Steadfast Group Limited and controlled entities

Appendix 4D (rule 4.3A)
Preliminary final report for the half year ended 31 December 2019

Results for announcement to the market
(All comparisons to half year ended 31 December 2018)

	2019 $'000	Up/Down	% Movement
Revenues from ordinary activities	350,898	89,243	34%
EBITA before non-trading items	105,151	18,551	21%
Underlying net profit after tax attributable to shareholders (Underlying NPAT) (Note 1)	53,209	14,965	39%
Net profit after tax attributable to shareholders (Statutory NPAT) (Note 1)	(71,943)	(112,478)	(277%)
Total comprehensive income attributable to shareholders	(72,166)	(114,075)	(272%)

Note 1:

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

	2019 $'000	2018 $'000
Net profit after tax attributable to shareholders (Statutory NPAT)	(71,943)	40,535
Add: IBNA acquisition expense	72,701	-
Add: PSF rebate acquisition expense net of tax	60,186	-
Less: Other non-trading items	(7,735)	(2,291)
Net profit after tax after non-trading items attributable to shareholders (Underlying NPAT) including Johns Lyng mark-to market adjustment	53,209	38,244
Add/(less): Johns Lyng mark-to-market revaluation post tax	(2,608)	840
Net profit after tax after non-trading items attributable to shareholders (Underlying NPAT) excluding Johns Lyng mark-to market adjustment	50,601	39,084

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 2020 dividend per share	3.6	3.6	30

Interim dividend dates

Ex-dividend date	2 March 2020
Record date	3 March 2020
Payment date	26 March 2020

The Company's DRP will operate by purchasing ordinary shares on market. No discount will be applied. The record date is 3 March 2020. The last election notice for participation in the DRP in relation to this interim dividend is 4 March 2020.

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 2019 ($)	30 Jun 2019 ($)
Net tangible assets per ordinary share*	0.11	0.01

* Net tangible assets per ordinary share are based on 863,205,401 shares on issue at 31 December 2019. There has been an increase of 70,169,446 in ordinary shares on issue since 30 June 2019.

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	35.3%
Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd	37.0%
Finpac Insurance Advisors Pty Ltd	49.0%
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%
Risk Partners 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%
Steadfast Risk Services Pty Ltd and its subsidiary	50.0%
Rhymemat Pty Ltd	27.8%

The aggregate share of profits after tax of associates and joint venture accounted for using equity method is $11.779 million.

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2019 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 2019

2020
Half Year Results

Steadfast Group Limited

ABN 98 073 659 677

Financial Report

For the half year ended 31 December 2019

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Steadfast Group Limited
Directors' Report

The Directors present their report together with the consolidated financial statements of Steadfast Group Limited (Steadfast or the Company); its subsidiaries and the Group's interests in associates and joint ventures (Steadfast Group or the Group) for the half year ended 31 December 2019 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	1 January 2013
Gai McGrath	1 June 2018
Anne O'Driscoll	1 July 2013
Philip Purcell	1 February 2013
Greg Rynenberg	10 August 1998

Operating and financial review

Operating results for the half year

The Group continued to grow underlying earnings in the period ending 31 December 2019. This was attributable to continued organic growth of our businesses as well as to further acquisitions, including the acquisition of the IBNA network and the Professional Services Fee rebate (PSF rebate offer) entitlements from a number of the Steadfast network members.

As anticipated and previously advised to shareholders, the Group reported a statutory loss for the period as a result of expensing the consideration paid for both the acquisition of IBNA and PSF rebate offer.

The reconciliation of statutory earnings to underlying earnings is as follows:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Statutory net (loss)/profit after income tax attributable to owners of Steadfast Group Limited	**(71,943)**	40,535
Adjusted for:		
Add back IBNA acquisition expense	**72,701**	-
Add back PSF Rebate expense net of tax	**60,186**	-
Less other non-trading reconciling items	**(7,735)**	(2,291)
Total non-trading items excluding Johns Lyng mark-to-market adjustment	**125,152**	(2,291)
Underlying NPAT including Johns Lyng mark-to-market adjustment	**53,209**	38,244
Add/(less) Johns Lyng mark-to-market revaluation post tax	**(2,608)**	840
Underlying NPAT excluding Johns Lyng mark-to-market adjustment	**50,601**	39,084
Underlying diluted earnings per share (cents per share)	**5.96**	4.93
Statutory diluted earnings per share (cents per share)	**(8.72)**	5.12

Contributors to the 29% growth in underlying earnings included:

- continued profit growth from the Group's portfolio of existing businesses;
- acquisition of interests in further businesses; and
- acquisition of IBNA network and PSF rebates from members of the Steadfast network.

This additional profit was partially offset by:

- continued investment in technology; and
- increased amortisation of previously capitalised software expenditure.

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 RG 230. 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.

REVIEW OF FINANCIAL CONDITION

I. Financial position

There was a significant increase in total assets (from $2,157.197 million to $2,826.444 million) and total liabilities (from $1,061.945 million to $1,611.889 million) during the half year.

With the acquisition of the remaining 50% stake in the IQumulate Premium Funding business late in the 2019 financial year, and the change to its funding model, the Group now recognises the full receivables book and associated funding for this business in the Consolidated Statement of Financial Position. This has meant a significant increase in assets (over $500 million) and a corresponding significant increase in liabilities. The impact on net assets is minimal.

The increase in the Group's equity from $1,095.252 million at 30 June 2019 to $1,214.555 million at 31 December 2019 largely reflects the $119.068 million capital raised in August and September 2019, the capital issued for the IBNA acquisition (scrip for scrip offer), and scrip issued to Steadfast brokers who chose the scrip option when participating in the PSF rebate offer. These increases were substantially offset by the statutory loss noted above (including the acquisition of IBNA and PSF rebate offer) and dividends paid.

The Group refinanced the multibank syndicated facility during the period. The new facility has a combination of 3 year, 5 year and 7 year tranches with the total facility increased by $75.000 million to $460.000 million. As at balance date, the Group had the ability to borrow a further $186.001 million from this facility. The facility for funding of the IQumulate business is a separate additional facility secured against the receivables funded for clients.

II. Cash from operations

The net operating inflows increased by $77.587 million. It includes an additional net inflow of $30.676 million to broking trust accounts. The record net operating cash flows is due to:

- continued growth of the Group resulting in increased receipts from customers and higher dividends from associates and joint ventures;
- timing of receipts and repayment of premium funding borrowings; and
- reclassification of some lease related expenses from operating to financing activities following the implementation of AASB 16 Leases.

The increased cash from operations also reflects the continued conversion of profit into cash inflows, which is typically strong in the first half when seasonally higher June billings are collected. After funding the final dividend paid in September, the remaining free cash flow is available for corporate activities, including acquisitions of further business interests.

III. Capital management

As at 31 December 2019, the Company had a total of 863.205 million ordinary shares on issue, increasing from the 793.036 million ordinary shares on issue at 30 June 2019 with the increase due to new equity raised to fund acquisitions and the PSF rebate offer during the half year. All shares required to provide for Key Management Personnel (KMP) and other staff incentives were acquired on market by the Company.

The Board leverages the Group's equity, adopting a maximum 30.0% total gearing ratio excluding premium funding borrowings. The Group's total gearing ratio at balance date was 20.9% (30 June 2019: 23.9%) reflecting the growth in shareholders equity during the period partially offset by the further utilisation of debt facilities for acquisition purposes. Refer Note 9C for details.

The funding of the premium funding book has recourse only to that business and the Group and its financiers consider the gearing ratio calculations for the Group are most appropriately referenced to the total liabilities of the Group excluding premium funding borrowings.

The Group is in the process of re-negotiating the IQumulate facilities. If the facilities were not replaced, then no new loans would be written and the receivables would be collected in an orderly fashion and be utilised to repay the existing debt.

Events subsequent to reporting date

Subsequent to 31 December 2019, the Board declared an interim dividend of 3.6 cents per share, 100% franked.

Further details of the dividend are set out in Note 17.

Likely developments

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

- underlying EBITA of $215.000 million to $225.000 million; and
- underlying NPAT of $100.000 million to $110.000 million.

The Board has uplifted the underlying diluted earnings per share (EPS) NPAT growth to a range of 10% to 15% to reflect current guidance and the lower than anticipated share count.

The guidance now excludes the mark-to-market revaluation of the strategic investment in Johns Lyng Group to remove the volatily of its share price on the Group's underlying earnings.

This guidance is subject to:

- strategic partners continuing to drive moderate premium price increases; and
- increased technology spend to cater for expanded network.

As previously advised to shareholders the Group expects to report a statutory loss for the full year due to the expensing of the acquisition cost of the IBNA network and the PSF rebate offer in accordance with accounting standards. It is expected that in the second half of the current financial year the Group would report a statutory profit hence reducing the statutory loss for the full year.

The Group's ongoing business strategy is to grow shareholder value through organic growth and acquisitions in Australia and overseas insurance markets, 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.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half year ended 31 December 2019.

Rounding

The Group is of the kind referred to in the Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investment 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 25 February 2020 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 2019 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

Scott Guse

Scott Guse

Partner

Sydney

25 February 2020

Steadfast Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue			
Fee and commission income		**316,874**	278,136
Less: brokerage commission paid		**(81,781)**	(69,573)
Net fee and commission income		**235,093**	208,563
Professional services fees		**50,442**	37,935
Premium funding interest income		**26,939**	763
Premium funding origination income		**10,071**	-
Interest income		**4,144**	4,050
Share of profits of associates & joint ventures	11	**11,779**	7,486
Fair value gain/(loss) on listed investment		**3,725**	(1,200)
Net gain/(loss) from adjustments to deferred consideration estimates	10	**4,665**	(98)
Net gain from sale of subsidiaries and associates		**998**	1,647
Net gain on fair value of investments in subsidiaries		**1,954**	1,210
Other income		**1,088**	1,299
		350,898	261,655
Expenses			
Employment expense		**(140,932)**	(114,706)
Operating, brokers' support service and other expenses		**(38,315)**	(32,970)
Commission and other related expenses		**(33,113)**	(17,285)
Occupancy expense	2B(I)(i)	**(3,928)**	(8,884)
Amortisation expense	7	**(18,028)**	(14,993)
Depreciation expense	2B(I)(i)	**(8,472)**	(2,232)
Impairment expense - non-financial assets	11	**(192)**	-
Finance costs	2B(I)(i)	**(7,478)**	(5,942)
Insurance Brokers Network Australia Limited (IBNA) acquisition	5, 19	**(72,701)**	-
Professional Services Fee (PSF) rebate offer	5, 20	**(73,011)**	-
		(396,170)	(197,012)
(Loss)/Profit before income tax expense		**(45,272)**	64,643
Income tax expense		**(14,399)**	(16,124)
(Loss)/Profit after income tax expense for the half year		**(59,671)**	48,519
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movement in foreign currency translation reserve		**(318)**	1,902
Cash flow hedge effective portion of change in fair value		**-**	61
Income tax (expense) / benefit on other comprehensive income		**95**	(589)
Other comprehensive income for the period, net of tax		**(223)**	1,374
Total comprehensive income for the half year, net of tax		**(59,894)**	49,893
(Loss)/Profit for the half year is attributable to:			
Non-controlling interests		**12,272**	7,984
Owners of Steadfast Group Limited		**(71,943)**	40,535
		(59,671)	48,519
Total comprehensive income for the half year is attributable to:			
Non-controlling interests		**12,272**	7,984
Owners of Steadfast Group Limited		**(72,166)**	41,909
		(59,894)	49,893
Basic earnings per share (cents per share)	5	**(8.72)**	5.14
Diluted earnings per share (cents per share)	5	**(8.72)**	5.12

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

Steadfast Group Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		**196,703**	116,520
Cash held on trust		**477,106**	427,449
Trade and other receivables	12	**134,255**	164,619
Premium funding receivables	12	**567,021**	76,178
Other		**11,833**	7,775
Total current assets		**1,386,918**	792,541
Non-current assets			
Goodwill	7	**962,535**	945,498
Intangible assets	7	**190,312**	193,206
Investments in associates and joint ventures	11	**118,368**	128,259
Property, plant and equipment		**59,458**	43,667
Right-of-use assets	2B(I)(i)	**37,235**	-
External shareholder loans		**33,394**	33,211
Related party loans	14	**-**	500
Other financial assets		**10,950**	7,225
Deferred tax assets		**21,880**	7,358
Other		**5,394**	5,732
Total non-current assets		**1,439,526**	1,364,656
Total assets		**2,826,444**	2,157,197
Liabilities			
Current liabilities			
Payables on broking/underwriting agency operations		**457,552**	410,334
Trade and other liabilities		**96,036**	99,232
Bank overdrafts	8	**-**	3,781
Corporate and subsidiaries borrowings	8	**21,501**	25,707
Premium funding borrowings	8	**425,260**	3,384
Premium funding payables		**145,881**	66,873
Lease liabilities		**13,079**	-
Deferred consideration	10	**19,639**	28,064
Income tax payable		**14,796**	11,614
Provisions		**24,295**	25,615
Total current liabilities		**1,218,039**	674,604
Non-current liabilities			
Corporate and subsidiaries borrowings	8	**295,601**	311,232
Lease liabilities		**31,645**	-
Deferred consideration	10	**1,465**	6,342
Other payables		**410**	3,003
Deferred tax liabilities		**55,594**	57,858
Provisions		**9,135**	8,906
Total non-current liabilities		**393,850**	387,341
Total liabilities		**1,611,889**	1,061,945
Net assets		**1,214,555**	1,095,252

Steadfast Group Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Equity			
Share capital	9	**1,149,643**	912,517
Treasury shares held in trust	9	**(11,086)**	(9,890)
Foreign currency translation reserve		**577**	800
Share-based payments reserve		**3,186**	6,187
Undistributed profits reserve		**72,076**	72,076
Revaluation reserve		**12,070**	-
Other reserves		**(3,381)**	(4,083)
Retained earnings		**(77,512)**	37,859
Equity attributable to the owners of Steadfast Group Limited		**1,145,573**	1,015,466
Non-controlling interests		**68,982**	79,786
Total equity		**1,214,555**	1,095,252

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

Steadfast Group Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

	Equity attributable to owners of Steadfast Group Limited									
31 Dec 2019	**Share capital**	**Treasury shares held in trust**	**Foreign currency translation reserve**	**Share-based payments reserve**	**Un-distributed profits reserve**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2019	**912,517**	**(9,890)**	**800**	**6,187**	**72,076**	**-**	**(4,083)**	**37,859**	**79,786**	**1,095,252**
Adjustment on initial application of AASB 16 (net of tax) *	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,032)**	**(690)**	**(3,722)**
Adjusted balance at 1 July 2019	**912,517**	**(9,890)**	**800**	**6,187**	**72,076**	**-**	**(4,083)**	**34,827**	**79,096**	**1,091,530**
Profit/(loss) after income tax expense for the half year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(71,943)**	**12,272**	**(59,671)**
Other comprehensive income for the half year, net of tax	**-**	**-**	**(223)**	**-**	**-**	**-**	**-**	**-**	**-**	**(223)**
Total comprehensive income for the half year	**-**	**-**	**(223)**	**-**	**-**	**-**	**-**	**(71,943)**	**12,272**	**(59,894)**
Transactions with owners in their capacity as owners:										
Issue of share capital (Note 9)	**237,126**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**237,126**
Shares acquired and held in trust (Note 9)	**-**	**(5,052)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,052)**
Share-based payments on Executive Shares and employee share plans	**-**	**-**	**-**	**2,600**	**-**	**-**	**-**	**-**	**-**	**2,600**
Shares allotted / allocated (Note 9)	**-**	**3,856**	**-**	**(3,966)**	**-**	**-**	**-**	**-**	**-**	**(110)**
Non-controlling interests of acquired entities (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**739**	**739**
Transfer share-based payments reserve to retained earnings	**-**	**-**	**-**	**(1,635)**	**-**	**-**	**-**	**1,635**	**-**	**-**
Change in equity interests in subsidiaries without loss of control	**-**	**-**	**-**	**-**	**-**	**-**	**702**		**(6,768)**	**(6,066)**
Dividends declared and paid (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(42,031)**	**(16,357)**	**(58,388)**
Land & buildings revaluation	**-**	**-**	**-**	**-**	**-**	**12,070**	**-**	**-**	**-**	**12,070**
Balance at 31 December 2019	**1,149,643**	**(11,086)**	**577**	**3,186**	**72,076**	**12,070**	**(3,381)**	**(77,512)**	**68,982**	**1,214,555**

*The Group has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information is not restated. See Note 2B(I)(i). The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

Steadfast Group Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Equity attributable to owners of Steadfast Group Limited								
31 Dec 2018	**Share capital**	**Treasury shares held in trust**	**Foreign currency translation reserve**	**Share- based payments reserve**	**Un-distributed profits reserve**	**Other reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	912,347	(7,728)	(667)	4,512	89,509	(30,793)	30,397	59,402	1,056,979
Adjustment on initial application of AASB 15 (net of tax)	-	-	-	-	-	-	(10,829)	(2,654)	(13,483)
Adjustment on initial application of AASB 9 (net of tax)	-	-	-	-	-	-	(1,501)	(317)	(1,818)
Adjusted balance at 1 July 2018	912,347	(7,728)	(667)	4,512	89,509	(30,793)	18,067	56,431	1,041,678
Profit/(loss) after income tax expense for the half year	-	-	-	-	-	-	40,535	7,984	48,519
Other comprehensive income for the half year, net of tax	-	-	1,332	-	-	42	-	-	1,374
Total comprehensive income for the half year	-	-	1,332	-	-	42	40,535	7,984	49,893
Transactions with owners in their capacity as owners:									
Adjustment to prior year transaction costs, net of income tax	170	-	-	-	-	-	-	-	170
Shares acquired and held in trust (Note 9)	-	(3,685)	-	-	-	-	-	-	(3,685)
Share-based payments on Executive Shares and employee share plans	-	-	-	1,940	-	-	-	-	1,940
Shared allotted / allocated (Note 9)	-	1,650	-	(1,775)	-	-	-	-	(125)
Transfer retained earnings and profits reserve to other reserve	-	-	-	-	(17,433)	37,433	(20,000)	-	-
Non-controlling interests of acquired entities	-	-	-	-	-	-	-	5,626	5,626
Change in equity interests in subsidiaries without loss of control	-	-	-	-	-	(6,682)	-	15,618	8,936
Dividends declared and paid (Note 6)	-	-	-	-	-	-	(37,272)	(8,537)	(45,809)
Balance at 31 December 2018	912,517	(9,763)	665	4,677	72,076	-	1,330	77,122	1,058,624

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 half year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers		**277,492**	258,726
Payments to suppliers and employees, and Network broker rebates		**(164,714)**	(182,127)
Net cash inflow from premium funding borrowings		**421,564**	-
Net cash outflow to premium funding customers		**(400,975)**	(331)
Dividends received from associates and joint ventures		**12,191**	7,206
Interest received		**4,597**	3,714
Interest and other finance costs paid		**(7,007)**	(5,990)
Income taxes paid		**(33,943)**	(18,904)
Net cash from operating activities before customer trust accounts movement		**109,205**	62,294
Net movement in customer trust accounts (net cash receipts/payments on behalf of customers)		**43,841**	13,165
Net cash from operating activities	13	**153,046**	75,459
Cash flows from investing activities			
Payments for acquisitions of subsidiaries		**(8,482)**	(73,608)
Cash acquired from acquisitions of subsidiaries		**7,641**	80,185
Payments for PSF rebate offer	20	**(38,212)**	-
Payments for investments in associates and joint ventures		**(765)**	(11,239)
Payments for step-up investment in subsidiaries on hubbing arrangements		**(7,282)**	(7,033)
Dividends received from listed investment		**150**	95
Payments for deferred consideration of subsidiaries, associates and business assets	10G	**(11,242)**	(5,892)
Proceeds from part disposal of investment in subsidiaries on hubbing arrangements		**10,607**	1,819
Proceeds from disposal of investment in associates		**2,775**	-
Payments for property, plant and equipment		**(821)**	(1,166)
Payments for intangible assets		**(8,943)**	(6,061)
Net cash used in investing activities		**(54,574)**	(22,900)
Cash flows from financing activities			
Proceeds from issue of shares		**127,164**	-
Payments for transaction costs on issue of shares		**(3,725)**	-
Dividends paid to owners of Steadfast, net of Dividend Reinvestment Plan	6, 9	**(36,961)**	(37,272)
Dividends paid to non-controlling interests		**(16,357)**	(8,537)
Proceeds from borrowings	8	**86,132**	121,968
Repayment of borrowings	8	**(106,280)**	(9,548)
Payments for purchase of treasury shares		**(5,052)**	(3,685)
Repayment of related party loans		**200**	4,590
Payments for related party loans		**(195)**	(350)
Repayment of non-related party loans		**1,497**	1,145
Payments for non-related party loans		**(5,572)**	(1,250)
Payment of lease liabilities		**(5,808)**	-
Net cash from financing activities		**35,043**	67,061
Net increase in cash and cash equivalents		**133,515**	119,620
Cash and cash equivalents at the beginning of the financial period		**540,188**	387,602
Effect of movements in exchange rates on cash held		**106**	417
Cash and cash equivalents at the end of the financial period*		**673,809**	507,639
* Balance represents:			
Cash and cash equivalents		**196,703**	114,810
Cash held on trust		**477,106**	392,829
		673,809	507,639

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

Steadfast Group Limited
Notes to the Financial Statements
For the half year ended 31 December 2019

Note 1. General information

This general purpose financial report is for the half year ended 31 December 2019 and comprises the consolidated financial statements of Steadfast Group Limited (Steadfast or the Company); 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 25 February 2020.

This report should be read in conjunction with the annual report for the year ended 30 June 2019 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 forms the basis of the Australian Accounting Standards. This half year financial report of the Group does not include all information required for annual financial statement presentation in accordance with IFRS.

B. Basis of preparation of the financial report

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in the Group and are the same as those applied for the most recent annual financial report 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 Accounting Standards issued by the Australian Accounting Standards Board that are mandatory for the year ending 30 June 2020 and thus are also applicable for the half year ended 31 December 2019. The effect of the adoption of these standards on the financial position of the Group is disclosed below:

Title	Description	Note
AASB 16	Leases	(i)
AASB 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	(ii)
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	(ii)

Table notes

(i) AASB 16 Leases replaces AASB 117 Leases and related interpretations. The Group has applied AASB 16 effective 1 July 2019.

The Group has adopted 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. Thus the comparative period balances have not been restated and are assessed under AASB 117 as set out in Note 18 in the 30 June 2019 Annual Report.

AASB 16 determines that a lease exists if a contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys a lease, the Group assessed whether the Group has:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

The initial application of AASB 16 on the Group's statement of financial position as at 1 July 2019 was:

- $44 million increase in lease liability measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate;
- $37 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;
- $2 million increase in deferred tax assets; and
- $4 million impact on retained earnings.

Lessee accounting

AASB 16 introduces a single accounting model for lessees, requiring the Group to recognise substantially all of its current operating lease commitments in the statement of financial position as right-of-use assets and lease liabilities. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is measured at amortised cost using the effective interest method. The present value of future lease payments is discounted using the rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Under the amortised cost effective interest method, each period a lease payment is made, the lease liability is partially reduced and interest expense on the lease liability is recognised in the statement of profit or loss and other comprehensive income under 'finance costs'. The interest expense recognised on the lease is relatively higher in the earlier years of the lease than at the end of the lease term. As the right-of-use asset is depreciated on a straight-line basis, the value of the lease liability and right-of-use asset diverge over the life of the lease. Depreciation expense on the right-of-use asset is recognised in the statement of profit or loss and other comprehensive income under 'depreciation expense'.

Application of practical expedients

The Group has elected to apply the following practical expedients as permitted by AASB 16:

- Short-term and low value leases are not recognised on the statement of financial position but are expensed on a straight line basis.
- The lease assessment under AASB 117 is 'grandfathered' and applied on implementation of AASB 16.
- Application of a single discount rate across the Group for similar classes of underlying assets.
- Reliance on historical impairment assessments in determining whether leases are onerous. The Group has recognised nil impairment loss on the application of AASB 16.

(ii) These changes have not had a significant financial impact on the Group.

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 & Investment 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.

III. 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 half year ended 31 December 2019.

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 material impact to the financial covenants under its borrowings as a result of applying these new accounting standards.

Title	Description	Effective date	Operating year	Note
AASB 17	Insurance Contracts	1 January 2021	30 June 2022	(i)
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022	30 June 2023	(ii)
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021	(ii)
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021	(ii)

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. 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 issues insurance contracts or reinsurance contracts on behalf of licensed insurers as an intermediary and as such does not expect any material financial impact from AASB 17.

(ii) At the date of reporting, the impact of the Australian Accounting Standards issued and not yet effective had not been determined. The Group does not expect the implementation of the amendments to have a material impact on the Group.

IV. Change in accounting policy – valuation of land & buildings

Effective 1 July 2019, the Group has changed its accounting policy on the valuation of the Group's land & buildings, an asset class of Property, Plant and Equipment. In the comparative period, the Group recognised land & buildings at cost less accumulated depreciation. The Group has applied the change in accounting policy prospectively and from 1 July recognises land & buildings at fair value, being board valuation based on an independent appraisal. In future periods, the Group will obtain regular independent appraisals to ensure that the carrying amount of land & buildings reported does not differ materially from its fair value.

Any surplus arising on the revaluation of land & buildings will be accumulated in equity under 'revaluation reserve'. Any deficit on revaluation will be recognised in the statement of profit or loss and other comprehensive income except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the deficit is recognised in equity.

Given the historic growth and ongoing volatility in the Australian property market, the change in accounting policy from 'at cost' to fair value will provide more relevant and reliable information on the value of the Group's land & buildings.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ from the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the half year ended 31 December 2019 are detailed 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 are 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
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	Not applicable	Not applicable

C. Deferred consideration

The Group makes a best estimate of the fair value of consideration payable for 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 final consideration payable vary from these estimates, the Group is required to recognise the difference in the consolidated statement of profit or loss and other comprehensive income.

D. Goodwill

Goodwill is not amortised but assessed for impairment annually and otherwise when there is an evidence of impairment.

The recoverable amount of goodwill is estimated using the higher of fair value or the value in use analysis of the relevant cash generating unit (CGU) deducting the carrying amount of the identifiable net assets of the CGU. Key assumptions used in the calculation of recoverable amounts are the discount rates, terminal value growth rates and 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. Lease Liabilities

Lease liabilities are recognised at the present value of unpaid lease payments at the commencement date of a lease, discounted using the interest rate implicit in the lease, or when not readily available, the Group's incremental borrowing rate. The incremental borrowing rate has a material impact on the initial lease liability and right-of-use asset, and impacts the subsequent recognition of interest expense on the lease liability.

On reassessment of a lease liability, the Group also reassesses the applied incremental borrowing rate for the remainder of the lease term.

The incremental borrowing rate is based on several internal and external factors. For each portfolio of underlying asset, the Group has based the applied incremental borrowing rate based on available market yields, considering both the lease amount and term.

Refer to Note 15 for the weighted average incremental borrowing rate applied at the date of transition to AASB 16.

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.

Historically, the Group has disclosed all equity investments in a single operating segment, being the general insurance intermediary sector, given their similarity in economic characteristics. Prior to acquiring the remaining 50% interest in IQumulate Premium Funding Pty Ltd (IQumulate) in 2019, the Group had a portfolio of three premium funders which contributed an insignificant amount of revenue to the Group compared to insurance fee and commission income. Following the acquisition of the remaining 50% shareholding in IQumulate and the change to its funding model, the Group has reassessed the appropriateness of disclosing premium funders as a second operating segment. The comparatives for the prior half year have been re-presented on this basis.

In terms of service and product offerings, premium funding is a loan product whereby the premium funder pays the cost of an annual insurance premium to the insurance intermediary on behalf of the insured. The premium funder receives periodic payments from the insured, comprising a principal and an interest component. Premium funders distribute their product offerings through insurance brokers. Although premium funding is offered to a similar customer group to that of insurance intermediaries, premium funders specialise in providing finance on insurance products and are the lender on record for these premium funding loans. Premium funders contribute significantly to the Group's underlying earnings result, but also to the Group's total assets and total liabilities as premium funding receivables and borrowings are recorded on the statement of financial position. For this reason, the Company has separately disclosed premium funders as a second reporting segment.

To reduce the risks associated with premium funding, the following mitigants are employed:

(a) ensuring high proportions of loans are written against cancellable insurance policies;
(b) strong collections policies; and
(c) trade credit insurance.

The Group distributes insurance and 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, is outlined in the below table.

Half year to 31 Dec 2019

	Insurance intermed-iary $'000	Premium Funding $'000	Other $'000	Total Underlying $'000	Reclassifications[a] $'000	Non-trading items[b] $'000	Total statutory $'000
Total revenue	**369,642**	**39,112**	**1,961**	**410,715**	**(79,457)**	**19,640**	**350,898**
Total expenses	**(299,742)**	**(29,403)**	**(6,636)**	**(335,781)**	**85,115**	**(145,504)**	**(396,170)**
Share of EBITA from associates and joint ventures	**9,468**	**-**	**249**	**9,717**	**(9,717)**	**-**	**-**
Financing expense - associates	**(209)**	**-**	**(4)**	**(213)**	**213**	**-**	**-**
Amortisation expense - associates	**(1,169)**	**-**	**(36)**	**(1,205)**	**1,205**	**-**	**-**
Net profit/(loss) before tax	**77,990**	**9,709**	**(4,466)**	**83,233**	**(2,641)**	**(125,864)**	**(45,272)**
Income tax benefit/(expense)	**(23,840)**	**(3,400)**	**1,728**	**(25,512)**	**2,641**	**8,472**	**(14,399)**
Net profit/(loss) after tax	**54,150**	**6,309**	**(2,738)**	**57,721**	**-**	**(117,392)**	**(59,671)**
Non-controlling interests	**(6,767)**	**(353)**	**-**	**(7,120)**	**-**	**(5,152)**	**(12,272)**
Net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (NPAT)	**47,383**	**5,956**	**(2,738)**	**50,601**	**-**	**(122,544)**	**(71,943)**

Half year to 31 Dec 2018

	Insurance intermed-iary $'000	Premium Funding $'000	Other $'000	Total Underlying $'000	Reclassifications[a] $'000	Non-trading items $'000	Total statutory $'000
Total revenue	317,044	2,463	1,471	320,978	(61,071)	1,748	261,655
Total expenses	(259,490)	(24)	(6,055)	(266,569)	68,557	-	(197,012)
Share of EBITA from associates and joint ventures	12,204	385	269	12,858	(12,858)	-	-
Financing expense - associates	(251)	(8)	(1)	(260)	260	-	-
Amortisation expense - associates	(1,535)	-	(36)	(1,571)	1,571	-	-
Net profit/(loss) before tax	67,972	2,816	(4,352)	66,436	(3,541)	1,748	64,643
Income tax benefit/(expense)	(20,663)	(82)	1,027	(19,718)	3,541	53	(16,124)
Net profit/(loss) after tax	47,309	2,734	(3,325)	46,718	-	1,801	48,519
Non-controlling interests	(7,484)	(150)	-	(7,634)	-	(350)	(7,984)
Net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (NPAT)	39,825	2,584	(3,325)	39,084	-	1,451	40,535

Table note

(a) 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.

(b) This consists of the IBNA acquisition of $72.701 million and the PSF rebate offer of $73.011 million, and other non-trading items such as the mark-to-market revaluation of a listed investment, PSF rebate offer income received by associates, and gain from deferred consideration adjustments.

Note 5. Earnings per share

	Half year to 31 Dec 2019 Cents	Half year to 31 Dec 2018 Cents
A. Reporting period value		
Basic earnings per share	**(8.72)**	5.14
Diluted earnings per share	**(8.72)**	5.12

If non-trading items were removed, the underlying earnings per share would be as follows:

Basic earnings per share	**5.97***	4.95
Diluted earnings per share	**5.96***	4.93

* The underlying earnings per share have been adjusted as if the shares issued for the IBNA acquisition and the PSF rebate offer occurred on 1 July 2019, to match the underlying earnings from these transactions.

	Half year to 31 Dec 2019 $'000	Half year to 31 Dec 2018 $'000
B. Reconciliation of earnings used in calculating earnings per share		
(Loss)/Profit after income tax	**(59,671)**	48,519
Non-controlling interests	**(12,272)**	(7,984)
(Loss)/Profit after income tax attributable to the owners of Steadfast Group Limited for calculation of statutory basic and diluted earnings per share	**(71,943)**	40,535
Removing non-trading items:		
Income	**(15,915)**	(2,948)
Expenses:		
Insurance Brokers Network Australia Limited (IBNA) acquisition	**72,701**	-
Professional Services Fee (PSF) rebate acquisition	**73,011**	-
Other expenses	**(208)**	-
Total expenses	**145,504**	-
Income tax expense/(benefit)	**(9,589)**	307
Non-controlling interests (net of tax)	**5,152**	350
Non-trading items excluding Johns Lyng mark-to-market adjustment	**125,152**	(2,291)
Profit after income tax attributable to the owners of Steadfast Group Limited (underlying NPAT) including Johns Lyng mark-to-market adjustment	**53,209**	38,244
Johns Lyng mark-to-market revaluation	**(3,725)**	1,200
Income tax expense/(benefit)	**1,117**	(360)
Profit after income tax attributable to the owners of Steadfast Group Limited (underlying NPAT) excluding Johns Lyng mark-to-market adjustment for calculation of underlying basic and diluted earnings per share	**50,601**	39,084

	Half year to 31 Dec 2019 Number in '000	Half year to 31 Dec 2018 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	**828,297**	793,036
Weighted average number of treasury shares held in trust	**(3,441)**	(3,945)
Weighted average number of ordinary shares used in calculating basic earnings per share	**824,856**	789,091
II. Weighted average number of dilutive potential ordinary shares related to		
Weighted average number of ordinary shares	**824,856**	789,091
Effect of share based payment arrangements[(a)]	**1,968**	2,922
Weighted average number of ordinary shares used in calculating diluted earnings per share	**826,824**	792,013

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

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

Note 6. Dividends

A. Dividends on ordinary shares during the half year

	Cents per share	Total amount $'000	Payment date	Tax rate for franking credit	Percentage franked
31 December 2019					
2019 final dividend	**5.3**	**42,031**	**20 September 2019**	**30%**	**100%**
31 December 2018					
2018 final dividend	4.7	37,272	20 September 2018	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.

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 25 February 2020, 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
2020 interim dividend	**3.6**	**31,075**	**26 March 2020**	**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 interim dividend is 4 March 2020.

Note 7. Intangible assets and goodwill

	Customer relationships $'000	Capitalised software $'000	Other Intangible assets $'000	Total intangible assets $'000	Goodwill $'000
31 December 2019					
A. Composition					
At cost	**287,442**	**43,537**	**8,019**	**338,998**	**969,503**
Accumulated amortisation and impairment	**(127,531)**	**(14,663)**	**(6,492)**	**(148,686)**	**(6,968)**
	159,911	**28,874**	**1,527**	**190,312**	**962,535**
B. Movements (6 months)					
Balance at the beginning of the financial period	**164,128**	**27,090**	**1,988**	**193,206**	**945,498**
Additions	**5,488**	**5,664**	**(12)**	**11,140**	**-**
Additions through business combinations	**4,992**	**-**	**-**	**4,992**	**19,583**
Reduction upon loss of control	**(1,025)**	**-**	**-**	**(1,025)**	**(2,635)**
Amortisation expense – acquired intangibles	**(13,687)**	**(43)**	**(454)**	**(14,184)**	**-**
Amortisation expense – developed intangibles	**-**	**(3,844)**	**-**	**(3,844)**	**-**
Net foreign currency exchange difference	**15**	**7**	**5**	**27**	**89**
Balance at the end of the financial period	**159,911**	**28,874**	**1,527**	**190,312**	**962,535**

	Customer relationships $'000	Capitalised software $'000	Other Intangible assets $'000	Total intangible assets $'000	Goodwill $'000
30 Jun 2019					
C. Composition					
At cost	278,311	37,873	8,031	324,215	952,451
Accumulated amortisation and impairment	(114,183)	(10,783)	(6,043)	(131,009)	(6,953)
	164,128	27,090	1,988	193,206	945,498
D. Movements (12 months)					
Balance at the beginning of the financial period	148,048	20,960	2,652	171,660	816,246
Additions	68	11,934	116	12,118	-
Additions through business combinations	42,963	-	-	42,963	132,798
Reduction upon loss of control	(2,168)	-	-	(2,168)	(3,707)
Amortisation expense – acquired intangibles	(24,836)	(114)	(780)	(25,730)	-
Amortisation expense – developed intangibles	-	(5,686)	-	(5,686)	-
Net foreign currency exchange difference	53	(4)	-	49	161
Balance at the end of the financial period	164,128	27,090	1,988	193,206	945,498

Note 8. Borrowings

	31 Dec 2019 $'000	30 Jun 2019 $'000
A. Bank loans		
Current	**21,501**	25,707
Non-current	**295,868**	311,543
	317,369	337,250
Capitalised transaction costs	**(267)**	(311)
	317,102	336,939
B. Bank facilities available		
Bank facilities drawn down or applied		
Bank loans - corporate facility	**270,000**	290,654
Bank loans – subsidiaries	**47,102**	46,596
Lines of credit - corporate facility	**3,999**	3,874
Lines of credit – subsidiaries	**-**	3,781
	321,101	344,905
Bank facilities not drawn down or applied		
Bank loans - corporate facility	**184,000**	88,346
Bank loans – subsidiaries	**1,649**	1,142
Lines of credit - corporate facility	**2,001**	2,126
Lines of credit – subsidiaries	**4,020**	7,294
	191,670	98,908
Total bank facilities available		
Bank loans	**502,751**	426,738
Lines of credit	**10,020**	17,075
	512,771	443,813

C. Corporate facility details

During the period ended 31 December 2019 the Company entered into a new multibank syndicated facility (corporate facility). This new corporate facility was drawn upon in January 2020 to repay the previously arranged facility.

As at 31 December 2019:

- the Company has a $460.000 million multibank syndicated facility (corporate facility) (30 June 2019: $385.000 million);
- $270.000 million of the facility had been drawn down, which together with $3.999 million for bonds and rental guarantees, leaves $186.001 million available in the corporate facility for future drawdowns (30 June 2019: $90.472 million).

The new multibank syndicated facility includes the following tranches:

- a revolving $260.000 million tranche for three years, maturing January 2023;
- a revolving $75.000 million tranche for five years, maturing January 2025;
- a fully drawn (term loan) $62.500 million tranche for five years, maturing January 2025 – with the potential for two extensions of one year each; and
- a fully drawn (term loan) $62.500 million tranche for seven years, maturing January 2027.

All tranches of the corporate facility charges variable interest rates based on BBSY plus an applicable margin.

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. The Company remains compliant with the terms and conditions.

D. Premium funding borrowings

	31 Dec 2019 $'000	30 Jun 2019 $'000
I. Premium funding borrowings		
Premium funding borrowings	**425,572**	4,009
Less: capitalised transaction costs	**(312)**	(625)
	425,260	3,384
II. Premium funding borrowings available		
Premium funding borrowings drawn down or applied	**425,260**	3,384
Premium funding borrowings not drawn down or applied	**91,751**	504,594
	517,011	507,978

The premium funding borrowings are loans from third party financial institutions to finance premium funding businesses of the Group, predominately IQumulate.

The key terms and conditions of the IQumulate premium funding borrowings as at 31 December 2019 were as follows:

- Two Australian Dollar (AUD) facilities for $480.000 million and $10.000 million, and a New Zealand Dollar (NZD) facility for $25.000 million;
- The maturity date of all facilities is 31 July 2020;
- Variable interest rate – AUD facilities and NZD facility based on BBSY (Bank Bill Swap Rate) and BKBM (Bank Bill Benchmark Rate) respectively plus a margin; and
- Recourse to the assets of IQumulate only and are not cross-collateralised with other borrowings in the Group.

The Group is in the process of re-negotiating the IQumulate facilities. If the facilities were not replaced, then no new loans would be written and the receivables would be collected in an orderly fashion and be utilised to repay the existing debt.

E. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Bank loans – corporate facility $'000	Bank loans – subsidiaries $'000	Bank loans – Corporate facility and subsidiaries $'000	Premium funding borrowings* $'000	Total bank loans $'000
31 December 2019					
Balance at the beginning of the financial period	**290,343**	**46,596**	**336,939**	**3,384**	**340,323**
Proceeds from borrowings	**80,000**	**6,132**	**86,132**	**422,313**	**508,445**
Repayment of borrowings	**(100,654)**	**(5,626)**	**(106,280)**	**(749)**	**(107,029)**
Unwind capitalised transaction costs	**311**	**-**	**311**	**312**	**623**
Balance at the end of the financial period (net of capitalised transaction costs)	**270,000**	**47,102**	**317,102**	**425,260**	**742,362**

*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 2019 Number of shares in 000's	Year to 30 Jun 2019 Number of shares in 000's	Half year to 31 Dec 2019 $'000	Year to 30 Jun 2019 $'000
Reconciliation of movements				
Balance at the beginning of the financial year	**793,036**	793,036	**912,517**	912,347
Shares issued under the institutional and retail share placement (August / September 2019)	**35,227**	-	**119,068**	-
Shares issued for IBNA acquisition (October 2019)	**21,382**	-	**72,701**	-
Shares issued for PSF rebate offer (November / December 2019)	**12,216**	-	**42,895**	-
Shares issued for the dividend reinvestment plan	**1,344**	-	**5,070**	-
Less: transaction costs (and adjustments thereto), net of income tax	**-**	-	**(2,608)**	170
Balance at the end of the financial year	**863,205**	793,036	**1,149,643**	912,517

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 2019 Number of shares in 000's	Year to 30 Jun 2019 Number of shares in 000's	Half year to 31 Dec 2019 $'000	Year to 30 Jun 2019 $'000
Reconciliation of movements				
Balance at the beginning of the financial year	4,017	4,002	9,890	7,728
Shares allocated to employees	(1,977)	(1,274)	(3,966)	(1,775)
Shares acquired	1,341	1,207	5,052	3,685
Shares allotted through the Dividend Reinvestment Plan	29	82	110	252
Balance at the end of the financial year	3,410	4,017	11,086	9,890

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 total gearing ratio excluding premium funding borrowings, as the premium funding 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 maximum gearing ratio determined by the Board is 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 2019 $'000	30 Jun 2019 $'000	Maximum approved
Total borrowings of the Company and its subsidiaries (excluding premium funding borrowings)	8	**321,101**	344,905	
Total Group equity		**1,214,555**	1,095,252	
Total Group equity and total borrowings of the Company and its subsidiaries		**1,535,656**	1,440,157	
Total gearing ratio excluding premium funding borrowings		**20.9%**	23.9%	30.0%
Total borrowings of the Company and its subsidiaries (including premium funding borrowings)	8	**746,361**	348,289	
Total Group equity		**1,214,555**	1,095,252	
Total Group equity and total borrowings of the Company and its subsidiaries		**1,960,916**	1,443,541	
Total gearing ratio including premium funding borrowings		**38.1%**	24.1%	

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 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.

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.

Note 10. Business combinations

Acquisitions for the half year ended 31 December 2019

During the half year ended 31 December 2019, the Group completed the acquisitions of an insurance broking business and three portfolios in accordance with its strategy. None of these acquisitions were material to the Group and hence the information is shown in aggregate. Note 10F includes the ownership interest in the one insurance broking business acquired which became a subsidiary of the Group.

A. Consideration paid/payable

Half year to 31 December 2019	Acquisitions $'000
Cash	**8,482**
Deemed consideration[(a)]	**10,136**
Deferred consideration	**1,369**
Total	**19,987**

(a) This amount represents the fair value of the original investments in Scott & Broad Pty Ltd at the date the Group gained control of the entity which was previously an associate of the Group.

B. Identifiable assets and liabilities acquired

Half year to 31 December 2019	Acquisitions $'000
Cash, and cash equivalents[(a)]	**7,641**
Trade and other receivables[(b)]	**682**
Property, plant and equipment	**567**
Right-of-use assets	**942**
Deferred tax assets	**307**
Identifiable intangibles	**4,992**
Other assets	**118**
Trade and other payables	**(7,956)**
Income tax payable	**(115)**
Lease liabilities	**(1,302)**
Provisions	**(433)**
Deferred tax liabilities	**(1,669)**
Other liabilities	**(2,631)**
Total net identifiable assets acquired	**1,143**

(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

Half year to 31 December 2019	Acquisitions $'000
Total consideration paid/payable	**19,987**
Total net identifiable assets acquired	**(1,143)**
Non-controlling interests acquired	**739**
Goodwill on acquisition*	**19,583**

* The majority of goodwill relates to benefits from the combination of synergies as well as the acquired subsidiary's 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 subsidiary to the financial performance of the Group is outlined in the table below.

Half year to 31 December 2019	Acquisitions $'000
Revenue	**2,416**
EBITA	**1,432**
Profit after income tax	**993**

If the acquisition of this subsidiary occurred on 1 July 2019, the Group's revenue for the half year ended 31 December 2019 would increase from $350.898 million to $351.055 million and loss after income tax would decrease from $59.671million to $59.667 million. The difference is small as the acquisition took place early in the financial period.

E. Acquisition-related costs

The Group incurred acquisition-related costs, including stamp duty and legal fees, for business interests acquired during the half year ended 31 December 2019.

F. Subsidiaries acquired

The table below outlines the subsidiary acquired during the half year ended 31 December 2019. The other acquisitions represent portfolio purchases and are therefore not included in this table.

Name of subsidiary acquired	Table note	Ownership interest as at 31 December 2019 %
Scott & Broad Pty Ltd	(i)	70

Table note

(i) During the half year the Group acquired additional shares in Scott & Broad Pty Ltd. As a result, Scott & Broad, which was previously an associate, became a subsidiary of the Group.

G. Deferred consideration reconciliation

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

	Half year to 31 Dec 2019 $'000	Year to 30 Jun 2019 $'000
Balance at the beginning of the financial period	**34,406**	3,946
Settlement of deferred consideration	**(11,242)**	(17,389)
Non-cash settlement of deferred consideration	**-**	(2)
Additions from new acquisitions in business combinations	**1,369**	47,347
Additions from new acquisitions of associates	**-**	121
Additions from new acquisitions of intangibles	**1,236**	-
Additions from step-up investments	**-**	273
Net (gain) / loss in profit or loss on settlement or reassessment	**(4,665)**	110
Balance at the end of the financial period	**21,104**	34,406
Disclosed as:		
Deferred consideration current	**19,639**	28,064
Deferred consideration non-current	**1,465**	6,342
Balance at the end of the financial period	**21,104**	34,406

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

	31 Dec 2019 $'000	30 Jun 2019 $'000
Amount payable is limited	**17,000**	22,108
Amount payable is unlimited	**3,903**	12,298
Amount payable is fixed	**201**	-
	21,104	34,406

Note 11. Investments in associates and joint ventures

	Half year to 31 Dec 2019 $'000	Year to 30 Jun 2019 $'000
Reconciliation of movements		
Balance at the beginning of the financial year	**128,259**	145,605
Additions – cash	**765**	12,396
Additions – deemed consideration [(a)]	**-**	2,868
Additions – other non-cash	**1,035**	-
Step-up investment to subsidiaries	**(8,182)**	(33,140)
Disposal of associates	**(2,906)**	(111)
	118,971	127,618
Share of EBITA from associates and joint ventures	**16,900**	25,126
Less share of:		
Finance costs	**(230)**	(485)
Amortisation expense	**(1,297)**	(3,075)
Income tax expense	**(3,594)**	(6,651)
Share of associates' profit after income tax	**11,779**	14,915
Dividends received/receivable	**(12,191)**	(14,255)
Impairment	**(192)**	-
Net foreign exchange movements	**1**	(19)
Balance at the end of the financial year	**118,368**	128,259

Table note

(a) This amount represents the fair value revaluation of the Group's existing interest in an associate or joint venture at the date the Group acquires subsidiary ownership of the associate or joint venture.

Note 12. Trade and other receivables

	31 Dec 2019 $'000	30 Jun 2019 $'000
Fee and commission receivable	**70,823**	84,958
Less: expected credit loss provision	**(3,105)**	(2,780)
Net fee and commission receivable	**67,718**	82,178
Other receivables	**66,537**	82,441
	134,255	164,619

Premium funding receivable	31 Dec 2019 $'000	30 Jun 2019 $'000
Premium funding receivables	**568,586**	76,398
Less: expected credit loss provision	**(1,565)**	(220)
	567,021	76,178

Note 13. Reconciliation of profit after income tax to net cash from operating activities

	Half year to 31 Dec 2019 $'000	Half year to 31 Dec 2018 $'000
(Loss)/Profit after income tax expense for the half year	**(59,671)**	48,519
Adjustments for		
Depreciation, amortisation and loss on disposal of property, plant and equipment	**26,761**	17,244
Share of profits of associates and joint ventures	**(11,779)**	(7,486)
Income tax paid	**(33,943)**	(18,904)
Dividends received from associates/joint ventures	**12,191**	7,206
Fair value (gain)/loss on listed investments	**(3,725)**	1,200
Net gain on disposal of investment in subsidiaries and associates	**(998)**	(1,647)
Net gain on fair value of investments in subsidiaries	**(1,954)**	(1,210)
Net (gain)/loss from adjustments to deferred consideration estimates	**(4,665)**	98
Share-based payments and incentives accruals	**4,139**	3,971
Insurance Brokers Network Australia Limited (IBNA) acquisition	**72,701**	-
Professional Services Fee (PSF) rebate expense	**73,011**	-
Impairment expense	**192**	-
Interest income on loans	**343**	(461)
Capitalised interest on loans	**471**	(48)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**51,949**	89,803
(Increase)/decrease in deferred tax assets	**(11,975)**	7,709
(Increase)/decrease in other assets	**(4,780)**	(1,454)
Increase/(decrease) in trade and other payables	**25,798**	(69,160)
Increase/(decrease) in income tax payable	**37,596**	25,891
Increase/(decrease) in deferred tax liabilities	**(11,222)**	(17,476)
Increase/(decrease) in other liabilities	**(3,746)**	(4,990)
Increase/(decrease) in provisions	**(3,648)**	(3,346)
Net cash from operating activities	**153,046**	75,459

Note 14. Related party transactions

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

B. Transactions with other related parties
The following transactions occurred with related parties:

	Half year to 31 Dec 2019 $000	Half year to 31 Dec 2018 $000
I. Sale of goods and services		
Professional services fees received from associates on normal commercial terms	**79**	67
Professional services fees received from joint ventures on normal commercial terms	**-**	1,547
Commission income received/receivable from associates on normal commercial terms[(a)]	**258**	279
II. Interest income		
Interest income received/receivable from joint ventures	**-**	26
III. Payment for goods and services		
Provision for Steadfast Network broker rebate expense paid or payable to associates	**16**	925
Commission expense paid/payable to associates on normal commercial terms	**5,359**	3,222
Service fees paid to associates	**-**	53
IV. Other transactions		
PSF rebate acquisition expense paid to associates	**14,994**	-
Consideration for purchase of customer relationships paid to an entity controlled by a director	**4,000**	-

	As at 31 Dec 2019 $000	As at 30 Jun 2019 $000
V. 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	**379**	372
Dividend receivable from associates	**98**	-
b. Current payables		
Payables to associates	**1,660**	1,527
VI. Loans to related parties		
The following balances are outstanding at the reporting date in relation to loans with related parties:		
a. Non-current receivables		
Loans to associates	**-**	500
	-	500

Table note

(a) The comparatives were restated to ensure comparability between reporting periods. The adoption of AASB 15 has resulted in the Group no longer recognising a receivable in relation to insurance premiums owed by policyholders or a liability for insurance premiums payable to the insurers until cash is received from the policyholder. Therefore, such receivables and payables have been excluded from the reported balances with related parties.

Note 15. Leases

As a lessee

The Group predominantly leases three types of underlying assets including property, vehicles and office equipment. With the exception of short-term leases and low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or rate are excluded from the initial measurement of the lease liability and asset and are expensed on a straight-line basis in the statement of profit or loss and other comprehensive income. The average lease term across the portfolios of underlying assets is 5 years, with many of the property leases including an option to extend. The weighted average incremental borrowing rate applied in calculating the present value of lease liabilities at the date of initial application was 6% for the Group's insurance intermediaries and premium funders, and 4% for the Group's Head Office entities.

Lease liabilities

Reconciliation of operating lease commitments as at 1 July 2019

The following is a reconciliation of total operating lease commitments as at 30 June 2019 to the lease liabilities recognised on initial adoption of AASB 16 at 1 July 2019.

	Total $'000
Operating lease commitments as at 30 June 2019	**66,509**
Recognition exemptions:	
Leases of low value assets	**(100)**
Leases with remaining lease term of less than 12 months	**(180)**
FY20 lease commitments disclosed at 30 June 2019 not yet commenced	**(7,398)**
Other exempt lease contracts	**(2,331)**
Non-lease components	**(2,255)**
Variable lease payments	**(3,403)**
Operating lease liabilities before discounting	**50,842**
Lease Liabilities as at 1 July 2019 (discounted using the incremental borrowing rate)	**44,196**

At 31 December 2019, the Group had not contractually committed to any leases that were yet to commence.

Note 16. Contingencies

Contingent liabilities

Put options

The Group has granted options to certain banks to enable them to put shares held by other shareholders in associates to the Group at fair value if these banks enforces their security over those shares. These put options have been granted in relation to shares held by other shareholders in associates over which certain banks hold a security interest to secure indebtedness by those shareholders. The Group expects no material net exposure from these arrangements as the contingent liabilities have contingent assets 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 obligation on commercial leases and bank borrowings.

Note 17. Events after the reporting period

Interim dividend

On 25 February 2020, the Board declared an interim dividend of 3.6 cents per share, 100% franked. The dividend will be paid on 26 March 2020. The Company's DRP will be funded via the purchase of shares on market. No discount will be applied. The last election notice for participation in the DRP in relation to this interim dividend is 4 March 2020.

Note 18. Parent Entity Information

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

	Half year to 31 Dec 2019 $000	Half year to 31 Dec 2018 $000
A. STATEMENT OF COMPREHENSIVE INCOME		
Profit after income tax	**(2,434)**	16,565
Other comprehensive income	**-**	42
Total comprehensive income	**(2,434)**	16,607

	As at 31 Dec 2019 $000	As at 30 Jun 2019 $000
B. STATEMENT OF FINANCIAL POSITION		
Current assets	**90,030**	68,026
Total assets	**1,504,406**	1,358,442
Current liabilities	**24,138**	68,599
Total liabilities	**306,693**	363,865
Equity		
Share capital	**1,149,643**	912,517
Undistributed profits reserve	**89,509**	89,509
Other reserves	**15,255**	6,187
Retained earnings	**(56,694)**	(13,636)
Total equity	**1,197,713**	994,577

Note 19. Acquisition of Insurance Brokers Network Australia Limited (IBNA)

Insurance Brokers Network Australia Limited (IBNA) was an unlisted public company and network of insurance brokerages, with approximately 80 members across Australia. Steadfast Group acquired an interest in IBNA in September 2019 via a scrip for scrip offer.

Steadfast issued 21,382,569 consideration shares on 14 October 2019 to acquire IBNA. On share issue date Steadfast shares closed at $3.40 per share. Therefore the total consideration amount was $72.701 million. Refer Note 9.

As anticipated and previously advised to shareholders, the total consideration was expensed in accordance with accounting standards. This contributed to a statutory loss in the six months to 31 December 2019, and is considered a non-trading item in deriving normalised underlying earnings. Refer Note 4.

Note 20. Professional Services Fee (PSF) Rebate Offer

In July 2019 Steadfast Group sought expressions of interest from Steadfast Network brokerages to receive either cash or Steadfast shares in exchange for renouncing rights to PSF rebates that may be declared from 1 July 2019 with consideration calculated by reference to FY19 PSF rebates. The option of cash or shares was available to non-equity brokers only. For Network brokerages in which Steadfast has an equity interest, the consideration for renouncing rights to future PSF rebates was cash only. For external shareholders of equity brokers, once the cash consideration was received they had a right to participate in a placement for Steadfast shares.

In November 2019 total consideration of $73.011 million was paid to the Network brokerages which accepted the PSF rebate offer. This comprised of cash consideration of $38.212 million and share consideration of $34.799 million, being 9,747,565 shares at $3.57 per share (the closing price of Steadfast shares on date of issue). In December 2019 a further 2,468,214 shares were issued at $3.28 per share for the external shareholders of equity brokers who received cash consideration and subsequently exercised their right to participate in a placement for Steadfast shares. As a result, the total number of shares issued for the PSF rebate offer was 12,215,779 or $42.895 million. Refer Note 9.

As anticipated and previously advised to shareholders, the total consideration for the PSF rebate offer of $73.011 million was expensed in accordance with accounting standards. The after tax impact of this PSF rebate offer was $55.247 million. This contributed to a statutory loss in the six months to 31 December 2019, and is considered a non-trading item in deriving normalised underlying earnings. Refer Note 4.

Steadfast Group Limited
Directors' declaration

In the opinion of the directors of Steadfast Group Limited ("the Company"):

(a) the consolidated financial statements and notes 1 to 20, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the six month period ended on that date; and

(ii) complying with Australian Accounting Standards AASB134 Interim Financial Reporting 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.

Signed at Sydney on 25 February 2020 in accordance with a resolution of the Directors.

Frank O'Halloran, AM
Chairman

Robert Kelly
Managing Director & CEO

KPMG

Independent Auditor's Review Report

To the shareholders of Steadfast Group Limited

Report on the Half-year Financial Report

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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 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 2019;
- 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 20 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.

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 is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Steadfast Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Scott Guse

Partner

Sydney

25 February 2020