corruption policy**
- **Whistleblower policy**

Corporate governance

Risk management

In seeking to achieve our strategic goals, Steadfast Group is subject to a number of risks which may materially affect operational and financial performance. Risk management is an integral part of our corporate governance structure and is overseen by the Board's audit and risk management committee who have put robust mitigation strategies in place. In addition, the Chief Risk Officer conducts regular internal audits of all brokers in which Steadfast Group has an equity holding to monitor financial performance and risk management procedures.

Key risk and management strategies are set out below, with a full risk management report available on page 37:

Key risk	Risk management strategy
Investment and acquisition risk	– Rigorous acquisition criteria and due diligence process in place based on performance and cultural fit – Ongoing oversight and reporting processes for investments
Reduction in income due to loss of Steadfast Network brokers	– Provision of excellent products and services to attract and retain Network brokers – Ongoing engagement with brokers to seek and address feedback
Loss of capacity for Steadfast Underwriting Agencies	– Long-standing relationships with capital providers and track record of delivering attractive results – Establishment of London 'super' binder to provide deeper access to capital
Increased competition or industry disruption	– Diversity of earnings and investments across range of businesses, products and geographies – Focus on constant innovation, including our proprietary market-leading technology
International expansion risk	– Capital-light expansion model following extensive due diligence
Cyber security	– Back-up, restoration and recovery procedures – Security guidelines implemented
People risk	– Focused on offering strong culture, succession planning, market-competitive remuneration and career development

Culture

The Board and management are focused on fostering a culture based on Steadfast Group's core values. The culture and values are measured in an annual employee engagement survey which is reviewed by the Board and senior management and is the basis of a continuous improvement programme. The importance of culture permeates throughout the organisation with 20% of employee key performance indicators linked to the display of our values.

72% employee engagement score up by 4 percentage points from last year

Cyber risk

Our proprietary technology is a key strategy and growth driver for Steadfast Group and is administered by our Steadfast Technologies division. There are significant security, back-up and restoration procedures in place to guard against the impact of cyber-attacks. Continual risk assessments are conducted with ongoing monitoring undertaken by experienced professionals in our Technologies division.

We are united

We achieve

We are strong

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 Insurance Council of Australia from 1999 to 2000 and was inducted into the International Insurance Hall of Fame in 2010. He is the Chairman of The Salvation Army Sydney 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. Robert is also a Director of ASX-listed Johns Lyng Group Limited and not-for-profit organisation KidsXpress.

David Liddy, AM
Non-Executive Director (independent)

David has 45 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.

Gai McGrath
Non-Executive Director (independent)

Gai has over 32 years’ experience in the financial services and legal industries. This includes 12 years with Westpac Group where she was General Manager of Westpac’s retail banking business in Australia from 2012 to 2015 and in New Zealand from 2010 to 2012.

Gai is a Director of Genworth Mortgage Insurance Australia Limited (where she also chairs the Audit Committee), IMB Bank (where she chairs the People & Culture Committee and Financial Planning Committee), Investa Listed Funds Management Limited as responsible entity of the Investa Office Fund and Toyota Finance Australia Limited.

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 44 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 consults to clients who are engaged in commercial transactions or mediation of commercial disputes.

Greg Rynenberg
Non-Executive Director (independent)

Greg has over 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, a 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. Robert is also a Director of ASX-listed Johns Lyng Group Limited and not-for-profit organisation KidsXpress.

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 Australia and New Zealand Chartered Accountants.

Samantha Hollman
Chief Operating Officer

Samantha has 24 years' experience in the insurance industry including 18 years at Steadfast. She was promoted to COO in September 2016 to direct and manage operational activities of the organisation and 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
Steadfast Underwriting Agencies

Simon has worked in the insurance industry for over 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 & Asia

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. 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 13 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.

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 Australia and New Zealand 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 18 years' experience as a lawyer and was previously in private practice 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.

2018 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 2018 (FY18) 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
Gai McGrath	1 June 2018
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	Johns Lyng Group Limited	Since 16 November 2017
David Liddy, AM	Collection House Limited	March 2012 to November 2016
	EML Payments Limited	Since April 2012
Gai McGrath	Genworth Mortgage Insurance Australia Limited	Since August 2016
	Investa Office Fund	Since October 2017
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 24.

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:

	Board		Audit & Risk Committee		Nomination Committee		Remuneration & Succession Planning Committee
Total number of meetings held	6		4		3		4

Director	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	–	–	3	3	–	–
David Liddy, AM	6	6	4	4	3	3	4	4
Gai McGrath*	1	1	1	1	–	–	1	1
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

* Gai McGrath was appointed on 1 June 2018 and attended all meetings held after this date.

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 brokers and underwriting agencies during the year (refer Note 10).

OPERATING AND FINANCIAL REVIEW

A. OPERATING RESULTS FOR THE YEAR

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

	2018 $'000	2017 $'000
Revenue – consolidated entities	**568,514**	490,802
Expenses – consolidated entities	**(427,512)**	(371,459)
EBITA* – consolidated entities	**141,002**	119,343
Share of EBITA from associates and joint ventures	**24,567**	24,006
EBITA before non-trading items	**165,569**	143,349
Finance costs	**(10,577)**	(9,697)
Amortisation expense	**(25,219)**	(23,683)
Profit before income tax before non-trading items	**129,773**	109,969
Income tax expense on profit before non-trading items	**(40,844)**	(31,628)
Profit after income tax before non-trading items	**88,929**	78,341
Non-controlling interests in profit after tax before non-trading items	**(13,967)**	(11,949)
Underlying net profit after income tax attributable to owners of Steadfast Group Limited (Underlying NPAT)	**74,962**	66,392
Non-trading items:		
Income	**4,193**	8,449
Expenses	**(3,026)**	(7,866)
Income tax benefit/(expense) on non-trading items	**255**	(884)
Non-controlling interests	**(530)**	554
Share of EBITA from associates and joint ventures	–	147
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT)	**75,854**	66,792
Other comprehensive income/(expense) attributable to owners of Steadfast Group Limited	**(200)**	(214)
Total comprehensive income after income tax attributable to owners of Steadfast Group Limited	75,654	66,578
Underlying diluted earnings per share (cents per share)	9.71	8.87
Statutory diluted earnings per share (cents per share)	**9.83**	8.92

* EBITA refers to earnings before finance costs, tax and amortisation of acquired intangible assets.

Refer Note 4 for reconciliation of underlying earnings (i.e. before non-trading items) to statutory earnings.

The profit attributable to the Group after income tax, before non-trading items was $74.962 million compared to $66.392 million in 30 June 2017. The increase was mainly due to:

- revenue growth generated by the existing businesses;
- improved margins in these businesses derived through overall premium rate increases and efficiency gains;
- increased marketing and administration fee revenue in Australia and New Zealand; and
- acquisitions of interests in further businesses and a listed investment.

This additional profit was partially offset by:

- divestment of businesses in the prior corresponding period, particularly White Outsourcing Pty Ltd; and
- higher income tax expense mainly from higher earnings and reduced research and development claims in the current year.

There was an increase 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; and
- impairment of certain intangible assets relating to a business where there was a downward revised estimation of a deferred acquisition payment.

Some of the financial data in section A on the previous page, 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 2018 were $2,081.613 million compared to $1,800.027 million as at 30 June 2017. The increase was mainly attributable to the capital raised for the acquisition of Whitbread Insurance Brokers and Axis Underwriting Services as well as 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 2018 were $1,024.634 million compared to $886.859 million as at 30 June 2017. 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 $913.168 million at 30 June 2017 to $1,056.979 million at 30 June 2018 largely reflects the $106.016 million capital raised for the Whitbread acquisition plus the retention of profits net of dividends paid.

The Group has a multibank syndicated facility that allows the Group to borrow up to $285.000 million. As at balance date, the Group had the capacity to borrow an additional $109.259 million from this facility.

II. Cash from operations

The net inflows of $123.224 million include net inflows from operating activities of $96.070 million and a net inflow of $27.154 million to broking accounts.

The net operating cash flows, before broking trust account movements of $96.070 million are 12% 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. The acquisition of Whitbread Insurance Brokers and Axis Underwriting Services were funded by a $106.016 million capital raise in December 2017.

III. Capital management

As at 30 June 2018, the Company had a total of 793.036 million ordinary shares on issue compared to 749.752 million ordinary shares on issue at 30 June 2017. The increase is the result of the institutional placement of 35.335 million shares ($100.000 million) in December 2017 and 2.126 million shares ($6.016 million) issued to vendors as part consideration for the acquisition by the Group of Whitbread Insurance Brokers and Axis Underwriting Services. Additionally, 2.823 million shares ($7.762 million) were issued in January 2018 for the Share Purchase Plan (SPP), and 3.000 million options ($3.000 million) were exercised (on a 1:1 basis) in February 2018 to a key management member of an acquired business.

The Board leverages the Group's equity, adopting a maximum 30.0% total gearing ratio (defined as total debt: total debt and equity) made up of 25.0% for the Company and 5.0% for subsidiaries. As at 30 June 2018, the Company's corporate gearing ratio was 14.0% (2017: 16.0%) and the Group's total gearing ratio was 17.5% (2017: 18.5%). Refer Note 9C.

STRATEGY AND PROSPECTS

Steadfast's business strategy is to continually grow shareholder value through continued expansion of the Steadfast insurance distribution model and related businesses domestically and internationally. The table below details the key strategies of the Group together with FY18 accomplishments and 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. The assessment and the strategies in place to manage the key risks are detailed in the next section.

The table below details the key strategies of the Group in FY18 together with FY18 accomplishments to date.

Strategy	FY18 achievements	Prospects and strategic initiatives
Maintain and develop premier service offering to Steadfast Network brokers	• INSIGHT broker system further enhanced and further conversions • Refreshed services to Network based on annual "Your Shout" survey • Substantially increased broker usage of services • Regular communication with Network brokers enhanced, including Town Hall meetings, training workshops, webinars, The Cover distributed fortnightly • Head of Broker Network – new position and team created to build broker relationships focussed on improving business performance whilst executing product service and technology strategies that will grow M&A revenue • Steadfast Convention – first time managed entirely in-house, record sponsorship and record delegates attended • Broker tools continue to be delivered across the Network • Steadfast Client Trading Platform (SCTP) development (refer below) • New Zealand: further services rolled out, wordings progressed, INSIGHT conversions, Steadfast Virtual Underwriter (SVU) launched, held first NZ conference • Launched new broker website • New strategic partners added • Partnerships between underwriting agencies and strategic partners enhanced and working effectively • Product range with strategic partners expanded • SCTP interface to improve efficiencies and competitive pricing for the Network's clients	• Continue to create competition for products for the benefit of the Network's clients • Continue to develop the Steadfast brand • Continue to enhance and communicate the Network value proposition • Continue to attract new brokers to the Network • Provide marketing and business development initiatives to the Network • Continue to expand the services offered • Maintain the Steadfast Convention as the premier event in general insurance in Australia • Continue to grow Steadfast Direct • Continue to develop market leading technology solutions • Continue to rollout, further develop and promote usage of INSIGHT • Grow broker usage of SCTP • Continue to improve back and middle office functionality • Continued product development • Continued provision of risk management services to the Network • Grow number of partners on the SCTP • Embed SCTP functionality with and engagement by strategic partners • Grow the London superbinder • Continue to negotiate, and seek new opportunities with strategic partners including expanding our product range • Continue to develop international in-bound and out-bound referrals

Strategy	FY18 achievements	Prospects and strategic initiatives
Improve profitability, margin, earnings per share and Total Shareholder Return (TSR) through organic and acquisitive growth	• Agency and broker margins improved • Hubbing continued • Further streamlining, synchronising and offshoring of back office processes • Steadfast Business Solutions continues to support brokerages • UnderwriterCentral further enhanced and further conversions	• Continue FY18 strategic initiatives and build on FY18 achievements • Seek ongoing improvement in EBITA margins • Continue to implement marketing and business development/sales initiatives to grow sales and Steadfast revenue • Drive Network broker and strategic partner usage of the SCTP • Expand coverage of Steadfast Business Solutions activities • Grow the London super binder • Continue to challenge expense base • Continue to develop and roll out our technology platforms
Growth through both acquisitions and adding new Steadfast Network brokers	• $136m net total investment • Acquisition of equity in 6 new brokers/ underwriting agencies & increased holding in 15 equity brokers/underwriting agencies • Indirect investments in 7 additional brokerages which were acquired by existing equity investments (bolt-ons) • All acquisitions executed against disciplined criteria • Continued to assess potential acquisitions in the acquisition pipeline • Net addition of 13 new brokers to Steadfast Network in Australia & New Zealand plus 3 in Singapore	• Continue to apply strict cultural, risk and financial acquisition guidelines • Continue to implement management buy-ins, hubbing and the co-owner model • Continue to enhance and communicate the Network value proposition • Proactively seek out acquisition opportunities including from the broader broker market • Add new brokers to the Network • Drive increased profitability in some of the underlying businesses

Strategy	FY18 achievements	Prospects and strategic initiatives
Grow the Steadfast Client Trading Platform (SCTP)	• SCTP rollout and growth continued • 6 insurers on panel for Business Pack • 13 insurers now live on the SCTP • SCTP also live for Commercial Motor, ISR, Liability, PI, Strata Product • SCTP Management Liability wording developed • SCTP Business Pack Reference Guides produced and delivered to Network • Newly established Broker Network team driving SCTP usage	• Drive growth and competition through increased SCTP usage • Continue to develop and add further product lines • Continue to add new strategic partners • Implement auto-rating interfaces with insurers • Complete interface with existing panel of strategic partners
Expand and solidify our international reach	• Singapore: CEO appointed, office opened, 12 brokers in network, agreed wording in place for 4 products, first Town Hall meeting held • Outbound and inbound placement requests through unisonSteadfast • Continued underlying business expansion offshore • Grew presence in New Zealand by adding 5 new brokers • Business Planning Day to set priorities, and data collected in preparation for discussions with global insurers, London market access provided and top-up PI scheme opportunity introduced • Started to place risks into the London market with new partners • London office being used by Network and started to place risks into London market from non-related coverholders • London placement services expanded • London superbinder renewed • Increase in GWP placed through the London superbinder, including through the SCTP	• Continue to investigate potential equity opportunities offshore • Develop Steadfast Asia network • Continue to leverage strategic relationships to develop the Group's international footprint and Marketing & Administration fee revenue • Continue to expand operating businesses offshore • Maximise the value of the unisonSteadfast relationship • Continue to expand and promote the London office to the Network • Extend the London superbinder to our international network • Use the London office as an avenue for the Network to access the London market • Seek to capture greater share of the Network Gross Written Premium (GWP) for product lines via the London superbinder • Obtain London broking licence

Strategy	FY18 achievements	Prospects and strategic initiatives
Continue to enhance growth, profitability & organisational sustainability	• FY18 financial results within guidance range provided to shareholders • Placement of 35m shares executed at $2.83, 3.4% discount to then closing share price • Executed second one year extension of the $235m three year tranche of the $285m syndicated debt facility • New consumer and broker site launched, intranet launched • EGM: Corporate Development appointed • Substantial number of technology initiatives launched • Graduate program successfully launched • Implemented in-house Leadership Development Program and Managers Development Program for staff development • Continuous review of industry to ensure Steadfast remains strong and viable • Strong corporate governance and ongoing improvements in risk management and governance policies and procedures • Brand kept reputable and strong, brand awareness grown • Strong, dynamic, ethical culture continues • Continuing initiatives executed to engage workforce to ensure quality people to drive business performance and support diversity • A highly engaged workforce: engagement survey results in highly engaged zone • Delivered on staff Health & Wellbeing strategy • Growth of Steadfast agencies portfolio and GWP • Continue to drive efficiencies in underwriting agencies through appointment of SUA COO	• Continue FY18 strategic initiatives and build on FY18 achievements • Further develop a culture of excellence that drives business performance including further enhancing systems and structures for staff development, succession planning and appraisal • Optimise funding structure and financing • Continue to challenge expense base • Continue to improve margins in underlying businesses • Further enhance Steadfast as an employer of choice that fosters the development and wellbeing of staff • Further create brand awareness, promote and protect brand • Meet or exceed expectations of all key stakeholders • Continue to promote strong corporate governance including risk management and sustainability • Continue to promote an ethical culture • Provide technology solutions that support the key strategies and promote ongoing sustainability of Steadfast • Ensure remuneration practices are designed to retain and attract quality staff • Continue to build talent pipeline • Continue to be an industry leader in innovation and seek opportunities to ensure Steadfast remains strong and viable • Contribute to the community by supporting charities through the Steadfast Foundation, sponsorships and other initiatives

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 and acquisition risk:		
A. Acquiring and holding equity in operating businesses	• Insufficient funding to capitalise on opportunities • Deficiencies in due diligence by Steadfast • Transition to new owners may be disruptive and costly • Potential unknown or contingent liabilities • Reliance on partners performing satisfactorily	• Experienced management team to assess opportunities and risks • Ongoing monitoring of available capital and resources • Stringent due diligence • Selecting acquisitions which are expected to transition well and have a good cultural fit • Tight acquisition and shareholders' agreements • Thorough transition management • Close oversight and audit of ongoing operations, profit and profit margins, including continual reporting and reviews • Business continuity planning • Earn-out / deferred consideration arrangements
B. Investment impairment risk	• Investments which are subject to a permanent decrease in value • Investment write down or impairment results in an expense for the Group	• Close monitoring of investments • Steadfast works with management of businesses in which Steadfast is invested to optimise results
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 • Continue to share M&A fees, in the form of Network Broker rebates, with members • Considerable ongoing engagement with Network Brokers including seeking and addressing feedback • 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 • Insurers may seek to reduce rates of commission paid to brokers • Potential reduction in M&A fees (and commission due to lower GWP) if strategic partners are lost and not replaced within appropriate timeframe • Potential reduction in broker remuneration due to change in remuneration structures driven by insurers, clients or regulators.	• Diversity of earnings via a number of revenue sources, e.g. M&A fees, profits from operating businesses derived from commission and other revenue • Continue to engage strategic partners and offer a powerful value proposition to them to justify the M&A fees and commission rates • Operating businesses seek to increase fees to mitigate any loss of commission arising from reduced premiums • Significant effort expended in maintaining and strengthening relationships with strategic partners, most of whom are longstanding • Continually adding new strategic partners

Risk	Description	Risk management strategies
C. Loss of 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 • Continually adding new strategic partners
D. 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 the Australian and New Zealand markets • 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) • 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 • Small-to-medium enterprises (SMEs) 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 • Growth opportunities in other markets, e.g Steadfast Direct, Asia and other international markets
Loss of capacity for underwriting agencies	• Risk the underwriter withdraws capacity for strategic reasons (exit of lines of business or country exit) • Risk an underwriter withdraws due to uneconomic underwriting results	• Longstanding delivery of attractive results to underwriters • Longstanding strong relationships with both incumbent underwriters and/or alternative capacity • Steadfast Underwriting Agencies (SUA) has a diverse range of specialist products and capacity providers • Replacement capacity available • Establishment of London superbinder provides better access to deeper insurance markets
Increased competition or industry disruption:		
A. Increased competition or market change	• Increased competition from new entrants and existing market participants, including increased commoditisation of business insurance products • Changes in the remuneration model for insurance brokers or underwriting agencies • Increased competition or change in market structure for premium funding • 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) • Diversity in earnings (e.g. M&A fees as well as profits from investments) • Geographical spread of the businesses of subsidiaries and associates • Continue to develop the Steadfast Direct offering
B. Disruption risk	• Risk of business model disruption due to external factors including, but not limited to technological 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

Risk	Description	Risk management strategies
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 • 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 • Continue to monitor the entities within the Group from an operations viewpoint • An ongoing internal audit program, which includes a review of compliance • Along with other broker representative organisations, the Group monitors and consults on regulatory changes with regulators to ensure changes are introduced in the most efficient way for the industry and to minimise unintended consequences
International expansion risk	• Steadfast business model, skills, services and experience may not be transferable and successful in other countries • 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 • Appropriate resources engaged in both domestic and international operations. Resource levels regularly monitored and operating performance levels reviewed using internal and external inputs • Monitoring percentage of funds invested overseas including regional allocation
Cyber security	• Cybercrime targeting Steadfast may materially negatively impact earnings, ability to deliver services to clients and reputation • Failure of key internal and cloud systems would be detrimental to business performance and ability to deliver services • Migration and implementation issues for INSIGHT and UnderwriterCentral systems may adversely impact business growth	• A security roadmap underpinned by an ongoing improvement program that is led by an IT security officer is in place to minimise the occurrence and the impact of cybercrime • Processes in place and being further developed based on industry best practice which are designed to maintain system availability and support ongoing business operations • Dedicated teams focussing on migration, implementation and support are in place with processes validated through a program for external compliance audits aimed at sustainable performance
People risk:		
A. Loss of key people	• Loss of key executives • Loss of key individuals in operating businesses with consequential material business interruption	• Succession planning • Appropriate earn-outs, shareholdings and restraints to protect ongoing business • Market competitive remuneration • Career development opportunities
B. Fraud or embezzlement of Group or client fund	• Fraud or embezzlement in operating businesses where Steadfast does not control the day-to-day operations	• Appropriate policies and procedures implemented and regularly reviewed • Fidelity insurance held • INSIGHT broker system improving day-to-day broker transparency, system controls and audit trails • Established internal audit program

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 2018, a final dividend for 2017 of 4.4 cents per share and an interim dividend for 2018 of 2.8 cents per share were declared and paid, both fully franked.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2018, the Board declared a final dividend of 4.7 cents per share, 100% franked. Further details are set out in Note 18 to the accounts.

LIKELY DEVELOPMENTS

The Group's ongoing business strategy is to grow shareholder value through maintaining and growing its market position in the provision of insurance and related services, with a core focus on general insurance intermediation. Please refer to the Strategy and Prospects section of the Directors' report.

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

Our FY19 guidance is underlying EBITA of between $185million and $195million and underlying NPAT of between $82.5million and $87.5million. This assumes:

- insurers continuing to drive moderate premium price increases;
- increasing contribution from Steadfast Client Trading Platform; and
- ongoing technology investment.

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 25 to the financial statements.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 63 and forms part of the Directors' Report for the year ended 30 June 2018.

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 2018 (FY18) 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
Gai McGrath[d]	Non-Executive Director	1 June 2018
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	Chief Operating Officer	4 January 2000
Simon Lightbody	CEO, Steadfast Underwriting Agencies	1 January 2015
Allan Reynolds	Executive General Manager – Direct, New Zealand & Asia	5 December 2002
Linda Ellis	Group Company Secretary & Corporate Counsel	3 June 2013

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.

2. REMUNERATION OUTCOMES FOR 2018

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 payable to the Executive Team for FY18, and together with achievement against annual individual key performance objectives, remains the financial performance measure for short-term incentives (STI). The EPS used in determining STI and the long-term incentive plan (LTI) for FY18 excludes non-trading income and expenses approved by the Board. This is consistent with prior year calculations.

In addition to EPS growth, the Board has adopted Total Shareholder Return (TSR) as a second financial performance measure for LTI 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. There are no changes in FY18.

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.

	2014	2015	2016	2017	2018
Reported net profit attributable to owners of the Company ($'000)	25,087	42,104	73,480	66,792	**75,854**

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

	2014[(a)] $'000	2015[(b)] $'000	2016 $'000	2017 $'000	2018 $'000
Reported net profit attributable to owners of the Company	25,087	42,104	73,480	66,792	**75,854**
Less: non-trading income (Note 4 (i))	(4,732)	(3,186)	(27,173)	(8,449)	**(4,193)**
Add: non-trading expenses (Note 4 (i))	9,298	3,302	18,572	7,866	**3,026**
Add: July 2013 trading results, pre-tax	4,507	–	–	–	**–**
Less: non-trading tax effect (Note 4 (i))	(1,738)	(126)	(4,551)	884	**(255)**
Less: non-controlling interests in non-trading items (net of tax)	–	–	119	(554)	**530**
Less: share of EBITA from associates and joint ventures	–	–	–	(147)	**–**
Underlying net profit attributable to owners of the Company (Note 4)	32,422	42,094	60,447	66,392	**74,962**
Underlying diluted EPS (cents per share) (Note 5A)	6.22	7.24	8.09	8.87	**9.71**
Growth from prior financial year (%)	19.1%	16.4%	11.8%	9.6%	**9.5%**
Growth required for minimum STI (%)	5.0%	5.0%	5.0%	5.0%	**5%**
Growth required for maximum STI (%)[(e)]	15.0%	15.0%	12.5%	10.0%	**10%**
UBS weighted EPS growth for industrial companies (%)[(c)]	7.4%	5.8%	(3.0%)	6.4%	**7.1%**
UBS weighted EPS growth for finance sector (%)[(c)]	8.3%	3.6%	(4.6%)	3.0%	**3.6%**
Opening share price ($)[(d)]	1.15	1.26	1.62	1.98	**2.66**
Closing share price ($)	1.26	1.62	1.98	2.66	**2.81**
Change in share price (cents per share)[(d)]	11.0	36.0	36.0	68.0	**15.0**
Interim dividend declared per share (cents per share)	1.8	2.0	2.4	2.6	**2.8**
Final dividend declared per share (cents per share)	2.7	3.0	3.6	4.4	**4.7**
TSR for the year (cents per share)	15.5	41.0	42.0	75.0	**22.5**
TSR for the year (%)	14.7%	32.5%	25.9%	37.9%	**8.5%**
Dividend paid	9,017	23,611	40,297	46,485	**55,195**

Table notes

(a) The 2014 underlying 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 31 July 2018. Figures shown for 2017 above are actual (figures in 2017 Annual Report were estimates). Figures shown for 2018 are estimates.

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

(e) Figures represent growth required for maximum STI granted in August 2014, 2015, 2016, 2017 and 2018.

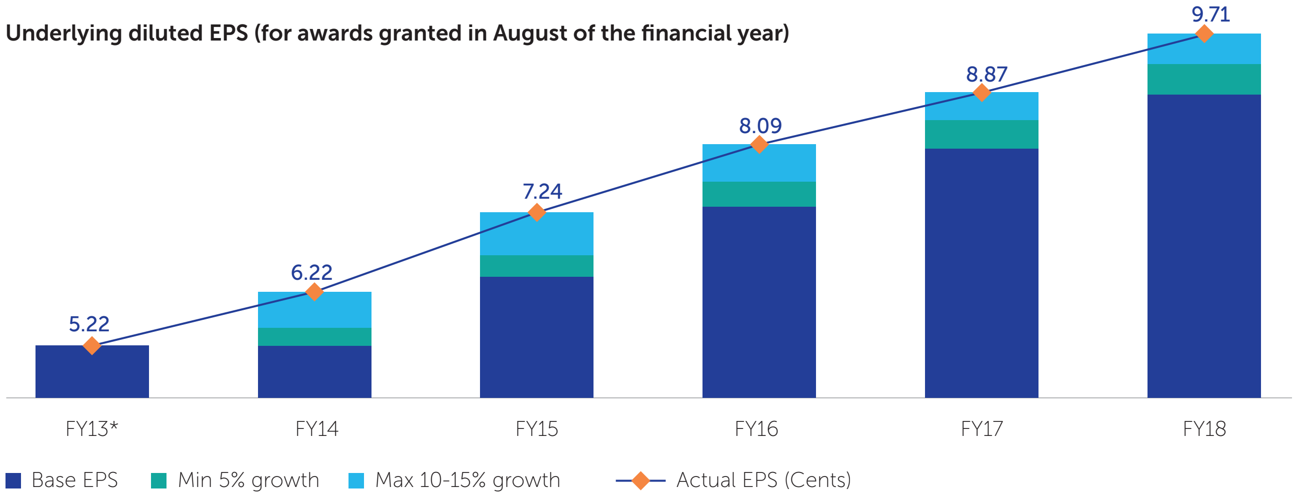
Underlying diluted EPS (cents per share):

The graph below shows the base, minimum, maximum and actual underlying diluted EPS (cents per share) used for determining STI and LTI for the financial years ended 30 June 2014, 2015, 2016, 2017 and 2018. The underlying 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 underlying diluted EPS is less than 5%. The maximum STI is awarded if the underlying 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; 10% or higher for awards granted in August 2017 and August 2018.

Underlying diluted EPS growth accounts for 75% weighting on LTI awards 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 awards in August 2017 and beyond (previously: 5% compound growth).

Underlying diluted EPS (for awards granted in August of the financial year)

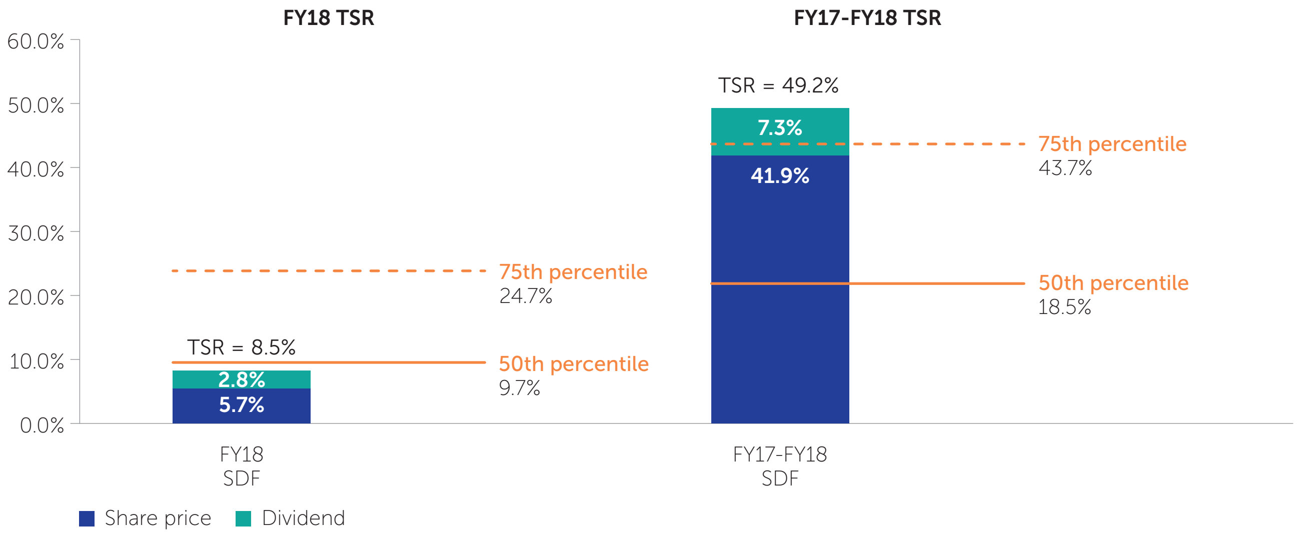


* FY13 data is based on pro-forma financial information as if the Group operations which listed in August 2013 had operated as the Group for FY13.

Total Shareholder Return (TSR):

The graph below shows the Company's TSR in FY18 as well as the cumulative TSR since FY17, 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 FY18 is set out below:

FY18 performance measures	Weighting %	Achieved %	Comments
• Achieve budgeted growth of 9% in underlying net profit after tax	20	20	Achieved growth of 12.9% in underlying net profit after tax
• Successful implementation of INSIGHT and UnderwriterCentral (three year project)	20	15	Generally on target for implementation
• Improve EBITA margin (aggregated) from 29.6% to at least 31.2%	15	13	Achieved aggregated EBITA margin of 31.0%
• Grow Steadfast Network Brokers with successful international expansion	15	10	Growth of unisonSteadfast was slower than anticipated
• Achieve organic growth in revenue of at least 5%	10	10	Achieved organic growth in revenue of 8.6%
• Successful implementation of back office technology to improve efficiencies	10	7	Progressing to plan
• Retention and development of key staff	10	7	Key staff retained. Management strengthened.
	100	**82**	

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.

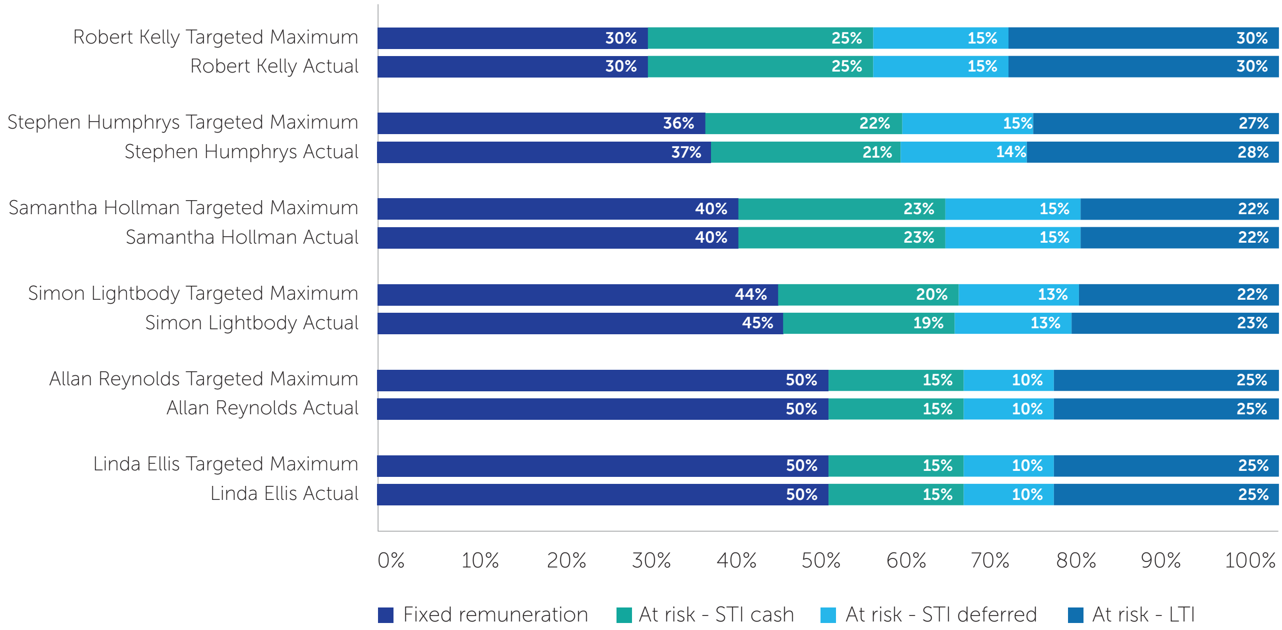
	Fixed pay $	Maximum STI potential (% of fixed pay)	Actual STI outcome[a] (% of fixed pay)	STI – cash outcome (60% of outcome) $	STI – deferred equity award outcome (40% of outcome) $[b]	Maximum LTI potential (% of fixed pay)	Actual LTI outcome[a] (% of fixed pay)	LTI – deferred equity award outcome $[b]
Robert Kelly	975,000	150.00%	138.25%	808,763	539,175	100.00%	100.00%	975,000
Stephen Humphrys	540,750	100.00%	92.95%	301,576	201,051	75.00%	75.00%	405,563
Samantha Hollman	450,000	100.00%	92.95%	250,965	167,310	50.00%	50.00%	225,000
Simon Lightbody	465,000	75.00%	70.30%	196,137	130,758	50.00%	50.00%	232,500
Allan Reynolds	380,000	50.00%	47.65%	108,642	72,428	50.00%	50.00%	190,000
Linda Ellis	217,000	50.00%	47.65%	62,040	41,360	50.00%	50.00%	108,500

Table notes

(a) All participants of the FY18 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 the 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.

2.3 Targeted maximum potential and actual remuneration mix for FY18:



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 • No material adverse change to the FY18 reported results over the retention period of three years • Refer Section 3.3 for more details including award conditions	• Awarded in August 2017 • Tenure of employment • Achieve at least 60% of the annual key performance objectives • 75% based on average diluted EPS increasing by a straight line 5% to 10% per annum over a three-year vesting period, vesting made on a 50-100% straight line basis • 25% based on minimum TSR measured against 50th to 75th percentile of peer group • 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 2017	August 2018	August 2019	August 2020	August 2021
August 2014	***STI***	●				
	LTI			●		
August 2015	***STI***	●	●			
	LTI		●			
August 2016	***STI***	●	●	●		
	LTI			●		
August 2017	***STI***		●	●	●	
	LTI				●	
August 2018	***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, the DEAs granted in August 2014, the second tranche of the DEAs granted in August 2015 and the first tranche of the DEA granted in August 2016 were vested in August 2017 and in accordance with the terms of the STI, the applicable number of Steadfast ordinary shares were 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. 2018 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 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 total Group gearing ratio of 30.0% made up of 25.0% for the Company and 5% for the subsidiaries. The total Group gearing ratio at year end was 17.5%, slightly lower than the prior year.
  - TSR was first 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 is 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 (DEA) 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 9.5% underlying diluted EPS growth in FY18;
- an 85.9% underlying diluted EPS growth for the period since the IPO; and
- a TSR of 222% for the period since the IPO, inclusive of FY18 final dividend of 4.7 cents per share payable in September 2018.

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 has determined that no changes to STI or LTI terms are necessary for the financial year ending 30 June 2019.

The FY19 key terms for the STI and LTI plans are as follows:

	FY19 terms (awarded August 2018)
STI	Maximum STI awarded when diluted EPS growth of 10.0% is achieved.
LTI	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:

Straight line diluted EPS growth	Vesting outcome
Below 5%	0%
At 5%	50%
5% to 10%	Straight line between 50% to 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).

TSR	Vesting outcome
Less than 50th percentile of peer group	0%
At 50th percentile of peer group	50%
Between 50th and 75th percentile of peer group	Straight line between 50% to 100%
Exceeding 75th percentile of peer group	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 FY18

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. 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: • role, experience and performance; • reference to comparative remuneration in the market; and • total organisational salary budgets. The Executive Team is provided with cash salary, superannuation, and other non-monetary benefits such as car parking, and income protection and life insurance.
Potential reward	Fixed remuneration targeted at 30%-50% of total remuneration.

3.3 Short-term incentives for FY18

The table below outlines the key details of the STI plan. STI awards in FY18 are summarised in Section 2.2 of the Remuneration Report.

Component	Details
Purpose and link to strategy	Recognises the contributions and achievements of the Executive Team and helps to attract and retain talent.
Operation	STI Plan consisting of cash and deferred equity award.
Potential reward	STI awards are performance based, at risk reward arrangements with Board discretion. The combined total of at risk remuneration (STI and LTI combined) is targeted at 50%-70% of total remuneration.
Performance metrics	**STI – Cash award (60% of total STI); Deferred equity award (40% of total STI)** • Continuous employment for the vesting period for deferred equity awards split one-third over one, two and three years; and • vesting is subjected to future performance hurdles below.
Performance measures	**Non-financial measures:** Personal objectives (KPI's) 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 FY18 non-financial objectives with weightings (refer Section 2.2). **Financial measures relating to awards issued during FY18 (awarded in August 17):** No STI is payable unless at least 5% EPS growth is achieved against the base underlying EPS. Maximum STI can be awarded if the EPS growth is 10.0% or higher.
Potential maximum STI	MD & CEO can earn up to 150% of his annual fixed remuneration. 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. 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.

3.3 Short-term incentives for FY18 - continued

Component	Details
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. The financial measure of EPS growth is chosen to ensure long-term shareholder value is increased.
Forms of STI reward elements	60% is paid as cash, normally in September following the end of financial year. 40% is granted as deferred equity award (DEA) of conditional rights to Steadfast ordinary shares 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 deferred equity award (DEA)	DEA is granted in August following the end of financial year. These rights are granted to the participants at no cost, to the dollar value of their DEA. The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date. 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. 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. The conditional rights will be forfeited if the executive resigns before the vesting date. 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 FY18

The table below outlines the key details of the LTI plan. LTI awards in FY18 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. The combined total of at risk remuneration (LTI and STI combined) is targeted at 50%-70% of total remuneration.
Performance metrics	**LTI – Deferred equity award (100%)** • Continuous employment and performance rating to be met for the three-year vesting period; and • vesting is subjected to future performance hurdles below.
Future performance hurdles	**Non-financial measures:** Personal objectives (KPI's) 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 FY18 non-financial objectives with weightings (refer Section 2.2). Financial measures relating to awards issued during FY18 (awarded in August 2017): • 75% is based on average underlying diluted EPS growth, which is not payable unless at least 5% straight line growth is achieved over a future three-year vesting period; The vesting schedule is outlined below:

Average diluted EPS growth	Vesting outcome
Below 5%	0%
At 5%	50%
5% to 10.0%	Straight line between 50% to 100%
10.0% 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 median 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 50th percentile of peer group	0%
At 50th percentile of peer group	50%
Between 50th and 75th percentile of peer group	Straight line between 50% to 100%
Exceeding 75th percentile of peer group	100%

Component	Details
Potential maximum LTI	The MD & CEO can earn up to 100% of his annual fixed remuneration. 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. 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 deferred equity award (DEA)	DEA is normally granted on the date the audited financial results are announced. 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. The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date. 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. 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. The conditional rights will be forfeited if the executive resigns before the vesting date. 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: • shares allocated to the MD & CEO upon the Company's change of constitution as approved by its Extraordinary General Meeting in June 2013; • 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; • subscription for ordinary shares as part of the Company's initial public retail and institutional offer and subsequent rights issues; • for three executives, acquisition of Executive Shares through the Executive Loan Arrangement (for further details, refer Section 6.4 Executive loans); • participation in the Company's Dividend Reinvestment Plan; • conditional rights converting into ordinary shares; • 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 • 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 2017 and 2018.

	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)		(6)	
	Cash salary and leave accruals	Cash short-term incentive	Non-monetary benefits	Super-annuation	Long service leave accruals			
	$	$	$	$	$	$	$	$
Key Management Personnel (including Managing Director & CEO):								
Robert Kelly, Managing Director & CEO								
2018	**973,871**	**808,763**	**29,821**	**20,049**	**27,803**	**1,860,308**	**1,210,646**	**3,070,954**
2017	927,566	549,000	35,816	19,616	18,924	1,550,922	230,714	1,781,636
Stephen Humphrys, Chief Financial Officer								
2018	**537,837**	**301,576**	**36,530**	**20,049**	**9,793**	**905,785**	**575,897**	**1,481,682**
2017	552,978	223,650	38,025	19,616	9,872	844,141	83,959	928,100
Samantha Hollman, Chief Operating Officer(7)								
2018	**437,626**	**250,965**	**28,682**	**20,049**	**7,149**	**744,471**	**280,257**	**1,024,728**
2017	426,933	138,708	29,832	19,616	5,565	620,654	59,747	680,401
Simon Lightbody, CEO, Steadfast Underwriting Agencies								
2018	**448,285**	**196,137**	**15,897**	**20,049**	**10,947**	**691,314**	**152,564**	**843,878**
2017	460,270	108,900	23,898	19,616	13,843	626,527	63,036	689,563
Allan Reynolds, Executive General Manager – Direct, New Zealand & Singapore								
2018	**372,118**	**108,642**	**24,246**	**20,049**	**8,310**	**533,365**	**339,663**	**873,028**
2017	357,832	89,540	27,692	19,616	8,036	502,716	36,107	538,823
Linda Ellis, Group Company Secretary & Corporate Counsel(8)								
2018	**214,345**	**62,040**	**24,568**	**18,710**	**3,721**	**323,384**	**200,946**	**524,330**
2017	199,365	50,820	25,760	18,469	3,099	297,513	17,350	314,863
Former Key Management Personnel								
Dana Williams, Chief Operating Officer(9)								
2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2017	133,775	–	8,603	6,476	–	148,854	–	148,854

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 2018 short-term incentive (STI) represents 60% of the total STI awarded and approved by the Board and will be paid in cash in September 2018.

(3) The Executive Team is provided with cash salary, superannuation, and other non-monetary benefits such as car parking, and income protection and life insurance.

(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) Share-based payments represent the expense amount accrued in the year for deferred equity awards (both STI and LTI). The 2018 expense is higher than prior year due to the cumulative effect of prior years' grants plus increased probability of meeting vesting conditions.

(7) 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 2018 and 2017.

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

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

4.2 Conditional rights

In August 2017, 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 FY17 results. The STI conditional rights will vest in three equal tranches on 23 August 2018, 23 August 2019 and 23 August 2020 should all conditions of vesting be met. The LTI conditional rights will vest 23 August 2020 should all conditions of vesting be met. The STI conditional rights participated in the Dividend Reinvestment Plan (DRP) in October 2017 and April 2018 for the final FY17 dividends and half-year FY18 interim dividends respectively.

The table below provides the number of conditional rights held by members of the Executive KMP at 30 June 2017 and 30 June 2018.

	Balance 30 June 2017	STI granted during FY18	LTI granted during FY18	DRP granted	STI vested and/ or transferred during FY18[(a)]	Balance 30 June 2018
Robert Kelly	1,495,610	129,925	239,617	25,692	(461,937)	**1,428,907**
Stephen Humphrys	698,731	52,929	139,776	12,771	(157,785)	**746,422**
Samantha Hollman	274,847	32,826	79,872	5,308	(60,339)	**332,514**
Simon Lightbody	105,008	25,772	79,872	1,302	(11,560)	**200,394**
Allan Reynolds	464,812	21,190	65,673	8,614	(80,241)	**480,048**
Linda Ellis	277,850	12,027	37,274	5,127	(63,756)	**268,522**
	3,316,858	274,669	642,084	58,814	(835,618)	**3,456,807**

Table notes

(a) The STI DEAs granted in August 2014, the second tranche of the DEAs granted in August 2015 and first tranche of the DEAs granted in August 2016 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.

Refer Section 6.2 for the fair value of the conditional rights awarded in August 2017.

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 2018, a remuneration consultant (Egan and Associates) was 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 Egan and Associates.

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 Annual General Meeting held on 26 October 2017, the shareholders approved the maximum aggregate Directors' fee pool of $1,100,000 per annum for each financial year effective from and including the financial year commenced on 1 July 2017.

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	**2018**	**231,750**	**20,600**	**20,600**	**–**
	2017	225,000	20,000	20,000	–
Members	**2018**	**118,450**	**5,150**	**5,150**	**–**
	2017	115,000	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	
	Board fees $	Committee fees $	Superannuation $	Total $
Current Non-Executive Directors				
Frank O'Halloran, AM				
2018	**211,701**	**10,300**	**20,049**	**242,050**
2017	205,479	9,905	19,616	235,000
David Liddy, AM				
2018	**108,174**	**23,516**	**12,511**	**144,201**
2017	105,023	22,831	12,146	140,000
Gai McGrath				
2018[(a)]	**9,014**	**784**	**931**	**10,729**
2017	–	–	–	–
Anne O'Driscoll				
2018	**108,174**	**23,516**	**12,511**	**144,201**
2017	105,023	22,831	12,146	140,000
Philip Purcell				
2018	**108,174**	**9,406**	**11,170**	**128,750**
2017	105,023	9,132	10,845	125,000
Greg Rynenberg				
2018	**108,174**	**9,406**	**11,170**	**128,750**
2017	105,023	9,132	10,845	125,000

(a) Gai McGrath was appointed to the Board effective 1 June 2018.

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 2017 STI conditional rights[a]	MD & CEO	26 October 2017	23 August 2018	2.7389	2.8170
October 2017 STI conditional rights[a]	MD & CEO	26 October 2017	23 August 2019	2.7318	2.8170
October 2017 STI conditional rights[a]	MD & CEO	26 October 2017	23 August 2020	2.7175	2.8170
August 2017 STI conditional rights[a]	Other executives	23 August 2017	23 August 2018	2.6053	2.8170
August 2017 STI conditional rights[a]	Other executives	23 August 2017	23 August 2019	2.5945	2.8170
August 2017 STI conditional rights[a]	Other executives	23 August 2017	23 August 2020	2.5771	2.8170
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 2017 LTI conditional rights	MD & CEO	26 October 2017	23 August 2020	2.5581	2.8170
August 2017 LTI conditional rights	Other executives	23 August 2017	23 August 2020	2.3879	2.8170
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 2017, August 2017, 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 2017	Purchases	Shares transferred upon vesting of DEA	Shares allocated via DRP	Sales/ Reductions	Total shares held at 30 June 2018	Shares held nominally at 30 June 2018[(a)]
Frank O'Halloran, AM[(b)]	1,497,826	121,820	–	–	–	1,619,646	918,539
Robert Kelly[(b)]	5,497,521	–	461,937	10,705	(37,000)	5,933,163	412,611
David Liddy, AM[(b)]	250,000	5,455	–	–	–	255,455	255,455
Gai McGrath	–	10,500	–	–	–	10,500	10,500
Anne O'Driscoll[(b)]	163,043	5,455	–	–	–	168,498	168,498
Philip Purcell[(b)]	160,142	–	–	–	–	160,142	160,142
Greg Rynenberg[(b)]	765,366	60,000	–	21,019	–	846,385	846,385
Stephen Humphrys	1,000,000	–	157,780	–	(757,780)	400,000	–
Samantha Hollman	337,239	–	60,339	9,629	(90,900)	316,307	168,167
Simon Lightbody	1,812,314	–	11,560	–	(347,000)	1,476,874	455,314
Allan Reynolds	1,041,017	5,722	80,241	4,837	(80,241)	1,051,576	44,906
Linda Ellis	254,958	10,910	63,754	–	(164,622)	165,000	–

Table notes

(a) Shares held nominally are included in the column headed 'Total shares held at 30 June 2018'. 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.

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 will be reversed over the period to the final repayment date. $3.973 million has been reversed as at 30 June 2018.

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 could 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	3,695,942	368,316	(360,000)	3,704,258
Stephen Humphrys	1,000,000	739,062	73,631	(672,000)	140,693
Allan Reynolds	900,000	665,376	66,324	(64,800)	666,900
	6,900,000	**5,100,380**	**508,271**	**(1,096,800)**	**4,511,851**

Subsequent to balance date, the Board agreed to extend the term of the recourse loans to the Managing Director & CEO and Executive General Manager – Direct, New Zealand & Singapore to 23 September 2021 at a commercial (floating) interest rate. A trading lock will continue in place over certain shares held by each of the executives which may be sold during a trading window with the approval of the Chairman, with a portion of the loan repaid as corresponds to the shares sold. Dividends will first be used to pay interest on the loans and the balance used to repay the loan balances. In the event of voluntary cessation of employment, repayment will be required within 12 months.

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:

	2018 $	2017 $
i. Sale of goods and services		
Marketing and administration fees received from Directors' related entities on normal commercial terms	**26,348**	22,268
ii. Payment for goods and services		
Estimated Steadfast Network Broker rebate expense to Directors' related entities on the basis as determined by the Board	**28,344**	48,947
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	**71,434**	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 2018 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 of Steadfast Group Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Sydney
23 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
REVENUE			
Fee and commission income		505,627	431,125
Less: brokerage commission paid		(136,679)	(119,241)
Net fee and commission income		368,948	311,884
Marketing and administration and other professional services fees		70,629	69,946
Interest income		7,560	7,467
Share of profits of associates accounted for using the equity method	12	12,436	12,104
Share of profits of joint ventures accounted for using the equity method	13	2,058	1,937
Fair value gain on financial assets	15	1,500	–
Net gain from adjustments to deferred consideration estimates	4, 10	3,275	3,421
Net gain from sale of subsidiaries and associates	4	480	4,065
Other income		1,217	3,826
		468,103	414,650
EXPENSES			
Employment expense		(200,123)	(175,513)
Commission and other related expenses		(26,761)	(20,747)
Operating, brokers' support service and other expenses		(58,897)	(58,257)
Occupancy expense		(16,458)	(14,451)
Amortisation expense	7	(25,000)	(21,473)
Depreciation expense	14	(3,832)	(3,292)
Impairment expense	4, 7, 12	(2,372)	(6,459)
Loss on fair value of investments		–	(803)
Finance costs		(9,995)	(9,096)
		(343,438)	(310,091)
Profit before income tax expense		124,665	104,559
Income tax expense	21	(34,314)	(26,372)
Profit after income tax expense for the year		90,351	78,187
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net movement in foreign currency translation reserve		(717)	(277)
Cash flow hedge effective portion of change in fair value		431	(28)
Income tax expense on other comprehensive income		86	91
Other comprehensive income for the period, net of tax		(200)	(214)
Total comprehensive income for the year, net of tax		90,151	77,973
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interests		14,497	11,395
Owners of Steadfast Group Limited		75,854	66,792
		90,351	78,187
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interests		14,497	11,395

	Note	2018 $'000	2017 $'000
Owners of Steadfast Group Limited		75,654	66,578
		90,151	77,973
EARNINGS PER SHARE			
Basic earnings per share (cents per share)	5	9.87	8.96
Diluted earnings per share (cents per share)	**5**	**9.83**	**8.92**

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 2018

	Note	2018 $'000	2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	22	76,746	66,537
Cash held on trust	22	310,856	263,198
Receivables of broking/underwriting agency operations		430,140	343,882
Trade and other receivables		53,830	45,248
Related party loans	23	5,115	1,031
Other		3,875	4,984
Total current assets		880,562	724,880
NON-CURRENT ASSETS			
Goodwill	7	816,246	717,397
Intangible assets	7	171,660	154,990
Investments in associates	12	138,743	125,690
Interest in joint ventures	13	6,862	11,362
Other financial assets	15	6,547	–
Deferred tax assets	21	3,514	3,419
Property, plant and equipment	14	39,001	27,498
Related party loans	23	–	6,182
External shareholder loans	15C	16,928	27,489
Other		1,550	1,120
Total non-current assets		1,201,051	1,075,147
Total assets		2,081,613	1,800,027
LIABILITIES			
CURRENT LIABILITIES			
Payables on broking/underwriting agency operations		659,812	533,975
Trade and other payables		38,489	49,551
Bank overdrafts	8, 22	–	526
Borrowings	8	1,055	995
Deferred consideration	10G	2,822	5,222
Income tax payable		16,868	13,727
Provisions		19,226	15,020
Total current liabilities		738,272	619,016
NON-CURRENT LIABILITIES			
Borrowings	8	218,185	204,945
Deferred consideration	10G	1,124	1,366
Other payables		2,812	3,788
Deferred tax liabilities	21	56,320	50,655
Provisions		7,921	7,089
Total non-current liabilities		286,362	267,843
Total liabilities		1,024,634	886,859
Net assets		1,056,979	913,168

	Note	2018 $'000	2017 $'000
EQUITY			
Share capital	9	**912,347**	796,857
Treasury shares held in trust	9	**(7,728)**	(7,014)
Foreign currency translation reserve		**(667)**	(165)
Share-based payments reserve		**4,512**	3,761
Undistributed profits reserve		**89,509**	64,086
Other reserves		**(30,793)**	(20,484)
Retained earnings		**30,397**	35,161
Equity attributable to the owners of Steadfast Group Limited		**997,577**	872,202
Non-controlling interests		**59,402**	40,966
Total equity		**1,056,979**	**913,168**

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 2018

	Equity attributable to owners of Steadfast Group Limited							Non-controlling interests	Total equity
2018	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 2017	796,857	(7,014)	(165)	3,761	64,086	(20,484)	35,161	40,966	913,168
Profit after income tax expense for the year	–	–	–	–	–	–	75,854	14,497	90,351
Other comprehensive income for the year, net of tax	–	–	(502)	–	–	302	–	–	(200)
Total comprehensive income for the year	–	–	(502)	–	–	302	75,854	14,497	90,151
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:									
Shares issued under institutional and retail share placement (Note 9)	107,762	–	–	–	–	–	–	–	107,762
Less: transaction costs on issued shares, net of income tax (Note 9)	(1,288)	–	–	–	–	–	–	–	(1,288)
Shares issued to Whitbread/ Axis vendors (Note 9)	6,016	–	–	–	–	–	–	–	6,016
Shares issued to key management member (Note 9)	3,000	–	–	–	–	–	–	–	3,000
Shares acquired and held in trust (Note 9)	–	(1,799)	–	–	–	–	–	–	(1,799)
Share-based payments on Executive Shares and employee share plans	–	–	–	2,484	–	–	–	–	2,484
Shares allotted through the Dividend Reinvestment Plan (Note 9)	–	(283)	–	–	–	–	–	–	(283)
Shares allotted to employees under Employee Conditional Rights Scheme (Note 9)	–	1,368	–	(1,733)	–	–	–	–	(365)
Transfer of retained earnings to profit reserve	–	–	–	–	25,423	–	(25,423)	–	–
Acquisition of non-controlling interests (Note 10)	–	–	–	–	–	–	–	1,514	1,514
Changes in part equity interests in subsidiaries without loss of control	–	–	–	–	–	(10,611)	–	15,846	5,235
Dividends declared and paid (Note 6)	–	–	–	–	–	–	(55,195)	(13,421)	(68,616)
Balance at 30 June 2018	912,347	(7,728)	(667)	4,512	89,509	(30,793)	30,397	59,402	1,056,979

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

2017	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 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	–	–	–	–	–	–	–	2,665	2,665
Changes in part 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.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**483,644**	404,955
Payments to suppliers and employees, and Network broker rebates		**(362,488)**	(299,159)
Dividends received from associates and joint ventures		**15,857**	14,064
Interest received		**6,899**	6,989
Interest and other finance costs paid		**(9,946)**	(9,154)
Income taxes paid		**(37,896)**	(32,060)
Net cash from operating activities before customer trust accounts movement		**96,070**	85,635
Net movement in customer trust accounts (net cash receipts/payments on behalf of customers)		**27,154**	22,317
Net cash from operating activities	22	**123,224**	107,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions of subsidiaries and business assets, net of cash acquired		**(83,186)**	(4,372)
Payments for investments in associates and joint ventures		**(7,368)**	(16,671)
Payments for step-up investment in subsidiaries on hubbing arrangements		**(16,952)**	(3,835)
Payments for financial assets	15	**(5,047)**	–
Payments for deferred consideration of subsidiaries, associates and business assets	10G	**(5,047)**	(11,745)
Proceeds from disposal of investment in subsidiaries, net of cash disposed		**–**	25,168
Proceeds from part disposal of investment in subsidiaries on hubbing arrangements		**6,210**	1,763
Proceeds from disposal of investment in associates		**1,719**	–
Payments for property, plant and equipment		**(13,490)**	(2,241)
Payments for intangible assets		**(11,933)**	(7,595)
Net cash used in investing activities		**(135,094)**	(19,528)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**110,762**	–
Payments for transaction costs on issue of shares		**(2,206)**	–
Dividends paid to owners of Steadfast	6	**(55,195)**	(46,486)
Proceeds from borrowings	8	**76,476**	55,429
Repayment of borrowings	8	**(63,111)**	(51,135)
Payments for purchase of treasury shares		**(1,799)**	(2,827)
Repayment of related party loans		**2,303**	1,552
Payments for related party loans		**–**	(100)
Repayment of non-related party loans		**16,864**	3,256
Payments for non-related party loans		**(187)**	(654)
Dividends paid to non-controlling interests		**(13,421)**	(9,989)
Net cash from/(used) in financing activities		**70,486**	(50,954)
Net increase in cash and cash equivalents		**58,616**	37,470
Cash and cash equivalents at the beginning of the financial year		**329,209**	291,745
Effect of movements in exchange rates on cash held		**(223)**	(6)
Cash and cash equivalents at the end of the financial year	22	**387,602**	329,209

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 2018

NOTE 1. GENERAL INFORMATION

This general purpose financial report is for the year ended 30 June 2018 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 2018.

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 2018. Adoption of this standard has not had any material effect on the financial position or performance of the Group.

Title	Description
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

II. Reclassification of comparatives

During the current year, the presentation of Note 4 has been updated to reflect more appropriately the way in which operating segments are now reviewed by the Chief Operating Decision Maker (being the Managing Director & CEO). Prior year comparative information has been reclassified to align with the current year's presentation.

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 relate 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 operations and businesses 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 reliably measured.

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. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost, less accumulated depreciated and any accumulated impairment losses. The carrying value of property, plant and equipment is periodically reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

I. 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 projects are 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.

J. 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.

K. 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.

L. 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 2018.

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. Additional disclosures as a result of adopting these new accounting standards will be provided in accordance with the disclosure requirements. The Group does not expect any adverse impact to financial covenants as a result of applying the new accounting 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 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019	(iv)
AASB 17	Insurance Contracts	1 January 2021	30 June 2022	(v)

Table notes

(i) AASB 9 addresses classification, measurement and recognition of financial assets and financial liabilities. The standard replaces the guidance in AASB 139 that relates to the classification and measurement of financial instruments.

The Group has reviewed its financial assets and liabilities and identified that commission receivable, a subset of receivables from broking/underwriting agency operations is affected by the new accounting standard. The new standard requires the recognition of expected credit losses from the moment when receivables are first recognised, rather than when a trigger event occurs.

The majority of receivables from broking/underwriting agency operations relates to premium receivable from customers which are on-paid to insurers and underwriters. In the event that the premiums are not received from customers, the insurers and underwriters have the right to cancel the insurance policies and any premium receivable and payable by the Group are derecognised. As such there is no credit loss risk from the Group's perspective.

The other amount in receivables from broking/underwriting agency operation relates to commission receivable due to the brokerages and underwriting agencies. Based on historical experience, an insignificant portion of commission receivable is not recoverable, but any such amount was written off at the point when the trigger event occurred. The new standard requires provision to be made for the expected non-recoverable portion of commission receivable at the time it is invoiced to the clients. The Group does not expect any material changes due to the classification of financial assets and liabilities.

The Group has initially applied AASB 9 at 1 July 2018. The cumulative effect of applying the new standard is recognised in opening retained earnings as at 1 July 2018 and, as such, is not reflected in the 30 June 2018 statement of financial position. The following table summarises the impact of transition to AASB 9 on 1 July 2018.

Consolidated statement of position	Impact of adopting AASB 9 at 1 July 2018 ($ million)
Non-current assets	
Increase in deferred tax assets	0.7
Current liabilities	
Increase in provision for doubtful debts	2.4
Equity	
Decrease in retained earnings	1.7

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(ii) AASB 15 Revenue from Contracts with Customers introduces a comprehensive revenue recognition model aimed at enhancing comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

The Group has reviewed the contracts with insurers and customers and identified claims handling services as an area that is affected by the new accounting standard. The application of the new standard results in the identification of separate performance obligations for handling claims on behalf of customers as part of the insurance brokerages' customary business practices. The new standard requires the deferral of revenue recognition until the performance obligation is satisfied. Based on the results of the review, the Group does not expect a material impact on the consolidated statement of profit or loss provided that the business volumes do not change significantly from one reporting period to the next.

The Group has initially applied AASB 15 at 1 July 2018. It has chosen to apply the transition option in paragraph C3(b) of AASB 15 under which the comparative information is not required to be restated. The cumulative effect of applying the new standard is recognised in opening retained earnings as at 1 July 2018 and, as such, is not reflected in 30 June 2018 statement of financial position. The following table summarises the impact of transition to AASB 15 on 1 July 2018.

Consolidated statement of position	Impact of adopting AASB 15 at 1 July 2018 ($ million)
Non-current assets	
Increase in deferred tax assets	5.7
Current liabilities	
Increase in provision for deferred income	19.0
Equity	
Decrease in retained earnings	13.3

(iii) AASB 16 Leases replaces AASB 117 leases and it effectively requires recognition of the majority of leases on the balance sheet. The primary impact of the new leases standard will be the accounting for the Group's operating leases by recognising the leased asset as an asset and a liability for the leasing obligations.

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.

It is expected that on initial application of the abovementioned options on 1 July 2019, there will be:

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

Based on operating lease commitments as at 30 June 2018, 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 2018 if the Group had been required to apply the new standard on that date:

- $42 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;
- $40 million increase in right-of-use asset measured at 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
- $1.5 to $2.5 million opening retained earnings adjustment.

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.

(iv) These changes are not expected to have a significant impact to the Group.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES continued

(v) AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contacts and will be applicable to general, life and health insurance businesses. The new accounting standard introduces a new general model for measuring and accounting for insurance contracts. It requires insurance contracts to be measured on building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract.

The Group is in the business of providing services to the Steadfast Network brokers, distributing insurance policies via insurance brokerages and underwriting agencies, and providing related services. The Group does not issue insurance contracts or reinsurance contracts and as such does not expect any financial impact from AASB 17.

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 various other 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 2018 are discussed below.

A. FAIR VALUE OF ASSETS ACQUIRED

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the fair value, then the amounts recognised as at the acquisition date will be retrospectively revised.

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

B. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of financial assets and liabilities is determined, including the valuation technique and inputs used. For the Group's financial assets and liabilities not measured at fair value, their carrying amount 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
Investment in listed shares	Level 1	The fair value is calculated based on number of shares multiplied by quoted price on ASX	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.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

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 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 inputs to revenue and expense growth assumptions.

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.

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 primarily in Australia and New Zealand. The Group is also expanding its footprint in the United Kingdom and Singapore, and has acquired a non-controlling interest in unisonSteadfast, a network headquartered in Germany. Regarding geographical information, the revenue and non-current assets attributed to geographies outside of Australasia are currently immaterial to the Group and hence no separate geographical 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 underlying earnings before interest expense, tax and amortisation on acquired intangible assets (EBITA) broken down by consolidated entities, associates and joint ventures. The underlying EBITA excludes non-trading items as described in Note 4(i). The separate identification of non-trading items and EBITA are not disclosed in accordance with current Australian Accounting Standards requirements. Non-trading items are separately identified as they are considered to be unusual or non-recurring in nature.

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.

NOTE 4. OPERATING SEGMENTS continued

2018	Insurance intermediary $'000	Other $'000	Total underlying $'000	Re-classification $'000	Non-trading items[i] $'000	Total statutory $'000
Fee and commission income	492,387	–	492,387	(123,439)	–	368,948
Marketing and administration and other professional services fees	63,702	2,765	66,467	4,162	–	70,629
Interest income	7,045	7	7,052	–	508	7,560
Share of profits from associates and joint ventures	13,637	322	13,959	535	–	14,494
Other revenue	2,303	305	2,608	179	3,685	6,472
Revenue	579,074	3,399	582,473	(118,563)	4,193	468,103
Less: share of profits from associates and joint ventures	(13,637)	(322)	(13,959)	(535)	–	(14,494)
Revenue – consolidated entities	565,437	3,077	568,514	(119,098)	4,193	453,609
Employment expenses	(181,761)	(2,965)	(184,726)	(14,820)	(577)	(200,123)
Occupancy expenses	(16,130)	(328)	(16,458)	–	–	(16,458)
Other expenses	(225,337)	(991)	(226,328)	136,914	(2,449)	(91,863)
Expenses – consolidated entities	(423,228)	(4,284)	(427,512)	122,094	(3,026)	(308,444)
EBITA – consolidated entities	142,209	(1,207)	141,002	2,996	1,167	145,165
Share of EBITA from associates and joint ventures	24,028	539	24,567	135	316	25,018
EBITA	166,237	(668)	165,569	3,131	1,483	170,183
Finance costs	(10,574)	(3)	(10,577)[ii]	–	–	(10,577)
Amortisation expense	(22,846)	(2,373)	(25,219)[iii]	(3,131)	(316)	(28,666)
Income tax benefit/(expense)	(41,681)	837	(40,844)[iv]	–	255	(40,589)
Net profit after tax	91,136	(2,207)	88,929	–	1,422	90,351
Non-controlling interests	(13,967)	–	(13,967)	–	(530)	(14,497)
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT)	77,169	(2,207)	74,962	–	892	75,854

NOTE 4. OPERATING SEGMENTS continued

2017	Insurance intermediary $'000	Other $'000	Total underlying $'000	Re-classification $'000	Non-trading items[i] $'000	Total statutory $'000
Fee and commission income	416,006	–	416,006	(104,122)	–	311,884
Marketing and administration and other professional services fees	56,569	7,834	64,403	5,543	–	69,946
Interest income	6,841	118	6,959	–	508	7,467
Share of profits from associates and joint ventures	13,062	280	13,342	550	149	14,041
Other revenue	2,499	935	3,434	(63)	7,941	11,312
Revenue	494,977	9,167	504,144	(98,092)	8,598	414,650
Less: share of profits from associates and joint ventures	(13,062)	(280)	(13,342)	(550)	(149)	(14,041)
Revenue – consolidated entities	481,915	8,887	490,802	(98,642)	8,449	400,609
Employment expenses	(157,113)	(6,479)	(163,592)	(11,921)	–	(175,513)
Occupancy expenses	(14,185)	(266)	(14,451)	–	–	(14,451)
Other expenses	(189,498)	(3,918)	(193,416)	111,724	(7,866)	(89,558)
Expenses – consolidated entities	(360,796)	(10,663)	(371,459)	99,803	(7,866)	(279,522)
EBITA – consolidated entities	121,119	(1,776)	119,343	1,161	583	121,087
Share of EBITA from associates and joint ventures	23,513	493	24,006	–	147	24,153
EBITA	144,632	(1,283)	143,349	1,161	730	145,240
Finance costs	(9,681)	(16)	(9,697)[ii]	–	–	(9,697)
Amortisation expense	(21,989)	(1,694)	(23,683)[iii]	(1,161)	–	(24,844)
Income tax benefit/(expense)	(32,215)	587	(31,628)[iv]	–	(884)	(32,512)
Net profit after tax	80,747	(2,406)	78,341	–	(154)	78,187
Non-controlling interests	(11,949)	–	(11,949)	–	554	(11,395)
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT)	68,798	(2,406)	66,392	–	400	66,792

NOTE 4. OPERATING SEGMENTS continued

Table notes

	2018			2017		
	Insurance intermediary $'000	Other $'000	Total $'000	Insurance intermediary $'000	Other $'000	Total $'000
(i) Non-trading items						
Breakdown of non-trading income adjustment:						
Net gain from sale of investments in subsidiaries and associates	480	–	480	(4,119)	8,184	4,065
Net gain on re-estimation and settlement of deferred consideration*	3,275	–	3,275	3,421	–	3,421
Reversal of deemed interest costs on interest-free executive loans	508	–	508	508	–	508
Net gain/(loss) from change in fair value of investments	(70)	–	(70)	–	–	–
Other income	–	–	–	455	–	455
	4,193	–	4,193	265	8,184	8,449
Breakdown of non-trading expenses adjustment:						
Impairment loss (Note 7F) *	(2,372)	–	(2,372)	(6,459)	–	(6,459)
Net loss on change in fair value of investments	–	–	–	(803)	–	(803)
Non-recurring redundancy costs	(577)	–	(577)	–	–	–
Other expenses	(77)	–	(77)	(604)	–	(604)
	(3,026)	–	(3,026)	(7,866)	–	(7,866)

* The Group often defers a portion of the purchase price of a business and makes the final payment referable to future financial performance. At the time of acquisition, an estimate is made as to the fair value of the final payment. This is reviewed each half-year based on information available and at settlement, and the estimate is adjusted if appropriate. Any adjustment is taken to profit (downwards estimate) or loss (upwards estimate). Where an estimate is reduced, the Group will consider whether the factors leading to the estimate of deferred consideration represent an indicator of impairment, and if so, the need for impairment is considered. The deferred consideration adjustments and impairments do not affect cash flows from operating activities.

Total non-trading items:						
Non-trading revenue	4,193	–	4,193	265	8,184	8,449
Non-trading expenses	(3,026)	–	(3,026)	(7,866)	–	(7,866)
Total non-trading items:	1,167	–	1,167	(7,601)	8,184	583
Income tax benefit/(expense)	255	–	255	229	(1,113)	(884)
Non-controlling interests	(530)	–	(530)	554	–	554
Share of EBITA from associates and joint ventures	–	–	–	–	147	147
Total non-trading items to NPAT	892	–	892	(6,818)	7,218	400

NOTE 4. OPERATING SEGMENTS continued

	2018			2017		
	Insurance intermediary $'000	Other $'000	Total $'000	Insurance intermediary $'000	Other $'000	Total $'000
(ii) Breakdown of finance costs:						
Finance costs – consolidated entities	(9,994)	–	(9,994)	(9,096)	–	(9,096)
Finance costs – associates and joint ventures (Note 12, 13)	(580)	(3)	(583)	(585)	(16)	(601)
	(10,574)	(3)	(10,577)	(9,681)	(16)	(9,697)
(iii) Breakdown of amortisation expenses of acquired intangibles:						
Amortisation expense – consolidated entities	(19,703)	(2,301)	(22,004)	(18,691)	(1,621)	(20,312)
Amortisation expense – associates and joint ventures (Note 12, 13)	(3,143)	(72)	(3,215)	(3,298)	(73)	(3,371)
	(22,846)	(2,373)	(25,219)	(21,989)	(1,694)	(23,683)
(iv) Breakdown of income tax benefit/(expense):						
Income tax benefit/(expense) – consolidated entities	(35,014)	980	(34,034)	(26,199)	711	(25,488)
Income tax expense – associates and joint ventures (Note 12, 13)	(6,667)	(143)	(6,810)	(6,016)	(124)	(6,140)
	(41,681)	837	(40,844)	(32,215)	587	(31,628)

NOTE 5. EARNINGS PER SHARE

	2018 Cents	2017 Cents
A. REPORTING PERIOD VALUE		
Basic earnings per share	9.87	8.96
Diluted earnings per share	9.83	8.92
If non-trading items were removed, the underlying earnings per share would be as follows:		
Basic earnings per share	9.75	8.90
Diluted earnings per share	9.71	8.87

NOTE 5. EARNINGS PER SHARE continued

	2018 $'000	2017 $'000
B. RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Profit after income tax	**90,351**	78,187
Non-controlling interests	**(14,497)**	(11,395)
Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of statutory basic and diluted earnings per share	**75,854**	66,792
Removing non-trading items:		
Income	**(4,193)**	(8,449)
Expenses	**3,026**	7,866
Income tax expense/(benefit)	**(255)**	884
Non-controlling interests (net of tax)	**530**	(554)
Share of EBITA from associates and joint ventures	**-**	(147)
Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of underlying basic and diluted earnings per share	**74,962**	66,392

	2018 Number in '000	2017 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	**772,884**	749,752
Weighted average number of treasury shares held in trust	**(3,982)**	(3,916)
Weighted average number of ordinary shares used in calculating basic earnings per share	**768,902**	745,836
II. Weighted average number of dilutive potential ordinary shares related to		
Weighted average number of ordinary shares	**768,902**	745,836
Effect of share-based payments arrangements[a]	**1,811**	1,153
Effect of deemed bonus shares on share options[b]	**1,245**	1,706
Weighted average number of ordinary shares used in calculating diluted earnings per share	**771,958**	748,695

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 cost 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 key management member of an acquired business in 2013 with an exercise price of $1.00 per share. The share options were exercised on 25 February 2018. Because the average share price up to 25 February 2018 exceeds the exercise price, 1.245 million shares (2017: 1.706 million) were deemed to be bonus shares up to the date the options were exercised.

NOTE 6. DIVIDENDS

	Cents per share	Total amount $'000	Payment date	Tax rate for franking credit	Percentage franked
A. DIVIDENDS ON ORDINARY SHARES					
2018					
2018 interim dividend	**2.8**	**22,206**	**22 March 2018**	**30%**	**100%**
2017 final dividend	**4.4**	**32,989**	**13 October 2017**	**30%**	**100%**
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%

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 $0.283 million (2017: $0.252 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) less any discount as determined by the Board for each dividend payment date.

D. DIVIDEND NOT RECOGNISED AT REPORTING DATE

On 23 August 2018, 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
2018 final dividend	**4.7**	**37,273**	**20 September 2018**	**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 31 August 2018.

	2018 $'000	2017 $'000
E. FRANKING CREDITS		
Franking account balance at reporting date at 30%	**38,851**	32,827
Franking credits to arise from payment of income tax payable/(refundable)	**(2,727)**	1,592
Franking credits available for future reporting periods	**36,124**	34,419
Franking account impact of dividends declared before issuance of financial report but not recognised at reporting date	**(15,974)**	(14,138)
Franking credits available for subsequent financial periods based on a tax rate of 30%	**20,150**	20,281

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
2018					
A. COMPOSITION					
At cost	**237,927**	**25,939**	**7,915**	**271,781**	**823,058**
Accumulated amortisation and impairment	**(89,879)**	**(4,979)**	**(5,263)**	**(100,121)**	**(6,812)**
	148,048	**20,960**	**2,652**	**171,660**	**816,246**
B. MOVEMENTS					
Balance at the beginning of the financial year	**139,479**	**12,348**	**3,163**	**154,990**	**717,397**
Additions	**–**	**11,834**	**99**	**11,933**	**–**
Additions through business combinations	**31,469**	**–**	**–**	**31,469**	**108,203**
Reduction upon loss of control	**(2,193)**	**–**	**–**	**(2,193)**	**(7,015)**
Amortisation expense transferred to other reserve on hubbing	**532**	**–**	**104**	**636**	**–**
Amortisation expense – acquired intangibles	**(21,064)**	**(226)**	**(714)**	**(22,004)**	**–**
Amortisation expense – developed intangibles	**–**	**(2,996)**	**–**	**(2,996)**	**–**
Impairment	**(154)**	**–**	**–**	**(154)**	**(2,218)**
Net foreign currency exchange difference	**(21)**	**–**	**–**	**(21)**	**(121)**
Balance at the end of the financial year	**148,048**	**20,960**	**2,652**	**171,660**	**816,246**
2017					
C. 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
D. 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 & 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
E. AMORTISATION RATES PER ANNUM	10.0%-12.5%	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 2018, the Group has recognised an impairment provision of $2.372 million (2017: $6.459 million). Impairment losses for each category of intangible assets are shown in Section B above. All impairments related to acquisitions for which there was also a downward revision of deferred consideration (earnout) payments. 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 of 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:

	2018 %	2017 %
Post tax discount rates[(a)]	**10.1% to 11.1%**	10.0% to 11.0%
Pre-tax discount rates	**13.7% to 15.9%**	13.7% to 14.0%
Revenue growth rate – one year to five years extrapolation	**4.0% to 6.5% per annum**	4.0% to 5.9% per annum
Long-term revenue growth rate[(b)]	**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 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

	2018 $'000	2017 $'000
A. BANK LOANS		
Current	**1,055**	995
Non-current	**218,985**	205,680
	220,040	206,675
Capitalised transaction costs	**(800)**	(735)
	219,240	205,940
B. BANK FACILITIES AVAILABLE		
I. Bank facilities drawn down or applied		
Bank loans – corporate facility	**171,500**	174,000
Bank loans – subsidiaries	**48,540**	32,675
	220,040	206,675
Lines of credit – corporate facility	**4,241**	485
Lines of credit – subsidiaries	**–**	526
	224,281	207,686
II. Bank facilities not drawn down or applied		
Bank loans – corporate facility	**107,500**	105,000
Bank loans – subsidiaries	**598**	226
Lines of credit – corporate facility	**1,759**	5,515
Lines of credit – subsidiaries	**1,075**	1,249
	110,932	111,990
III. Total bank facilities available		
Bank loans	**328,138**	311,901
Lines of credit	**7,075**	7,775
	335,213	319,676

C. CORPORATE FACILITY DETAILS

As at 30 June 2018:

- the Company had a $285.000 million multibank syndicated facility (corporate facility) with Macquarie Bank and ANZ Banking Group (2017: $285.000 million); and
- $171.500 million of the $285.000 million facility has been drawn down which, together with $4.241 million for bonds and rental guarantees, leaves $109.259 million available in the corporate facility for future drawdowns (2017: $110.515 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 2018 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. In August 2015, the Company entered into a three-year interest rate swap with notional amount of $75.000 million where the Company swaps the floating rate payment into fixed rate payments. Refer Note 15 for further details on the interest rate swap.

The key terms and conditions of the multi-bank syndicated facility are consistent with a facility of this size and nature and the circumstances of Steadfast. The Company remains compliant with the terms and conditions.

E. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Bank loans – corporate facility $'000	Bank loans – subsidiaries $'000	Total bank loans $'000
2018			
Balance at the beginning of the financial period	173,265	32,675	205,940
Proceeds from borrowings	58,500	17,976	76,476
Repayment of borrowings	(61,000)	(2,111)	(63,111)
Unwind capitalised transaction costs	(65)	–	(65)
Balance at the end of the financial period	170,700	48,540	219,240

F. BORROWING BY ASSOCIATES AND JOINT VENTURES

As at 30 June 2018, the Group's associates and joint ventures had a total of $35.190 million (2017: $42.406 million) of bank borrowings (including bank overdrafts and loans). The Group's proportionate share of the associates and joint ventures' bank borrowings is $15.530 million (2017: $18.630 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

	2018 Number of shares in '000	2017 Number of shares in '000	2018 $'000	2017 $'000
A. SHARE CAPITAL				
Reconciliation of movements				
Balance at the beginning of the financial year	**749,752**	749,752	**796,857**	796,857
Shares issued under the institutional and retail share placement	**38,158**	–	**107,762**	–
Shares issued to Whitbread/Axis vendors	**2,126**	–	**6,016**	–
Shares issued for call option exercised by key management member of acquired business	**3,000**	–	**3,000**	–
Less: transaction costs on issue of shares, net of income tax	**–**	–	**(1,288)**	–
Balance at the end of the financial year	**793,036**	749,752	**912,347**	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.

	2018 Number of shares in '000	2017 Number of shares in '000	2018 $'000	2017 $'000
B. TREASURY SHARES HELD IN TRUST				
Reconciliation of movements				
Balance at the beginning of the financial year	**4,144**	2,942	**7,014**	4,396
Shares allocated to employees	**(914)**	(213)	**(1,368)**	(461)
Shares acquired	**668**	1,308	**1,799**	2,827
Shares allotted through the Dividend Reinvestment Plan	**104**	107	**283**	252
Balance at the end of the financial year	**4,002**	4,144	**7,728**	7,014

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 total gearing ratio, which is calculated as total borrowings divided by total equity and total borrowings. Currently the Group's total maximum gearing ratio determined by the Board is 30.0%. The Group and corporate gearing ratios at reporting date are as follows:

	Note	2018 $'000	2017 $'000	Maximum approved
Corporate borrowings	8	**171,500**	174,000	
Total borrowings	8	**224,281**	207,687	
Total Group equity		**1,056,979**	913,168	
Total Group equity and corporate borrowings		**1,228,479**	1,087,168	
Total Group equity and total borrowings		**1,281,260**	1,120,855	
Corporate gearing ratio		**14.0%**	**16.0%**	**25.0%**
Total gearing ratio		**17.5%**	**18.5%**	**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; 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 2018

During the year ended 30 June 2018, the Group completed a number of acquisitions in accordance with its strategy.

The following disclosures provide the provisional financial impact to the group at the acquisition date. Only the significant acquisition with total consideration over $45 million is disclosed separately. Other acquisitions are disclosed in aggregate.

ACQUISITION OF SUBSIDIARIES

The following tables provide:

- detailed information for the acquisition of the Whitbread and Axis businesses during the year; and
- aggregated information for six other acquired businesses (Other acquisitions).

Note 10F contains a list of subsidiaries acquired and the respective ownership interests.

A. CONSIDERATION PAID/PAYABLE

2018	Axis $'000	Whitbread $'000	Other acquisitions $'000	Total $'000
Cash	49,120	45,035	15,890	110,045
Consideration shares[a]	475	5,541	–	6,016
Deemed consideration[b]	–	–	8,299	8,299
Deferred consideration[c]	–	–	4,349	4,349
Subsidiaries' scrip for scrip[d]	–	–	7,984	7,984
Total	**49,595**	**50,576**	**36,522**	**136,693**

(a) The Company issued shares to the Whitbread and Axis vendors as part of the purchase price. The consideration shares were valued at $2.83 per share at settlement.

(b) This amount represents the fair value of the original investments in Ausure Ruralco Pty Ltd and Emergence Insurance Group Pty Ltd at the date the Group increased its shareholding and gained control of these entities which were previously joint venture and associate of the Group.

(c) 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 multiple of forecast revenue and/or earnings. 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:
- $4.185 million of deferred consideration for which the maximum amount of payment is not capped; and
- $0.164 million of deferred consideration which is fixed.

(d) 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

2018	Axis $'000	Whitbread $'000	Other acquisitions $'000	Total $'000
Cash and cash equivalents[(a)]	5,843	13,370	7,646	26,859
Trade and other receivables[(b)]	14,638	9,300	5,905	29,843
Property, plant and equipment	–	1,027	616	1,643
Deferred tax assets	108	209	558	875
Identifiable intangibles	10,935	12,013	8,521	31,469
Other assets	–	270	371	641
Trade and other payables	(17,001)	(20,153)	(8,855)	(46,009)
Income tax payable	(354)	(169)	(360)	(883)
Provisions	(403)	(943)	(295)	(1,641)
Deferred tax liabilities	(3,865)	(3,990)	(4,285)	(12,140)
Other liabilities	(197)	–	(456)	(653)
Total net identifiable assets acquired	9,704	10,934	9,366	30,004

(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

2018	Axis $'000	Whitbread $'000	Other acquisitions $'000	Total $'000
Total consideration paid/payable	49,595	50,576	36,522	136,693
Total net identifiable assets acquired	(9,704)	(10,934)	(9,366)	(30,004)
Non-controlling interests acquired	–	–	1,514	1,514
Goodwill on acquisition*	39,891	39,642	28,670	108,203

* 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.

2018	Axis $'000	Whitbread $'000	Other acquisitions $'000	Total $'000
Revenue	13,287	11,380	8,770	33,437
EBITA	4,764	3,651	1,820	10,235
Profit after income tax	3,364	2,559	1,334	7,257

If the acquisitions of subsidiaries occurred on 1 July 2017, the Group's revenue for the year ended 30 June 2018 would increase from $468.103 million to $491.458 million and profit after income tax would increase from $90.351 million to $93.667 million.

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 2018.

F. SUBSIDIARIES ACQUIRED

The table below outlines all the subsidiaries acquired during the year ended 30 June 2018. 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 2018 %
Ausure Ruralco Pty Ltd	(i)	50.01
Axis Underwriting Services Pty Ltd		100.00
Emergence Insurance Group Pty Ltd	(ii)	50.00
Galaxy Insurance Consultants Pte Ltd	(iii)	73.00
Graham Elliott & Associates Pty Ltd	(iv)	73.12
Great Wall Insurance Services Pty Ltd		75.00
Joe Vella Insurance Brokers Pty Ltd		70.00
Whitbread Insurance Brokers	(v)	100.00

Table notes

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

(ii) The Group acquired additional shares in Emergence Insurance Group Pty Ltd (Emergence) and Emergence became a subsidiary of the Group. Although the Group only has 50.00% equity interest in Emergence, the Group has control over the entity due to the terms of the shareholders' deed that gives the Group the ability to direct the key financial and operating activities.

(iii) The Group acquired Galaxy Insurance Consultants Pte Ltd (Galaxy) through Steadfast Distribution Services Pte Ltd, a wholly-owned newly established Singapore subsidiary of the Group.

(iv) The Group acquired Graham Elliott & Associates Pty Ltd (Graham Elliott) through Steadfast Taswide Insurance Brokers Pty Ltd, an existing subsidiary of the Group. The equity interest in Graham Elliott represents the Group's effective interest in the entity.

(v) The acquisition of Whitbread Insurance Brokers consists of 100% equity in the following legal entities: Whitbread Holdings Pty Ltd, Whitbread Associates Pty Ltd, Resolute Property Protect Pty Ltd and Whitbread Life Pty Ltd.

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 2018 and 30 June 2017.

	2018 $'000	2017 $'000
Balance at the beginning of the financial year	6,588	13,669
Settlement of deferred consideration	(5,047)	(11,745)
Non-cash settlement of deferred consideration	(83)	(106)
Additions from new acquisitions in business combinations	4,349	7,969
Additions from new acquisitions of associates	–	222
Additions from step-up investments	1,414	–
Net gain in profit or loss on settlement or reassessment	(3,275)	(3,421)
Balance at the end of the financial year	3,946	6,588
Disclosed as:		
Deferred consideration current	2,822	5,222
Deferred consideration non-current	1,124	1,366
Balance at the end of the financial year	3,946	6,588

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

	2018 $'000	2017 $'000
Amount payable is limited	–	88
Amount payable is not capped	3,815	6,009
Amount payable is fixed	131	491
	3,946	6,588

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 2018 %	Ownership interest 2017 %
A. PARENT ENTITY				
Steadfast Group Ltd		Australia		
B. SUBSIDIARIES – OPERATING ENTITIES				
I. Insurance broking businesses				
Steadfast Insurance Brokers Pty Ltd		Australia	**100.00**	100.00
Steadfast Group UK Ltd		United Kingdom	**100.00**	–
Austcover Holdings Pty Ltd and its subsidiary		Australia	**50.00**	50.00
Ausure Group Pty Ltd and its subsidiaries		Australia	**50.01**	62.00
Ballyglisheen Pty Ltd (trades as Steel Pacific)		Australia	**60.00**	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	**88.35**	47.00
Centrewest Holdings Pty Ltd and its subsidiaries		Australia	**70.18**	56.55
Consolidated Insurance Agencies Pty Ltd and its subsidiary		Australia	**55.00**	55.00
Corporate Insurance Brokers Ballina (NSW) Pty Ltd		Australia	**100.00**	80.00
G.W.S. Pty Ltd and its subsidiaries		Australia	**100.00**	80.00
Galaxy Insurance Consultants Pte Ltd		Singapore	**73.00**	–
Great Wall Insurance Services Pty Ltd		Australia	**75.00**	–
ICF (Australia) Pty Ltd and its subsidiary		Australia	**100.00**	100.00
IC Frith (NZ) Ltd and its subsidiaries	(i)	New Zealand	**–**	90.00
Joe Vella Insurance Brokers Pty Ltd		Australia	**70.00**	–
Mega Capital Holdings Pty Ltd and Mega Capital Unit Trust and its subsidiary		Australia	**100.00**	100.00
National Credit Insurance (Brokers) Pty Ltd (incorporating IMC Trade Credit) and its subsidiaries		Australia	**87.20**	86.95
Newmarket Grand West Pty Ltd and its subsidiaries		Australia	**90.00**	90.00
Newmarket Insurance Brokers Pty Ltd		Australia	**100.00**	90.00
Phoenix Insurance Brokers Pty Ltd		Australia	**89.00**	61.00
PID Holdings Pty Ltd and its subsidiaries		Australia	**100.00**	100.00
Quattro Risk Services Pty Ltd (formerly Finn Foster & Associates Pty Ltd) and its subsidiaries		Australia	**65.60**	60.00
Resolute Property Protect Pty Ltd		Australia	**100.00**	–
RIB Group Holdings Pty Ltd and its subsidiaries (RIB Group)		Australia	**81.08**	81.08
Steadfast Brecknock Insurance Brokers Pty Ltd (formerly Brecknock Insurance Brokers Pty Ltd) and its subsidiaries		Australia	**95.00**	95.10
Steadfast Distribution Services Pte Ltd		Singapore	**100.00**	–
Steadfast IFS Pty Ltd		Australia	**50.98**	50.98
Steadfast IRS Pty Ltd and its subsidiaries		Australia	**100.00**	100.00
Steadfast NZ Holdings Ltd		New Zealand	**100.00**	100.00
Steadfast NZ Ltd		New Zealand	**100.00**	100.00

NOTE 11. SUBSIDIARIES continued

Name	Table note	Country of incorporation	Ownership interest 2018 %	2017 %
Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd) and its subsidiary		Australia	**61.91**	61.91
Steadfast Re Pty Ltd		Australia	**50.00**	50.00
Steadfast Taswide Insurance Brokers Pty Ltd and its subsidiaries		Australia	**73.12**	74.70
Trident Insurance Group Pty Ltd and its subsidiary		Australia	**60.00**	60.00
VBIH Pty Ltd and its subsidiary		Australia	**80.00**	80.00
V.F.P. Insurance Brokers Pty Ltd and its subsidiary		Australia	**95.00**	95.10
Webmere Pty Ltd and its subsidiaries		Australia	**77.00**	77.00
Whitbread Life Pty Ltd		Australia	**100.00**	–
Whitbread Holdings Pty Ltd and its subsidiary		Australia	**100.00**	–
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 Ltd		Australia	**100.00**	100.00
Axis Underwriting Services Pty Ltd		Australia	**100.00**	–
Calliden Group Pty Ltd and its subsidiaries		Australia	**100.00**	100.00
CHU Underwriting Agencies Pty Ltd and its subsidiaries		Australia	**97.00**	100.00
Emergence Insurance Group Pty Ltd and its subsidiary	(ii)	Australia	**50.00**	–
Grange Underwriting Pty Ltd		Australia	**77.00**	77.00
Hostsure Underwriting Agency Pty Ltd		Australia	**100.00**	100.00
Miramar Underwriting Agency Pty Ltd		Australia	**100.00**	100.00
NM Insurance Pty Ltd and its subsidiary		Australia	**75.00**	75.00
Procover Underwriting Agency Pty Ltd		Australia	**100.00**	100.00
Protecsure Pty Ltd		Australia	**90.00**	80.00
Proteus Marine Insurance Pty Ltd		Australia	**87.50**	87.50
Residential Builders Underwriting Agency Pty Ltd		Australia	**80.00**	80.00
Sports Underwriting Australia Pty Ltd		Australia	**90.00**	80.00
Steadfast Placement Solutions Pty Ltd		Australia	**100.00**	100.00
Steadfast Placement Solutions UK Ltd		United Kingdom	**100.00**	–
Underwriting Agencies of Australia Pty Ltd and its subsidiary		Australia	**88.33**	90.00
Unity Trade Credit Pty Ltd		Australia	**100.00**	–
Winsure Underwriting Pty Ltd		Australia	**100.00**	100.00
WM Amalgamated Pty Ltd and its subsidiaries		Australia	**84.16**	84.16

NOTE 11. SUBSIDIARIES continued

Name	Table note	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
III. Complementary businesses				
CHU Services Pty Ltd		Australia	**97.00**	100.00
InsuranceCONNECT Pty Ltd		Australia	**100.00**	100.00
Steadfast Business Solutions Pty Ltd		Australia	**100.00**	100.00
Steadfast Convention Pty Ltd		Australia	**100.00**	100.00
Steadfast Foundation Pty Ltd	(iii)	Australia	**100.00**	100.00
Steadfast INSIGHT Holdings Pty Ltd (formerly Actionquote Holdings Pty Ltd)		Australia	**100.00**	100.00
Steadfast Share Plan Nominee Pty Ltd	(iv)	Australia	**100.00**	100.00
Steadfast Technologies Group Holdings Pty Ltd		Australia	**100.00**	–
Steadfast Technologies NZ Ltd		New Zealand	**100.00**	–
Steadfast Technologies Pty Ltd		Australia	**100.00**	100.00
Steadfast Technologies Shared Services Pty Ltd		Australia	**100.00**	–
Steadfast Technology Services Pty Ltd		Australia	**100.00**	100.00
Steadfast Technology Services NZ Ltd		New Zealand	**100.00**	100.00
Steadfast UnderwriterCentral Holdings Pty Ltd (formerly Insurance Connect Holdings Pty Ltd)		Australia	**100.00**	–
Steadfast Virtual Underwriter Holdings Pty Ltd		Australia	**100.00**	–

Table notes

(i) The Group sold its equity interest in IC Frith (NZ) Ltd to Abbott NZ Holdings Ltd (Abbott) in exchange for additional equity interest in Abbott. As a result, the Group's equity interest in this entity became 65.48%. Due to the nature of the current shareholders' agreement it was deemed to be an associate, and disclosed in Note 12.

(ii) The Group acquired additional shares in Emergence Insurance Group Pty Ltd (Emergence) and Emergence became a subsidiary of the Group. Although the Group only has 50.00% equity interest in Emergence, the Group has control over the entity due to the terms of the shareholders' deed that gives the Group the ability to direct the key financial and operating activities.

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

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

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.

Name	Ownership interest 2018 %	Ownership interest 2017 %	Equity-accounted 2018 $'000	Equity-accounted 2017 $'000
I. Insurance broking businesses				
Abbott Insurance Brokers Ltd[a][b]	–	45.00	–	10,179
Abbott NZ Holdings Ltd and its subsidiaries[a][b]	**65.48**	–	**22,085**	–
Armstrong's Insurance Brokers Pty Ltd and Armstrong's Insurance Brokers Unit Trust	**25.00**	25.00	**804**	786
Ausure Group Pty Ltd – associates thereof	**20.00**	26.29	**4,234**	3,787
Blackburn (Insurance Brokers) Pty Ltd and Liability Brokers Pty Ltd	**40.00**	49.00	**2,857**	3,398
Covercorp Pty Ltd	**49.00**	49.00	**1,119**	1,133
Edgewise Insurance Brokers Pty Ltd and The Bradstock GIS Unit Trust	**33.14**	34.22	**3,035**	3,123
Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd	**37.00**	37.00	**3,851**	3,849
Finpac Insurance Advisors Pty Ltd	**49.00**	49.00	**1,043**	1,042
Glenowar Pty Ltd	**49.00**	49.00	**4,101**	4,242
IPS Insurance Brokers Pty Ltd	**40.00**	40.00	**2,961**	3,107
J.D.I. (YOUNG) Pty Ltd	**25.00**	25.00	**819**	803
Johansen Insurance Brokers Pty Ltd	**48.35**	48.00	**4,468**	4,513
King Insurance Brokers Pty Ltd	**37.00**	37.00	–	–
Lanyon Partners Consolidated Pty Ltd	**45.00**	45.00	**4,843**	4,997
McKillops Insurance Brokers Pty Ltd	**49.00**	49.00	**4,733**	4,735
Melbourne Insurance Brokers Pty Ltd	**49.00**	49.00	**1,626**	1,621
Northern City Insurance Brokers (VIC) Pty Ltd	**50.00**	50.00	**9**	9
Optimus 1 Pty Ltd	–	25.00	–	597
Paramount Insurance Brokers Pty Ltd	**25.00**	25.00	**1,011**	1,034
Pollard Advisory Services Pty Ltd	**46.50**	49.00	**3,742**	4,778
Risk Partners Pty Ltd	**45.00**	45.00	**9,145**	9,641
Rose Stanton Insurance Brokers Pty Ltd	**49.00**	49.00	**669**	701
Rothbury Group Ltd and its subsidiaries[b]	**44.51**	44.51	**25,037**	24,255
RSM Group Pty Ltd	**49.00**	49.00	**5,277**	5,347
Sapphire Star Pty Ltd	**30.00**	30.00	**1,246**	1,268
Scott & Broad Pty Ltd and its subsidiary	**49.00**	42.88	**8,923**	8,299
Southside Insurance Brokers Pty Ltd	**49.00**	49.00	**614**	631
Steadfast Eastern Insurance Brokers Pty Ltd	**34.38**	34.38	**405**	321
Steadfast Life Pty Ltd and its subsidiary	**50.00**	50.00	**3,059**	3,012
Tudor Insurance Australia (Insurance Brokers) Pty Ltd and Tudor Insurance Agency Unit Trust	**48.00**	48.00	**1,966**	2,048
unisonSteadfast AG[b]	**40.00**	26.25	**2,959**	1,829
Watkins Taylor Stone Insurance Brokers Pty Ltd and D&E Watkins Unit Trust	**35.00**	35.00	**1,705**	1,771

NOTE 12. INVESTMENTS IN ASSOCIATES continued

Name	Ownership interest 2018 %	Ownership interest 2017 %	Equity-accounted 2018 $'000	Equity-accounted 2017 $'000
II. Underwriting agencies businesses				
Emergence Insurance Group Pty Ltd[c]	–	33.33	–	164
QUS Pty Ltd	**45.00**	45.00	**1,097**	1,165
Sterling Insurance Pty Ltd	**39.50**	39.50	**7,157**	5,216
III. Complementary businesses				
Meridian Lawyers Ltd	**25.00**	25.00	**2,352**	2,289

Table notes

(a) The Group sold its equity interest in IC Frith (NZ) Ltd to Abbott NZ Holdings Ltd (Abbott) in exchange for additional equity interest in Abbott. As a result, the Group's equity interest in Abbott became 65.48%. Due to the nature of the current shareholders' agreement it was deemed to be an associate.

(b) All entities classified as associates have their principal operations in Australia with the exception of:

- Abbott Insurance Brokers Ltd and Rothbury Group Ltd whose principal operations are in New Zealand; and
- unisonSteadfast AG whose principal operation is in Germany.

(c) The Group acquired additional shares in Emergence Insurance Group Pty Ltd (Emergence) and Emergence became a subsidiary of the Group. Although the Group only has 50.00% equity interest in Emergence, the Group has control over the entity due to the terms of the shareholders' deed that gives the Group the ability to direct the key financial and operating activities.

B. RECONCILIATION OF MOVEMENTS

	2018 $'000	2017 $'000
Balance at the beginning of the financial year	**125,690**	121,783
Additions – deemed consideration[a]	**2,125**	–
Additions – cash	**3,215**	15,821
Additions – scrip for scrip[b]	**22,085**	–
Step-up investment to subsidiaries	**(11,403)**	(8,053)
Disposal of associates	**(1,491)**	(1,671)
Share of EBITA from associates	**21,287**	20,743
Less share of:		
Finance costs	**(494)**	(467)
Amortisation expense	**(2,643)**	(2,862)
Income tax expense	**(5,714)**	(5,310)
Share of associates' profit after income tax	**12,436**	12,104
Dividend received/receivable	**(13,575)**	(12,383)
Impairment	**–**	(1,933)
Net foreign exchange movements	**(339)**	22
Balance at the end of the financial year	**138,743**	125,690

Table notes

(a) This amount represents the carrying amounts of investments in associates of the subsidiaries at the date the Group acquired during the financial year.

(b) The associate was acquired through scrip for scrip.

NOTE 12. INVESTMENTS IN ASSOCIATES continued

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.

	2018 $'000	2017 $'000
Current assets	**352,053**	297,502
Non-current assets	**136,887**	129,567
Current liabilities	**314,065**	258,794
Non-current liabilities	**31,062**	37,154
Net assets	**143,813**	131,121
Revenue	**208,430**	182,876
EBITA	**56,922**	47,575
Profit after income tax	**39,664**	32,692
Total comprehensive income	**39,477**	32,692

Included in liabilities is $35.190 million (2017: $42.406 million) of bank borrowings. Refer Note 8F.

NOTE 13. INVESTMENT IN JOINT VENTURES

A. DETAILS OF JOINT VENTURES

	Ownership interest	
Name	2018 %	2017 %
ABICO Insurance Brokers and its related entities (ABICO)[(a)]	**50.00**	–
Ausure Ruralco Pty Ltd (formerly Ausure Consolidated Brokers Pty Ltd)[(b)]	**–**	50.00
Blend Insurance Solutions Pty Ltd[(c)]	**50.00**	50.00
Macquarie Premium Funding Pty Ltd and its subsidiaries (Macquarie Pacific Funding Group)[(d)]	**50.00**	50.00
Rhymemat Pty Ltd[(e)]	**27.80**	–

Table notes

(a) Ausure Group Pty Ltd (Ausure) acquired a stake in ABICO Insurance Brokers (ABICO) in April 2018. Ausure has partnered with the principal of ABICO to focus on financial service distribution in Southern NSW, complementing the existing partnership with Ruralco Holdings Pty Ltd.

(b) Ausure Ruralco Pty Ltd (Ausure Ruralco) is a joint venture 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. In April 2018, Ausure issued additional shares to Ruralco for acquiring remaining 50% of Ausure Ruralco. As a result, Ausure Ruralco became a wholly-owned subsidiary of Ausure.

(c) Blend Insurance Solutions Pty Ltd (Blend) is a joint venture formed 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 & health, consumer and bespoke products in the Australian market, via brokers, third party distribution partnerships and direct.

(d) 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.

(e) Ausure acquired a stake in Rhymemat Pty Ltd trading as Ausure Gippsland (Gippsland) in September 2017. Gippsland is an Authorised Representation of Ausure based in Victoria. Although Ausure only has 27.8% equity interest in Gippsland, the shareholders' agreement requires the unanimous consent of the parties when making decisions about the key financial and operating activities. Therefore, Ausure is considered to have joint control of Gippsland although only having 27.8% equity interest.

NOTE 13. INVESTMENT IN JOINT VENTURES continued

	2018 $'000	2017 $'000
B. RECONCILIATION OF MOVEMENTS		
Balance at the beginning of the financial year	**11,362**	2,211
Additions – deemed consideration[(a)]	**–**	8,045
Additions – cash	**4,153**	850
Reclassification to investment in subsidiaries	**(8,429)**	–
Share of EBITA from joint ventures	**3,815**	3,410
Less share of:		
Finance costs	**(89)**	(134)
Amortisation expense	**(572)**	(509)
Income tax expense	**(1,096)**	(830)
Share of joint ventures' profit after income tax	**2,058**	1,937
Dividend received/receivable	**(2,282)**	(1,681)
Balance at the end of the financial year	**6,862**	11,362

Table note

(a) The amount in 2017 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.

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.

	2018 $'000	2017 $'000
Current assets	**22,534**	19,893
Non-current assets	**8,633**	13,230
Current liabilities	**17,952**	15,089
Non-current liabilities	**1,903**	3,788
Net assets	**11,312**	14,246
Revenue	**65,140**	52,041
EBITA	**9,466**	7,159
Profit after income tax	**4,525**	4,053
Total comprehensive income	**4,915**	4,053

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings[a] $'000	Other $'000	Total $'000
2018			
A. COMPOSITION			
At cost	**27,589**	**36,211**	**63,800**
Accumulated depreciation	**(3,334)**	**(21,465)**	**(24,799)**
	24,255	**14,746**	**39,001**
B. MOVEMENTS			
Balance at the beginning of the financial year	**16,334**	**11,164**	**27,498**
Additions	**8,562**	**5,130**[b]	**13,692**
Additions through business combinations	**–**	**1,643**	**1,643**
Depreciation expense	**(641)**	**(3,191)**	**(3,832)**
Balance at the end of the financial year	**24,255**	**14,746**	**39,001**

	Buildings[a] $'000	Other $'000	Total $'000
2017			
A. COMPOSITION			
At cost	19,027	30,326	49,353
Accumulated depreciation	(2,693)	(19,162)	(21,855)
	16,334	11,164	27,498
B. MOVEMENTS			
Balance at the beginning of the financial year	16,242	11,666	27,908
Additions	652	1,413[b]	2,065
Additions through business combinations	–	817	817
Depreciation expense	(560)	(2,732)	(3,292)
Balance at the end of the financial year	16,334	11,164	27,498

Table notes

(a) The estimated useful life of buildings is 40 years.

(b) The balance represents the net addition to leasehold improvements, office equipment and furniture, motor vehicles and other fixed assets in the Group. There were no material disposals in the current year, hence not separately disclosed.

The offices in Sydney used as the Group's head office are measured at cost. Based on the most recent transaction, the Directors believe that the buildings have a value at least $15 million in excess of their carrying value.

NOTE 15. 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

(i) Interest rate risk

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

	2018		2017	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Non-derivatives				
Cash at bank	**1.13**	**297,904**	1.06	261,074
Cash on deposit	**1.85**	**89,596**	2.33	68,545
Bank overdrafts	**–**	**–**	6.75	(526)
Bank loans	**3.99**[a]	**(219,240)**	3.59[a]	(205,940)
		168,260		123,153
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 paid to lenders.

(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 matured 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 2018, after taking into account the effect of the interest rate swap, the Group had approximately 56.3% of the Group's corporate debt exposed to variable rates (2017: 56.8%).

The Group held $0.102 million (2017: $0.116 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 (2017: one hundred) basis points would have a favourable/adverse effect on profit/(loss) after tax of $1.178 million (2017: favourable/adverse effect of $0.862 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.

NOTE 15. FINANCIAL INSTRUMENTS continued

(ii) Price risk

As at the reporting date, the Group held the following securities:

	2018 $'000	2017 $'000
Investment in ASX listed securities at cost[(a)]	5,000	–
Fair value adjustment[(a)]	1,500	–
Investment in non-listed securities at cost	47	–
	6,547	–

(a) During the year ended 30 June 2018, the Group invested $5.000 million in Johns Lyng Group Ltd, an ASX listed company. The investment is classified as financial asset measured at fair value through profit or loss. The fair value adjustment above represents the market-to-market movement for the year ended 30 June 2018.

At each reporting date, these shares are revalued to reflect movements in the market value based on the ASX quoted share price. The price risk faced on the Johns Lyng Group shares is incidental to the policy and is immaterial compared with other market risks faced by the Group.

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.

The Group has funded $16.928 million (2017: $27.489 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.

NOTE 15. FINANCIAL INSTRUMENTS continued

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
2018						
Non-derivatives						
Non-interest bearing						
Payables on broking/underwriting agency operations*		659,812	–	–	–	659,812
Trade and other payables		38,489	2,812	–	–	41,301
Deferred consideration		2,822	1,124	–	–	3,946
Interest bearing						
Bank loans	3.99	1,097	1,099	211,790	13,999	227,985
Total non-derivatives		702,220	5,035	211,790	13,999	933,044
Derivatives						
Hedge interest rate swaps (net settled)		60	–	–	–	60
Total derivative		60	–	–	–	60
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

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

NOTE 16. 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 17. 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.

	2018 $'000	2017 $'000
OPERATING LEASE COMMITMENTS		
Within one year	11,471	9,429
One to five years	26,423	17,582
Over five years	3,980	2,065
	41,874	29,076

NOTE 18. EVENTS AFTER THE REPORTING PERIOD

FINAL DIVIDEND

On 23 August 2018, the Board declared a final dividend for 2018 of 4.7 cents per share, 100% franked. The dividend will be paid on 20 September 2018.

NOTE 19. PROFIT AND LOSS INFORMATION

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

	2018 $'000	2017 $'000
A. EMPLOYEE BENEFITS (INCLUDED IN EMPLOYMENT EXPENSE)		
Contributions to defined contribution superannuation funds	14,159	12,858
Share-based payments	2,484	86
B. RENTAL EXPENSE RELATING TO OPERATING LEASES		
Lease payments	13,298	11,820

NOTE 20. 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. When granted, the awards in these two plans 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.

The key terms of the STI plan for 2018 financial year 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 2018 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 2018 STI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

NOTE 20. SHARE-BASED REMUNERATION continued

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 2017 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% (maximum at 10%) average straight line per annum diluted EPS growth during the retention period; and
  - 25% based on the Group achieving a minimum TSR at 50th percentile (maximum at 75th percentile) median of peer group during the retention period;
- the rights will not accrue notional dividends during the retention period;
- 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 2018 LTI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

NOTE 21. TAXATION

	2018 $'000	2017 $'000
A. INCOME TAX (EXPENSE)/BENEFIT		
Profit before income tax expense	**124,665**	104,559
Income tax expense at statutory tax rate of 30%	**(37,399)**	(31,368)
Tax effect of differential corporate tax rate	**276**	–
Tax effect of amounts that are not (deductible)/taxable in calculating taxable income:		
Share of after-tax profits of associates and joint ventures	**4,348**	4,212
Non-deductible items	**(967)**	(1,406)
	(33,742)	(28,562)
Over/(under) provision for income tax of prior periods	**(572)**	2,190
Income tax expense	**(34,314)**	(26,372)
B. MAJOR COMPONENTS OF INCOME TAX EXPENSE		
Current tax	**(38,643)**	(32,007)
Movement in deferred tax assets	**537**	(1,210)
Movement in deferred tax liabilities	**4,364**	4,655
Adjustments for current tax of prior periods	**(572)**	2,190
	(34,314)	(26,372)

NOTE 21. TAXATION continued

	2018 $'000	2017 $'000
C. INCOME TAX ON ITEMS RECOGNISED DIRECTLY IN EQUITY		
Deferred tax assets	**785**	264
Deferred tax liabilities	**9**	(43)
	794	221
D. DEFERRED TAX ASSETS		
I. Composition		
Accrued expenses	**4,212**	2,789
Provisions	**7,866**	7,119
Expenditure claimable over five years	**1,122**	2,044
Employee share scheme	**1,893**	745
Deferred income	**1,863**	2,252
Others	**2,468**	2,278
	19,424	17,227
II. Movements		
Balance at the beginning of the financial year	**3,419**	8,284
Add: reversal of offset against deferred tax liabilities	**13,808**	9,575
Gross balance at the beginning of the financial year	**17,227**	17,859
Charged to profit or loss	**537**	(1,210)
Charged to equity	**785**	264
Additions through business combinations	**875**	314
Balance at the end of the financial year before offset	**19,424**	17,227
Less: offset against deferred tax liabilities	**(15,910)**	(13,808)
Balance at the end of the financial year	**3,514**	3,419
E. DEFERRED TAX LIABILITIES		
I. Composition		
Intangible assets	**44,868**	41,451
Receivables	**18,602**	16,919
Accrued income	**5,771**	4,676
Other	**2,989**	1,417
	72,230	64,463
II. Movements		
Balance at the beginning of the financial year	**50,655**	55,342
Add: reversal of offset against deferred tax assets	**13,808**	9,575
Gross balance at the beginning of the financial year	**64,463**	64,917
Charged to profit or loss	**(4,364)**	(4,655)
Charged to equity	**(9)**	43
Additions through acquisitions	**12,140**	4,158
Balance at the end of the financial year before offset	**72,230**	64,463
Less: offset against deferred tax assets	**(15,910)**	(13,808)
Balance at the end of the financial year	**56,320**	50,655

NOTE 21. TAXATION continued

F. ATO TRANSPARENCY REPORTING

The Australian Taxation Office (ATO) publishes total income, taxable income and tax payable in relation to large taxpayers, with the 2016 financial year being the latest information released. The information published is sourced from the income tax return lodged by Steadfast Group Limited as the head company of the Australian tax consolidated group (which captures only the entities that are 100% owned by the Group). On release of the 2017 tax information, we envisage the following will be reported:

	2017 $'000	2016 $'000
Total income	**292,098**	326,539
Taxable income	**61,320**	82,611
Tax payable	**4,550**	10,944
Effective tax rate	**7.42%**	3.35%

The most significant reason for the low effective tax rate for the parent entity is that a substantial portion of its disclosed taxable income is dividends received and the attached franking credits (derived from those entities paying tax) reduce the tax payable by the head entity.

For a complete view of the effective tax rate, the following needs to be considered:

	2017 $'000	2016 $'000
Tax payable	**4,550**	10,944
Tax paid by investees	**13,447**	12,456
Research & Development offset	**397**	1,383
Underlying tax payable	**18,394**	24,783
Effective tax rate (excl. franking credits)	**30%**	30%

The 2018 income tax return for Steadfast Group Limited is expected to have an effective rate continuing at circa 30%.

NOTE 22. NOTES TO THE STATEMENT OF CASH FLOWS

	2018 $'000	2017 $'000
A. COMPOSITION		
Cash and cash equivalents	**76,746**	66,537
Cash held on trust	**310,856**	263,198
Bank overdrafts	**–**	(526)
	387,602	329,209
B. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES		
Profit after income tax expense for the year	**90,351**	78,187
Adjustments for		
Depreciation, amortisation and gain on disposal of property, plant and equipment	**29,270**	24,749
Share of profits of associates and joint ventures	**(14,494)**	(14,041)
Income tax paid	**(37,896)**	(32,060)
Dividends received from associates/joint ventures	**15,857**	14,064
Net (profit)/loss on fair value of investment	**(1,500)**	803
Capitalised interest on loans	**(896)**	(536)
Net gain on disposal of investment in subsidiaries and associates	**(480)**	(4,065)
Net gain from adjustments to deferred consideration estimates	**(3,275)**	(3,421)
Share-based payments and incentives accruals	**5,034**	1,994
Impairment expense	**2,372**	6,459
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(64,983)**	(38,764)
(Increase)/decrease in deferred tax assets	**780**	4,806
(Increase)/decrease in other assets	**57**	104
Increase/(decrease) in trade and other payables	**71,114**	50,005
Increase/(decrease) in income tax payable	**38,757**	27,896
Increase/(decrease) in deferred tax liabilities	**(5,223)**	(6,330)
Increase/(decrease) in other liabilities	**(1,580)**	(732)
Increase/(decrease) in provisions	**(41)**	(1,166)
Net cash from operating activities	**123,224**	107,952

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

Investing activities

During the financial year ended 30 June 2018, the Group had the following non-cash investing activities:

- allotment of 2.126 million ordinary shares (consideration shares) at $2.83 per share as part consideration for the acquisition of Whitbread Insurance Brokers and Axis Underwriting Services (refer Note 10A);
- hubbing arrangements using the scrip of certain subsidiaries and associates (refer Note 10A and Note 12B).

NOTE 23. 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.

	2018 $'000	2017 $'000
Short-term employee benefits	**4,872**	4,267
Post-employment benefits	**119**	116
Long-term benefits	**68**	59
Accrued share-based expenses	**2,760**	491
	7,819	4,933

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:

	2018 $'000	2017 $'000
I. Sale of goods and services		
Marketing and administration fees received from associates on normal commercial terms	**137**	153
Marketing and administration fees received from joint ventures on normal commercial terms	**2,706**	2,529
Commission income received/receivable from associates on normal commercial terms	**119**	144
II. Interest income		
Interest income received/receivable from joint ventures	**93**	138
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	**703**	774
Commission expense paid/payable to associates on normal commercial terms	**3,650**	3,398
Service fees paid to associates	**57**	10
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		
Receivables from associates	**11,274**	6,378
Receivables from joint ventures	**213**	102
Dividend receivable from associates	**295**	-
b. Current payables		
Payables to associates	**1,357**	126,480

NOTE 23. RELATED PARTY TRANSACTIONS continued

	2018 $'000	2017 $'000
V. Loans to related parties		
The following balances are outstanding at the reporting date in relation to loans with related parties:		
a. Current receivables		
Loan to joint venture[a]	**603**	603
Executive loans[b]	**4,512**	428
	5,115	1,031
b. Non-current receivables		
Loan to joint venture[a]	–	1,206
Executive loans[b]	–	4,673
Loans to associates	–	303
	–	6,182

(a) The loan to the joint venture, Macquarie Pacific Funding Group (MPF) has a face value of $603,125 (2017: $1,809,375).

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 in equal instalments by March 2020; 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.

Subsequent to balance date, the Board agreed to extend the term of the recourse loans to the Managing Director & CEO and Executive General Manager – Direct, New Zealand & Singapore to 23 September 2021 at a commercial (floating) interest rate. A trading lock will continue in place over certain shares held by each of the executives which may be sold during a trading window with the approval of the Chairman, with a portion of the loan repaid as corresponds to the shares sold. Dividends will first be used to pay interest on the loans and the balance used to repay the loan balances. In the event of voluntary cessation of employment, repayment will be required within 12 months.

NOTE 24. PARENT ENTITY INFORMATION

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

	2018 $'000	2017 $'000
A. STATEMENT OF COMPREHENSIVE INCOME		
Profit after income tax	**52,561**	79,029
Other comprehensive income	**302**	(14)
Total comprehensive income	**52,863**	79,015

NOTE 24. PARENT ENTITY INFORMATION continued

	2018 $'000	2017 $'000
B. STATEMENT OF FINANCIAL POSITION		
Current assets	**75,258**	70,685
Total assets	**1,247,716**	1,069,029
Current liabilities	**68,747**	30,503
Total liabilities	**241,389**	204,668
Equity		
Share capital	**912,347**	796,857
Reserves	**93,980**	67,504
Total equity	**1,006,327**	864,361

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 2018 and 30 June 2017.

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 16.

G. CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

NOTE 25. REMUNERATION OF AUDITORS

	2018 $	2017 $
A. KPMG		
I. Audit and review services		
Audit or review of the financial statements of the Company and certain subsidiaries	**1,464,318**	1,387,251
II. Other assurance, taxation and due diligence services		
Other assurance services		
Other assurance services	**107,000**	–
Other services		
Taxation compliance and other advisory services	**114,445**	80,954
	221,445	80,954
B. OTHER AUDITORS		
I. Audit and review services		
Audit or review of the financial statements	**302,731**	261,103
II. Services other than audit and review of financial statements		
Other services		
Taxation advisory services	**35,403**	133,522
Other services	**42,089**	2,995
	77,492	136,517

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 2018 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 2018.

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 2018 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 2018 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 2018
- 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

The Key Audit Matters we identified are:

- Valuation of Goodwill, Other Intangible Assets and Investments in Associates
- Decentralised Operations

Key Audit Matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter

VALUATION OF GOODWILL, OTHER INTANGIBLE ASSETS AND INVESTMENTS IN ASSOCIATES

Refer to Note 7, Goodwill ($816,246k) and Other Intangible Assets ($171,660k), Note 12, Investments in Associates ($138,743k), and Note 3, Critical Accounting Judgements, Estimates and Assumptions.

The valuation of goodwill, other intangible assets, and investments in associates is a key audit matter as:

- goodwill and other intangible assets and investments in associates and interests in joint ventures represented 54.1% of the Group's total assets.
- the high number of individual Cash Generating Units (CGUs) (more than 70 at 30 June 2018), necessitated our consideration of the Group's determination of CGUs and the valuation for each of the CGUs, intangible assets, and investments in associates.
- the sectors in which the Group operates continue to experience competitive market conditions during the year. This increased the uncertainty of forecast cash flows used in the valuation models (value in use (VIU) and fair value less cost to sell (FVLCTS)) for goodwill and other intangible assets and investments in associates.
- we applied a significant level of judgment when considering the Group's assessment of impairment.

We focused on the Group's valuation methodologies and the key assumptions such as the forecast revenue growth rate, discount rates and terminal growth rates underlying the valuation models.

Our procedures included:

- We assessed the Group's determination of CGUs based on our understanding of the operation of the Group's business, and how independent cash flows were generated, against the requirement of the accounting standards.
- We assessed the Group's analysis of indicators of impairment of other intangible assets and its investment in associates.

Working with our valuation specialists:

- We considered the appropriateness of the valuation methods applied (VIU and FVLCTS) by the Group against the requirements of the accounting standards.
- We compared the forecast cash flows contained in the valuation models to the Board approved budgets. We also evaluated the forecasting process undertaken by the Group and assessed the precision of prior year forecast cash flows by comparison to actual outcomes. We used knowledge from this evaluation to inform our detailed testing focus.
- We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We compared the forecast revenue growth rate and terminal growth rate assumptions to external data on inflation rates and projected revenue growth for the insurance brokerage industry in Australia. We examined contracts and analysed the impact from growth in business via the Steadfast Client Trading Platform. We used our knowledge of the Group, their past performance, business and customers, and our general insurance industry experience in considering the appropriateness of the forecast used.
- We independently developed a discount rate range based on analysis of comparable companies using publicly available market data, adjusted by risk factors specific to the Group and the industry it operates in.
- We performed sensitivity analysis on the discount rate, and forecast growth rate for key CGUs, placing focus on the expected increase in forecast revenue growth rates from usage of the Steadfast Client Trading Platform. Additionally, we cross checked the valuation results against earnings multiples inherent in the value of other comparable companies.
- We assessed the integrity of the value in use model used, including accuracy of the underlying calculation formulas.

Key audit matter	How our audit addressed the key audit matter

DECENTRALISED OPERATIONS

Refer to 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, and to a lesser degree, the United Kingdom, 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 Group 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, taking significant acquisitions made during the year into consideration;
- 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.

Our procedures included:

- We instructed component audit teams to perform procedures on the financial information prepared for consolidation purposes by 21 components. The selected components were significant to the audit of the Group, either by size or by risk, included over 77% of the Group's revenue and 91% of total assets. The objective of this approach was to gather evidence on significant balances that aggregate to form the Group's financial reporting.
- 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 significant to the audit of the Group and to plan relevant procedures. There was additional effort and attention given to our procedures on the newly acquired businesses in scope for group reporting. We discussed the component 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 those relating to the recognition of revenue as part of our evaluation of the component audit teams reporting to us.
- We tested the financial data used in the consolidation process for consistency with the financial data audited by component audit teams. We also assessed the consolidation process for compliance with accounting standards.
- We selected the financially significant components where KPMG were not the auditors and inspected the component auditors' files for consistency between the auditor's opinion and the underlying audit work.
- For the other components, not within the scope of the component audit teams, our head office audit procedures included testing the Group's key monitoring controls and performance of analytical procedures. We tested the head office 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 head office and component 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 and our related assurance opinion.

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.

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 and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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_responsibilities/ar1.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 2018, 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 42 to 62 of the Directors' report for the year ended 30 June 2018.

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

KPMG

KPMG

Scott Guse
Partner

Sydney
23 August 2018

Shareholders' Information

AS AT 31 JULY 2018

ORDINARY SHARE CAPITAL

There were 793,035,955 fully paid ordinary shares held by 5,046 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	427	737,789,739	93.03%
10,001 to 100,000	1,449	45,999,560	5.80%
5,001 to 10,000	607	4,647,215	0.59%
1,001 to 5,000	1,527	4,046,217	0.51%
1 to 1,000	1,036	553,224	0.07%
Total	**5,046**	**793,035,955**	**100.00%**

There were 0 shareholders holding less than a marketable parcel based on a market price of $2.92 at the close of trading on 31 July 2018.

SUBSTANTIAL SHAREHOLDERS	Date of notice	No. of shares	% of issued capital
INVESTORS MUTUAL LTD	07/06/17	44,821,736	5.98%

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	196,838,900	24.82%
J P MORGAN NOMINEES AUSTRALIA LIMITED	143,051,226	18.04%
NATIONAL NOMINEES LIMITED	63,851,194	8.05%
CITICORP NOMINEES PTY LIMITED	59,223,465	7.47%
MACKAY INSURANCE SERVICES PTY LTD	27,764,302	3.50%
BNP PARIBAS NOMINEES PTY LTD	14,746,660	1.86%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	14,415,410	1.82%
CITICORP NOMINEES PTY LIMITED	14,081,611	1.78%
BNP PARIBAS NOMS PTY LTD	12,399,654	1.56%
ARGO INVESTMENTS LIMITED	11,615,120	1.46%
UBS NOMINEES PTY LTD	10,459,780	1.32%
MACKAY INSURANCE SERVICES PTY LTD	6,165,945	0.78%
MR ROBERT BERNARD KELLY	5,520,552	0.70%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,976,452	0.63%
STEADFAST SHARE PLAN NOMINEE PTY LTD	4,002,247	0.50%
RC & IP GILBERT PTY LTD	3,500,000	0.44%
RM & JA ALFORD INVESTMENTS PTY LTD	3,185,000	0.40%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	2,886,187	0.36%
MR DAVID INGRAM	2,768,639	0.35%
SANDHURST TRUSTEES LTD	2,362,000	0.30%
Total	**603,814,344**	**76.14%**

DIVIDEND DETAILS

Dividend	Franking	Amount per share	DRP issue price	Payment date
Interim	Fully franked	2.8 cents	$2.65	22 March 2018
Final	Fully franked	4.7 cents	*	20 September 2018

The final dividend has an ex-dividend date of 29 August 2018 a record date of 30 August 2018, a payment date of 20 September 2018 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 10 September 2018

Corporate Directory

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

COMPANY SECRETARIES
Linda Ellis
Peter Roberts

NOTICE OF AGM
The AGM will be held on Thursday 18 October 2018 at 10.00am at the Hilton Hotel, 488 George Street, Sydney NSW 2000.

CORPORATE OFFICE
STEADFAST GROUP LIMITED
Level 4
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Sydney NSW 2000

Postal Address
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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).

Steadfast

Steadfast Group Limited
ABN 98 073 659 677

www.steadfast.com.au