

Steadfast Group Limited and controlled entities

Appendix 4D (rule 4.3A)

Preliminary final report for the half year ended 31 December 2020

Results for announcement to the market

(All comparisons to half year ended 31 December 2019)

	2020 \$'m	Up/Down \$'m	Movement %
Revenues from ordinary activities	378.6	27.7	8
EBITA before non-trading items	125.4	20.2	19
Underlying net profit after tax attributable to shareholders (Underlying NPAT) (Note 1)	60.4	9.8	19
Net profit after tax attributable to shareholders (Statutory NPAT) (Note 1)	73.4	145.3	202
Total comprehensive income attributable to shareholders	73.5	145.6	202

Note 1:

The table below provides the reconciliation between the net profit after tax before and after non-trading items:

	2020 \$'m	2019 \$'m
Net profit after tax attributable to shareholders (Statutory NPAT)	73.4	(71.9)
Less: Net gain from change in value or sale of investments	(10.1)	(1.6)
Less: Net gain on deferred consideration estimates	(0.6)	(4.7)
Less: Mark-to-market gains from revaluation of investment in JLG	(2.8)	(2.6)
Add: IBNA acquisition expense	-	72.7
Add: PSF rebate expense	-	60.2
Add: Impairment of investments	-	0.2
Add/(less): Other non-trading items	0.5	(1.7)
Net profit after tax after non-trading items attributable to shareholders (Underlying NPAT)	60.4	50.6

Some of the financial data in the table above, namely the netting of brokerage commissions paid when disclosing revenue, the separate identification of non-trading items and EBITA, are not disclosed in accordance with current Australian Accounting Standards requirements. However, all financial data is based on the information disclosed in the reviewed financial statements and notes to the financial statements of the Group and follow the recognition requirements of Australian Accounting Standards.

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit (%)
Interim 2021 dividend per share	4.4	4.4	30

Interim dividend dates

Ex-dividend date	1 March 2021
Record date	2 March 2021
Payment date	25 March 2021

The Company's DRP will operate by purchasing ordinary shares on market. A 2% discount will be applied. The record date is 2 March 2021. The last election notice for participation in the DRP in relation to this interim dividend is 3 March 2021.

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

	31 Dec 2020 (\$)	30 Jun 2020 (\$)
Net tangible assets per ordinary share*	(0.06)	0.13

* Net tangible assets per ordinary share are based on 868,476,036 shares on issue at 31 December 2020. There has been an increase of 5,270,635 in ordinary shares on issue since 30 June 2020.

Other information

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

	Ownership interest %
Associates	
Armstrong's Insurance Brokers Pty Ltd and Armstrong's Insurance Brokers Unit Trust	25.0%
Ausure Group Pty Ltd - associates thereof	19.6%
Blackburn (Insurance Brokers) Pty Ltd and Liability Brokers Pty Ltd	40.0%
Collective Insurance Brokers Pty Ltd	49.0%
Community Broker Network Pty Ltd (formerly National Adviser Services Pty Ltd) – associates thereof	35.0%
Covercorp Pty Ltd	49.0%
Edgewise Insurance Brokers Pty Ltd and The Bradstock GIS Unit Trust	49.2%
Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd	37.0%
Finpac Insurance Advisors Pty Ltd	49.0%
Fenchurch Insurance Brokers Pty Ltd	25.0%
Glenowar Pty Ltd	49.0%
HJS Unit Trust	33.3%
J.D.I (YOUNG) Pty Ltd	25.0%
Johansen Insurance Brokers Pty Ltd	48.4%
King Insurance Brokers Pty Ltd	37.0%
McKillops Insurance Brokers Pty Ltd	49.0%
Melbourne Insurance Brokers Pty Ltd	49.0%
Meridian Lawyers Limited	25.0%
Northern City Insurance Brokers (VIC) Pty Ltd	50.0%
Origin Insurance Brokers Pty Ltd	49.0%
Pollard Advisory Services Pty Ltd	46.5%
QUS Pty Ltd	45.0%
Rose Stanton Insurance Brokers Pty Ltd	49.0%
Rothbury Group Limited	42.8%
RSM Group Pty Ltd	49.0%
Sapphire Star Pty Ltd	30.0%
Southside Insurance Brokers Pty Ltd	49.0%
Steadfast Eastern Insurance Brokers Pty Ltd	25.0%
Steadfast Life Pty Ltd	50.0%
Sterling Insurance Pty Limited	39.5%
Tudor Insurance Australia (Insurance Brokers) Pty Ltd and Tudor Insurance Agency Unit Trust	48.0%
unisonSteadfast AG	40.0%
Watkins Taylor Stone Insurance Brokers Pty Ltd and D&E Watkins Unit Trust	35.0%
Joint ventures	
ABICO Insurance Brokers and its related entities (ABICO)	50.0%
Ausure City & Rural Pty Ltd	50.0%
BAC Insurance Brokers Pty Ltd	50.0%
Blend Insurance Solutions Pty Ltd	50.0%
Clubs New Zealand Insurance Services Ltd	50.0%
Rhymemat Pty Ltd	27.8%
Steadfast Risk Services Pty Ltd and its subsidiary	50.0%

The aggregate share of profits after tax of associates and joint venture accounted for using equity method is \$8.5 million.

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2020 financial statements and accompanying notes.

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

Attachment A

Steadfast Group Limited
Half year financial report – 31 December 2020

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2021

Steadfast Group
Half Year Financial Report

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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 half year ended 31 December 2020 and the auditor's review report thereon.

Directors

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

Name	Date of appointment
Chairman	
Frank O'Halloran, AM	21 October 2012
Managing Director & CEO	
Robert Kelly	18 April 1996
Other Directors	
David Liddy, AM (Deputy Chairman)	1 January 2013
Gai McGrath	1 June 2018
Anne O'Driscoll	1 July 2013
Philip Purcell	1 February 2013
Greg Rynenberg	10 August 1998

Directors' Report continued

Operating and financial review

A. Operating results for the half year

The trading results for the half year are summarised as follows (refer Note 5):

	31 Dec 2020 \$'m	31 Dec 2019 \$'m
Statutory net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (statutory NPAT) ¹	73.4	(71.9)
Adjusted for non-trading items (net of tax and non-controlling interest):		
Net gain from change in value or sale of investments	(10.1)	(1.6)
Net gain on deferred consideration estimates	(0.6)	(4.7)
Mark-to-market gains from revaluation of investment in JLG (net of tax)	(2.8)	(2.6)
IBNA acquisition expense	-	72.7
PSF rebate expense	-	60.2
Impairment of investments	-	0.2
Other non-trading items	0.5	(1.7)
Underlying net profit after income tax attributable to owners of Steadfast Group Limited (underlying NPAT)	60.4	50.6
Underlying diluted earnings per share (cents per share)	6.98	5.96
Statutory diluted earnings per share (cents per share)	8.49	(8.72)

¹ The Group reported a statutory loss for the prior half year as a result of expensing the consideration paid for both the acquisition of IBNA and the PSF rebate offer.

The underlying profit attributable to the Group after income tax, before non-trading items was \$60.4 million compared to \$50.6 million in 31 December 2019. The increase was mainly due to:

- ▶ revenue growth from continuing hardening market;
- ▶ increased professional services fees derived through continued negotiation and seeking new opportunities with strategic partners;
- ▶ acquisitions of interests in further businesses;
- ▶ expense savings as our businesses adapted to COVID-19 impacts;
- ▶ reduction in professional service fees rebate expenses; and
- ▶ \$1.5 million (net of tax and non-controlling interest) of Government assistance received by our equity businesses impacted by COVID-19.

The Group benefited from continued price rises by insurers on insurance premiums, partially offset by the impact on volumes in the businesses from COVID-19. Whilst there has been significant impact to the economy resulting from the COVID-19 pandemic, the essential nature of insurance to provide financial protection for businesses and consumers meant that any negative financial impact of COVID-19 on the underlying results of Steadfast businesses to date has been minimal.

The underlying net profit after tax (underlying NPAT) reflects an assessment of the result for the business of the Group as determined by the Board and management. Underlying NPAT has been calculated in accordance with ASIC's Regulatory Guide RG230. Underlying NPAT has not been reviewed by the Group's external auditors; however the adjustments to statutory profit / (loss) after tax have been extracted from the books and records that have been reviewed. Underlying NPAT is disclosed as it is useful for investors to gain a better understanding of the Group's financial results from normal operating activities.

B. Review of financial condition

I. Financial position

The increase in the total assets and total liabilities of the Group during the half year to 31 December 2020 was mainly attributable to the acquisitions of new businesses funded through the corporate debt facility as detailed in Note 10 to the financial statements.

II. Cash from operations

The net inflows of \$194.7 million include net inflows from operating activities of \$127.4 million and a net inflow of \$67.3 million to broking trust accounts. The increased net inflows from operations represents continued growth in the Group's scale of operations. The increased cash from operations also reflects the continued conversion of profits into cash flows, which is typically strong in the first half when seasonally higher June billings are collected. After funding dividends, the remaining free cash flow is available for corporate activities, including acquisitions of further business interests.

III. Capital management

As at 31 December 2020, the Company had a total of 868.5 million ordinary shares on issue, which increased from the 863.2 million ordinary shares on issue at 30 June 2020, with the increase due to shares issued through the Dividend Reinvestment Plan. The Company continues to acquire shares on market to provide for potential share issues to employees, including Key Management Personnel (KMP), under equity based incentive programmes.

The Board leverages the Group's equity, adopting a maximum 30.0% total gearing ratio excluding premium funding borrowings. As at 31 December 2020, the Group's total gearing ratio was 26.4% (30 June 2020: 21.5%). Refer Note 9C. The increased gearing resulted from financing acquisitions predominantly through the corporate debt facility.

The Group's premium funding subsidiary, IQumulate Premium Funding Pty Ltd, established a Warehouse Trust in July 2020 to refinance the majority of its existing borrowing facilities. The Warehouse Trust limit is \$470.0 million (inclusive of \$16.5 million Steadfast Group funds). The Warehouse Trust will continue to provide a source of funding for the Australian lending operations through the issuance of notes that have a maturity date of July 2022. Consistent with previous funding arrangements, IQumulate continues to hold trade credit insurance coverage, and recourse to the assets is limited to IQumulate only and is not cross-collateralised with other borrowings in the Group.

Events after the reporting period

Subsequent to 31 December 2020, the Board declared an interim dividend of 4.4 cents per share, 100% franked. The dividend will be paid on 25 March 2021.

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 in the most recent annual financial report for details of the Group's key strategies and prospects.

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.

The Board has reconfirmed the full year FY21 guidance to be at the top end of the guidance range previously provided, namely:

- ▶ Underlying EBITA of \$245.0 million to \$255.0 million
- ▶ Underlying NPAT of \$120.0 million to \$127.0 million
- ▶ Underlying diluted EPS (NPAT) growth of 10% to 15%

The Board notes the outlook and guidance are subject to ongoing review and the uncertainty surrounding the impact of COVID-19 pandemic on the global economy and the impact of any government stimulus measures on the Australasian economy. At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not materially change the significant estimates, judgements and assumptions in the preparation of the financial statements (refer Note 3), however COVID-19 and its associated economic impacts remain uncertain. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note that the situation is continuing to evolve.

Directors' Report continued

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2020.

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 hundred thousand dollars, unless otherwise stated.

Signed at Sydney on 23 February 2021 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 the Corporations Act 2001

To the Directors of Steadfast Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Steadfast Group Limited for the half-year ended 31 December 2020 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Scott Guse'.

Scott Guse

Partner

Sydney

23 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020

	Notes	31 Dec 2020 \$'m	31 Dec 2019 \$'m
REVENUE			
Fee and commission income		398.7	377.4
Less: brokerage commission paid		(83.6)	(81.8)
Net fee and commission income		315.1	295.6
Premium funding interest income		37.2	26.9
Share of profits of associates & joint ventures	11	8.5	11.8
Fair value gain on listed investment		4.1	3.7
Net gain from investments		10.8	7.6
Other income		2.9	5.3
		378.6	350.9
EXPENSES			
Employment expense		(151.7)	(140.9)
Operating, brokers' support service and other expenses		(42.3)	(38.3)
Selling expense		(30.2)	(33.1)
Occupancy expense		(3.5)	(3.9)
Amortisation expense	7	(20.5)	(18.0)
Depreciation expense		(9.3)	(8.5)
Impairment expense – non-financial assets		-	(0.2)
Finance cost		(7.8)	(7.5)
Insurance Brokers Network Australia Limited (IBNA) acquisition		-	(72.7)
Professional Services Fee (PSF) rebate offer		-	(73.0)
		(265.3)	(396.1)
Profit / (loss) before income tax expense		113.3	(45.2)
Income tax expense		(30.5)	(14.4)
Profit / (loss) after income tax expense for the period		82.8	(59.6)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Net movement in foreign currency translation reserve		-	(0.3)
Cash flow hedge effective portion of change in fair value		0.1	-
Income tax benefit on other comprehensive income		-	0.1
Total other comprehensive income / (loss) for the period, net of tax		0.1	(0.2)
Total comprehensive income / (loss) for the period, net of tax		82.9	(59.8)
PROFIT / (LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Non-controlling interests		9.4	12.3
Owners of Steadfast Group Limited	4	73.4	(71.9)
		82.8	(59.6)

	Notes	31 Dec 2020 \$'m	31 Dec 2019 \$'m
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD IS ATTRIBUTABLE TO:			
Non-controlling interests		9.4	12.3
Owners of Steadfast Group Limited		73.5	(72.1)
		82.9	(59.8)
EARNINGS PER SHARE			
Basic earnings per share (cents per share)	5	8.50	(8.72)
Diluted earnings per share (cents per share)	5	8.49	(8.72)

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 31 December 2020

	Notes	31 Dec 2020 \$'m	30 Jun 2020 \$'m
ASSETS			
Current assets			
Cash and cash equivalents		247.7	210.6
Cash held on trust		548.7	449.0
Trade and other receivables	12	133.8	145.7
Premium funding receivables	12	526.1	537.2
Other		16.3	9.8
Total current assets		1,472.6	1,352.3
Non-current assets			
Goodwill	7	1,068.9	930.3
Intangible assets	7	212.6	182.4
Investments in associates & joint ventures	11	114.7	118.9
Property, plant and equipment		58.1	58.9
Right-of-use assets		35.0	34.7
External shareholder loans		21.2	46.5
Other financial assets		15.9	11.8
Deferred tax assets		24.3	17.4
Other		2.6	2.6
Total non-current assets		1,553.3	1,403.5
Total assets		3,025.9	2,755.8

	Notes	31 Dec 2020 \$'m	30 Jun 2020 \$'m
LIABILITIES			
Current liabilities			
Payables on broking/underwriting agency operations		527.9	435.6
Premium funding payables		127.8	144.1
Trade and other liabilities		91.5	99.8
Corporate and subsidiaries borrowings	8	6.2	2.8
Premium funding borrowings	8	1.7	399.3
Lease liabilities		12.8	11.9
Deferred consideration	10	43.8	7.8
Provisions		33.5	29.7
Income tax payable		13.4	18.4
Total current liabilities		858.6	1,149.4
Non-current liabilities			
Corporate and subsidiaries borrowings	8	415.2	318.2
Premium funding borrowings	8	438.9	-
Deferred tax liabilities		62.3	46.5
Lease liabilities		29.2	29.9
Provisions		9.9	9.3
Deferred consideration	10	23.3	4.4
Other payables		1.0	0.6
Total non-current liabilities		979.8	408.9
Total liabilities		1,838.4	1,558.3
Net assets		1,187.5	1,197.5
EQUITY			
Share capital	9	1,166.8	1,149.6
Treasury shares held in trust	9	(13.7)	(11.2)
Revaluation reserve		12.1	12.1
Other reserves	9D	(55.4)	(11.8)
Retained earnings		2.0	(18.6)
Equity attributable to the owners of Steadfast Group Limited		1,111.8	1,120.1
Non-controlling interests		75.7	77.4
Total equity		1,187.5	1,197.5

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 half year ended 31 December 2020

	Equity attributable to owners of Steadfast Group Limited						Non-controlling interests	Total equity
31 Dec 2020	Share capital \$'m	Treasury shares held in trust \$'m	Revaluation reserve \$'m	Other reserves \$'m	Retained earnings \$'m	Total \$'m	\$'m	\$'m
Balance at 1 July 2020	1,149.6	(11.2)	12.1	(11.8)	(18.6)	1,120.1	77.4	1,197.5
Profit/(loss) after income tax expense for the half year	-	-	-	-	73.4	73.4	9.4	82.8
Other comprehensive income for the half year, net of tax	-	-	-	0.1	-	0.1	-	0.1
Total comprehensive income for the half year	-	-	-	0.1	73.4	73.5	9.4	82.9
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:								
Issue of share capital (Note 9)	17.2	-	-	-	-	17.2	-	17.2
Shares acquired and held in trust (Note 9)	-	(5.9)	-	-	-	(5.9)	-	(5.9)
Share-based payments on Executive Shares and employee share plans	-	-	-	2.7	-	2.7	-	2.7
Shares allotted/ allocated (Note 9)	-	3.4	-	(3.6)	-	(0.2)	-	(0.2)
Transfer between other reserves and retained earnings	-	-	-	1.0	(1.0)	-	-	-
Non-controlling interests of acquired entities (Note 10)	-	-	-	-	-	-	2.6	2.6
Issuance of put options over non-controlling interests (Note 10F)	-	-	-	(26.0)	-	(26.0)	-	(26.0)
Change in equity interests in subsidiaries without loss of control	-	-	-	(17.8)	-	(17.8)	(4.0)	(21.8)
Dividends declared and paid (Note 6)	-	-	-	-	(51.8)	(51.8)	(9.7)	(61.5)
Balance at 31 December 2020	1,166.8	(13.7)	12.1	(55.4)	2.0	1,111.8	75.7	1,187.5

	Equity attributable to owners of Steadfast Group Limited						Non-controlling interests	Total equity
	Share capital \$'m	Treasury shares held in trust \$'m	Revaluation reserve \$'m	Other reserves \$'m	Retained earnings \$'m	Total \$'m	\$'m	\$'m
31 Dec 2019								
Balance at 1 July 2019	912.5	(9.9)	-	75.0	34.8	1,012.4	79.1	1,091.5
Profit/(loss) after income tax expense for the half year	-	-	-	-	(71.9)	(71.9)	12.3	(59.6)
Other comprehensive income for the half year, net of tax	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive income for the half year	-	-	-	(0.2)	(71.9)	(72.1)	12.3	(59.8)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:								
Issue of share capital	237.1	-	-	-	-	237.1	-	237.1
Shares acquired and held in trust	-	(5.1)	-	-	-	(5.1)	-	(5.1)
Share-based payments on Executive Shares and employee share plans	-	-	-	2.6	-	2.6	-	2.6
Shares allotted/ allocated	-	3.9	-	(4.0)	-	(0.1)	-	(0.1)
Non-controlling interests of acquired entities	-	-	-	-	-	-	0.7	0.7
Transfer between other reserves and retained earnings	-	-	-	(1.6)	1.6	-	-	-
Change in equity interests in subsidiaries without loss of control	-	-	-	0.7	-	0.7	(6.7)	(6.0)
Dividends declared and paid (Note 6)	-	-	-	-	(42.0)	(42.0)	(16.4)	(58.4)
Land & buildings revaluation	-	-	12.1	-	-	12.1	-	12.1
Balance at 31 December 2019	1,149.6	(11.1)	12.1	72.5	(77.5)	1,145.6	69.0	1,214.6

Consolidated Statement of Cash Flows

For the half year ended 31 December 2020

	Notes	31 Dec 2020 \$'m	31 Dec 2019 \$'m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		386.0	277.5
Payments to suppliers and employees, and Network Broker rebates		(253.6)	(164.7)
Net cash inflow from premium funding borrowings	8	41.3	421.6
Net cash outflow to premium funding customers		(6.7)	(401.0)
Dividends received from associates and joint ventures		8.3	12.2
Interest received		2.2	4.6
Interest and other finance cost paid		(6.3)	(7.0)
Income taxes paid		(43.8)	(33.9)
Net cash from operating activities before customer trust accounts movement		127.4	109.3
Net movement in customer trust accounts (net cash receipts/payments on behalf of customers)		67.3	43.8
Net cash from operating activities	15	194.7	153.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions of subsidiaries and business assets		(119.9)	(8.5)
Cash acquired from acquisitions of subsidiaries and business assets		39.2	7.6
Payments for PSF rebate offer		-	(38.2)
Payments for investments in associates and joint ventures		(8.0)	(0.8)
Payments for step-up investment in subsidiaries on hubbing arrangements		(20.1)	(7.3)
Dividends received from listed investment		0.1	0.2
Payments for deferred consideration of subsidiaries, associates and business assets	10	(7.1)	(11.2)
Proceeds from part disposal of investment in subsidiaries on hubbing arrangements		2.1	10.6
Proceeds from disposal of investment in associates		0.6	2.8
Payments for property, plant and equipment		(0.9)	(0.8)
Payments for intangible assets		(8.7)	(8.9)
Net cash used in investing activities		(122.7)	(54.5)

	Notes	31 Dec 2020 \$'m	31 Dec 2019 \$'m
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	127.2
Payments for transaction costs on issue of shares		-	(3.7)
Dividends paid to owners of Steadfast, net of Dividend Reinvestment Plan		(34.6)	(36.9)
Dividends paid to non-controlling interests		(9.7)	(16.4)
Proceeds from borrowings	8	101.1	86.1
Repayment of borrowings	8	(2.0)	(106.3)
Payments for purchase of treasury shares	9	(5.9)	(5.1)
Repayment of related party loans		-	0.2
Payments for related party loans		-	(0.2)
Repayment of non-related party loans		22.8	1.5
Payments for non-related party loans		-	(5.6)
Payment of lease liabilities		(6.8)	(5.9)
Net cash from financing activities		64.9	34.9
Net increase in cash and cash equivalents		136.9	133.5
Cash and cash equivalents at the beginning of the financial period		659.6	540.2
Effect of movements in exchange rates on cash held		(0.1)	0.1
Cash and cash equivalents at the end of the financial period		796.4	673.8

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 half year ended 31 December 2020

Note 1. General Information

This general purpose financial report is for the half year period ended 31 December 2020 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 February 2021.

This report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Note 2. Significant accounting policies

A. Statement of Compliance

This half year financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 Interim Financial Reporting, the recognition and measurement requirements of other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the 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 form the basis of the Australian Accounting Standards. This half year financial report of the Group does not include all information required for annual financial statement presentation in accordance with IFRS.

B. Basis of preparation of the financial report

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in the Group and are the same as those applied for the most recent annual financial report except as described below. 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 Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the year ending 30 June 2021 and thus are also applicable for the half year ended 31 December 2020. Adoption of these standards has not had any material effect on the financial position or performance of the Group.

Title	Description	Note
AASB 2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	(i)
AASB 2019-3	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	(ii)

Table notes

- The revised Conceptual Framework has been introduced so that for-profit publicly accountable entities that comply with Australian Accounting Standards can assert compliance with IFRS Standards. As the Group currently prepares Tier 1 general-purpose financial statements, there is no material impact to the Group from the adoption of the amendments.
- At the date of reporting, there is no material impact to the Group from the implementation of the amendments.

II. 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 hundred thousand dollars, unless otherwise stated.

III. Australian Accounting Standards issued and not yet effective

The Group has not early adopted and applied any new, revised or amending Australian Accounting Standards and Interpretations that are not yet mandatory for the half year ended 31 December 2020.

The Group intends to adopt new, revised or amending Australian 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 material impact on the financial position or performance of the Group as a result of applying the new accounting standards.

Title	Description	Effective Date	Operating year	Note
AASB 17	Insurance Contracts	1 January 2023	30 June 2024	(i)

Table notes

- i. AASB 17 Insurance Contracts was issued in July 2017 as a replacement for AASB 4 Insurance Contracts and will be applicable to general, life and health insurance businesses. As the Group does not assume underwriting risk on insurance contracts or reinsurance contracts issued on behalf of licensed insurers as an intermediary there will be no financial impact from AASB 17 on the Group.

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) subsequent to the half year ended 31 December 2020 are discussed below.

The Group continues to consider the ongoing impact of COVID-19 when preparing the consolidated financial statements and related note disclosures, including the impact on the Group's forecast cash flows and liquidity. While the effects of COVID-19 do not materially change the significant estimates, judgements and assumptions considered by management in the preparation of the consolidated financial statements, they have increased the level of estimation uncertainty and the application of further judgement within these identified areas.

A. Goodwill

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

B. 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.

C. 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 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.

D. 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.

E. 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

Notes to the Financial Statements continued

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, typically 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 (other financial assets)	Level 1	The fair value is calculated based on number of shares multiplied by quoted price on ASX at balance date	Not applicable	Not applicable

F. 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.

G. Expected credit loss provision

The Group's expected credit loss provision is estimated based on the analysis of aged receivables, as the Group assumes that the credit risk on fee and commission receivables increases significantly if it is more than 90 days past due, as well as based on assumptions made on forward-looking information. For the premium funding businesses, the expected credit loss provision is based on historical analysis of credit losses for loans in arrears.

The Group continues to assess the credit impact of COVID-19 on the Group's fee and commission receivables. As at the date of reporting, COVID-19 has not had any material adverse impact on the Group's ability to collect outstanding debts, therefore, there has been no significant movement in the Group's provision for expected credit losses compared to the comparative reporting period due to COVID-19.

Note 4. Operating segments

The Group's corporate structure includes equity investments in insurance intermediary entities (insurance broking and underwriting agencies), 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 Group distributes insurance and issues premium funding products primarily in Australia and New Zealand. The Group is also expanding its footprint in the United Kingdom and Singapore, and has 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.

The financial performance of the Group's operating segments, as regularly provided to the Chief Operating Decision Maker (considered to be the Managing Director & CEO), is outlined in the below table. The financial performance of insurance intermediaries and premium funders is presented on an unconsolidated basis, that is, gross of transactions between reportable segments. Intercompany eliminations between insurance intermediaries and premium funders are disclosed separately below.

Half year to 31 Dec 2020	Insurance Intermediary \$'m	Premium Funding \$'m	Other \$'m	Intercompany Eliminations \$'m	Total Underlying \$'m	Reclassifi- cations \$'m ¹	Non- trading items \$'m ²	Total statutory \$'m
Total revenue	402.8	36.3	2.7	(4.0)	437.8	(74.0)	14.8	378.6
Total expenses	(313.0)	(31.4)	(6.9)	4.0	(347.3)	82.5	(0.5)	(265.3)
Share of EBITA from associates and joint ventures	12.5	-	0.6	-	13.1	(13.2)	0.1	-
Financing expense - associates	(0.2)	-	-	-	(0.2)	0.2	-	-
Amortisation expense - associates	(1.2)	-	-	-	(1.2)	1.2	-	-
Net profit/(loss) before tax	100.9	4.9	(3.6)	-	102.2	(3.3)	14.4	113.3
Income tax benefit/(expense)	(31.5)	(1.5)	0.3	-	(32.7)	3.3	(1.1)	(30.5)
Net profit/(loss) after tax	69.4	3.4	(3.3)	-	69.5	-	13.3	82.8
Non-controlling interests	(9.0)	(0.1)	-	-	(9.1)	-	(0.3)	(9.4)
Net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (NPAT)	60.4	3.3	(3.3)	-	60.4	-	13.0	73.4

¹ Much of the reclassification relates to commissions paid by the Group's underwriting agencies. Such commissions paid are netted off against revenue in the statutory numbers, and are disclosed as expenses in the underlying numbers.

² Refer Note 5B for a breakdown of non-trading item adjustments.

Notes to the Financial Statements continued

Half year to 31 Dec 2019	Insurance Intermediary \$'m	Premium Funding \$'m	Other \$'m	Intercompany Eliminations \$'m	Total Underlying \$'m	Reclassifi- cations \$'m	Non- trading items \$'m	Total statutory \$'m
Total revenue	373.6	39.1	2.0	(4.0)	410.7	(79.5)	19.7	350.9
Total expenses	(299.8)	(33.4)	(6.6)	4.0	(335.8)	85.1	(145.4)	(396.1)
Share of EBITA from associates and joint ventures	9.5	-	0.2	-	9.7	(9.7)	-	-
Financing expense - associates	(0.2)	-	-	-	(0.2)	0.2	-	-
Amortisation expense - associates	(1.2)	-	-	-	(1.2)	1.2	-	-
Net profit/(loss) before tax	81.9	5.7	(4.4)	-	83.2	(2.7)	(125.7)	(45.2)
Income tax benefit/(expense)	(23.8)	(3.4)	1.7	-	(25.5)	2.7	8.4	(14.4)
Net profit/(loss) after tax	58.1	2.3	(2.7)	-	57.7	-	(117.3)	(59.6)
Non-controlling interests	(6.7)	(0.4)	-	-	(7.1)	-	(5.2)	(12.3)
Net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (NPAT)	51.4	1.9	(2.7)	-	50.6	-	(122.5)	(71.9)

Note 5. Earnings per share

A. Reporting period value

	Half year to 31 Dec 2020 Cents	Half year to 31 Dec 2019 Cents
Basic earnings per share	8.50	(8.72)
Diluted earnings per share	8.49	(8.72)
If non-trading items were removed, the underlying earnings per share would be as follows:		
Basic earnings per share	7.00	5.97
Diluted earnings per share	6.98	5.96

B. Reconciliation of earnings used in calculating earnings per share

	Half year to 31 Dec 2020 \$'m	Half year to 31 Dec 2019 \$'m
Profit/(loss) after income tax	82.8	(59.6)
Non-controlling interests	(9.4)	(12.3)
Profit/(loss) after income tax attributable to the owners of Steadfast Group Limited for calculation of statutory basic and diluted earnings per share	73.4	(71.9)
Adjusted for non-trading items (net of tax and non-controlling interest):		
Net gain from change in value or sale of investments	(10.1)	(1.6)
Net gain on deferred consideration estimates	(0.6)	(4.7)
Mark-to-market gains from revaluation of investment in JLG	(2.8)	(2.6)
IBNA acquisition expense	-	72.7
PSF rebate expense	-	60.2
Impairment of investments	-	0.2
Other non-trading items	0.5	(1.7)
Underlying profit after income tax attributable to the owners of Steadfast Group Limited (underlying NPAT) for calculation of underlying basic and diluted earnings per share	60.4	50.6

C. Reconciliation of weighted average number of shares used in calculating earnings per share

	Half year to 31 Dec 2020 Number in millions	Half year to 31 Dec 2019 Number in millions
I. Weighted average number of ordinary shares issued		
Weighted average number of ordinary shares issued	867.2	828.3
Weighted average number of treasury shares held in trust	(3.8)	(3.4)
Weighted average number of ordinary shares used in calculating basic earnings per share	863.4	824.9
II. Weighted average number of dilutive potential ordinary shares		
Weighted average number of ordinary shares	863.4	824.9
Effect of share-based payments arrangements	1.7	2.0
Weighted average number of ordinary shares used in calculating diluted earnings per share	865.1	826.9

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:

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 may receive conditional rights instead of cash. One conditional right will convert to one ordinary share subject to vesting conditions being met. These share-based payment arrangements are granted to employees free of cost and no consideration is payable on conversion to Steadfast's ordinary shares. These arrangements have a dilutive effect to the basic earnings per share (EPS).

Notes to the Financial Statements continued

Note 6. Dividends

A. Dividends on ordinary shares during the half year

	Cents per share	Total amount \$'m	Payment date	Tax rate for franking credit	Percentage franked
31 December 2020					
2020 final dividend	6.0	51.8	25 September 2020	30%	100%
31 December 2019					
2019 final dividend	5.3	42.0	20 September 2019	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 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.

B. Dividend Policy

The Company targets a dividend payout ratio in the range of 65% to 85% of underlying 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, impairment and other non-trading items.

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 February 2021, 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 \$'m	Expected payment date	Tax rate for franking credit	Percentage franked
2021 interim dividend	4.4	38.2	25 March 2021	30%	100%

The Company's DRP will operate by the issue of new shares. A 2% discount will be applied. The last election notice for participation in the DRP in relation to this interim dividend is 3 March 2021.

Note 7. Intangible assets and goodwill

A. Composition

	Customer relationships \$'m	Capitalised software \$'m	Other intangible assets \$'m	Total intangible assets \$'m	Goodwill \$'m
31 December 2020					
At cost	337.2	57.0	8.0	402.2	1,112.0
Accumulated amortisation and impairment	(158.6)	(23.9)	(7.1)	(189.6)	(43.1)
	178.6	33.1	0.9	212.6	1,068.9

B. Movements (6 months)

	Customer relationships \$'m	Capitalised software \$'m	Other intangible assets \$'m	Total intangible assets \$'m	Goodwill \$'m
31 December 2020					
Balance at the beginning of the financial period	148.4	32.8	1.2	182.4	930.3
Additions	4.0	5.6	-	9.6	0.1
Additions through business combinations	41.2	-	-	41.2	138.5
Reduction upon loss of control	-	(0.1)	-	(0.1)	-
Amortisation expense – acquired intangibles	(15.0)	-	(0.3)	(15.3)	-
Amortisation expense – developed intangibles	-	(5.2)	-	(5.2)	-
Balance at the end of the financial period	178.6	33.1	0.9	212.6	1,068.9

C. Composition

	Customer relationships \$'m	Capitalised software \$'m	Other intangible assets \$'m	Total intangible assets \$'m	Goodwill \$'m
30 June 2020					
At cost	292.0	51.6	8.0	351.6	973.6
Accumulated amortisation and impairment	(143.6)	(18.8)	(6.8)	(169.2)	(43.3)
	148.4	32.8	1.2	182.4	930.3

D. Movements (12 months)

	Customer relationships \$'m	Capitalised software \$'m	Other intangible assets \$'m	Total intangible assets \$'m	Goodwill \$'m
30 June 2020					
Balance at the beginning of the financial year	164.1	27.1	2.0	193.2	945.5
Additions	8.8	13.7	0.1	22.6	-
Additions through business combinations	6.7	-	-	6.7	25.2
Reduction upon loss of control	(1.1)	-	(0.1)	(1.2)	(3.6)
Amortisation expense – acquired intangibles	(27.6)	(0.1)	(0.8)	(28.5)	-
Amortisation expense – developed intangibles	-	(7.9)	-	(7.9)	-
Impairment expense	(2.4)	-	-	(2.4)	(36.4)
Net foreign currency exchange difference	(0.1)	-	-	(0.1)	(0.4)
Balance at the end of the financial year	148.4	32.8	1.2	182.4	930.3

Notes to the Financial Statements continued

Note 8. Borrowings

The Group has two types of borrowings, as follows:

- ▶ Corporate and subsidiaries' borrowings - Bank loans and lines of credit in corporate and subsidiaries for the purpose of carrying out the Group's principal activities including the distribution of insurance policies via insurance brokerages and underwriting agencies and related services, as well as acquisitions and bolt-ons. These loans are secured against the Group's assets, excluding IQumulate Premium Funding Pty Ltd (IQumulate).
- ▶ Premium funding borrowings - Borrowings and issuance of notes to finance only the premium funding businesses (predominantly IQumulate). These loans have recourse only to the assets of the premium funding business.

These two types of borrowings are not cross-collateralised, and therefore are shown separately.

The Group complied with all debt covenants during the reporting period.

A. Corporate and subsidiaries' borrowings

I. Bank loans

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
Current	6.2	2.8
Non-current	415.9	320.3
	422.1	323.1
Capitalised transaction costs	(0.7)	(2.1)
	421.4	321.0

II. Bank facilities available

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
a. Bank facilities drawn down or applied		
Bank loans - corporate facility	371.0	275.0
Bank loans - subsidiaries	51.1	48.1
Lines of credit - corporate facility	4.3	3.9
Lines of credit - subsidiaries	-	-
	426.4	327.0

b. Bank facilities not drawn down or applied

Bank loans - corporate facility	79.0	175.0
Bank loans - subsidiaries	8.6	5.8
Lines of credit - corporate facility	5.7	6.1
Lines of credit - subsidiaries	0.6	0.6
	93.9	187.5

c. Total bank facilities available

Bank loans	509.7	503.9
Lines of credit	10.6	10.6
	520.3	514.5

III. Corporate facility details

As at 31 December 2020:

- ▶ the Company had a \$460.0 million multibank syndicated facility (corporate facility) (June 2020: \$460.0 million); and
- ▶ \$371.0 million of the \$460.0 million facility had been drawn down, which together with \$4.3 million for bonds and rental guarantees, leaves \$84.7 million available in the corporate facility for future drawdowns (30 June 2020: \$181.1 million).

IV. Key terms and conditions of corporate facilities

The \$460.0 million corporate facility includes the following tranches:

- ▶ a revolving (partly drawn) \$260.0 million tranche for three years, maturing January 2023;
- ▶ a revolving (undrawn) \$75.0 million tranche for five years, maturing January 2025;
- ▶ a fully drawn (term loan) \$62.5 million tranche for five years, maturing January 2025; and
- ▶ a fully drawn (term loan) \$62.5 million tranche for seven years, maturing January 2027.

Other key terms of the corporate facility are:

- ▶ variable interest rate – based on BBSY plus an applicable margin for all tranches of the corporate facility; and
- ▶ the facility is guaranteed by certain wholly-owned subsidiaries and is secured over all of the present and future acquired property of the Company and the guarantors (other than certain excluded property), which is standard in facilities of this nature.

The Company has entered into two interest rate swaps, with face values of \$150.0 million and \$62.5 million, where the Company swaps the floating rate payment into fixed rate payments for two and a half years.

The key terms and conditions of the multibank syndicated facility are consistent with a facility of this size and nature and the circumstances of Steadfast.

B. Premium funding borrowings

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
I. Premium funding borrowings		
Current	1.7	399.7
Non-current	438.9	-
	440.6	399.7
Less: capitalised transaction costs	-	(0.4)
	440.6	399.3
II. Premium funding borrowings available		
Premium funding borrowings drawn down or applied	440.6	399.7
Premium funding borrowings not drawn down or applied	48.8	118.9
	489.4	518.6

The Group's premium funding subsidiary, IQumulate, established a Warehouse Trust in July 2020 to refinance the majority of its existing borrowing facilities. The Warehouse Trust limit is \$470.0 million (inclusive of \$16.5 million Steadfast Group funds). The Warehouse Trust will continue to provide a source of funding for the Australian lending operations through the issuance of notes that have a maturity date of July 2022. Consistent with previous funding arrangements, IQumulate continues to hold trade credit insurance coverage, and recourse to the assets is limited to IQumulate only and is not cross-collateralised with other borrowings in the Group.

Notes to the Financial Statements continued

C. Reconciliation of movements of liabilities and cash flows arising from financing activities

	Bank loans - corporate facility \$'m ¹	Bank loans - subsidiaries \$'m	Bank loans - Corporate facility and subsidiaries \$'m	Premium funding borrowings \$'m ²	Total borrowings \$'m
31 December 2020					
Balance at the beginning of the financial period	273.0	48.0	321.0	399.3	720.3
Proceeds from borrowings	96.0	5.1	101.1	42.3	143.4
Repayment of borrowings	-	(2.0)	(2.0)	(1.0)	(3.0)
Unwind capitalised transaction costs	1.3	-	1.3	-	1.3
Balance at the end of the financial period (net of capitalised transaction costs)	370.3	51.1	421.4	440.6	862.0

¹ The opening balance comprises \$275.0m drawn down less capitalised transaction costs of \$2.1m. The closing balance comprises \$371.0m drawn down less capitalised transaction costs of \$0.7m.

² Proceeds from and repayment of premium funding borrowings are classified as cash flows from operating activities in the Consolidated Statement of Cash Flows.

Note 9. Notes to the Statement of Changes in Equity and Reserves

A. Share capital

	Half year to 31 Dec 2020 Number of shares 'm	Year to 30 Jun 2020 Number of shares 'm	Half year to 31 Dec 2020 \$'m	Year to 30 Jun 2020 \$'m
Reconciliation of movements				
Balance at the beginning of the financial period	863.2	793.0	1,149.6	912.5
Shares issued for:				
Dividend Reinvestment Plan	5.3	1.4	17.2	5.1
Institutional and retail share placement (Aug/Sep 2019)	-	35.2	-	119.1
IBNA acquisition (Oct 2019)	-	21.4	-	72.7
PSF rebate offer (Nov/Dec 2019)	-	12.2	-	42.9
Less: Transaction costs (and adjustments thereto), net of income tax	-	-	-	(2.7)
Balance at the end of the financial period	868.5	863.2	1,166.8	1,149.6

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.

B. Treasury shares held in Trust

	Half year to 31 Dec 2020	Year to 30 Jun 2020	Half year to 31 Dec 2020	Year to 30 Jun 2020
	Number of shares 'm	Number of shares 'm	\$'m	\$'m
Reconciliation of movements				
Balance at the beginning of the financial period	3.4	4.0	11.2	9.9
Shares allocated to employees	(1.2)	(2.0)	(3.6)	(4.0)
Shares acquired	1.6	1.3	5.9	5.1
Shares allotted through the Dividend Reinvestment Plan	0.1	0.1	0.2	0.2
Balance at the end of the financial period	3.9	3.4	13.7	11.2

Treasury shares are ordinary shares of the Company bought on market by the trustee (a wholly-owned subsidiary of the Group) of an employee share plan to meet 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 its total gearing ratio excluding premium funding borrowings, as these borrowings are only securitised against the assets of the premium funder. The total gearing ratio is calculated as total borrowings of the Company and its subsidiaries divided by total equity and total borrowings of the Company and its subsidiaries. Currently the Group's total gearing ratio is 26.4% compared to the maximum gearing ratio determined by the Board of 30.0% excluding premium funding borrowings.

The total gearing ratio has been calculated both including and excluding the premium funding borrowings as follows:

	Note	31 Dec 2020 \$'m	30 Jun 2020 \$'m	Maximum Board approved
Total borrowings of the Company and its subsidiaries (excluding premium funding borrowings)	8	426.4	327.0	
Total Group equity		1,187.5	1,197.5	
Total Group equity and total borrowings of the Company and its subsidiaries		1,613.9	1,524.5	
Total gearing ratio excluding premium funding borrowings		26.4%	21.5%	30.0%
Total borrowings of the Company and its subsidiaries (including premium funding borrowings)	8	867.0	726.3	
Total Group equity		1,187.5	1,197.5	
Total Group equity and total borrowings of the Company and its subsidiaries		2,054.5	1,923.8	
Total gearing ratio including premium funding borrowings		42.2%	37.8%	

Notes to the Financial Statements 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.

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 present value of liabilities in respect of put options issued to the minority shareholders of certain subsidiaries over those subsidiaries' 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.

V. Revaluation reserve

The revaluation reserve is used to record the movement in the fair value of the Group's land & buildings following Board valuation based on independent appraisal. Except for the revaluation reserve, movements in the other reserves are reported in aggregate.

Note 10. Business combinations

Acquisitions for the half year ended 31 December 2020

During the half year ended 31 December 2020, the Group completed a number of acquisitions in accordance with its strategy. None of these acquisitions were material to the Group and hence the information is shown in aggregate. Note 10E includes the ownership interest in businesses acquired which became subsidiaries of the Group during the reporting period.

A. Consideration paid/payable

	Total acquisitions \$'m
Half year to 31 Dec 2020	
Cash	119.9
Deemed consideration ⁽ⁱ⁾	17.3
Deferred consideration ⁽ⁱⁱ⁾	35.5
Total	172.7

Table notes

- i. This amount represents the fair value of the original investments at the date the Group gained control of an entity which was previously an associate of the Group.
- ii. 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 consolidated statement of profit or loss and other comprehensive income. The deferred consideration shown above represents:
 - \$32.5 million of deferred consideration for which the maximum amount of payment is variable and not capped;
 - \$1.9 million of deferred consideration which is capped; and
 - \$1.1 million of deferred consideration which is fixed.The deferred consideration excludes the present value of liabilities (\$26.0 million) in respect of put options issued to the minority shareholders of certain subsidiaries over those subsidiaries' shares (refer Note 10F).

B. Identifiable assets and liabilities acquired

Half year to 31 Dec 2020	Total acquisitions \$'m
Cash and cash equivalents ¹	39.2
Trade and other receivables ²	7.0
Property, plant and equipment	0.6
Right-of-use assets	2.3
Deferred tax assets	2.7
Identifiable intangibles	41.2
Other assets	10.0
Trade and other payables	(38.4)
Income tax payable	(3.8)
Lease liabilities	(2.3)
Provisions	(2.3)
Deferred tax liabilities	(14.2)
Other liabilities	(5.2)
Total net identifiable assets acquired	36.8

¹ Includes cash held on trust

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

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

C. Goodwill on acquisition

Half year to 31 Dec 2020	Total acquisitions \$'m
Total consideration paid/payable	172.7
Total net identifiable assets acquired	(36.8)
Non-controlling interests	2.6
Goodwill on acquisition ¹	138.5

¹ The majority of goodwill relates to acquired subsidiary's ability to generate future profits as well as the benefits from the combination of synergies. None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the Financial Statements continued

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.

Half year to 31 Dec 2020	Total acquisitions \$'m
Revenue	11.4
EBITA	5.1
Profit after income tax	3.4

If the acquisitions of subsidiaries occurred on 1 July 2020, the Group's revenue from acquisitions for the half year ended 31 December 2020 would further increase by \$6.2 million to \$17.6 million, EBITA would further increase by \$2.8 million to \$7.9 million and profit after income tax would further increase by \$0.6 million to \$4.0 million.

E. Subsidiaries acquired

The table below outlines the subsidiaries acquired during the half year ended 31 December 2020. The other acquisitions represent portfolio purchases and are therefore not included in this table.

Name of subsidiaries acquired	Table note	Ownership interest as at 31 Dec 2020 %
Glenowar Pty Ltd	(i)	100.00
Gold Seal I.P. Pty Limited and The Gold Seal I.P. Trust	(ii)	100.00
Gold Seal Practice Management Pty Ltd	(ii)	100.00
GSA Insurance Brokers Pty Ltd		80.00
Risk Partners Pty Ltd	(i)	100.00
Scott Winton Nominees Pty Ltd		100.00

Table notes

- During the half year, the Group acquired additional shares in Risk Partners Pty Ltd (Risk Partners) and Glenowar Pty Ltd (Glenowar). As a result, Risk Partners & Glenowar, which were previously associates, became subsidiaries of the Group.
- Gold Seal I.P. Pty Limited and The Gold Seal I.P. Trust provides compliance, training, customer experience and HR management services to the Steadfast Broker Network.

F. Deferred consideration reconciliation

The following table shows a reconciliation of movements in deferred consideration.

	Half year to 31 Dec 2020 \$'m	Year to 30 Jun 2020 \$'m
Balance at the beginning of the financial period	12.2	34.4
Settlement of deferred consideration	(7.1)	(23.3)
Additions from new acquisitions in business combinations	35.5	4.3
Additions from issuance of put options over non-controlling interests	26.0	-
Additions from new acquisitions of associates	0.3	-
Additions from new acquisitions of intangibles	0.8	1.2
Additions from step-up investments	-	1.0
Net gain in profit or loss on settlement or reassessment	(0.6)	(5.4)
Balance at the end of the financial period	67.1	12.2

Disclosed as:

Deferred consideration current:

Issuance of put options over non-controlling interests	10.0	-
Other	33.8	7.8

Deferred consideration non-current:

Issuance of put options over non-controlling interests	16.0	-
Other	7.3	4.4

Balance at the end of the financial period	67.1	12.2
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The balance of deferred consideration at the end of the financial period represents:

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
Amount payable is limited	1.9	-
Amount payable is not capped	64.1	12.0
Amount payable is fixed	1.1	0.2
	67.1	12.2

Notes to the Financial Statements continued

Note 11. Investments in associates & joint ventures

Reconciliation of movements of associates & joint ventures

	Half year to 31 Dec 2020 \$'m	Year to 30 Jun 2020 \$'m
Balance at the beginning of the financial period	118.9	128.3
Additions - cash	8.0	1.1
Additions - deferred consideration	0.3	2.1
Step-up investment to subsidiaries	(12.3)	(8.2)
Disposal of associates	(0.4)	(3.2)
	114.5	120.1
Share of EBITA from associates & joint ventures	13.2	29.3
Less share of:		
Finance cost	(0.2)	(0.5)
Amortisation expense	(1.2)	(2.5)
Income tax expense	(3.3)	(6.1)
Share of associates' profit after income tax	8.5	20.2
Dividends received/receivable	(8.3)	(18.8)
Impairment	-	(2.6)
Balance at the end of the financial period	114.7	118.9

Note 12. Trade and other receivables

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
Trade and other receivables		
Fee and commission receivables	73.5	91.1
Less: expected credit loss provision ¹	(3.7)	(3.2)
Net fee and commission receivables	69.8	87.9
Other receivables	64.0	57.8
	133.8	145.7

¹ \$0.3 million of the increase in the expected credit loss provision during the period is attributable to business acquisitions.

	31 Dec 2020 \$'m	30 Jun 2020 \$'m
Premium funding receivables		
Premium funding receivables	528.1	539.2
Less: expected credit loss provision	(2.0)	(2.0)
	526.1	537.2

Note 13. 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 third party 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 security for bank guarantees principally in respect of their contractual obligations on commercial leases.

Note 14. Events after the reporting period

On 23 February 2021, the Board declared an interim dividend for 2021 of 4.4 cents per share, 100% franked. The dividend will be paid on 25 March 2021. The Company's DRP will operate by the issue of new shares. A 2% discount will be applied. The last election notice for participation in the DRP in relation to this interim dividend is 3 March 2021.

Note 15. Reconciliation of profit after income tax to net cash from operating activities

	Half year to 31 Dec 2020 \$'m	Half year to 31 Dec 2019 \$'m
Profit/ (loss) after income tax expense for the half year	82.8	(59.6)
Adjustments for		
Depreciation, amortisation and (gain)/loss on disposal of property, plant and equipment	29.7	26.8
Share of profits of associates and joint ventures	(8.5)	(11.8)
Income tax paid	(43.8)	(33.9)
Dividends received from associates/joint ventures	8.3	12.2
Fair value gain on listed investments	(4.1)	(3.7)
Net gain from investments	(10.8)	(7.6)
Share-based payments and incentives accruals	5.2	4.1
Insurance Brokers Network Australia Limited (IBNA) acquisition	-	72.7
Professional Services Fee (PSF) rebate offer	-	73.0
Impairment expense	-	0.2
Interest income on loans	(0.1)	0.3
Capitalised interest on loans	1.5	0.5
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	70.9	51.8
(Increase)/decrease in deferred tax assets	(4.3)	(12.0)
(Increase)/decrease in other assets	2.1	(4.8)
Increase/(decrease) in trade and other payables	36.2	25.8
Increase/(decrease) in income tax payable	35.4	37.6
Increase/(decrease) in deferred tax liabilities	(0.6)	(11.2)
Increase/(decrease) in other liabilities	(4.5)	(3.7)
Increase/(decrease) in provisions	(0.7)	(3.6)
Net cash from operating activities	194.7	153.1

Notes to the Financial Statements continued

Note 16. Related party transactions

A. Transactions with subsidiaries

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

B. Transactions with other related parties

The following transactions occurred with related parties:

	Half year to 31 Dec 2020 \$'000	Half year to 31 Dec 2019 \$'000
I. Sale of goods and services		
Professional services fees received from associates on normal commercial terms	84	79
Commission income received/receivable from associates on normal commercial terms	776	258
II. Payment for goods and services		
Estimated Steadfast Network broker rebate expense paid or payable to associates on the basis as determined by the Board	33	16
Commission expense paid/payable to associates on normal commercial terms	6,150	5,359
Service fees paid to associates	636	-
III. Other transactions		
Steadfast Network Broker rebate offer expense paid to associates	-	14,994
Arm's length consideration for purchase of customer relationships paid to an entity controlled by a director	-	4,000
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	91	379
Dividend receivable from associates	-	98
b. Current payables		
Payables to associates	1,941	1,660

Note 17. Parent entity information

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

A. Statement of comprehensive income

	Half year to 31 Dec 2020 \$'m	Half year to 31 Dec 2019 \$'m
Profit after income tax	57.0	(2.4)
Other comprehensive income	(0.3)	-
Total comprehensive income	56.7	(2.4)

B. Statement of financial position

	As at 31 Dec 2020 \$'m	As at 31 Dec 2019 \$'m
Current assets	89.3	90.0
Total assets	1,636.3	1,504.4
Current liabilities	24.2	24.1
Total liabilities	397.0	306.7
Share capital	1,166.8	1,149.6
Share-based payments reserve	3.9	3.2
Undistributed profits reserve	-	89.5
Retained earnings	56.5	(56.7)
Revaluation reserve	12.1	12.1
Total equity	1,239.3	1,197.7

Director's declaration

1. In the opinion of the Directors of Steadfast Group Limited ('the Company'):
- the consolidated financial statements and notes 1 to 17, are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, for the six month period ended on that date; and
 - complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney on 23 February 2021 in accordance with a resolution of the Directors:



Frank O'Halloran, AM
Chairman



Robert Kelly
Managing Director & CEO

Independent Auditor's Review Report

To the shareholders of Steadfast Group Limited

Conclusion

We have reviewed the accompanying **Half Year Financial Report** of Steadfast Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half Year Financial Report of Steadfast Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half Year Financial Report** comprises:

- Consolidated Statement of Financial Position as at 31 December 2020;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the Half-year ended on that date;
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Steadfast Group Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our review of the Half Year Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half Year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half Year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half Year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's Responsibilities for the Review of the Half Year Financial Report

Our responsibility is to express a conclusion on the Half Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized graphic of four vertical bars of increasing height to the left of the text.

KPMG

A handwritten signature in black ink, appearing to read 'Scott Guse'.

Scott Guse

Partner

Sydney

23 February 2021

Glossary of Terms

Term	Explanation
DRP	Dividend reinvestment plan
EBITA	Earnings before interest (after premium funding interest income and expense), tax and amortisation. To ensure comparability, underlying EBITA also deducts the interest expense on lease liabilities and depreciation of right-of-use assets
EPS (NPAT)	Earnings per share that reference NPAT
Group	Steadfast Group Limited (ABN 98 073 659 677, AFSL 254928)
Hubbing	The merger of two or more insurance intermediary businesses
IBNA	IBNA Limited, an Australian general insurance broker network acquired by Steadfast in FY20
IFRS	International Financial Reporting Standards
NCI	Non controlling interests
Network	The collective reference to the distribution network that is comprised of all Steadfast Network Brokers
Network Broker	An insurance broker who is a member of the Steadfast network, where Steadfast has no equity interest
NPAT	Net profit after tax
PSF	Professional services fee
Rebate	An annual payment made to Steadfast Network Brokers, at the discretion of the Board
Steadfast PSF Rebate offer	An offer by Steadfast to Steadfast Network brokerages to receive Steadfast shares or cash in exchange for renouncing their rights to professional service fee (PSF) rebates from the Group
Strategic Partner	Preferred product partners underwriting or arranging the general insurance policies and premium funding products which are placed by Steadfast Network Brokers
Underlying earnings	Statutory earnings adjusted for non-trading items (refer Note 5B)
Underwriting agency	Underwriting agencies act on behalf of general insurers to design, develop and provide specialised insurance products and services for specific market segments

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

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Stock Listing

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