

2020

Steadfast Group
Annual Report




Steadfast
THE STRENGTH YOU NEED

Vision:

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

Mission:

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

Together:

Our corporate values resonate across all facets of our business.

TOGETHER



Team
Ownership
Goals
Entrepreneurial
Trust
Humility
Ethical
Relationships

None of us is as good as all of us



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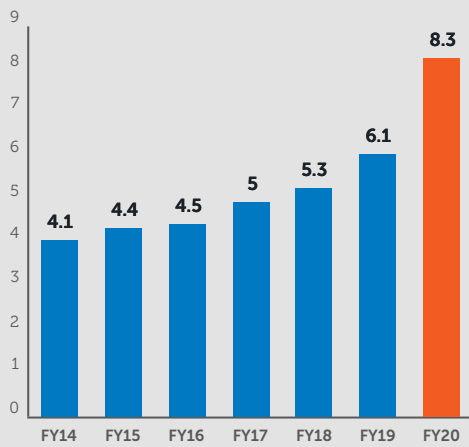
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Annual General Meeting

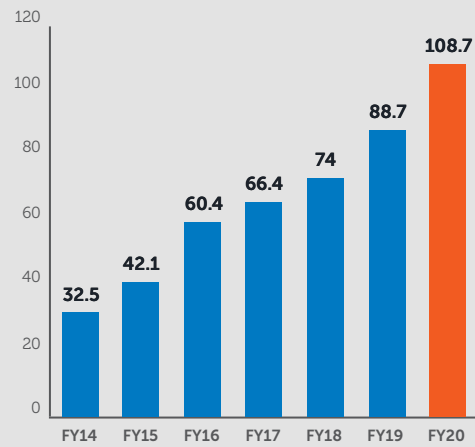
The 2020 AGM of Steadfast Group Limited will be held as a Virtual AGM on Wednesday 28 October 2020, due to the uncertainty of COVID-19. Steadfast will provide further details with the Notice of 2020 Annual General Meeting to be released in September 2020.

2020 financial highlights

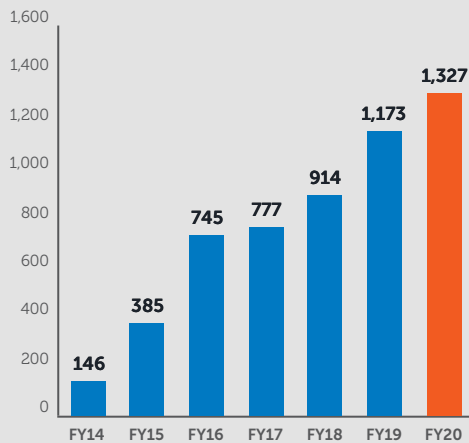
Steadfast Network GWP (\$bn)



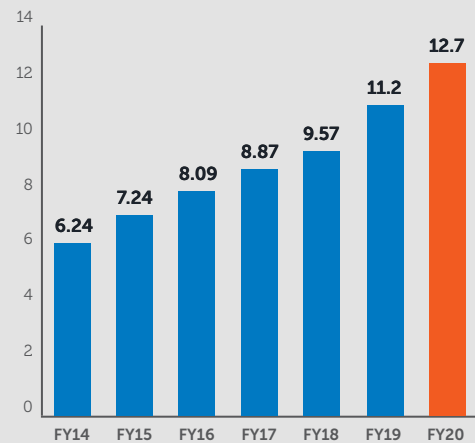
Underlying NPAT (\$m)



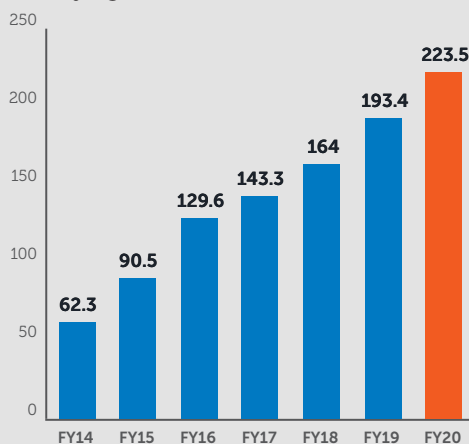
Steadfast Underwriting Agencies GWP (\$m)



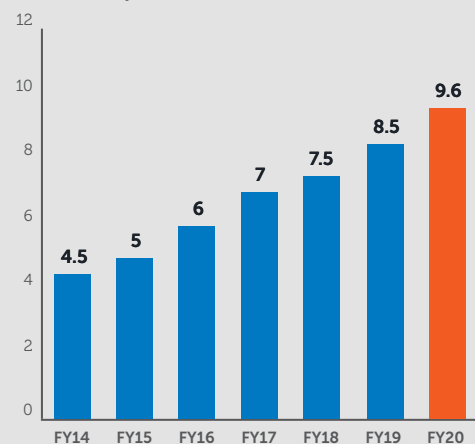
Underlying EPS (NPAT) (cents per share)



Underlying EBITA (\$m)



DPS (cents per share)



458

Steadfast Network Brokers

\$638m

Steadfast Client Trading Platform GWP

Message from the Chairman

The past few months have been extremely difficult for a large number of businesses, households and employees. Fortunately, Steadfast Group is in the business of providing security, where available, for its clients by working with insurers to obtain insurance of their assets, businesses, and their employees. We have seen a drop in volumes for some clients whose businesses have been materially impacted by the necessary decisions taken by governments to protect the health of the community as a result of COVID-19.

Our broad client base, network and focus on service has enabled us to report a FY20 underlying result in line with our pre-COVID-19 guidance, with Steadfast Group producing a 15.5% increase in underlying earnings before interest, tax and amortisation (EBITA) and a 22.6% increase in underlying net profit after tax (NPAT). Pleasingly, we reported underlying earnings per share of 12.7 cents, an uplift of 13.4%.

As previously advised to our shareholders in late August last year, the 2019 AGM and FY20 half year release, Steadfast Group expected to report a statutory net loss from the requirement to expense the cost of the acquisition of IBNA and acquiring the rights to the PSF Rebate from a number of the Steadfast Network Brokers. This cost of \$135.8 million and an impairment provision of \$40.7 million against the carrying value of Intangible Assets and Goodwill of our some of our equity brokers, resulted in our strong underlying result being reduced to a Statutory Net loss of \$55.2 million.

Dividend

The Board has declared a fully-franked final dividend of 6.0 cents per share, up 13.2% from last year. This takes the total dividend to 9.6 cps (fully-franked).

Capital management

We continue to be prudent with our capital as we assess potential acquisition opportunities against disciplined criteria. We made a total investment of \$191.6m during FY20, including the acquisition of IBNA Limited (IBNA), adding approximately \$1.3 billion of annual GWP. We also completed the Steadfast PSF Rebate offer with a 74% acceptance rate from our network and numerous changes in our equity holdings and new bolt-ons.



Given the foregoing, Steadfast raised c.\$119 million via a placement and Share Purchase Plan. Our total Group gearing ratio is 21.5% (excluding premium funding) and is within the Board-mandated Group maximum of 30%. At the date of this report, Steadfast has unutilised facilities of \$181 million for future expansion.

Governance

Steadfast Group continues to adhere to the corporate governance principles as set out by the ASX Corporate Governance Council. Our governance framework and robust risk management strategies are set out in more detail on page 34 and I note another year in which there were no material departures from these principles.

Thank you

I would like to thank all of our employees, led by our highly experienced Managing Director & CEO Robert Kelly, for their amazing efforts and adaptability to deliver such excellent results for our shareholders, in particular over the past four months of major disruption.

Our performance would not have been possible without the strong contribution from Steadfast brokers, Steadfast Underwriting Agencies and complementary businesses and the loyalty of our clients.

I would also like to extend my gratitude to my fellow Board Directors who continue to be focused on strong governance and driving shareholder value.

A handwritten signature in black ink, which appears to read 'F. O'Halloran'. The signature is written in a cursive, flowing style.

Frank O'Halloran, AM
Chairman

Message from the Managing Director & CEO



I am pleased to report that FY20 continues our year on year record growth since our August 2013 IPO, despite the uncertainty of the commercial and economic impact to business and the population at large that the COVID-19 has imposed. Our underlying earnings before interest, tax and amortisation (EBITA) of \$223.5 million and underlying net profit after tax (NPAT) of \$108.7 million are driven by successful organic and acquisition growth in the Group's Insurance Broking and Underwriting Agencies.

Steadfast Network and Insurance Broking

In FY20 we grew Steadfast Network gross written premium (GWP) by 34.8% to \$8.3 billion.

Acquisitions made a solid contribution of 16.6% to underlying EBITA growth. Of particular note was our acquisition of IBNA, an outstanding Australian general insurance broker network adding 78 brokers to our network. We welcome these brokerage members to our network and are pleased with their successful integration into our systems and philosophy.

We now have 458 brokerages in the network, with 393 in Australia and internationally 49 in New Zealand and 16 in Singapore. Steadfast Group has equity holdings in 57 of the 458 brokerages in the Steadfast Network.

Strategically we also continue to hold a 40% interest in unisonSteadfast a network of 236 brokerages across 130 countries.

Steadfast Underwriting Agencies

Steadfast Underwriting Agencies continue to outperform with excellent organic growth, and generated over \$1.3 billion of GWP, a 13.1% uplift over FY19.

We currently have 25 specialist agencies offering over 100 niche products.

Our insurTech

Our market-leading technology is now utilised by 150 of our network brokers. \$638 million of GWP was transacted on the Steadfast Client Trading Platform (SCTP) in FY20 as brokers take advantage of the efficiency and full market access the platform facilitates.

I am proud of the way our people have adapted to the new circumstances, allowing Steadfast to maintain our broker service levels and support our customers as they navigate the impacts of COVID-19.

The Hayne Royal Commission findings, combined with the impact from the COVID-19 pandemic, means the use of our technology is now more important than ever, delivering our brokers and their clients superior policy coverage, non-volume based fixed brokerage remuneration and immediate facilitation of transactions.

As an industry leader in innovation, Steadfast is well positioned to continue modernising technology to improve broker and client experience and support growth. Steadfast remains focused on improving SCTP by adding more product lines, new insurers and the expansion of auto-rating capabilities to drive increased SCTP usage.

There are 144 brokers live on our INSIGHT platform. The Steadfast team will continue to support the migration of brokers on INSIGHT with an additional 36 brokers committed to migrate and ongoing discussions with another 109 brokers.

Outlook

Whilst there is uncertainty prevailing in the global economy, the trading conditions experienced in the last quarter provide confidence as to the resilience of our insurance broking business. The guidance range provided is subject to the significant uncertainty surrounding the impact of COVID-19 on the economy and the extent of any government stimulus measures.

Steadfast Group provides FY21 guidance of:

- ▶ Underlying EBITA of between \$235 million and \$245 million
- ▶ Underlying NPAT of between \$115 million and \$122 million
- ▶ Underlying diluted eps (NPAT) growth of 5% to 10%


Key assumptions include:

- ▶ Steadfast has spent \$70m on equity broker acquisitions post balance date and is intending to complete a final PSF Rebate offer in FY21 to those network brokers who did not take up the offer in FY20
- ▶ Strategic partners continue to drive moderate premium price increases
- ▶ Ongoing trading conditions mirror the experience of the fourth quarter of FY20

Thank you

I would like to thank our employees, Board members, Steadfast Network brokers, Steadfast Underwriting Agencies, complementary businesses and strategic partners for contributing to our record performance this year. I am proud of the way our people have adapted to the new circumstances, allowing Steadfast to maintain our broker service levels and support our customers as they navigate the impacts of COVID-19.

I would also like to thank all our shareholders for their ongoing support. I look forward to working with our stakeholders for many years to come.



Robert Kelly
Managing Director & CEO

\$8.3bn
Steadfast Network GWP

\$108.7m
Underlying NPAT

Message from the Chief Financial Officer



FY20 was another record year for Steadfast Group where we delivered strong underlying earnings and maintained our strong working capital position and conservative gearing.

Earnings per share and dividend growth

Organic (+1.3%) and strong acquisition (+14.2%) underlying EBITA growth drove underlying diluted EPS (NPAT) of 12.7 cents per share (+13.4%) allowing the Board to declare a total dividend of 9.6 cents per share (+12.9%). The total 2020 dividend represents a payout ratio of 76%, in-line with our target range of 65% - 85% of underlying net profit after tax, adjusting for non-trading items.

These results were achieved despite the uncertainty our economy experienced as a fallout of the government restrictions being implemented in March 2020 to manage the rapid spread of COVID-19.

Being a working capital and capital expenditure-light business, earnings were translated into cash flow throughout the year. There was no evidence of cash flow deterioration during the year despite COVID-19, with 100% of underlying NPATA converting into cash. This cash has been utilised to fund our continuing technology investment, further acquisitions and pay increased dividends to shareholders.

Balance sheet

Steadfast Group's balance sheet remains well positioned, with a corporate gearing ratio of 21.5%. In January 2020 we increased our corporate debt facilities from \$385 million to \$460 million and extended the term of these facilities. As at 30 June, the Group has \$181 million of unutilised capacity available to fund future corporate

activity. There is significant headroom in the corporate debt covenants.

In July 2020, the IQumulate facilities were refinanced for a further two years. IQumulate's premium funding borrowings and payables and corresponding receivables are now fully reflected on the Group balance sheet. IQumulate borrowings are secured by IQumulate assets and there is no recourse to Steadfast Group. Corporate debt financiers carve out IQumulate debt from corporate financial covenants.

Reconciliation of earnings

Page 7 shows the reconciliation of earnings between the statutory profit and the underlying earnings.

Under Australian Accounting Standards, the consideration paid for the IBNA acquisition and the Steadfast PSF Rebate offer was expensed in the Group's FY20 statutory accounts and resulted in a statutory loss. This has been excluded from normalised underlying earnings of Steadfast Group's FY20 financial results reflecting the true underlying position of the business.

Thank you

Significant time and effort has gone into the collation of the financial data for the Group, to provide stakeholders with quality and reliable performance data. Thank you to all who have produced these materials, particularly under the challenging environment of COVID-19.

A handwritten signature in black ink, appearing to read 'Stephen Humphrys'.

Stephen Humphrys
Chief Financial Officer

**Steadfast Group
has maintained our
strong working capital
position during
the challenging
COVID-19 environment.**

Year ended 30 June, \$million	2020	2019
Reconciliation of earnings:		
Statutory comprehensive income after tax	-55.2	103.8
IBNA acquisition expense	72.7	-
PSF Rebate expense	63.1	-
Impairments	40.7	-
Change in value and sale of investments	-2.0	-14.6
Net gain on deferred consideration estimates	-5.4	0.1
Other non-trading items	-2.0	-0.1
Underlying NPAT - including JLG mark-to-market adjustment	111.9	89.2
JLG mark-to-market revaluation	-3.2	-0.5
Underlying NPAT - excluding JLG mark-to-market adjustment	108.7	88.7
Underlying NPAT growth	22.6%	19.0%
Amortisation	26.9	24.9
Underlying NPATA ¹	135.6	114.1
Underlying NPATA growth	19.3%	17.3%
Underlying Revenue	826.3	688.4
Underlying EBITA	223.5	193.4
Underlying NPAT	108.7	88.7
Underlying NPATA	135.6	113.6
Underlying EPS (NPAT)	12.70	11.20
Underlying EPS (NPATA)	15.84	14.35

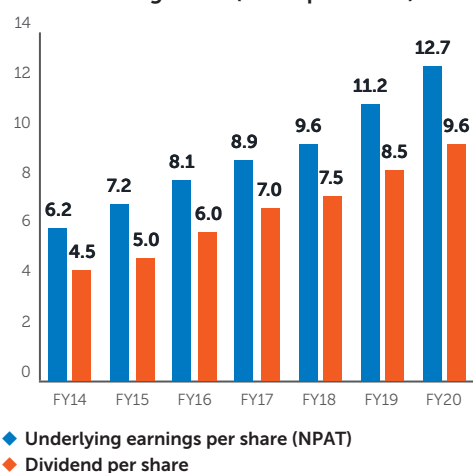
¹ FN: For further information refer to Note 4 to the accounts.

15.5%
underlying EBITA growth FY20

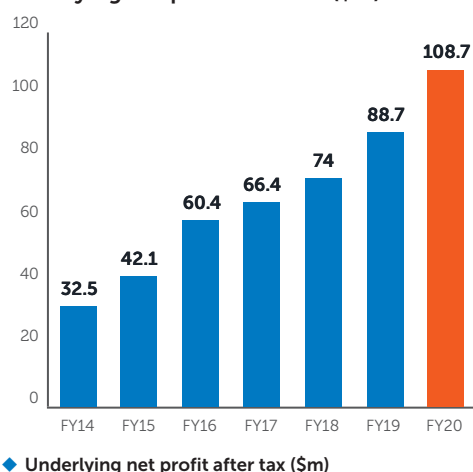
22.6%
underlying NPAT growth FY20

19.3%
underlying NPATA growth FY20

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



Underlying net profit after tax (\$m)



Steadfast Group continues to deliver sustainable earnings growth since IPO.

How we create value model

We aim to create long term value for all of our stakeholders.

Our business activities and business value drivers and resulting value creation outputs enable us to meet our strategic objectives and business.

Our Business Activities

Steadfast is the largest general insurance broker network and the largest group of underwriting agencies in Australasia. We have three business units focused on the intermediated general insurance market, being Steadfast Broker Network (in which we have an equity interest in 57 brokers), Steadfast Underwriting agencies and the complementary businesses division.

Our Operating Environment

The risks and opportunities in our operating environment impact our ability to create value. We ensure we understand these factors and how they affect our business ensuring we are best placed to manage risks whilst capitalising on opportunities to deliver long term value to our stakeholders.

Market disruption:

Changing technology & increasing data collection

Sector consolidation:

SME brokers increasingly needing support of an aligned network & equity investment

Regulatory change and increasing stakeholder scrutiny

Capacity risk:

Strategic partners seeking enhanced returns via selective risk appetite and increasing premiums, with increasing natural disasters

Highly competitive landscape for human capital:

Attracting and retaining customer centric talent whilst offering increasingly flexible work arrangements

Increasing cybersecurity risk

Policies & Customers:

Protect businesses & consumers as a key component of risk mitigation against numerous perils and disasters

Broker Services:

Provides brokers market-leading policy wordings for customers, global leading technology that continues to be refined and rolled out, providing efficient processes to administer risk management data transfer, training, service offering

458 Network Insurance Brokerages:

Advising clients on risk management solutions, especially SME solutions and personal lines

25 Specialty Underwriting Agencies:

Providing risk management products to the market

8 Complementary businesses:

Leading Technology, premium funding solutions, other specialty advisory lines supporting the broker network and underwriting agencies

Value Creation Outcome

Our Business Value Drivers

We use a range of resources and relationships to create sustainable value.

People:

Employees with high calibre key competencies and ethical behaviours in order to drive business performance

Product & Advice:

Steadfast suite of support services

Technology & data capabilities:

Our leading technology provides clarity around alternative insurance solutions

Operational scale:

The size and scale of our broker network and underwriting agencies and their underlying customers

Finance:

Access to debt & equity to execute our strategy and invest for sustainable earnings growth

Community & relationships:

Localised relationships with local communities

Corporate Governance:

Proactively managing risk within strong corporate governance framework to create sustainable longer-term growth

Our business value drivers ensure our business activities maximise value created for stakeholders.



Shareholder Value:

Deliver healthy return on invested capital over the long term and to improve profits to pay increasing dividends and drive capital value increases.



Customer Value:

Better outcomes for clients

- SCTP as a contestable digital marketplace generating improved pricing competition and coverage
- Market leading policy wordings
- Instant policy issue, maintenance & renewal, all on a market contestable basis
- Efficiency of delivery for clients



Employee Value:

Investment in our people to increase employee engagement through cultural, behavioural and skills based developmental initiatives to drive business growth

- 71% employee engagement score
- 1,400 hours of training



Community Value:

Connecting and investing in our community to support our business and industry

- \$403,000 invested in the charitable causes
- 1,313 charity hours by staff volunteering
- \$55m income tax paid to the Australian Government

Steadfast Group

Steadfast Group was established in 1996 and is the largest general insurance broker network and the largest underwriting agency group in Australasia, with growing operations in Asia and Europe. We have grown the Steadfast Network to 458 brokerages (of which Steadfast Group has equity in 57), built a portfolio of 25 underwriting agencies and we have a 40% interest in the unisonSteadfast network of 236 brokerages. Our business model is designed to allow us to achieve sustainable growth via our Network brokerages and the equity positions we hold within the Network.

Our Steadfast Underwriting Agencies offer cover for the entire market and are also supported by the Steadfast Network.

Our business

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



Steadfast Group

is the largest general insurance broker network and the largest underwriting agency group in Australasia.

Steadfast Group Fee & Commission diversification



◆ Strata	24%
◆ Business Pack	13%
◆ Machinery & Plant	12%
◆ Commercial Motor	9%
◆ Retail Home & Motor	7%
◆ Other	7%
◆ Commercial Property & ISR	6%
◆ Liability	6%
◆ Trade Credit	5%
◆ Construction	4%
◆ Professional Risks	4%
◆ Rural & Farm	2%
◆ Statutory Covers	1%

Resilient business model

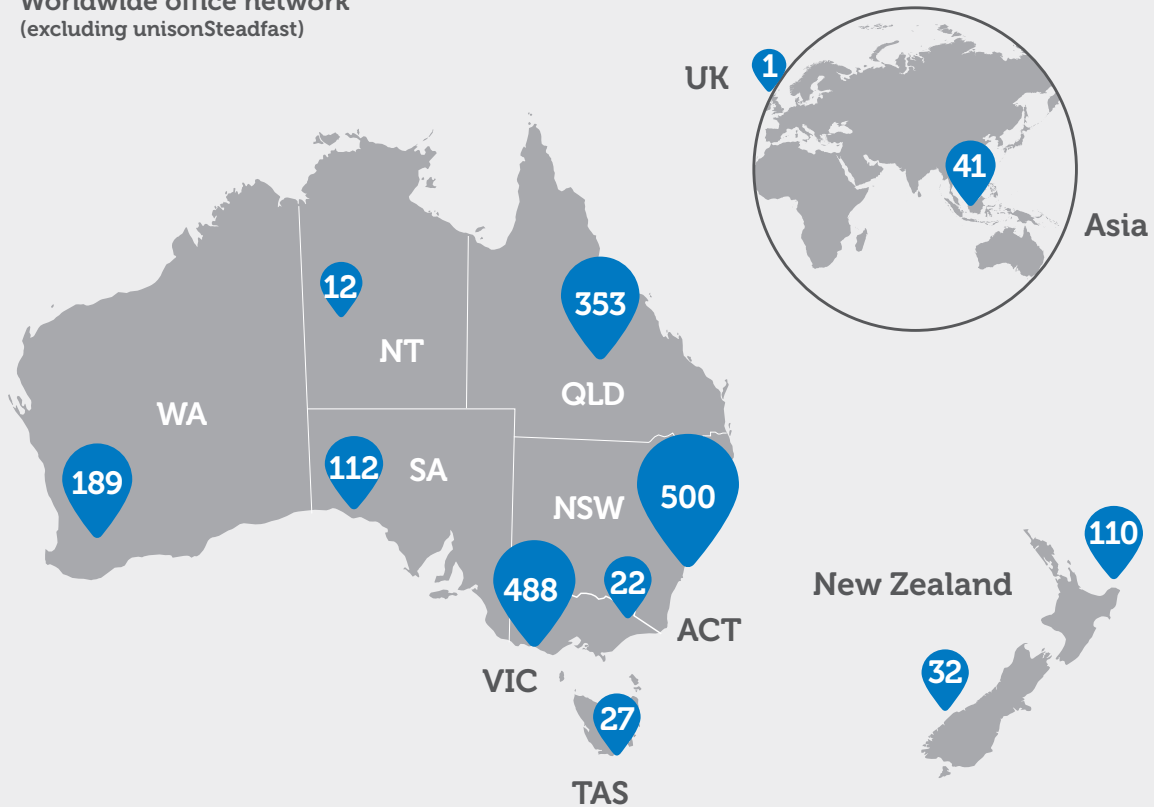
Steadfast Group is a stable and resilient business with our underlying EBITA mix being well diversified by business unit and product line.



1. Steadfast Broker Network

As the largest general insurance broker network in Australasia, brokerages receive superior market access and exclusive products and services backed by the scale and expertise of the Group. This allows them to focus on servicing their clients' insurance and risk management needs.

Worldwide office network (excluding unisonSteadfast)



Key benefits to brokers include:



Market-leading policy wordings



Exclusive access to Steadfast proprietary technology



Tools and support

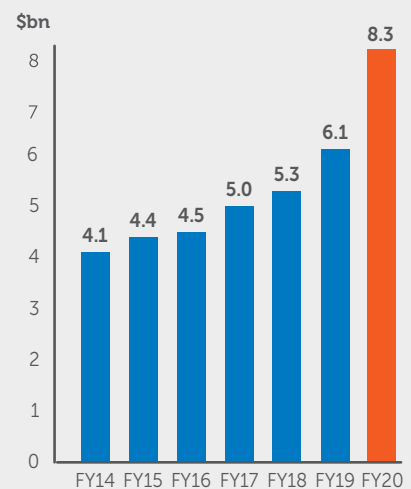
458

brokers in the Steadfast Network

160+

exclusive products and services

Steadfast Network GWP (\$bn)¹



¹Excludes unisonSteadfast

A global broker network to access new markets for the Steadfast Network via inbound and outbound insurance placements.

Steadfast Group has a 40% stake in unisonSteadfast which is one of the largest global networks of general insurance brokerages with 236 brokerages across 130 countries.



unisonsteadfast

236

brokerages

130

countries

Our clients

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

These relationships ensure that the SME market is more stable than the sometimes fickle corporate market.

Diversified product offering and client base

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

Diversified by client base



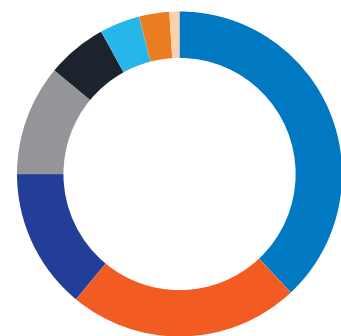
◆ Micro (Policy size <\$650)	4%
◆ Small Enterprise (Policy size \$650 - \$5,000)	35%
◆ Small Enterprise (Policy size \$5,000 - \$50,000)	34%
◆ Medium Enterprise (Policy size \$50,000 - \$250,000)	12%
◆ Corporate (Policy size >\$250,000)	3%
◆ Retail	12%

Diversified by product line



◆ Business pack	20%
◆ Commercial motor	14%
◆ Retail	12%
◆ Commercial property & ISR	10%
◆ Liability	9%
◆ Professional risks	8%
◆ Statutory covers	7%
◆ Strata	7%
◆ Rural & Farm	4%
◆ Construction & engineering	4%
◆ Other	5%

Diversified by geography



◆ VIC	38%
◆ NSW	23%
◆ QLD	14%
◆ WA	11%
◆ NZ	6%
◆ SA	4%
◆ TAS	3%
◆ ACT	1%

2. Steadfast Underwriting Agencies

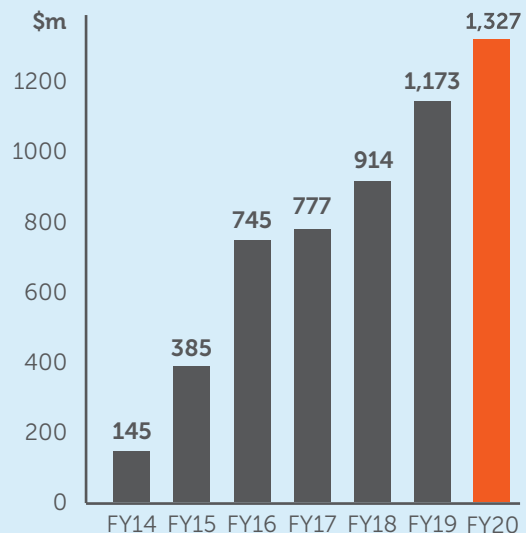


Steadfast Underwriting Agencies is the largest underwriting agency group in Australasia.

The agencies extend our intermediated general insurance distribution by offering brokers, inside and outside of the Steadfast Network, specialised products and capacity in niche markets.

Steadfast Group has an equity stake in all 25 agencies.

Steadfast Underwriting Agencies GWP (\$m)



3. Complementary businesses

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



Our insurTech

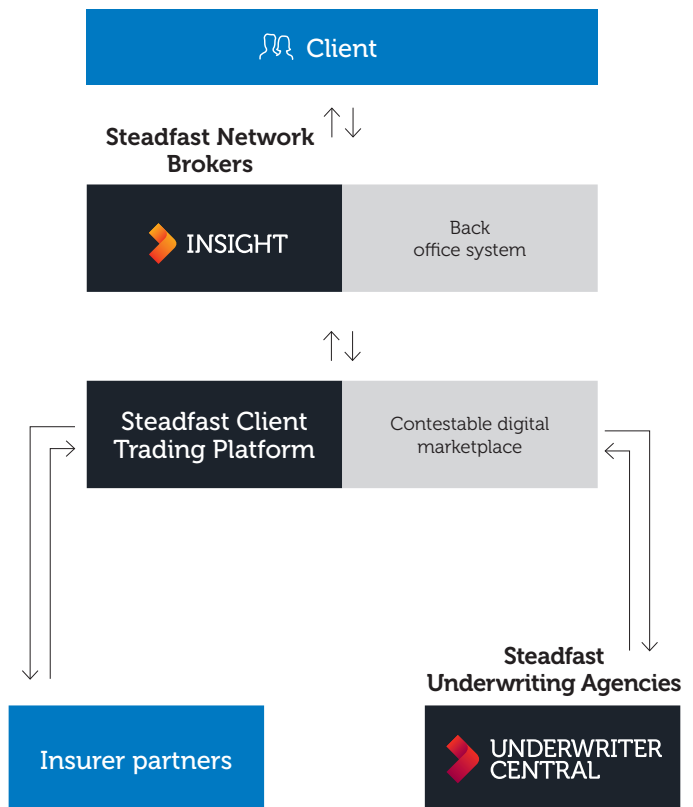
Steadfast Technologies provides exclusive, market-leading technology to support broker and underwriting agency operations and facilitate interactions with our insurer partners to support client outcomes.

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

Steadfast Client Trading Platform (SCTP): a digitally contestable marketplace giving brokers access to domestic, commercial and strata policies offered by all insurers who connect to the platform, allowing comparisons of policies and prices on a single screen.

▶ **Insight:** back office system for brokers offering a single view of their business.

▶ **UnderwriterCentral:** underwriting agency management system which manages the entire policy lifecycle.



Our insurTech continued

SCTP benefits for clients:

- ▶ Contestable digital marketplace generating improved pricing competition and coverage and alignment of client and broker interests through fixed commission rates.
- ▶ Market-leading policy wordings.
- ▶ Instant policy issue, maintenance and renewal, all on a market contestable basis.
- ▶ Supported by Steadfast claims triage.

SCTP benefits for brokers:

- ▶ Automated market access to leading insurers.
- ▶ Bespoke market-leading policies.
- ▶ Fixed commission, same for all insurers.
- ▶ In-depth data analytics.
- ▶ Stimulates advisory discussions with clients on their insurance programs with the major market players.

SCTP benefits for insurers:

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

Insurer and underwriting agency partners on the SCTP

Business pack	Professional risks	Liability	Commercial property & ISR	Commercial motor	Domestic home, motor & landlords	Strata
				2H FY21		
				1H FY21		
				2H FY21		
				2H FY21		
	2H FY21			2H FY21		

Key: indicates insurers joining SCTP product lines

SCTP

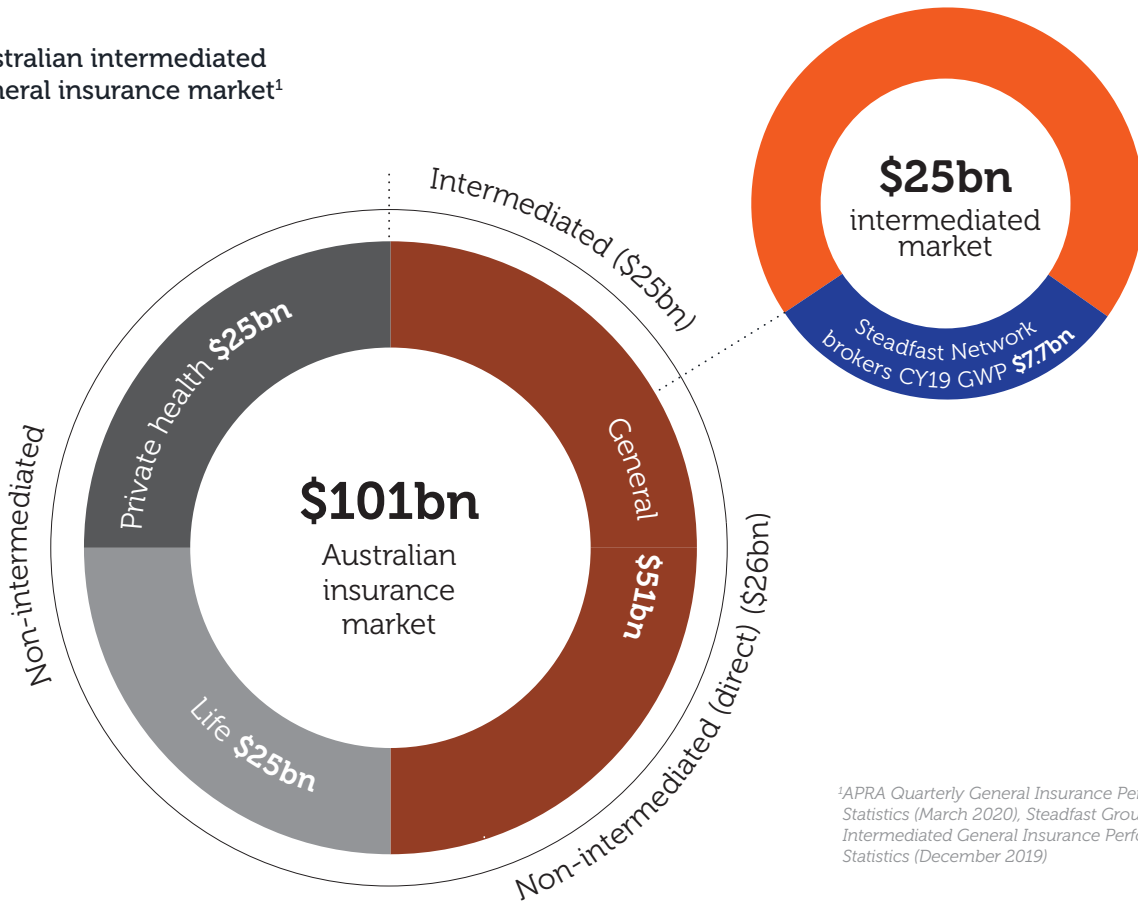
Steadfast remains focused on improving SCTP by adding more product lines, new insurers and the expansion of auto-rating capabilities, driving increased SCTP usage and superior outcomes for clients.

Key market

The intermediated general insurance market consists of insurance brokers and underwriting agencies. Australia is Steadfast Group's largest market, with intermediated gross written premium of \$25 billion generated in 2019, of which our Network and agencies have a 31% share.

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

Australian intermediated general insurance market¹

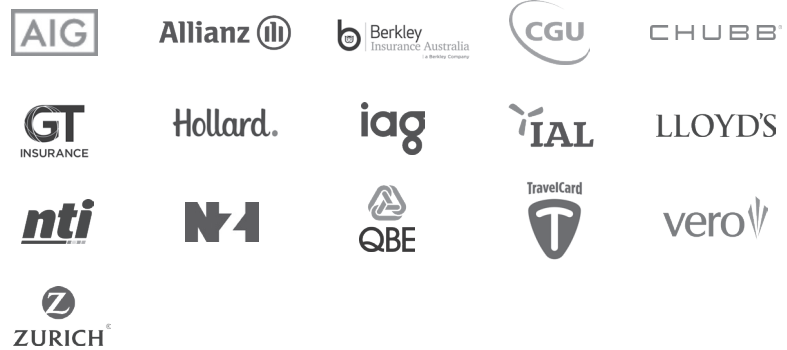


¹APRA Quarterly General Insurance Performance Statistics (March 2020), Steadfast Group and APRA Intermediated General Insurance Performance Statistics (December 2019)

Our partners

Over our 24 year history, Steadfast Group has developed strong relationships with carefully selected insurers, underwriting agencies, premium funding and strategic partners that support the Steadfast Network.

Major insurer partners



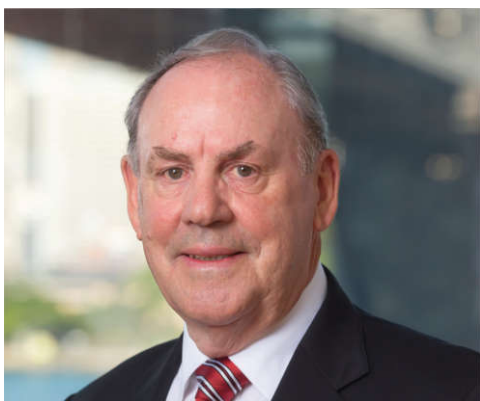
Strategic partner



Premium funding partners



Board of Directors



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

Frank had over 35 years' experience at QBE where he was Group CEO from 1998 until 2012. He also worked with Coopers & Lybrand for 13 years where he started his career as a Chartered Accountant. Frank was President of the Insurance Council of Australia from 1999 to 2000 and was inducted into the International Insurance Hall of Fame in 2010. Frank received his AM for services to the insurance industry and philanthropy.



Robert Kelly
Managing Director & CEO

Robert co-founded Steadfast and has over 45 years' experience in the insurance industry. He is ranked the second most influential person in insurance by Insurance News, and was awarded the ACORD Rainmaker Award in 2014. Robert is a Qualified Practising Insurance Broker, a Fellow of NIBA, a Senior Associate of ANZIIF, a Certified Insurance Professional and a Graduate member of the Australian Institute of Company Directors. Robert is also a Director of ASX-listed Johns Lyng Group Limited and not-for-profit organisation KidsXpress.



David Liddy, AM
Deputy Chairman & Non-Executive Director (independent)

David has over 45 years' experience in banking, including postings in London and Hong Kong. He was Managing Director of Bank of Queensland from 2001 to 2011. David is a Director of Emerchants Limited. He is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors. David received his AM for services to the banking and finance sectors and the community of Queensland.



Gai McGrath
Non-Executive Director (independent)

Gai has over 34 years' experience in the financial services and legal industries. Including 12 years with Westpac Group as General Manager of Westpac's retail banking business in Australia from 2012 to 2015 and in New Zealand from 2010 to 2012. Gai is a Director of Genworth Mortgage Insurance Australia Limited (and also chairs the Risk Committee), IMB Bank (chairs the People & Culture Committee and Financial Planning Committee), Toyota Finance Australia Limited, HBF Health Limited and Humanitix Limited (Chair). Gai holds a BA, LLB (Hons), LLM (Distinction) and is a Graduate of the Australian Institute of Company Directors.



Anne O'Driscoll
Non-Executive Director (independent)

Anne has over 35 years' of business experience. A Chartered Accountant since 1984, she was CFO of Genworth Australia from 2009 to 2012 following more than 13 years with IAG. Anne is chairman of FINEOS Corporation Holdings Plc and a Director of Infomedia Limited, Commonwealth Insurance Limited and MDA National Insurance Pty Ltd. She is also a Fellow of ANZIIF and a Graduate of the Australian Institute of Company Directors.



Philip Purcell
Non-Executive Director (independent)

Philip has over 45 years' experience in the insurance and legal industries. He has been a partner at Dunhill Madden Butler, PricewaterhouseCoopers Legal and Ebsworth & Ebsworth, and has held two Board positions with GE in Australia. Philip consults to clients who are engaged in commercial transactions or mediation of commercial disputes. Philip holds an LLB and BA.



Greg Rynenberg
Non-Executive Director (independent)

Greg has over 40 years' of experience in the insurance broking industry, with 36 years spent running his own business, East West Group. East West Group is a Steadfast Network Broker not owned by Steadfast. Greg is a Qualified Practising Insurance Broker, a Fellow of NIBA and an Associate of ANZIIF. He holds an Advanced Diploma in Financial Services (General Insurance Broking) and was named NIBA Queensland Broker for 2014.

Senior Management Team



Robert Kelly
Managing Director & CEO

Robert co-founded Steadfast and has over 50 years' experience in the insurance industry. He is ranked the second most influential person in insurance by Insurance News, and was awarded the ACORD Rainmaker Award in 2014. Robert is a Qualified Practising Insurance Broker, a Fellow of NIBA, a Senior Associate of ANZIIF, a Certified Insurance Professional, Graduate member of the Australian Institute of Company Directors and sits on the ACORD Board in New York. Robert is also a Director of ASX-listed Johns Lyng Group Limited and not-for-profit organisation KidsXpress.



Stephen Humphrys
Chief Financial Officer

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



Samantha Hollman
Chief Operating Officer

Samantha has 25 years' experience in the insurance industry including 20 years at Steadfast. She was promoted to COO in September 2016 to direct and manage operational activities of the organisation and to ensure the implementation of the overall strategy. Samantha works closely with the Managing Director & CEO and the Board to implement strategic initiatives for the Group on a national and international level. Samantha sits on the unisonSteadfast Supervisory Board.



Simon Lightbody
Chief Executive Officer
Steadfast Underwriting Agencies

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



Allan Reynolds
Executive General Manager
Asia, New Zealand & Domestic

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



Nick Cook
Executive General Manager
Partner & Broker Services

Nick, who joined Steadfast in February 2015, had over 15 years' experience at Zurich Financial Services, including three as the Head of Customer & Proposition Development and nine years as a distribution manager. He is a member of the NIBA Board and an Associate ANZIIF member. He has graduated from both the AGSM Leadership Program and the Prosci Organizational Change Management Program.



Peter Roberts
Executive General Manager
Business Solutions

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



John O'Herlihy
Executive General Manager -
Operations & Acquisitions

John joined Steadfast in 2012 and is joint lead of the Operations and Acquisitions team. Having completed his professional accounting training with KPMG in 1996, John has spent over 15 years working within the insurance industry. During this time he has held a number of senior finance and operational roles in both North America and Australia specialising in corporate transactions. John is now a Fellow of the Institute of Chartered Accountants Ireland.



Jeff Papps
Executive General Manager -
Operations & Acquisitions

Jeff joined Steadfast in 2012 and is joint lead of the Operations and Acquisitions team. Prior to joining Steadfast, Jeff worked for PwC specialising in financial services. After transferring from London to Sydney in 1998, he focused on mergers and acquisitions, leading domestic and cross border transactions and listings across Australia, Asia, Europe and North America. Jeff is a Member of the Institute of Chartered Accountants in England and Wales



Duncan Ramsey
General Counsel

Duncan began with Steadfast in June 2014 after 20 years at QBE. He was Group General Counsel and Company Secretary. Duncan's career commenced in 1986 with Freehills in Sydney. He holds degrees in commerce and law, and a graduate certificate in applied risk management. Duncan is a Fellow of ANZIIF and the Governance Institute of Australia, as well as a graduate of the Australian Institute of Company Directors.



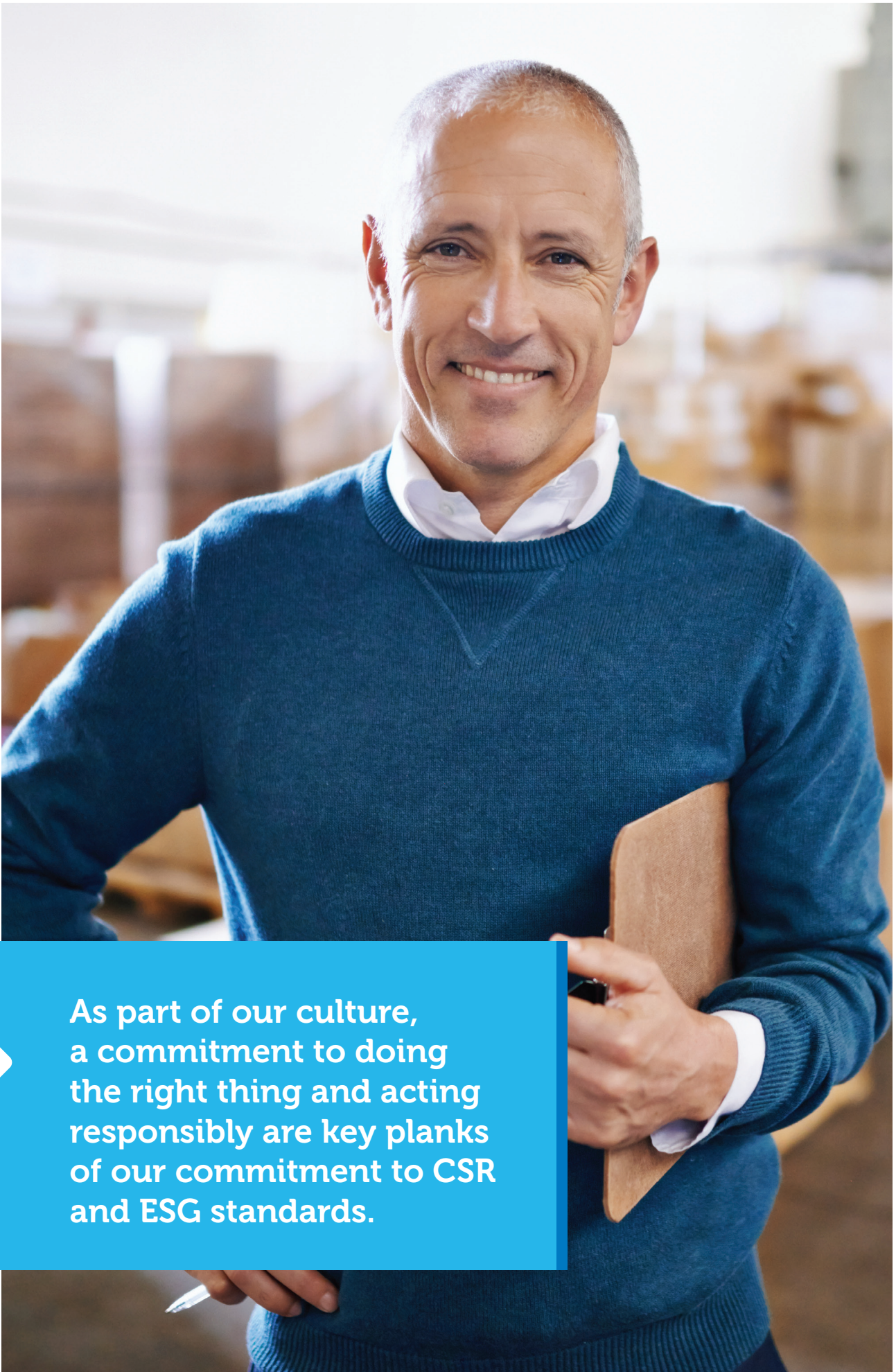
Linda Ellis
Group Company Secretary
& Corporate Counsel

Linda is Group Company Secretary & Corporate Counsel at Steadfast Group Limited and has been part of the Executive team since 2013. Before joining Steadfast, she specialised in mergers and acquisitions and worked in Sydney and London at global law firms. Linda is a Graduate member of the Australian Institute of Company Directors, holds a BEc and LLB (Hons I) from The University of Sydney and is on the boards of Abbotsleigh School for Girls, Mosman Preparatory School and the advisory board of Heads Over Heels.



Martyn Thompson
Executive General Manager -
Corporate Development

Martyn recently joined Steadfast with over 35 years' experience as an Insurance Broker, the previous 29 years working in senior roles for the global Broker, Willis Towers Watson. During this tenure he was National Client Service Director responsible for implementing service platforms and standards across the network including providing risk and insurance solutions to many ASX companies, government and Multi-National organisations. He is a Senior Associate ANZIIF, holds a Diploma of Financial Services and a Graduate Certificate in Business Administration.



As part of our culture,
a commitment to doing
the right thing and acting
responsibly are key planks
of our commitment to CSR
and ESG standards.

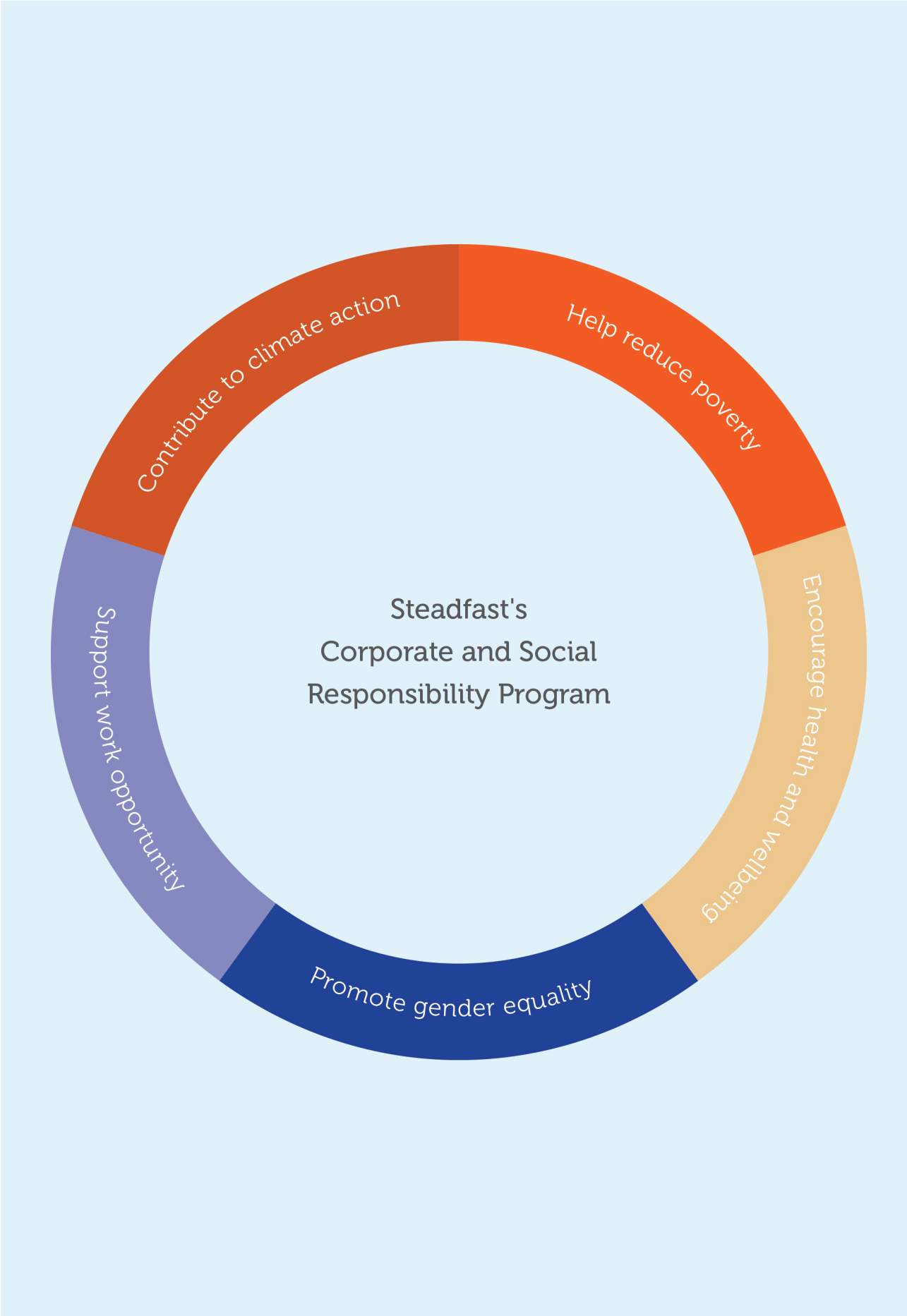
CSR and ESG

Our approach to Corporate and Social Responsibility (CSR), Environmental, Social and Governance (ESG)

Steadfast's long term sustainability is enhanced by our CSR program and by our focus on ESG considerations. Our Board considers that CSR and ESG are important elements of acting in the best interests of our shareholders as we continue to develop our long term sustainability as a business. As part of our culture, a commitment to doing the right thing and acting responsibly are key planks of our commitment to CSR and ESG standards. In the process:

- ▶ We engage our people. We demonstrate that we care about them and the issues that are important to them.
- ▶ Our businesses feel proud of being part of the Steadfast Group.
- ▶ Client outcomes are better when culture is ethical and responsible.
- ▶ We make a positive impact in our communities.
- ▶ We have better long term sustainability and performance in the best interests of our stakeholders.

CSR and ESG continued



Our CSR Framework

We have considered how we can help make a difference to some of the world's most pressing environmental and social challenges, through our CSR program to our business and sphere of influence. We have formulated five principles which align with our business and culture and where we can have the most impact.

Steadfast's CSR program is centred on these five principles:



Contribute to climate action

Our relationship with Sustainability Ambassador, Tim Jarvis AM, provides Steadfast with an opportunity to contribute on climate change and the transition to a lower-carbon economy.

- ▶ Steadfast Sustainability Ambassador: Tim Jarvis AM.
- ▶ Energy efficiency.
- ▶ Green energy.
- ▶ Carbon offsetting.



Promote gender equality

We are committed to gender equality as a sound business practice and because it is the right thing to do. Diversity and inclusion are important in our business and we also promote gender equality through supporting initiatives outside Steadfast.

- ▶ Male Champions of Change.
- ▶ Diversity & inclusion.
- ▶ Heads Over Heels.
- ▶ Dive In festival.
- ▶ Woman in Insurance.
- ▶ Wear it Purple.



Support work opportunity

Insurance is a key factor in enabling sustainable economic growth. We provide advice for insurance products supporting workers continuing their employment through our workers' compensation solutions business, accident & health solutions and life insurance solutions. Our support for Indigenous people aims to provide opportunities for work and growth.

- ▶ Our brokers and their clients.
- ▶ Industry engagement & leadership.
- ▶ Reconciliation Action Plan.
- ▶ Indigenous Engagement Ambassador.
- ▶ Investment in Origin Insurance.
- ▶ Human rights and modern slavery.
- ▶ Jobsupport employer.



Encourage health and wellbeing

Steadfast is committed to good health and wellbeing outcomes for our people and much of our charity giving is directed to improving health outcomes in our community.

- ▶ Employee attraction, retention and engagement.
- ▶ Health, safety & wellbeing.
- ▶ Steadfast Graduate Programme.
- ▶ Steadfast Foundation.



Help reduce poverty

Insurance protects individuals and businesses when disaster strikes, providing a safety net against poverty and building financial wellbeing. Our brokers and underwriting agencies are proud to provide their clients with insurance solutions and advice.

- ▶ Our brokers, underwriting agencies and their clients.
- ▶ Steadfast Foundation.

CSR and ESG continued

Environmental



Steadfast's Sustainability Ambassador, Tim Jarvis AM

Tim Jarvis AM is a polar explorer, environmental scientist, author, public speaker and film maker. Tim holds Masters degrees in environmental science and environmental law and was conferred a Member of the Order of Australia (AM) for services to the environment, community and exploration in the 2010 Australian honours list. In 2013, Tim successfully recreated Sir Ernest Shackleton's epic crossing of the Southern Ocean and was voted Conservationist of the Year in 2016 by the Australian Geographic Society.

Tim uses exploration, film, content and social media to share and generate conversation in the area of environmental sustainability. Using his extensive knowledge and experience, he provides Steadfast businesses with regular commentary on the current state and future outlook of environmental sustainability, particularly in relation to the impact of current events. He provides an objective analysis and broad perspective on environmental issues and offers pragmatic insight to progress thinking in this area.

Energy efficiency

Steadfast looks for opportunities to reduce our environmental impact and improve energy efficiency. This year we transitioned our head office in Bathurst St, Sydney to Light Emitting Diode (LED). While this was a significant up-front cost, the change has allowed us to operate on 100% green energy from our head office and make cost savings of 10.6% annually (pre-COVID-19 lockdown).

Carbon offsetting

Steadfast demonstrates our commitment to minimising the impact we have on the environment by offsetting the carbon emissions of the Senior Management Team's corporate travel. With the COVID-19 lockdown management has spent less time travelling and has been making use of video conferencing technology, tools we expect to continue to utilise in the future and will see a permanent reduction in our travel impact.

Our carbon offsets reflect Steadfast's CSR priorities. We direct our carbon offsetting to support local communities in Africa with a focus on empowering women and addressing the effects of climate change on local communities.

Steadfast demonstrates our commitment to minimising the impact we have on the environment by offsetting the carbon emissions of the Senior Management Team's corporate travel.

Social

Our culture and values

Building a culture that supports and enables us to achieve our purpose, vision and strategy in an ethical and responsible manner is a strategic priority for Steadfast. Culture is key to ensuring that how we go about doing our work is just as important as what gets achieved. All our people undertake training on the standards of behaviour that are expected and these are also encapsulated in our corporate governance policies such as our code of conduct. All our people have culture and values KPIs and the Board has charged the executives with the responsibility of setting the tone from the top in all aspects of their interactions and work.

In prioritising the safety of our employees and broker network, Steadfast cancelled our annual Steadfast Convention that was to be held in March in Perth to limit potential exposure to COVID-19.

Our brokers and their clients

We prioritise what matters to our brokers and strive to deliver an outstanding broker service to enable Steadfast Network brokers to thrive.

This year Steadfast put in place a number of measures to support our broker network in supporting their clients through COVID-19. These measures include:

- ▶ A dedicated page on our Broker Website for COVID-19 detailing measures put in place by Government, Industry & Insurers.
- ▶ Newsletters sent to the network detailing Government measures to assist brokers & their clients.
- ▶ Hosted a webinar providing update on COVID measures put in place to assist clients. Over 1,500 brokers participated in this forum.
- ▶ Providing support through National Insurance Brokers Association (NIBA) in developing a coordinated

approach to how insurers can support brokers through COVID-19.

- ▶ Launching an alternative premium funding option to support distressed clients.
- ▶ Steadfast has commissioned a guide on providing the correct Business Interruption information & calculations to assist clients arrive at the correct figure for their business interruption insurance in a post COVID-19 environment.
- ▶ Working with the ACCC to ensure all Steadfast brokers were opted into the ACCC Interim Authorization on providing COVID-19 relief measure to Steadfast clients.

Our Steadfast Client Trading Platform (SCTP) provides Steadfast brokers and their clients with choice across leading insurers and 'best in class' product wordings. The SCTP provides real time, full policy life cycle capability accessed through the Steadfast Virtual Underwriter. This ensures our brokers can provide clients with insurance solutions from a range of insurers quickly and efficiently.

Steadfast performs an annual 'Your Shout' survey of its brokers. In our most recent survey, our brokers indicated that they continue to be very pleased with the products and service offerings Steadfast provides. We strive for continual improvement in levels of broker satisfaction.

Building a culture that supports and enables us to achieve our purpose, vision and strategy in an ethical and responsible manner is a strategic priority for Steadfast.

CSR and ESG continued

Industry engagement and leadership

A number of our senior executives hold leadership roles within the industry such as serving on the board of industry bodies. Our executives contribute by speaking and industry events and judging industry awards. Our executives are recognised throughout the industry and receive accolades for their leadership and contribution. Working with the industry body, National Insurance Brokers Association, Steadfast continues to play a leading role in seeking to ensure that the insurance broker industry stays strong, delivers excellent outcomes for customers and meets its legal and ethical obligations from a regulatory perspective.

Last year Steadfast welcomed the final report of the Hayne Royal Commission, and while it did not generally raise concerns of misconduct within general insurance broking, its implications provide an opportunity for the industry, including Steadfast, to reflect on our practices.

We continue to make adjustments to our practices, and lead the way, on our journey of continual improvement and make appropriate adjustments as best practice in insurance broking continues to evolve.

Diversity and Inclusion

Steadfast is committed to increasing and supporting diversity. This flows naturally from our values and is an important part of our culture. Steadfast believes that we perform better as a business with diverse people and an inclusive culture. It helps us attract, retain and motivate the best people. We are proud of our increasing gender, ethnic and age diversity and are committed to inclusion at all levels regardless of sexual orientation, gender identity, age, disability, ethnicity, religious beliefs, cultural background or socio-economic background. We do not tolerate discrimination, harassment or vilification and staff undergo training to support our commitment to inclusion.

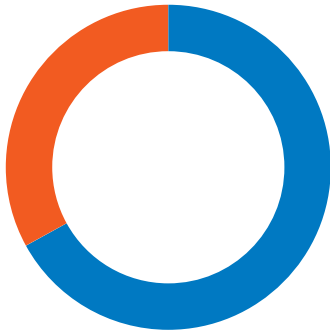
Steadfast offers flexible work practices to assist our people fulfil their responsibilities outside work. We have training programs to prepare our people, particularly those we have identified as high potential, for senior positions and we actively create opportunities such as appointing them to boards within the Steadfast Group, to assist professional development.

Steadfast believes that we perform better as a business with diverse people and an inclusive culture.

Gender

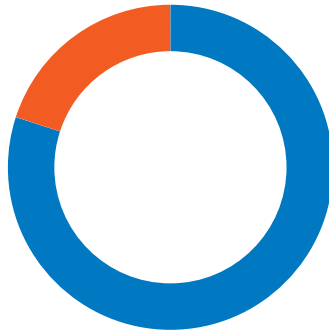
We are committed to gender diversity at all levels

Non-executive directors



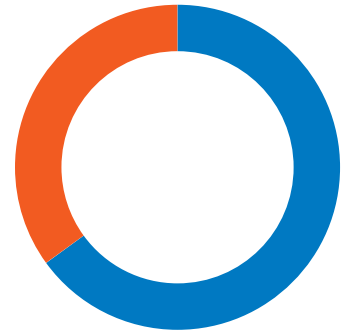
◆ Male
◆ Female

Key management personnel



◆ Male
◆ Female

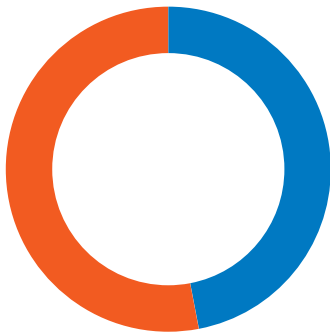
Senior executives



◆ Male
◆ Female

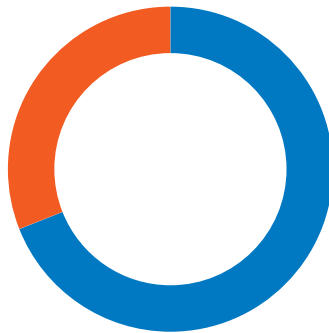
65%
35%

Group wide employees



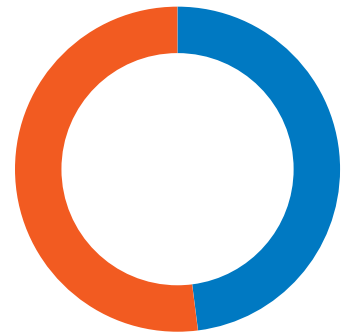
◆ Male
◆ Female

Promotions and transfers



◆ Male
◆ Female

Participant in our manager development program



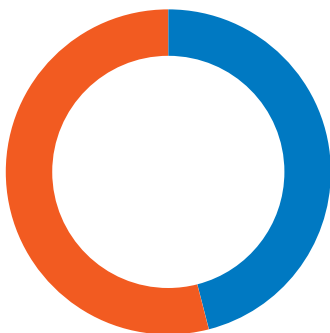
◆ Male
◆ Female

48%
52%

Ethnic & Age

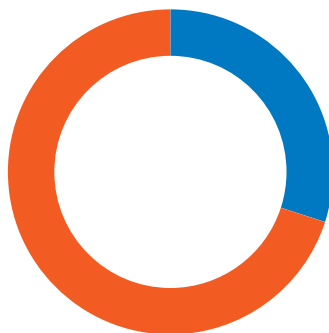
Steadfast has considerable ethnic and age diversity

Head office employees place of birth



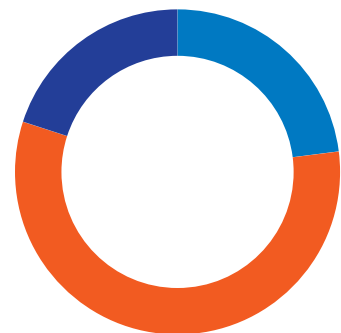
◆ Born outside Australia
◆ Born in Australia

Workforce language diversity



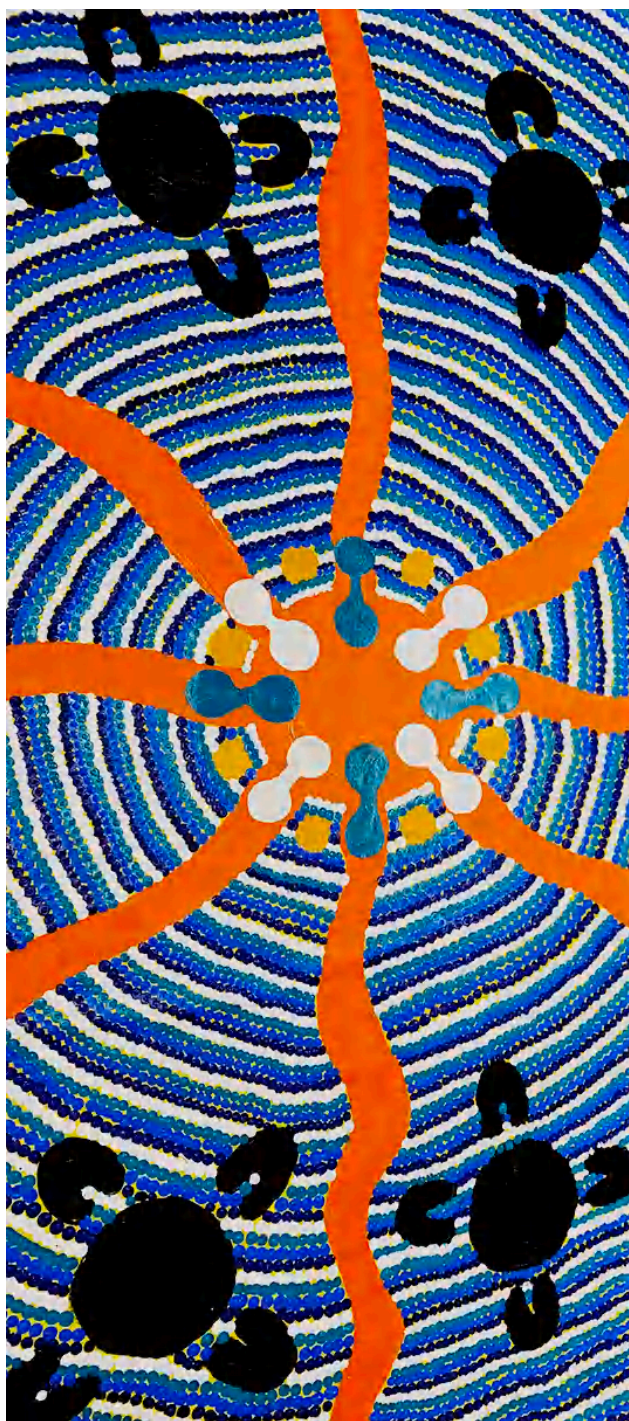
◆ Non-english speaking background
◆ English speaking background

Age Diversity



◆ Under 30 years old
◆ Between 30 and 50 years old
◆ Over 50 years old

CSR and ESG continued



Support for Aboriginal & Torres Strait Islander peoples Reconciliation Action Plan

Steadfast launched our first Reconciliation Action Plan (RAP), 'Reflect' in March 2020 as part of our broader commitment to CSR and diversity and inclusion.

Steadfast's RAP commitment is the beginning of our journey to supporting reconciliation in Australia, in a structured, relevant and respectful way. The three pillars of reconciliation, respect, relationships and opportunities are our guiding principles on this journey.

As part of our Reflect RAP, we have begun to raise awareness and encourage a deeper understanding of Aboriginal and Torres Strait Islander peoples - including their culture, history, achievements and aspirations - throughout Steadfast via content and workshops.

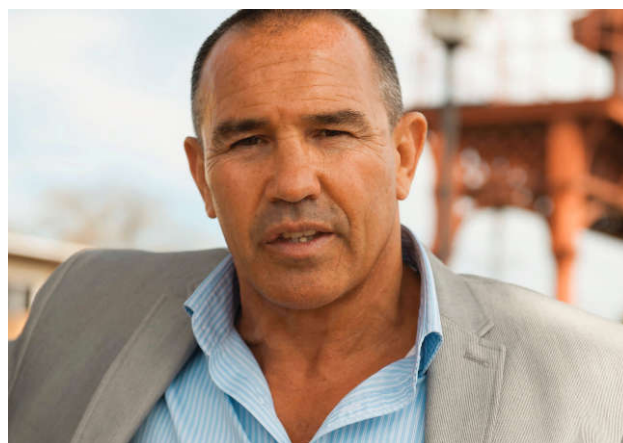
On our journey so far, we have strengthened existing relationships and explored new ones with Aboriginal and Torres Strait Islander communities within our business's sphere of influence. It is through these relationships that we seek to have a positive impact.

We have begun to explore opportunities to assist Aboriginal and Torres Strait Islander peoples, particularly in employment and enterprise. Our investment in Origin Insurance has expanded this opportunity, having been founded, run and majority-owned by Aboriginal and Torres Strait Islander people.

Steadfast has an entrepreneurial culture and we intend to continue to explore opportunities to act within our sphere of influence, and through our relationships, to support reconciliation.

Steadfast launched our first Reconciliation Action Plan (RAP), 'Reflect' in March 2020 as part of our broader commitment to CSR and diversity and inclusion.

We respect the human rights of our employees, customers and those of our suppliers and business partners.



David Liddiard OAM

Indigenous Engagement Ambassador

Steadfast has appointed David Liddiard OAM as our Indigenous Engagement Ambassador. For the past three decades, David has been committed to closing the education, health and wellbeing and employment gaps between Indigenous and non-Indigenous Australians. David is a Ngarabal from Northern NSW and a well-known passionate advocate of Indigenous Australians.

David's role includes representing Steadfast's RAP commitments and programs, providing advice and facilitating Aboriginal and Torres Strait Islander engagement and supporting the business interests of Steadfast.

Indigenous Talent Program sponsorship

In supporting Indigenous children to participate in sport, Underwriting Agencies of Australia (UAA), a Steadfast business, is a platinum partner of Central Coast Academy of Sport. UAA is in its sixth year of sponsoring the annual Indigenous Talent Program to 'unearth' local Indigenous talent from the Central Coast region and provide scholarships to CCAS sports programs. The scholarships provide a localised training environment for eligible aspiring Aboriginal and Torres Strait Islander youth to access quality development opportunities and support for a number of sports. In 2020, UAA provided 16 scholarships. Thousands of young Indigenous youth have benefitted from the program since inception.

Human Rights and Modern Slavery

Steadfast rejects any form of modern slavery such as slavery, servitude, human trafficking and forced labour. We respect the human rights of our employees, customers and those of our suppliers and business partners. We aim to identify and manage risks related to human rights across our business and supply chain. More information is included in our Modern Slavery Statement 2020 which is available from our investor website.

Steadfast is committed to complying with relevant laws, community expectations and ethical standards related to human rights and modern slavery in respect of our employees and business. Employees are encouraged to report any genuine concerns about modern slavery relating to our people, business or supply chain.

Privacy and security

Security of data and information is integral to building and maintaining trust with our brokers and strategic partners and is critical for our brokers to build relationships with their customers. We are committed to protecting privacy and data security through implementing appropriate policies and procedures throughout our business, including in our technology platforms such as INSIGHT, our broker operating system. We manage and mitigate emerging threats, including cyber threats, by seeking to adhere to all legislation and appropriate risk management standards.

CSR and ESG continued

Employee attraction, retention and engagement

We are very proud of our culture and our approach to CSR, including diversity and inclusion. We know that these are important to our people. They are important aspects of our employee attraction, retention and engagement strategy.

We actively invest in developing our people and Steadfast has a formal talent development strategy. We have a dedicated training and development manager who delivers a substantial number of training programs throughout the year at all levels. Steadfast's College of Leadership offers our current and future leaders the opportunity to develop while exposing them to forward-thinking, relevant and practical leadership methodology and application. In addition to leadership and management training, our people participate in annual development planning to ensure their continued technical and non-technical development.

We continue to implement initiatives designed to engage employees and build relationships, such as our intranet, regular staff meetings and briefings, a formal performance review process, participation in a number of community events, social activities and quarterly off-site workshops.

Steadfast has a volunteer day. We encourage our people to volunteer, on a day of paid employment, at a charity of their choice. This initiative also strengthens the link between Steadfast and the Steadfast Foundation as we encourage our people to volunteer for a charity supported by the Steadfast Foundation.

As part of our CSR commitment, in March this year Steadfast conducted its annual employee engagement survey which measures the emotional connection people have to the Group. This year with a participation rate of 86% the group-wide engagement score was 71%. This result continues to place Steadfast in the 'performing' or 'highly engaged' zone of the engagement spectrum and is 10% above the Australian industry norm.

Our levels of both voluntary and involuntary staff turnover at 8.3% and 3.3% respectively, are well below the industry average of +13% and the average current employee tenure is 3 years and 7 months with Steadfast.

Steadfast offers an Additional Leave Purchase Scheme enabling our people to salary sacrifice to acquire additional annual leave to facilitate a better balance between professional and personal lives.

Steadfast has a Short-Term Employee Incentive Scheme to increase market competitiveness and attract, retain and motivate our people. The scheme has been designed to ensure goal alignment throughout the business and also provides our people with the opportunity to receive shares in Steadfast. As well as salary and incentive arrangements, Steadfast offers a wide-reaching benefits program for our people including travel insurances and discounts on a wide range of consumer goods and cars.

We have a graduate program and a school leavers' summer intern program. We are delighted in the quality of people who have joined us, and stayed, through these programs.

8.3%

Employee turnover rate

71%

Employee engagement survey result

3.5

Average years of employee tenure

1,313

Employee volunteer charity hours

We actively promote the health, safety and wellbeing of our people.

Health, safety and wellbeing

We actively promote the health, safety and wellbeing of our people. We have had no material work, health and safety incidents.

In response to the health risks associated with the COVID-19 pandemic, Steadfast adopted our crisis management plan, seeing all employees working remotely from home from Tuesday 24 March 2020. Staff have progressively returned to the office on a part-time basis in line with the recommendations from the federal and state health authorities.

This has enabled our employees to social distance, isolate and safely continue their employment, whilst allowing the business to continue to effectively operate for our clients and shareholders.

Our Board receives regular work, health and safety (WHS) reports and has overseen improvements, including improved reporting and analysis resulting from the recommendations of the comprehensive WHS external audit. Last year we engaged with businesses within our Group to review their WHS compliance, which resulted in increased awareness of their WHS responsibilities. We have a work, health and safety committee to provide a forum for our people to suggest initiatives and raise any concerns.

Our office layouts encourage collaboration and interaction, making it easier to exchange information and share ideas. Desks are generally sit and stand, to promote better health. We arrange regular visits by ergonomic consultants to help employees set up their desks and provide ongoing guidance on posture.

Steadfast has implemented a comprehensive health and wellbeing program. Some of our initiatives include:

- ▶ Complimentary life, total & permanent disability insurance.
- ▶ Developed COVID-19 hub on the Group's intranet to address frequently asked questions and provide staff updates.
- ▶ Assessed employees home workspace and provided enhancement to employees work from home workspace where needed.
- ▶ Pandemically cleaned and sanitised Steadfast office space.
- ▶ Health assessments and flu shot.
- ▶ Access to confidential external Employee Assistance Programs (EAPs) for counselling to support mental health.
- ▶ Workplace health and safety training - 5% of staff have been trained as mental health first aid officers.
- ▶ A range of education and awareness of key health and wellbeing issues including physical fitness, nutrition, mental health and stress management.
- ▶ On-site yoga and fitness classes.
- ▶ Fresh fruit bowls.

Steadfast supports flexible workplace initiatives to recognise and respond to people's different needs at different stages of their lives and to help our people balance personal obligations with their careers. Currently 10% of our employees have permanent flexible work arrangement in place. This is expected to increase considerably in the post COVID-19 new normal.

We offer paid parental leave at 12 weeks' full pay. We engage with our people when they are on parental leave, if they wish, to maintain a sense of connectedness and ease the transition back to work. Steadfast provides a parents' room in our head office as a practical support for the increasing number of new parents in our team and ease their transition back to work.

CSR and ESG continued

Steadfast Foundation

The Steadfast Foundation is in its ninth year and the New Zealand Steadfast Foundation is in its third year.

Steadfast created the Steadfast Foundation to facilitate grants and charitable contributions that support charities helping people to overcome adversity, with approximately \$403,000 donated during FY20. With the cancellation of the annual Steadfast Convention, our major fundraising event due to COVID-19, Steadfast donated the food supplies associated with the convention to OzHarvest. Between 24 March and 4 April 2020, more than 1,314 kilograms of food was donated.

Charities are often chosen based on the recommendations of Steadfast brokers, and include cancer research and support, mental health, children's causes and charities supporting domestic violence, the homeless and disadvantaged. Some of the charities the Steadfast Foundation supported this year include: Assistance Dogs Australia, Children's cancer institute, Create Foundation, Reach Foundation, Earbus Foundation WA, The Helmsmann Project, Youth Off The Streets, Orange Sky, McGrath Foundation and the Prostate Cancer Foundation of Australia.



Governance

Our governance framework

Steadfast is committed to high standards of corporate governance so that our decisions and actions are based on the principles of transparency, integrity, responsibility and performance which promote long term sustainability and ongoing success of our business. We strive to maintain a compliant and ethical culture in our business practices. Further information is provided in our 2020 Corporate Governance Statement.

Steadfast Foundation

REACH

McGrath
foundation

earbus
foundation of WA

OrangeSky
— Australia —

create
FOUNDATION

THE HELMSMAN
PROJECT
Young people. Making a difference.

Assistance Dogs
Australia

Children's
Cancer
Institute

Proudly Supporting

Prostate Cancer
Foundation of Australia

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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 financial year ended 30 June 2020 (FY20) and the auditor's report thereon.

Directors

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

Name	Date of appointment
Chairman	
Frank O'Halloran, AM	21 October 2012
Managing Director & CEO	
Robert Kelly	18 April 1996
Other Directors	
David Liddy, AM (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

Directorships of other listed companies

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

Name	Company	Period of directorship
Frank O'Halloran, AM	None	
Robert Kelly	Johns Lyng Group Limited	Since 16 November 2017
David Liddy, AM	EML Payments Limited	Since April 2012
Gai McGrath	Genworth Mortgage Insurance Australia Limited	Since August 2016
	Investa Office Fund	October 2017 to December 2018
Anne O'Driscoll	Infomedia Limited	Since December 2014
	FINEOS Corporation Holdings Plc	Since July 2019
Philip Purcell	None	
Greg Rynenberg	None	

Particulars of the Directors' qualifications and experience are set out under Board of Directors on page 18.

Particulars of the Company Secretaries' qualifications and experience are set out under Senior Management Team on page 20.

Directors Meetings

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

	Board		Audit & Risk Committee		Nomination Committee		Remuneration & Succession Planning Committee	
Director	Eligible to attend as a member	Attended as a member	Eligible to attend as a member	Attended as a member	Eligible to attend as a member	Attended as a member	Eligible to attend as a member	Attended as a member
Total number of meetings held		13		4		4		3
Frank O'Halloran, AM	13	13	4	4	4	4	3	3
Robert Kelly	13	13	-	-	4	4	-	-
David Liddy, AM	13	13	4	4	4	4	3	3
Gai McGrath	13	13	4	4	4	4	3	3
Anne O'Driscoll	13	13	4	4	4	4	3	3
Philip Purcell	13	13	4	4	4	4	3	3
Greg Rynenberg	13	13	4	4	4	4	3	3

Particular details of the responsibilities of the members of the Board and the various committees are set out in the Corporate Governance Statement in this report, and are also available in the corporate governance section of the Steadfast Investor website (<http://investor.steadfast.com.au/>).

Principal Activities

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group. The Group continued to acquire insurance brokers and underwriting agencies during the year, as well as acquiring a 100 percent interest in Insurance Brokers Network Australia (IBNA). In addition, the Group paid cash or issued shares to 74 percent (by value) of its Network brokers in exchange for renouncing rights to Professional Service Fee (PSF) rebates that may be declared from 1 July 2019 (also known as the PSF rebate offer).

Directors' Report continued

Operating and financial review

A. Operating results for the year

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

	30 June 2020 \$'000	30 June 2019 \$'000
Statutory net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (statutory NPAT)	(55,244)	103,845
Adjusted for (net of tax and non-controlling interest):		
Add back IBNA acquisition	72,701	-
Add back PSF Rebate offer	63,068	-
Add back impairment of investments	40,737	-
Less change in value and sale of investment	(2,009)	(14,599)
Less net gain on deferred consideration estimates	(5,439)	62
Less other non-trading reconciling items	(1,949)	(110)
	167,109	(14,647)
Underlying net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (underlying NPAT) - including Johns Lyng Group (JLG)	111,865	89,198
Less mark-to-market adjustment from revaluation of investment in JLG (net of tax)	(3,168)	(508)
Underlying net profit/(loss) after income tax attributable to owners of Steadfast Group Limited (underlying NPAT) - excluding JLG	108,697	88,690
Underlying diluted earnings per share - excluding JLG (cents per share)	12.70	11.20
Underlying diluted earnings per share - including JLG (cents per share) ¹	13.07	11.27
Statutory diluted earnings per share (cents per share)	(6.47)	13.12

¹ The underlying earnings per share was historically reported including the mark-to-market gains from the revaluation of the investment in Johns Lyng Group (JLG).

The underlying profit attributable to the Group after income tax, before non-trading items was \$108.697 million compared to \$88.690 million in 30 June 2019. The increase was mainly due to:

- ▶ inclusion of IBNA network and reduced PSF rebates to members of the Steadfast network;
- ▶ acquisitions of interests in further businesses;
- ▶ revenue and profit growth generated by the existing businesses; and
- ▶ improved margins in operating businesses derived through overall premium rate increases and efficiency gains.

This additional profit was partially offset by:

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

The Group also benefited from continued price rises by insurers on insurance premiums, partially offset by lower volumes in some businesses. 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 the financial impact of COVID-19 on the underlying results of Steadfast businesses to date has been minimal. Refer Section B below for the impact of impairments on the financial position.

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 audited 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 audited. 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

There was a significant increase in total assets (from \$2,157.197 million to \$2,755.729 million) and total liabilities (from \$1,061.945 million to \$1,558.334 million) during the financial year.

With the acquisition of the remaining 50% stake in the IQumulate Premium Funding business late in the 2019 financial year, 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 in the current financial year. The impact on net assets is minimal.

The increase in the Group's equity from \$1,095.252 million at 30 June 2019 to \$1,197.395 million at 30 June 2020 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 accounting impact of the acquisition of IBNA and PSF rebate offer) and dividends paid.

With the uncertainties surrounding the COVID-19 pandemic, the carrying value of assets was reviewed against a number of potential prudent scenarios, and an impairment of \$40.737 million was recognised.

The Group applied AASB 16 Leases from 1 July 2019. The implementation of AASB 16 resulted in the \$46.594 million increase in lease liability, \$39.586 million increase in right-of-use assets, \$1.969 million increase in deferred tax assets and \$3.562 million impact in retained earnings.

II. Cash from operations

The net inflows of \$221.652 million include net inflows from operating activities of \$205.962 million and a net inflow of \$15.690 million to broking accounts.

Included in the net \$205.962 million cash inflows from operating activities was \$55.195 million of premium funding instalments in late June 2020 that were applied to borrowings in July 2020. When taking this into account, together with \$12.235 million of lease liability payments, the adjusted cash inflows from operating activities was \$138.532 million. Consistent with prior years, Steadfast collected the underlying net profit after tax and before amortisation of \$135.556 million in cash during the year, which funded the dividend payment and other corporate activities.

III. Capital management

As at 30 June 2020, 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 (including the acquisition of IBNA) and the PSF rebate offer during the year. 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 30 June 2020, the Group's total gearing ratio was 21.5% (2019: 23.9%). Refer Note 9C.

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 \$181.069 million from this facility.

The Group also completed the re-negotiation of the IQumulate facilities in July 2020 with a new maturity date of July 2022. The facility for the IQumulate premium funding business is a separate additional facility secured against the receivables funded for clients. The IQumulate facility 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.

Directors' Report continued

Strategy and prospects

Steadfast's business strategy is to maintain its position as the largest intermediated insurance distribution network in Australasia by continuing to grow shareholder value through continued expansion of the Steadfast insurance distribution model and related businesses.

Steadfast is a stable and resilient business. Steadfast aims to create value for all stakeholders including shareholders, customers, employees and our community. The Group's strategic plan is a framework for decision making and planning for the Group's development of the strategic objectives include:

- ▶ Drive growth organically and through acquisition
- ▶ Maintain and develop a premier service offering to Steadfast Network brokers
- ▶ Maintain, build and enhance our strategic relationships
- ▶ Continue to develop and rollout our market leading technology platforms
- ▶ Continue to enhance organisational capability and sustainability

A. Steadfast Group

FY20 Highlights

- ▶ Underlying earnings per share growth of 13.4%
- ▶ Dividend per share growth of 12.9%

Despite the challenging economic conditions Australia is facing from the COVID-19 pandemic, impacting businesses, employees and households, Steadfast Group grew underlying FY20 EBITA by 15.5% to \$223.5 million. This result was driven by both organic growth +1.3% and acquisition growth +14.2%.

As an industry leader, Steadfast continued to actively review the industry and the implications of the Hayne Royal Commission. This included engagement with industry peers and industry bodies on conflicted remuneration issue. The Group has revised its broker remuneration structure to provide an appropriate outcome for all stakeholders. Steadfast implemented the first stage of the new remuneration fee structure with the completion of the Steadfast PSF Rebate offer in November 2019, seeing a 74% take up from the broker network.

Medium-term

Steadfast has a strong corporate governance foundation, including risk management and sustainability. This positions the business well to continue to improve operational efficiency through developing a culture of excellence and talent pipeline, seeking opportunities to reduce operating costs and improving underlying margins.

In response to the conflicted remuneration recommendations by the Hayne Royal Commission, from July 2020, Steadfast will implement the new professional services fee structure with the Group's strategic partners and finalise the PSF Rebate offer for the remaining 26% of the broker network yet to take up the cash offer.

B. Steadfast Brokers Network

FY20 Highlights

- ▶ \$8.3 billion Network GWP, up 34.8% on FY19
- ▶ Increase of 83 Network brokers to 458 members
- ▶ Steadfast has equity stake in 57 brokers
- ▶ Underlying EBITA up 23.9%

During FY20, growth in the Steadfast Broker Network was driven by the completion of the IBNA acquisition, adding 78 new brokers generating annual GWP of \$1.25 billion and the Steadfast PSF Rebate offer. Further acquisition growth came from investing into the Steadfast Network brokers. Organic growth of 7.3% was primarily a result of price increases in insurance premiums.

As part of Steadfast's objective to maintain and build our premium services to the broker network, and in response to the unfolding COVID-19 pandemic, Steadfast put in place a number of measures to assist the broker network in supporting their clients through the challenges created by COVID-19 and the bushfire and hailstorm catastrophes experienced in Australia over the year including :

- ▶ resourcing a dedicated page on the Broker Website for COVID-19 detailing measures put in place by Government, Industry & Insurers;
- ▶ providing support through National Insurance Brokers Association (NIBA) in developing a coordinated approach to how insurers can support brokers through COVID-19;
- ▶ launching an alternative premium funding option to support distressed clients; and
- ▶ commissioned a guide on providing the correct Business Interruption information and calculations to assist clients arrive at the correct figure for their business interruption insurance in a post COVID-19 environment.

Medium-term

Being a nimble and service focused business means Steadfast is continuously developing improvements and expanding its products and services to attract more brokers to the network and provide better solutions for the benefit of the network's clients. By investing in these improvements, Steadfast can maintain, build and enhance relationships with its stakeholders.

Steadfast is well positioned to respond to the current market conditions and will proceed with caution to implement management buy-ins, hubbing and co-owner opportunities when our strict cultural, risk and financial acquisition guidelines are met. Steadfast has an equity holding in 12% of the broker network by number, which provides potential future acquisition growth for the Group.

C. Steadfast Underwriting Agencies

FY20 Highlights

- ▶ \$1.3 billion GWP, up 13% on FY19
- ▶ Steadfast has equity stakes in 25 agencies
- ▶ Underlying EBITA up 14.7%

The FY20 growth in Steadfast Underwriting Agencies is predominately organic growth and primarily driven by price and volume uplift. Most agencies experienced significant uplift during FY20, with property lines remaining strong again this year. The division's excellent performance was also due to the long-term strategy of closely aligning capacity providers, technology and strong service ethic to the agencies' niche product offerings.

By enhancing the partnerships between underwriting agencies and strategic partners and working effectively together, Steadfast Underwriting Agencies expanded the product range with strategic partners.

Pressure on remuneration for London 'super' binders was offset by increased volume generated from the addition of four new products added to the Steadfast Client Trading Platform (SCTP).

Medium-term

Steadfast Underwriting Agencies is well positioned to maintain organic growth through retaining our clients, as we aim to exceed customer service expectations, and the continuation of moderate price increases coming from strategic partners.

Steadfast Underwriting Agencies focus remains on seeking new opportunities with strategic partners to expand the product range, as insurers are repositioning their approach to distribution.

D. Steadfast Complementary Businesses

FY20 Highlights

- ▶ \$638 million GWP written through Steadfast Client Trading Platform (SCTP), up 45%
- ▶ 142 brokers live on INSIGHT, up 30 from FY19

The technology team continued the migration of Network brokers onto the Group's proprietary broking management system (INSIGHT) and continued enhancing the offering by SCTP – increasing the number of strategic partners and product lines offered. Steadfast also rolled out auto-rating for the liability and PI insurers and continues to invest in further enhancements to the platform.

During FY20 Steadfast launched Steadfast Risk Services, the eighth complementary business established to support the Steadfast broker network.

Medium-term

As an industry leader in innovation, Steadfast is well positioned to continue modernising technology to improve broker and client experience and support growth. Steadfast remains focused on improving SCTP by adding more product lines, new insurers and the expansion of auto-rating capabilities, driving increased SCTP usage and alternative outcomes for clients.

The Steadfast team will continue to support the migration of brokers on to the INSIGHT platform with an additional 36 brokers committed to migrate and ongoing discussions with another 109 brokers. Steadfast is planning further technology investment to migrate the significantly larger network (post IBNA acquisition) onto INSIGHT. Focus will also remain on the development of enhancements to the security and efficiency of INSIGHT, seeking to continue to provide our brokers and their clients with a market leading secure and efficient platform .

Principal risks and uncertainties

The principal risks and uncertainties outlined in this section reflect the risks that could materially affect Steadfast, or its ability to meet its strategic objectives, either directly or by triggering a succession of events that in aggregate become material to the Group.

This section describes what Steadfast considers to be some of the key risks associated with Steadfast's business and the industry in which it operates. The risks listed in this section should not be considered to be an exhaustive list of every possible risk associated with Steadfast Group Limited.

With respect to COVID-19, the Group is monitoring the potential short and medium-term impacts, including on the operating environment, workforce, products and services, as well as the resilience of the Australian and global economies to support recovery. Any longer-term impacts will also be considered and addressed, as appropriate.

Directors' Report continued

Risk	Description	Managing the risk
Strategic risk	The risk associated with the pursuit of the Group's strategic objectives including the risk that the Group fails to execute its chosen strategy effectively or in a timely manner.	We consider and manage strategic risks through our annual strategic planning process led by management and overseen by the Board. The Board monitors management's progress in implementing key strategic initiatives and any change in our key strategic risks is managed in accordance with our Risk Management framework.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and/or systems, or from external events.	We operate a Three-Lines-of-Defence approach to operational risk management, with each Line of Defence having defined roles, responsibilities and escalation paths to support effective design and implementation of controls to manage the risks. We also have ongoing review mechanisms to ensure our approach to operational risk continues to meet organisational needs and regulatory requirements.
Financial risk	The risk that the Group fails to achieve its financial objectives as set out within the Business Plan.	We work with management of businesses in which Steadfast is invested to optimise sustainable results. We also manage our liquidity and funding positions and ensure appropriate contingency arrangements are maintained. We maintain a strong liquidity position to preserve financial flexibility.
Compliance risk	The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to the Group's businesses.	Key features of how we manage compliance risk as part of our operational risk framework include: <ul style="list-style-type: none"> ▶ embedding key obligations into our operations. ▶ identifying changes in regulations and the business environment, so as to enable us to proactively assess emerging compliance obligations. ▶ implementing robust reporting and certification processes. ▶ identifying, reporting and managing incidents/breaches in a timely manner. ▶ an ongoing internal audit program that includes a review of compliance. ▶ the Whistleblower Protection Policy, allowing employees and contractors to make confidential, anonymous submissions regarding concerns relating to accounting, internal control, compliance, audit and other matters.
Regulatory risk (including the Hayne Royal Commission recommendations)	<p>The risk of failing to identify or appropriately respond to changes to the regulatory environment or of damaging the Group's standing with its regulators as a result of the Group not meeting regulatory expectations.</p> <p>The Hayne Royal Commission recommended that the Government in consultation with ASIC review the effectiveness of measures that have been implemented by Government, regulators and financial services entities to improve quality of financial advice. This review is to be undertaken by December 2022. Amongst other things, the review will consider whether the general insurance exemption from the ban on conflicted remuneration (specifically commissions) remains justified. These changes may impact Steadfast Group's remuneration structure.</p>	<p>We have ongoing review mechanisms to ensure our Risk Management framework continues to address changes in regulatory requirements.</p> <p>We are managing the recommendations of the Hayne Royal Commission as follows:</p> <ul style="list-style-type: none"> ▶ changing the structure of remuneration received from strategic partners and ceasing rebates of this to Network members. ▶ working with key industry groups to proactively engage with the Government and regulators on the benefits to clients of the current operating model for our industry. ▶ along with other broker representative organisations, monitoring and consulting on regulatory changes with regulators. ▶ continuing to implement Steadfast Client Trading Platform, a contestable marketplace with consistent commission rates. ▶ providing a range of services to advise and assist the entities within the Group with regulatory change.

Risk	Description	Managing the risk
Technology & Cyber security	The risk relating to failure of critical technology assets, infrastructure and services and the risk of loss from theft or unauthorised access to systems including the compromise of an IT asset's confidentiality, integrity or availability.	We have a technology and information security roadmap underpinned by an ongoing improvement program designed to support a robust technology infrastructure, cybersecurity and overall performance of our technology. Processes are in place based on industry practice as appropriate, to maintain system availability and support ongoing business operations. We have dedicated technology teams focussing on migration, implementation, continued development and support. We have a range of activities to continuously test and assess the resilience and sustainability of our platforms. We have appropriate business continuity, disaster recovery and crisis management plans in place. Lastly, we have cyber insurance.
Reputation risk	The risk of loss that directly or indirectly impacts earnings or value that is caused by adverse perceptions of the Group held by brokers, customers, shareholders, employees, regulators and the broader community.	<p>We manage reputation risk by maintaining a positive and dynamic culture that emphasises the need to act with integrity at all times and enables us to build strong and trusted relationships with brokers, customers, shareholders, employees, regulators and the broader community.</p> <p>We have established decision-making frameworks and policies to ensure our business decisions are guided by sound social and environmental standards that take into account reputation risk.</p> <p>We also have an active internal audit program to review each of the businesses we have invested in.</p>
Acquisition risk	The risk of loss from insufficient funding to capitalise on opportunities, deficiencies in due diligence by Steadfast, potential unknown or contingent liabilities arising from acquisitions.	<p>We manage acquisition risk through:</p> <ul style="list-style-type: none"> ▶ ongoing monitoring of available capital and resources by an experienced management team that assesses opportunities and risks. ▶ our due diligence process that involves selecting acquisitions that are a good cultural fit and expected to transition well. We also have earn-out / deferred consideration arrangements in place underpinned by tight acquisition and shareholders' agreements. ▶ ongoing monitoring of operations, profit and profit margins, including regular reporting and reviews of our underlying businesses.
Impairment risk	Investments that are subject to a permanent decrease in value, with the subsequent impairment resulting in an expense for the Group.	<p>Steadfast works with management of businesses in which Steadfast is invested to optimise sustainable results. We have a mergers and acquisitions team that monitors our investments on an ongoing basis.</p> <p>An annual impairment review is undertaken.</p>

Dividends

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

During the financial year ended 30 June 2020, a final dividend for 2019 of 5.3 cents per share and an interim dividend for 2020 of 3.6 cents per share were declared and paid, both fully franked.

Events after the reporting period

- ▶ On 25 August 2020 the Board declared a final dividend for 2020 of 6.0 cents per share, 100% franked. The dividend will be paid on 25 September 2020.
- ▶ The IQumulate borrowing facilities were refinanced in July 2020 to July 2022.
- ▶ The Group has invested circa \$70 million since balance date into broking businesses.

At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not 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.

For further details of events that have occurred after the reporting period, refer to Note 16.

Directors' Report continued

Likely developments

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

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

The Board has provided the following FY21 guidance which, in addition to ongoing risks, is subject to the significant uncertainty surrounding the impact of the COVID-19 pandemic on the global economy and extent of any government stimulus measures.

- ▶ Underlying EBITA of \$235.000 million to \$245.000 million
- ▶ Underlying NPAT of \$115.000 million to \$122.000 million
- ▶ Underlying diluted EPS (NPAT) growth of 5% to 10%

Key assumptions used in the FY21 guidance include:

- ▶ Investment of circa \$70 million post balance date in broker acquisitions
- ▶ Completion of the final PSF Rebate offer to those Network brokers who did not take up the offer in FY20
- ▶ Strategic insurer partners continue to drive moderate premium price increases
- ▶ Ongoing trading conditions mirror the experience of the fourth quarter of FY20

Environmental Regulation

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

Indemnification and insurance of officers

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

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

Non-audit services

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

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

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

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms, for audit and non-audit services provided during the financial year are provided in Note 23 to the financial statements.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 68 and forms part of the Directors' Report for the year ended 30 June 2020.



Steadfast Group is committed to ensuring its Remuneration Framework rewards decision making by Executives that is aligned with the long-term interests of shareholders.

2020 Remuneration Report

Dear Shareholders

On behalf of Steadfast Group Board, I am pleased to present the Remuneration Report for the year ended 30 June 2020.

The purpose of this report is to outline Steadfast Group's approach to remuneration for Executives and Non-Executive Directors, and in particular, the links between Steadfast Group's Remuneration Framework and business strategy, performance and reward.

There is no doubt that many organisations have and continue to feel the impacts of COVID-19 on their businesses. While we have not been immune to the challenges presented during this unprecedented period, the Steadfast Group has continued to perform strongly and achieved full year underlying results at the upper end of market expectations.

The Group reported underlying earnings before interest, tax and amortisation (EBITA) of \$223.5 million and underlying net profit after tax (NPAT) of \$108.7 million. This represents an 15.5% increase in underlying EBITA and a 22.6% increase in underlying NPAT over the prior year; and is at the top end of Steadfast Group's guidance range which was upgraded in October 2019.

While COVID-19 has presented many companies with wide ranging impacts with a range of performance management and reward related issues, the Board of Steadfast has considered the impact on our workforce, shareholders and the broader community to ensure that we balance multiple stakeholder interests in our decision making. Steadfast Group is committed to ensuring its Remuneration Framework rewards decision making by Executives that is aligned with the long-term interests of shareholders. This is achieved through allowing Steadfast Group's people to be rewarded financially in the form of both short and long-term remuneration as shareholder value is created. The objectives of Steadfast Group's remuneration framework are to:

- ▶ maintain market competitive remuneration that enables the Group to attract and retain key talent;
- ▶ align remuneration to the Group's strategic and business objectives and the creation of shareholder value;
- ▶ be fair, transparent and easily understood by all stakeholders; and
- ▶ be acceptable to shareholders and meet community expectations.

The Board continually reviews Steadfast Group's existing remuneration arrangements to ensure that our framework is fit-for-purpose and continues to support our core business objectives. In particular, the Board focuses on ensuring the remuneration framework supports sustainable long-term value creation for Steadfast Group shareholders while also retaining and attracting Executives in a dynamic business environment. In making any adjustments, our remuneration principles of simplicity, fair and transparent, shareholder aligned and competitive are followed.

We believe our remuneration structure has clearly demonstrated it is fit for purpose, delivering Group results in the best interests of our shareholders. I am pleased to report that the Group's underlying EPS growth assessed for incentive purposes was 10.5% for the financial year. The Total Shareholder Return (TSR) since listing has been 234%.

At the commencement of the 2020 financial year your Board enlisted the assistance of a remuneration consultancy firm Egan Associates to undertake a salary benchmarking exercise to compare our Key Executive Remuneration structures with that of the competitive market place. As a result of that review, salary package adjustments were made to our Executive Team's salaries consistent with our philosophy of positioning our Executives' salaries at or around the 75th percentile. These are detailed in the Remuneration Report. The Board, with the concurrence of the executives, have agreed not to increase FY21 fixed pay for the executives and the Board except for an allocation of \$25,000 of base pay to the Deputy Chairman from 1 July 2020. There is no change for the LTI for the forthcoming FY21 year, however the minimum EPS growth hurdles for STI have increased from 5% to 7.5%, with an ability for executives to gain additional STI should EPS growth be between 10% and 12.5% (refer section 3.1.1). In summary, the Board has sought to ensure our Key Management Personnel (KMP) think and act like owners of Steadfast Group, and so rather than pay out cash rewards for STI and LTI, the majority of our rewards are made in equity.

We welcome any feedback you may have on our remuneration framework as we continue to ensure it is meeting the needs and expectations of our shareholders, employees and other stakeholders.

On behalf of the Board, we recommend this report to you.



David Liddy AM

Chairman, Remuneration & Succession Planning Committee and Deputy Chairman

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1. Introduction

The Remuneration Report outlines Steadfast's remuneration philosophy, framework and outcomes for the financial year ended 30 June 2020 (FY20) for all key management personnel (KMP), including all Non-Executive Directors and the Executive Team made up of the Managing Director & Chief Executive Officer (MD & CEO) and certain direct reports. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly.

1.1. Key management personnel

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

Name	Role	Date of appointment
Non-Executive Directors¹		
Frank O'Halloran, AM ²	Chairman, Non-Executive Director	21 October 2012
David Liddy, AM ³	Deputy Chairman, Non-Executive Director	1 January 2013
Gai McGrath	Non-Executive Director	1 June 2018
Anne O'Driscoll ⁴	Non-Executive Director	1 July 2013
Philip Purcell	Non-Executive Director	1 February 2013
Greg Rynenberg	Non-Executive Director	10 August 1998
Executive Director		
Robert Kelly	Managing Director & CEO	18 April 1996
Other key management		
Stephen Humphrys	Chief Financial Officer	2 January 2013
Samantha Hollman	Chief Operating Officer	4 January 2000
Simon Lightbody	CEO, Steadfast Underwriting Agencies	1 January 2015
Allan Reynolds	Executive General Manager – Direct, New Zealand & Asia	5 December 2002
Linda Ellis	Group Company Secretary & Corporate Counsel	3 June 2013

¹ All Non-Executive Directors listed in the table above are independent directors.

² Frank O'Halloran is Chairman of the Nomination Committee.

³ David Liddy is Chairman of the Remuneration & Succession Planning Committee.

⁴ Anne O'Driscoll is Chairman of the Audit & Risk Committee.

2. Remuneration outcomes for 2020

The following table outlines the returns the Group delivered to its shareholders.

2.1. Link between Steadfast's performance and remuneration

Earnings per share (EPS) is used as a core financial measure for determining incentives payable to the Executive Team for FY20, and together with achievement against annual individual key performance objectives, remains the financial performance measure for short-term incentives (STI). The EPS used in determining STI and the long-term incentive plan (LTI) for FY20 excludes non-trading income and expenses approved by the Board. This is consistent with prior year calculations.

In addition to EPS growth, the Board has adopted Total Shareholder Return (TSR) as a second financial performance measure for LTI awarded in August 2016 and beyond. This was a result of the Board's ongoing review of remuneration strategy to further strengthen the alignment between shareholder returns and executive remuneration. There were no changes in FY20.

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

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

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Reported net profit attributable to owners of the Company	73,480	66,792	75,854	103,845	(55,244)

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

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Reported net profit attributable to owners of the Company	73,480	66,792	75,854	103,845	(55,244)
Less: non-trading income	(27,173)	(8,449)	(4,193)	(15,018)	(18,043)
Add: non-trading expenses	18,572	7,866	3,026	-	190,938
Less: non-trading tax effect	(4,551)	884	(255)	90	(10,926)
Less: non-controlling interests in non-trading items (net of tax)	119	(554)	530	281	5,140
Less: share of EBITA from associates and joint ventures	-	(147)	-	-	-
Underlying net profit attributable to owners of the Company	60,447	66,392	74,962	89,198	111,865
Less: treated as trading expense for executive incentives	-	-	-	-	(5,400)
Underlying net profit attributable for purposes of executive incentives	60,447	66,392	74,962	89,198	106,465
Adjusted diluted EPS (cents per share) for executive incentives	8.09	8.87	9.71	11.27	12.45
Growth from prior financial year (%)	11.8%	9.6%	9.5%	16.1%	10.5%
Growth required for minimum STI (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Growth required for maximum STI (%)¹	12.5%	10.0%	10.0%	10.0%	10.0%
UBS weighted EPS growth for industrial companies (%)²	(3.0%)	6.4%	6.8%	(5.6%)	(12.9%)
UBS weighted EPS growth for finance sector (%)²	(4.6%)	3.0%	(1.8%)	(7.9%)	(26.6%)
Opening share price (\$)	1.62	1.98	2.66	2.81	3.51
Closing share price (\$)	1.98	2.66	2.81	3.51	3.36
Change in share price (cents per share)	36.0	68.0	15.0	70.0	(15.0)
Dividends declared per share (cents per share)	6.0	7.0	7.5	8.5	9.6
TSR for the year (cents per share)	42.0	75.0	22.5	78.5	(5.4)
TSR for the year (%)	25.9%	37.9%	8.5%	27.9%	(1.5%)
Dividends paid	40,297	46,485	55,195	62,649	73,106

¹ Figures represent growth required for maximum STI granted in August 2016, 2017, 2018, 2019 and 2020.

² Data sourced from Australian Equity Strategy report published by UBS in July 2020. Figures shown for 2019 above are actual (figures in 2019 Annual Report were estimates). Figures shown for 2020 are estimates.

Underlying diluted EPS (cents per share)

The graph below shows the base, minimum, maximum and actual diluted EPS (cents per share) used for determining STI and LTI for the financial years ended 30 June 2013 to 30 June 2020. The diluted EPS for the prior financial year is the base used for calculating growth for the following financial year.

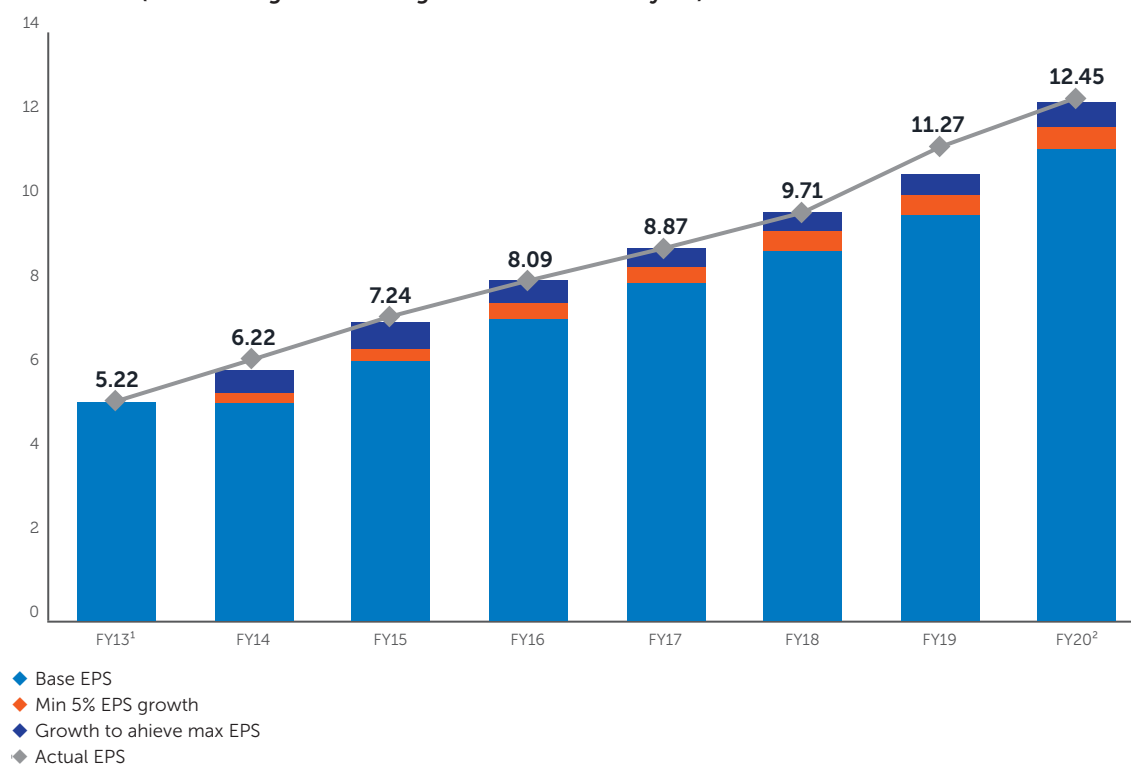
No STI is payable if the growth in diluted EPS is less than 5%. The maximum STI is awarded if the diluted EPS growth is 15% or higher for the awards granted in August 2014 and 2015; 12.5% or higher for awards granted in August 2016; 10% or higher for awards granted in August 2017 and beyond.

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

The diluted EPS growth assessed for executive incentives in FY20 was 10.5%, which was ahead of initial expectations due to actions taken by management during the year, including:

- ▶ outperformance by a number of our businesses particularly underwriting agencies with strong market share growth;
- ▶ strategic acquisitions; and
- ▶ continued growth of the Steadfast Network.

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



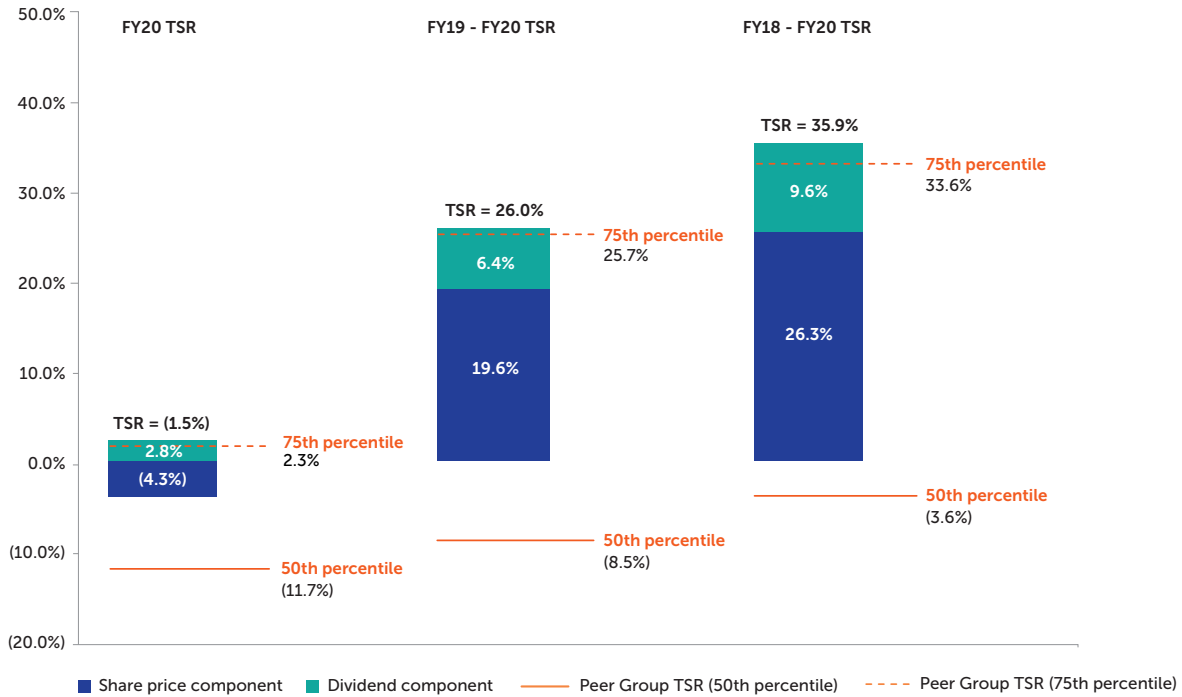
¹ FY13 data is based on pro-forma financial information as if the Group operations, which listed in August 2013, had operated as the Group for FY13.

² FY20 diluted EPS excluding Johns Lyng mark-to-market adjustment was 12.07 cents per share. This will be the base EPS for assessing FY21 incentives as for future periods, the underlying profit will exclude mark-to-market adjustments.

Total Shareholder Return (TSR)

The graph below shows the Company's TSR in FY20 as well as the cumulative TSR since FY18, compared against the median TSR of the top 200 ASX companies excluding those in the mining industry (peer group).

TSR accounts for 25% weighting on LTI award granted in August 2016 and beyond (previously: nil weighting), which is not payable unless at least at or above 50th percentile (August 2016 grants: at average) of the peer group is achieved over the reporting year and the future three-year vesting period.



2.2. Maximum potential and actual STI and LTI outcomes

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

The MD & CEO's performance against his annual key performance indicators (KPIs) set at the beginning of FY20 is set out below:

FY20 performance measures	Weighting %	Achieved %	Comments
▶ Achieve underlying NPATA of at least \$130m	15	15	Achieved \$135.6m
▶ Achieve Gross Written Premium (GWP) of \$850m on Steadfast Client Trading Platform (SCTP)	10	5	Partially achieved – up 45.5% on FY19
▶ Achieve organic GWP growth of 5% to 10%	10	10	Achieved 6.3%
▶ Achieve traditional broker margin of 31% or higher	15	15	Achieved 31.4% for traditional brokers
▶ Score highly on Steadfast culture 360-degree assessment from staff and Board	15	12	Rated highly on most core values
▶ Continue development of senior executives and CEOs of top 10 businesses through education, leadership programs and increased delegation	15	8	Progress slow but improving
▶ Continue to enhance Risk Management and Internal Audit	10	8	Strong risk management in place with no major failures during this year
▶ Successful integration of IBNA	10	10	Highly successful integration
	100	83	

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

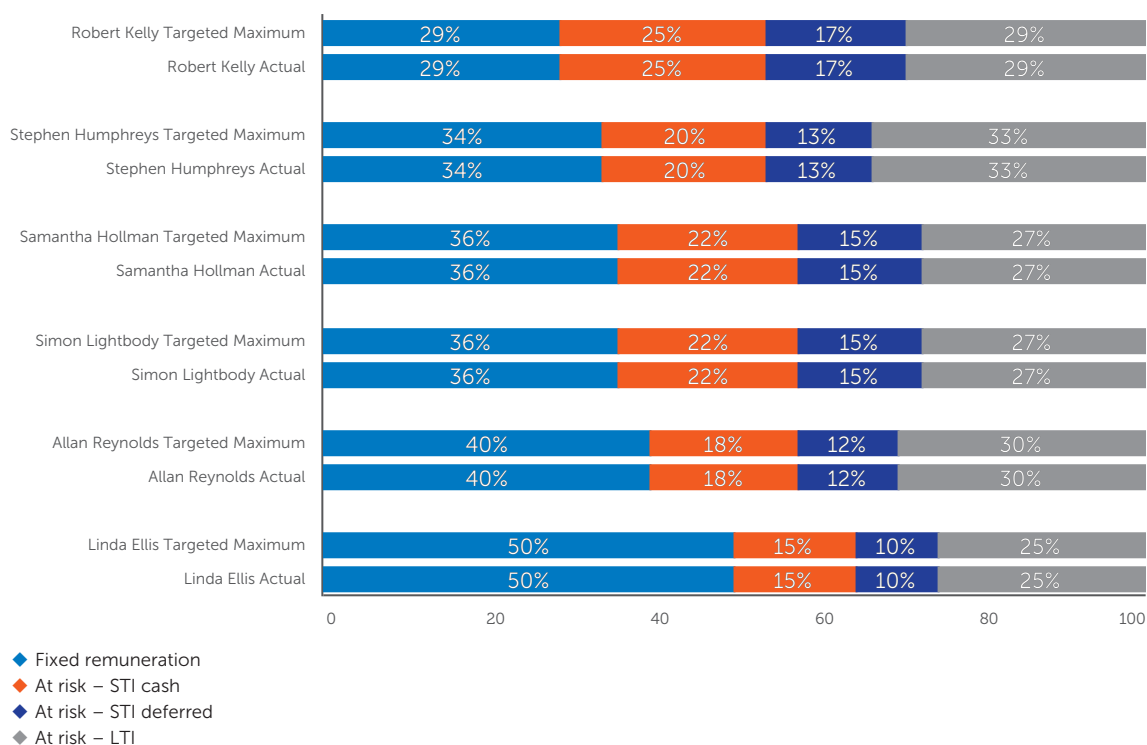
The table below provides details of maximum potential STI and LTI, and actual STI and LTI awarded to KMP.

	Fixed pay \$	Maximum STI potential (% of fixed pay)	Actual STI outcome ^(a) (% of fixed pay)	STI – cash outcome (60% of outcome) \$	STI – deferred equity award outcome ^(b) (40% of outcome) \$	Maximum LTI potential (% of fixed pay)	Actual LTI outcome ^(a) (% of fixed pay)	LTI – deferred equity award outcome ^(b) \$
Robert Kelly	1,100,000	150.00%	150.00%	990,000	660,000	100.00%	100.00%	1,100,000
Stephen Humphrys	600,000	100.00%	100.00%	360,000	240,000	100.00%	100.00%	600,000
Samantha Hollman	500,000	100.00%	100.00%	300,000	200,000	75.00%	75.00%	375,000
Simon Lightbody	500,000	100.00%	100.00%	300,000	200,000	75.00%	75.00%	375,000
Allan Reynolds	460,000	75.00%	75.00%	207,000	138,000	75.00%	75.00%	345,000
Linda Ellis	375,000	50.00%	50.00%	112,500	75,000	50.00%	50.00%	187,500

Tables notes

- All participants of the FY20 STI and LTI schemes have exceeded the 60% non-financial performance hurdle and therefore are eligible.
- The number of conditional rights to be granted to the KMPs has been determined by the dollar value of the deferred equity award (DEA) outcome divided by the weighted average share price over the five trading days prior to the date of this report. The LTI award outcome is subject to meeting future financial performance hurdles detailed in Section 3.4.

2.3. Targeted maximum potential and actual remuneration mix for FY20



2.4. STI and LTI vesting information

Summary of vesting conditions of deferred equity awards in the STI and LTI plans are as detailed below:

	STI	LTI
Vesting conditions	<ul style="list-style-type: none"> ▶ Tenure of employment ▶ No material adverse change to the FY20 reported results over the retention period of three years ▶ Refer Section 3.3 for more details including award conditions 	<ul style="list-style-type: none"> ▶ Awarded in August 2019 ▶ Tenure of employment ▶ Achieve at least 60% of the annual key performance objectives ▶ 75% based on average diluted EPS increasing by a straight line 5% to 10% per annum over a three-year vesting period; vesting made on a 50-100% straight line basis. ▶ 25% based on minimum TSR measured against 50th to 75th percentile of the peer group ▶ Refer Section 3.4 for more details including award conditions

The vesting schedule for DEAs of conditional rights to convert to Steadfast ordinary shares that were on foot during the financial year or granted since is set out below, subject at all time to the vesting conditions being met (refer Section 6.2 for the vesting date of the STI and LTI conditional rights):

DEA awarded		August 2019	August 2020	August 2021	August 2022	August 2023
August 2014	STI					
	LTI	●				
August 2015	STI					
	LTI					
August 2016	STI	●				
	LTI	●				
August 2017	STI	●	●			
	LTI		●			
August 2018	STI	●	●	●		
	LTI			●		
August 2019	STI		●	●	●	
	LTI				●	
August 2020	STI			●	●	●
	LTI					●

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

Details of the Steadfast ordinary shares transferred to the relevant Executive Team members (at nil cost to them) for the DEAs that vested during the current financial year are set out in Section 6.3.

3. Remuneration explained

The Group's remuneration structure aligns with ASX Corporate Governance Principles & Practice (3rd edition).

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

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

The key elements of the executive remuneration are:

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

Refer to Section 2.3 for targeted maximum remuneration mix.

3.1. Remuneration framework

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

The Board embodies the following principles in its remuneration framework:

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

3.1.1. Target remuneration mix

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

- ▶ financial performance hurdles:
 - ▶ the diluted EPS growth has been chosen to meet and align with shareholders' objectives. This measure was chosen by the Board after considering alternatives such as return on capital employed (ROCE), or return on equity (ROE). The Board considers that EPS is, on balance, the best driver of executive behaviour that achieves superior performance outcomes for Steadfast and its shareholders. It is also a relatively simple and transparent measure that is easily reconciled to reported net profit (see Section 2.1). As funding mix can impact EPS, it is noted that the Board has approved a maximum total Group gearing ratio of 30.0% excluding premium funding borrowings. The total Group gearing ratio at year-end was 21.5%;
 - ▶ TSR was first introduced as the second financial performance hurdle for LTI awarded in August 2016. This measure was added by the Board as a result of their ongoing review of the remuneration framework, current market practice and market feedback. The Board considers TSR is an effective way to incentivise and measure long-term shareholder value creation;
- ▶ non-financial performance hurdle – each member of the Executive Team is set annual performance objectives known as KPIs with weightings aligned to the Group's strategic objectives, and must achieve at least 60% of those objectives to be eligible for any STI and LTI;
- ▶ 40% of the STI is granted as deferred equity awards (DEA) and is intended to be satisfied by the issue or transfer of ordinary shares in the capital of the Company over a three-year period from the grant date – being one-third at the end of years one, two and three;
- ▶ subject to meeting the individual and Group financial objectives, vesting of the LTI occurs after three years from the grant date and is satisfied by the issue or transfer of ordinary shares in the capital of the Company; and
- ▶ the Board retains the discretion to adjust any unpaid or unvested performance related remuneration (such as STI – Cash, STI – DEA and LTI) downwards if it is appropriate to do so. This discretion applies to all the STI and LTI awards on applicable dates for vesting of share-based payment awards.

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

- ▶ a 16.0% diluted EPS growth in FY20;
- ▶ a 133.0% diluted EPS growth for the period since the IPO; and
- ▶ a TSR of 234% for the period since the IPO, inclusive of FY20 final dividend of 6.0 cents per share payable in September 2020.

As part of the ongoing review of remuneration, the STI and LTI plans are continuously refined to ensure incentives are aligned with the Group's remuneration philosophy, market competitiveness and market feedback on the incentive schemes. The Board has determined that no material changes to STI or LTI terms will be made for the financial year ended 30 June 2020. The Board has chosen to change the STI terms for the financial year ending 30 June 2021.

The FY21 key terms for the STI and LTI plans are as follows:

Remuneration
changes

Financial year ended 30 June 2020

Financial year ended 30 June 2021

STI

STI awarded as follows:

Diluted EPS growth	Award outcome
Below 5%	0%
5% to 10%	50% to maximum award on a straight line basis
10%	Maximum STI awarded
10% to 12.5%	N/A
12.5% or higher	N/A

STI will be awarded as follows:

Diluted EPS growth	Award outcome
Below 7.5%	0%
7.5% to 10%	50% to maximum award on a straight line basis
10%	Maximum award
10% to 12.5%	Outperformance award on a straight line basis
12.5% or higher	Maximum outperformance award

The maximum outperformance amount will be calculated as a percentage of fixed pay. The percentage applicable to each KMP is as follows:

KMP	Outperformance award
Robert Kelly	50%
Stephen Humphrys	25%
Samantha Hollman	25%
Simon Lightbody	25%
Allan Reynolds	25%
Linda Ellis	12.5%

LTI

75% based on average diluted EPS increasing by a straight line 5% to 10% per annum over a future three-year vesting period¹. The vesting schedule is outlined below:

Straight line diluted EPS growth	Vesting outcome
Below 5%	0%
At 5%	50%
5% to 10%	Straight line between 50% to 100%
10% or higher	100%

25% based on Total Shareholder Return (TSR)² measured against Top 200 ASX companies excluding those in the mining industry (peer group).

TSR	Vesting outcome
Equal to or less than 50 th percentile of peer group	0%
Greater than 50 th but less than 75 th percentile of peer group	Straight line between 50% to 100%
Equal to or exceeding 75 th percentile of peer group	100%

75% based on average diluted EPS increasing by a straight line 5% to 10% per annum over a future three-year vesting period¹. The vesting schedule is outlined below:

Straight line diluted EPS growth	Vesting outcome
Below 5%	0%
At 5%	50%
5% to 10%	Straight line between 50% to 100%
10% or higher	100%

25% based on Total Shareholder Return (TSR)² measured against Top 200 ASX companies excluding those in the mining industry (peer group).

TSR	Vesting outcome
Equal to or less than 50 th percentile of peer group	0%
Greater than 50 th but less than 75 th percentile of peer group	Straight line between 50% to 100%
Equal to or exceeding 75 th percentile of peer group	100%

¹ The vesting period from FY21 onwards will exclude any mark-to-market adjustment in Johns Lyng Group and any other listed investments.

² TSR is calculated as the change in share price plus dividends declared and any capital returns measured over the financial year together with a future three-year vesting period.

All STIs awarded in August 2020 and prior are based on diluted EPS growth inclusive of any mark-to-market adjustment in Johns Lyng Group and any other listed investments.

All LTIs granted in August 2017 (vesting August 2020), August 2018 (vesting August 2021) and August 2019 (vesting August 2022) were awarded and will be vested using diluted EPS growth inclusive of any mark-to-market adjustment in Johns Lyng Group and other listed investments. However, for LTIs granted in August 2020 (vesting August 2023), they will be awarded and vested based on diluted EPS growth exclusive of any mark-to-market adjustment in Johns Lyng Group and other listed investments.

3.2. Fixed remuneration for FY20

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

Component	Details
Description	Cash salary, superannuation, and non-monetary benefits.
Purpose and link to strategy	Helps to attract and retain high calibre executives. Reflects individual role, experience and performance.
Operation	Reviewed annually by the Remuneration & Succession Planning Committee and fixed for 12 months (unless there is a significant role change), with any changes effective from 1 July each financial year. Decision influenced by: <ul style="list-style-type: none"> ▶ role, experience and performance; ▶ reference to comparative remuneration in the market; and ▶ total organisational salary budgets. The Executive Team is provided with cash salary, superannuation, and other non-monetary benefits such as car parking, income protection and life insurances.
Potential reward	Fixed remuneration targeted at 29%-50% of total remuneration.

3.3. Short-term incentives for FY20

The table below outlines the key details of the STI plan. STI awards in FY20 are summarised in Section 2.2 of the Remuneration Report.

Component	Details
Purpose and link to strategy	Recognises the contributions and achievements of the Executive Team and helps to attract and retain talent.
Operation	STI Plan consisting of cash and deferred equity award.
Potential reward	STI awards are performance based, at risk reward arrangements with Board discretion. The combined total of at risk remuneration (STI and LTI combined) is targeted at 50%-71% of total remuneration.
Performance metrics	STI – Cash award (60% of total STI); Deferred equity award (40% of total STI) <ul style="list-style-type: none"> ▶ Continuous employment for the vesting period for deferred equity awards split one-third over one, two and three years; ▶ vesting is subjected to future performance hurdles below; and ▶ no negative material deterioration in reported results in the subsequent year.
Performance measures	Non-financial measures: Personal objectives (KPIs) as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible for any STI. The MD & CEO achieved a substantial majority of his FY20 non-financial objectives with weightings (refer Section 2.2). Financial measures relating to awards issued during FY20 (awarded in August 19): No STI is payable unless at least 5% EPS growth is achieved against the base underlying EPS. Maximum STI can be awarded if the EPS growth is 10.0% or higher.

Component	Details
Potential maximum STI	<p>MD & CEO can earn up to 150% of his annual fixed remuneration.</p> <p>The other Executives within the Executive Team can earn 50% to 100% of their annual fixed remuneration.</p>
Approval of the STI	<p>The MD & CEO's STI is recommended by the Remuneration & Succession Planning Committee based on the Group's financial and his non-financial performance outcomes and approved by the Board.</p> <p>The STI of other members of the Executive Team is recommended by the MD & CEO to the Remuneration & Succession Planning Committee, based on the Group's financial and their non-financial performance outcomes. It is recommended by the Remuneration & Succession Planning Committee and approved by the Board.</p>
Rationale for choosing performance measures	<p>The non-financial measures are chosen to ensure each member of the Executive Team delivers outcomes that support the success of Steadfast.</p> <p>The financial measure of EPS growth is chosen to ensure long-term shareholder value is increased.</p>
Forms of STI reward elements	<p>60% is paid as cash, normally in September following the end of financial year.</p> <p>40% is granted as deferred equity award (DEA) of conditional rights to Steadfast ordinary shares and vesting over a three-year tenure hurdle from the grant date. The conditional rights will vest in three equal tranches after one, two and three years from the grant date.</p>
Key terms of DEA	<p>DEA is normally granted on the date the audited financial results are announced.</p> <p>These rights are granted to the participants at no cost, to the dollar value of their DEA.</p> <p>The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date.</p> <p>The participants in the STI Plan become eligible to receive one Steadfast ordinary share per conditional right, subject to their continuing employment with the Group over the vesting period post grant date, and no material adverse change to the reported results. The Remuneration & Succession Planning Committee noted there had not been any negative material deterioration in EPS from prior year adjustments in the subsequent year.</p> <p>These rights will accrue notional dividends and may accrue, subject to Board discretion, any bonus element inherent in any rights issue, which will be paid as additional shares upon vesting.</p>
Forfeiture conditions	<p>The Board retains the discretion to adjust any unpaid or unvested performance related remuneration (such as STI – Cash, STI – deferred portion) downwards if it is appropriate to do so.</p> <p>The conditional rights will be forfeited if the Executive resigns before the vesting date.</p> <p>When an Executive ceases employment in special circumstances, such as genuine retirement, redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast ordinary shares, subject to Board discretion.</p>

3.4. Long-term incentives for FY20

The table below outlines the key details of the LTI plan. LTI awards in FY20 are summarised in Section 2.2 of the Remuneration Report.

Component	Details
Purpose and link to strategy	Provides opportunity for the Executive Team to acquire equity in the Company as a reward for increasing EPS and TSR over the longer term and helps to attract and retain talent.
Operation	LTI Plan consisting of DEA.
Potential reward	<p>LTI awards are discretionary, performance based, at risk reward arrangements.</p> <p>The combined total of at risk remuneration (LTI and STI combined) is targeted at 50%-71% of total remuneration.</p>

Component	Details																		
Performance metrics	<p>LTI – Deferred equity award (100%)</p> <ul style="list-style-type: none"> ▶ Continuous employment and performance rating to be met for the three-year vesting period; ▶ vesting is subjected to future performance hurdles below; and ▶ no negative material deterioration in reported results in the subsequent year. 																		
Future performance hurdle	<p>Non-financial measures:</p> <p>Personal objectives (KPIs) as agreed with the Board. At least 60% of the objectives must be achieved by the members of the Executive Team to be eligible to any LTI. The MD & CEO achieved a substantial majority of his FY20 non-financial objectives with weightings (refer Section 2.2).</p> <p>Financial measures relating to awards issued during FY20 (awarded in August 2019):</p> <ul style="list-style-type: none"> ▶ 75% is based on average diluted EPS growth, which is not payable unless at least 5% straight line growth is achieved over a future three-year vesting period. The vesting schedule is outlined below: <table border="1"> <thead> <tr> <th>Average diluted EPS growth</th> <th>Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>Below 5%</td> <td>0%</td> </tr> <tr> <td>At 5%</td> <td>50%</td> </tr> <tr> <td>5% to 10%</td> <td>Straight line between 50% to 100%</td> </tr> <tr> <td>10% or higher</td> <td>100%</td> </tr> </tbody> </table> <p>and</p> <ul style="list-style-type: none"> ▶ 25% is based on TSR measured against the top 200 ASX companies excluding those in the mining industry (peer group), which is not payable unless TSR exceeds the median of the peer group. TSR is calculated as the change in share price plus dividends declared and any capital returns measured over the financial year together with a future three-year vesting period. The vesting schedule is outlined below: <table border="1"> <thead> <tr> <th>TSR</th> <th>Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>Equal to or less than 50th percentile of peer group</td> <td>0%</td> </tr> <tr> <td>Greater than 50th but less than 75th percentile of peer group</td> <td>Straight line between 50% to 100%</td> </tr> <tr> <td>Equal to or exceeding 75th percentile of peer group</td> <td>100%</td> </tr> </tbody> </table>	Average diluted EPS growth	Vesting outcome	Below 5%	0%	At 5%	50%	5% to 10%	Straight line between 50% to 100%	10% or higher	100%	TSR	Vesting outcome	Equal to or less than 50 th percentile of peer group	0%	Greater than 50 th but less than 75 th percentile of peer group	Straight line between 50% to 100%	Equal to or exceeding 75 th percentile of peer group	100%
Average diluted EPS growth	Vesting outcome																		
Below 5%	0%																		
At 5%	50%																		
5% to 10%	Straight line between 50% to 100%																		
10% or higher	100%																		
TSR	Vesting outcome																		
Equal to or less than 50 th percentile of peer group	0%																		
Greater than 50 th but less than 75 th percentile of peer group	Straight line between 50% to 100%																		
Equal to or exceeding 75 th percentile of peer group	100%																		
Potential maximum LTI	<p>The MD & CEO and CFO can earn up to 100% of his annual fixed remuneration.</p> <p>The other Executives within the Executive Team can earn 50% to 75% of their annual fixed remuneration.</p>																		
Approval of the LTI	The Board approves the LTI based on the financial and non-financial performance outcome as recommended by the Remuneration & Succession Planning Committee.																		
Forms of LTI reward	DEA of conditional rights to Steadfast ordinary shares and vesting after a three-year tenure hurdle and meeting future performance hurdles from the grant date.																		
Rationale for choosing performance measures	<p>The financial measures of EPS growth and TSR are chosen to ensure long-term shareholders value is increased.</p> <p>The non-financial measures are chosen to ensure each member of the Executive Team delivers outcomes that support the success of Steadfast.</p>																		

Component	Details
Key terms of DEA	<p>DEA is normally granted on the date the audited financial results are announced.</p> <p>These rights are granted to the participants (at no cost), to the dollar value of a percentage of their fixed remuneration in accordance with the LTI Plan.</p> <p>The number of conditional rights granted is calculated based on the weighted average share price over the five trading days before the grant date.</p> <p>The participants in the LTI Plan become eligible to receive one Steadfast ordinary share per conditional right, subject to their continuing employment with the Group for the three-year period from the grant date and meeting performance hurdles, subject to Board discretion.</p> <p>These rights will not accrue notional dividends and may accrue, subject to Board discretion, any bonus element inherent in any rights issue, which will be paid as additional shares upon vesting.</p>
Forfeiture conditions	<p>The Board retains the discretion to adjust any unpaid or unvested LTI downwards if it is appropriate to do so.</p> <p>The conditional rights will be forfeited if the Executive resigns before the vesting date.</p> <p>When an Executive ceases employment in special circumstances, such as genuine retirement, redundancy or ill health, any unvested rights may be paid in cash and/or Steadfast shares subject to Board discretion.</p>

3.5. Keeping executives' and shareholders' interest aligned

Component	Details
Shareholding requirements	<p>The Executive Team have acquired Steadfast's ordinary shares through the following means:</p> <ul style="list-style-type: none"> ▶ shares allocated to three Executives either directly or through loans, which have since been repaid by the Executives; ▶ allotment of ordinary shares to Mr Lightbody as part consideration for the acquisition by Steadfast, as part of the IPO in August 2013, of Miramar, an underwriting agency business then partly owned by Mr Lightbody; ▶ subscription for ordinary shares as part of the Company's IPO and subsequent rights issues; ▶ participation in the Company's Dividend Reinvestment Plan; ▶ conditional rights converting into ordinary shares; ▶ potential vesting of DEAs granted through the STI and LTI Plans in the financial years from 1 July 2014 onwards (refer Sections 3.3 and 3.4 for further details of the STI and LTI Plans); and ▶ purchase of shares on market within trading windows.

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

4. Remuneration in detail

4.1. Statutory remuneration disclosure

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

No KMP was newly appointed to the Executive Team during either financial year.

	Short-term employment benefits		Post-employment benefits	Other long-term employment benefits	Subtotal (excluding share-based payments)	Share-based payments	Total	
	(1)	(2)	(3)	(4)	(5)	(6)		
	Cash salary and leave accruals	Cash short-term incentive	Non-monetary benefits	Superannuation	Long service leave accruals			
	\$	\$	\$	\$	\$	\$	\$	
Key Management Personnel (including Managing Director & CEO)								
Robert Kelly, Managing Director & CEO								
2020	1,141,291	990,000	19,410	21,003	34,464	2,206,168	1,760,000	3,966,168
2019	982,116	913,500	19,270	20,531	23,505	1,958,922	1,624,000	3,582,922
Stephen Humphrys, Chief Financial Officer								
2020	634,425	360,000	36,488	21,003	14,347	1,066,263	840,000	1,906,263
2019	569,625	334,200	37,095	20,531	10,364	971,815	640,550	1,612,365
Samantha Hollman, Chief Operating Officer								
2020	500,662	300,000	32,364	21,003	10,494	864,523	575,000	1,439,523
2019	444,672	278,100	29,880	20,531	8,005	781,188	417,150	1,198,338
Simon Lightbody, CEO - Steadfast Underwriting Agencies								
2020	494,791	300,000	25,883	21,003	13,737	855,414	575,000	1,430,414
2019	462,054	287,400	25,707	20,531	11,140	734,982	431,100	1,237,932
Allan Reynolds, Executive General Manager – Direct, New Zealand & Singapore								
2020	447,069	207,000	14,966	21,003	15,547	705,585	483,000	1,188,585
2019	420,542	129,000	21,160	20,531	19,689	610,922	301,000	911,922
Linda Ellis, Group Company Secretary & Corporate Counsel ⁽⁷⁾								
2020	363,747	112,500	35,665	21,003	13,733	546,648	262,500	809,148
2019	258,769	78,225	27,468	19,907	11,466	395,835	182,525	578,360

Tables notes

- Cash salary includes amounts paid in cash plus any salary sacrifice items. Annual leave accruals are determined in accordance with Accounting Standard, AASB 119 *Employee Benefits*.
- The 2020 short-term incentive (STI) represents 60% of the total STI awarded and approved by the Board and will be paid in cash in September 2020.
- The Executive Team is provided with cash salary, superannuation, and other non-monetary benefits such as car parking, income protection and life insurances.
- Superannuation contributions are paid in line with legislative requirements.
- Long service leave accruals are determined in accordance with AASB 119 *Employee Benefits*.
- Share-based payments represent the expense amount accrued in the year for deferred equity awards (both STI and LTI). The 2020 expense is higher than prior year due to the cumulative effect of prior years' grants plus increased probability of meeting vesting conditions.
- Mrs Ellis was employed on a 60% of full-time basis from 1 July 2018 to 31 December 2018, on an 80% of full-time basis from 1 January 2019 to 30 June 2019, and on a full-time basis from 1 July 2019 onwards.

4.2. Conditional rights

The table below provides the number of conditional rights held by members of the Executive KMP at 30 June 2019 and 30 June 2020. These are aggregate holdings of unvested DEAs from the various grants that remain on foot (see chart in section 2.4).

	Balance 30 June 2019	STI granted during FY20	LTI granted during FY20	DRP granted	STI/LTI vested and/or transferred during FY20 ¹	Balance 30 June 2020
Robert Kelly	1,430,735	173,717	289,528	8,557	(706,984)	1,195,553
Stephen Humphrys	700,771	63,554	119,163	3,200	(365,191)	521,497
Samantha Hollman	365,566	52,885	66,107	2,563	(163,397)	323,724
Simon Lightbody	300,132	54,654	68,317	2,340	(106,154)	319,289
Allan Reynolds	407,254	24,531	61,329	1,213	(255,975)	238,352
Linda Ellis	218,812	14,876	37,189	714	(132,679)	138,912
	3,423,270	384,217	641,633	18,587	(1,730,380)	2,737,327

¹ The third tranche of the STI DEAs granted in August 2016, the second tranche of the STI DEAs granted in August 2017, the first tranche of the STI DEAs granted in August 2018 and the LTI DEAs granted in August 2014 and August 2016 were vested in the current financial year. In accordance with the terms of the STI and LTI plans, eligible participants of the plans received one Steadfast ordinary share per conditional right at nil cost to them upon vesting.

Refer Section 6.2 for the fair value of the conditional rights awarded in August 2019.

4.3. Executive service agreements

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

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

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

Name	Notice period from the Company	Notice period from the employee	Termination provisions in relation to payment in lieu of notice
Robert Kelly ¹	12 months	12 months	12 months fixed remuneration
Stephen Humphrys	6 months	6 months	6 months fixed remuneration
Samantha Hollman	6 months	6 months	6 months fixed remuneration
Simon Lightbody	6 months	6 months	6 months fixed remuneration
Allan Reynolds	6 months	6 months	6 months fixed remuneration
Linda Ellis	6 months	6 months	6 months fixed remuneration

¹ Mr Kelly has stated his intention not to terminate his employment contract before the period immediately succeeding the AGM in October 2023.

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

4.3.1. Retrenchment entitlements

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

4.3.2. Termination under other situations

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

5. Non-executive director remuneration

5.1. Fee structure and policy

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

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

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

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

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

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

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

At the Annual General Meeting held on 17 October 2019, the shareholders approved the maximum aggregate Directors' fee pool of \$1,100,000 per annum for each financial year effective from and including the financial year commenced on 1 July 2019.

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

		Board \$	Audit & Risk Committee \$	Remuneration & Succession & Planning Committee \$	Nomination Committee \$
Chairman	2020	275,000	30,000	27,500	-
	2019	275,000	30,000	27,500	-
Members	2020	135,000	7,500	7,500	-
	2019	135,000	7,500	7,500	-

No additional remuneration will be paid for the Chairman and members of the Nomination Committee nor any directorships of subsidiaries. The Directors have determined that fees for the financial year ended 30 June 2021 will not be increased except for an additional \$25,000 per annum fixed pay to recognise the appointment of David Liddy as Deputy Chairman of the Board.

5.2. Minimum shareholding requirement

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

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

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

5.3. Remuneration details for Non-Executive Directors

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

	Short-term employment benefits		Post-employment benefits	Total
	Board fees	Committee fees	Superannuation	
	\$	\$	\$	\$
Current Non-Executive Directors				
Frank O'Halloran, AM				
2020	253,997	-	21,003	275,000
2019	254,469	-	20,531	275,000
David Liddy, AM				
2020	123,288	31,963	14,749	170,000
2019	123,288	31,963	14,749	170,000
Gai McGrath				
2020	135,000	15,000	-	150,000
2019	135,000	15,000	-	150,000
Anne O'Driscoll				
2020	123,288	34,247	14,965	172,500
2019	123,288	34,247	14,965	172,500
Philip Purcell				
2020	123,288	13,699	13,013	150,000
2019	123,288	13,699	13,013	150,000
Greg Rynenberg				
2020	123,288	13,699	13,013	150,000
2019	123,288	13,699	13,013	150,000

6. Additional information

6.1. Remuneration governance

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

6.1.1. Role of the Remuneration & Succession Planning Committee

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

6.1.2. Use of remuneration consultant

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

An external remuneration consultant, Egan Associates, was engaged during the financial year to conduct remuneration benchmarking for the Executive Team.

6.2. Valuation of conditional rights

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

Description	Recipient	Grant date	Vesting date	Fair value at grant date \$ ¹	Volume weighted average share price (VWAP) \$ ²
October 2019 STI conditional rights ³	MD & CEO	17-Oct-19	21-Aug-20	3.5985	3.5057
October 2019 STI conditional rights ³	MD & CEO	17-Oct-19	21-Aug-21	3.5891	3.5057
October 2019 STI conditional rights ³	MD & CEO	17-Oct-19	21-Aug-22	3.5723	3.5057
August 2019 STI conditional rights ³	Other executives	21-Aug-19	21-Aug-20	3.5539	3.5057
August 2019 STI conditional rights ³	Other executives	21-Aug-19	21-Aug-21	3.5401	3.5057
August 2019 STI conditional rights ³	Other executives	21-Aug-19	21-Aug-22	3.5194	3.5057
October 2018 STI conditional rights ³	MD & CEO	18-Oct-18	24-Aug-19	2.9486	3.0648
October 2018 STI conditional rights ³	MD & CEO	18-Oct-18	24-Aug-20	2.9403	3.0648
October 2018 STI conditional rights ³	MD & CEO	18-Oct-18	24-Aug-21	2.9252	3.0648
August 2018 STI conditional rights ³	Other executives	24-Aug-18	24-Aug-19	3.0045	3.0648
August 2018 STI conditional rights ³	Other executives	24-Aug-18	24-Aug-20	2.9922	3.0648
August 2018 STI conditional rights ³	Other executives	24-Aug-18	24-Aug-21	2.9737	3.0648
October 2017 STI conditional rights ³	MD & CEO	26-Oct-17	23-Aug-19	2.7318	2.8170
October 2017 STI conditional rights ³	MD & CEO	26-Oct-17	23-Aug-20	2.7175	2.8170
August 2017 STI conditional rights ³	Other executives	23-Aug-17	23-Aug-19	2.5945	2.8170
August 2017 STI conditional rights ³	Other executives	23-Aug-17	23-Aug-20	2.5771	2.8170
October 2016 STI conditional rights ³	MD & CEO	27-Oct-16	24-Aug-19	2.1128	2.1858
August 2016 STI conditional rights ³	Other executives	24-Aug-16	24-Aug-19	2.1047	2.1858
October 2019 LTI conditional rights	MD & CEO	17-Oct-19	21-Aug-22	3.3868	3.5057
August 2019 LTI conditional rights	Other executives	21-Aug-19	21-Aug-22	3.2975	3.5057
October 2018 LTI conditional rights	MD & CEO	18-Oct-18	24-Aug-21	2.7609	3.0648
August 2018 LTI conditional rights	Other executives	24-Aug-18	24-Aug-21	2.7771	3.0648
October 2017 LTI conditional rights	MD & CEO	26-Oct-17	23-Aug-20	2.5581	2.8170
August 2017 LTI conditional rights	Other executives	23-Aug-17	23-Aug-20	2.3879	2.8170
October 2016 LTI conditional rights	MD & CEO	27-Oct-16	24-Aug-19	1.9834	2.1858
August 2016 LTI conditional rights	Other executives	24-Aug-16	24-Aug-19	1.9500	2.1858
October 2014 LTI conditional rights	MD & CEO	29-Oct-14	25-Aug-19	1.4001	1.3960
August 2014 LTI conditional rights	Other executives	25-Aug-14	25-Aug-19	1.2908	1.3960

¹ The fair value at grant date is determined in accordance with Accounting Standard, AASB 2 Share-based Payment.

² To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average share price of Steadfast shares over the five trading days on the Australian Securities Exchange prior to Steadfast announcing its full year results.

³ The STI conditional rights granted all vest in three equal tranches after one, two and three years from the grant date.

6.3. Shareholdings

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

	Total shares held at 1 July 2019	Purchases	Shares transferred upon vesting of DEA	Shares allocated via DRP	Sales/ Reductions	Total shares held at 30 June 2020	Shares held nominally at 30 June 2020 ¹
Frank O'Halloran, AM ²	1,150,539	166,314	-	-	(425,000)	891,853	861,308
Robert Kelly ²	3,062,209	4,438	695,826	-	(525,000)	3,237,473	-
David Liddy, AM ²	150,000	4,438	-	-	-	154,438	154,438
Gai McGrath ²	19,750	29,438	-	-	-	49,188	49,188
Anne O'Driscoll ²	168,498	-	-	-	-	168,498	168,498
Philip Purcell ²	160,142	4,438	-	-	(60,142)	104,438	104,438
Greg Rynenberg ²	858,676	150,000	-	21,629	-	1,030,305	1,030,305
Linda Ellis	63,000	4,438	130,774	-	(130,774)	67,438	-
Samantha Hollman	228,715	8,876	160,712	8,140	(160,712)	245,731	181,430
Stephen Humphrys	400,000	4,438	358,795	-	-	763,233	-
Simon Lightbody	1,497,561	-	102,321	-	(440,000)	1,159,882	455,314
Allan Reynolds	955,602	4,143	251,364	1,206	(115,000)	1,097,315	51,438

¹ Shares held nominally are included in the column headed "Total shares held at 30 June 2020". Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the KMP.

² For the Directors, total shares held directly and nominally also represented the relevant interest in the listed securities, being ordinary shares of the Company, as notified by the Directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of this Directors' Report.

6.4. Related party transactions

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

	2020 \$	2019 \$
i. Sale of goods and services		
Professional service fees received by Directors' related entities on normal commercial terms	8,841	20,610
ii. Payment for goods and services		
Estimated Steadfast Network Broker rebate expense to Directors' related entities on the basis as determined by the Board	7,198	51,663
iii. Other transactions		
Arm's length consideration for purchase of customer relationships paid to an entity controlled by a director	4,000,000	-
Steadfast Network Broker rebate offer expense	503,175	-
The following balances are outstanding at the reporting date in relation to transactions with related parties:		
iv. Current receivable from related parties		
Trade receivables from Directors' related entities	-	80,119

Rounding

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

Signed at Sydney on 25 August 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 audit of Steadfast Group Limited for the financial year ended 30 June 2020 there have been:

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

KPMG

Scott Guse
Partner

Sydney

25 August 2020



Steadfast's business strategy is to continue to grow shareholder value by maintaining our position as the largest intermediated insurance distribution network in Australasia.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
REVENUE			
Fee and commission income		752,730	681,581
Less: brokerage commission paid		(159,946)	(144,775)
Net fee and commission income		592,784	536,806
Premium funding interest income		61,465	153
Share of profits of associates & joint ventures	12	20,179	14,916
Fair value gain on listed investment		4,525	725
Net gain from investments		9,309	14,829
Other income		8,875	11,010
		697,137	578,439
EXPENSES			
Employment expense		(282,255)	(240,670)
Operating, brokers' support service and other expenses		(78,723)	(70,643)
Commission and other related expenses		(61,231)	(38,681)
Occupancy expense	2B(l)	(7,768)	(18,932)
Amortisation expense	7	(36,370)	(31,416)
Depreciation expense	2B(l)	(17,697)	(4,713)
Impairment expense – non-financial assets	7, 12	(41,461)	-
Finance costs	2B(l)	(13,684)	(14,125)
Insurance Brokers Network Australia Limited (IBNA) acquisition	5, 24	(72,701)	-
Professional Services Fee (PSF) rebate offer	5, 25	(77,861)	-
		(689,751)	(419,180)
Profit before income tax expense		7,386	159,259
Income tax (expense) / benefit	18	(40,137)	(37,425)
Profit / (loss) after income tax expense for the year		(32,751)	121,834
PROFIT / (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interests		22,493	17,989
Owners of Steadfast Group Limited	4	(55,244)	103,845
		(32,751)	121,834

	Notes	2020 \$'000	2019 \$'000
Profit / (loss) after income tax expense for the year		(32,751)	121,834
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Net movement in foreign currency translation reserve		(1,202)	2,095
Cash flow hedge effective portion of change in fair value		(141)	60
Income tax (expense) / benefit on other comprehensive income		403	(647)
Total other comprehensive income / (loss) for the period, net of tax		(940)	1,508
Total comprehensive income / (loss) for the year, net of tax		(33,691)	123,342
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interests		22,493	17,989
Owners of Steadfast Group Limited		(56,184)	105,353
		(33,691)	123,342
EARNINGS PER SHARE			
Basic earnings per share (cents per share)	5	(6.47)	13.16
Diluted earnings per share (cents per share)	5	(6.47)	13.12

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	19	210,644	116,520
Cash held on trust	19	448,955	427,449
Trade and other receivables	13	145,698	164,619
Premium funding receivable	13	537,233	76,178
Other		9,753	7,775
Total current assets		1,352,283	792,541
Non-current assets			
Goodwill	7	930,309	945,498
Intangible assets	7	182,372	193,206
Investments in associates & joint ventures	12	118,912	128,259
Property, plant and equipment		58,896	43,667
Right-of-use assets	2B(l), 20	34,654	-
External shareholder loans	14C	46,511	35,924
Other financial assets		11,750	7,225
Deferred tax assets	18	17,431	7,358
Related party loans	21	-	500
Other		2,611	3,019
Total non-current assets		1,403,446	1,364,656
Total assets		2,755,729	2,157,197

	Notes	2020 \$'000	2019 \$'000
LIABILITIES			
Current liabilities			
Payables on broking/underwriting agency operations		435,572	410,334
Premium funding borrowings	8	399,309	3,384
Premium funding payables		144,061	66,873
Trade and other liabilities		99,827	99,232
Corporate and subsidiaries borrowings	8	2,840	25,707
Bank overdrafts	8, 19	-	3,781
Lease liabilities	20	11,942	-
Deferred consideration	10	7,780	28,064
Provisions		29,713	25,615
Income tax payable		18,364	11,614
Total current liabilities		1,149,408	674,604
Non-current liabilities			
Corporate and subsidiaries borrowings	8	318,222	311,232
Deferred tax liabilities	18	46,521	57,858
Lease liabilities	20	29,932	-
Provisions		9,296	8,906
Deferred consideration	10	4,435	6,342
Other payables		520	3,003
Total non-current liabilities		408,926	387,341
Total liabilities		1,558,334	1,061,945
Net assets		1,197,395	1,095,252
EQUITY			
Share capital	9	1,149,601	912,517
Treasury shares held in trust	9	(11,209)	(9,890)
Foreign currency translation reserve		(41)	800
Share-based payments reserve		4,782	6,187
Undistributed profits reserve		(1,030)	72,076
Revaluation reserve		12,069	-
Other reserves		(15,558)	(4,083)
Retained earnings		(18,604)	37,859
Equity attributable to the owners of Steadfast Group Limited		1,120,010	1,015,466
Non-controlling interests		77,385	79,786
Total equity		1,197,395	1,095,252

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Equity attributable to owners of Steadfast Group Limited			
	Share capital \$'000	Treasury shares held in trust \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000
2020				
Balance at 1 July 2019	912,517	(9,890)	800	6,187
Adjustment on initial application of AASB 16 (net of tax) ¹	-	-	-	-
Adjusted balance at 1 July 2019	912,517	(9,890)	800	6,187
Profit/(loss) after income tax expense for the year	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	(841)	-
Total comprehensive income for the year	-	-	(841)	-
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Issue of share capital (Note 9)	237,084	-	-	-
Shares acquired and held in trust (Note 9)	-	(5,052)	-	-
Share-based payments on Executive Shares and employee share plans	-	-	-	4,196
Shares allotted/ allocated (Note 9)	-	3,733	-	(3,966)
Transfer of other reserves to retained earnings	-	-	-	(1,635)
Non-controlling interests of acquired entities (Note 10)	-	-	-	-
Change in equity interests in subsidiaries without loss of control	-	-	-	-
Dividends declared and paid (Note 6)	-	-	-	-
Land & buildings revaluation	-	-	-	-
Balance at 30 June 2020	1,149,601	(11,209)	(41)	4,782

¹ 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.

Un-distributed profits reserve \$'000	Revaluation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Non-controlling interests	Total equity
				\$'000	\$'000
72,076	-	(4,083)	37,859	79,786	1,095,252
-	-	-	(2,854)	(708)	(3,562)
72,076	-	(4,083)	35,005	79,078	1,091,690
-	-	-	(55,244)	22,493	(32,751)
-	-	(99)	-	-	(940)
-	-	(99)	(55,244)	22,493	(33,691)
-	-	-	-	-	237,084
-	-	-	-	-	(5,052)
-	-	-	-	-	4,196
-	-	-	-	-	(233)
-	-	-	1,635	-	-
-	-	-	-	739	739
-	-	(11,376)	-	(1,322)	(12,698)
(73,106)	-	-	-	(23,603)	(96,709)
-	12,069	-	-	-	12,069
(1,030)	12,069	(15,558)	(18,604)	77,385	1,197,395

Consolidated Statement of Changes in Equity continued

	Equity attributable to owners of Steadfast Group Limited			
	Share capital \$'000	Treasury shares held in trust \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000
2019				
Balance at 1 July 2018	912,347	(7,728)	(667)	4,512
Adjustment on initial application of AASB 15 (net of tax) ¹	-	-	-	-
Adjustment on initial application of AASB 9 (net of tax) ¹	-	-	-	-
Adjusted balance at 1 July 2018	912,347	(7,728)	(667)	4,512
Profit after income tax expense for the year	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	1,467	-
Total comprehensive income for the year	-	-	1,467	-

TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:

Adjustment to prior year transaction costs, net of income tax	170	-	-	-
Shares acquired and held in trust (Note 9)	-	(3,685)	-	-
Share-based payments on Executive Shares and employee share plans	-	-	-	3,450
Shares allotted/ allocated (Note 9)	-	1,523	-	(1,775)
Transfer of other reserves to retained earnings	-	-	-	-
Non-controlling interests of acquired entities (Note 10)	-	-	-	-
Change in equity interests in subsidiaries without loss of control	-	-	-	-
Dividends declared and paid (Note 6)	-	-	-	-
Balance at 30 June 2019	912,517	(9,890)	800	6,187

¹ The Group has initially applied AASB 9 and AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

				Non- controlling interests	Total equity
	Un-distributed profits reserve \$'000	Other reserves \$'000	Retained earnings \$'000	\$'000	\$'000
	89,509	(30,793)	30,397	59,402	1,056,979
	-	-	(12,330)	(2,815)	(15,145)
	-	-	(1,404)	(295)	(1,699)
	89,509	(30,793)	16,663	56,292	1,040,135
	-	-	103,845	17,989	121,834
	-	41	-	-	1,508
	-	41	103,845	17,989	123,342
	-	-	-	-	170
	-	-	-	-	(3,685)
	-	-	-	-	3,450
	-	-	-	-	(252)
	(17,433)	37,433	(20,000)	-	-
	-	-	-	6,225	6,225
	-	(10,764)	-	15,141	4,377
	-	-	(62,649)	(15,861)	(78,510)
	72,076	(4,083)	37,859	79,786	1,095,252

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		738,335	516,126
Payments to suppliers and employees, and Network Broker rebates		(494,028)	(366,965)
Net cash inflow from premium funding borrowings		395,559	-
Net cash outflow to premium funding customers		(374,154)	-
Dividends received from associates and joint ventures		18,712	14,256
Interest received		5,512	8,099
Interest and other finance costs paid		(16,006)	(12,789)
Income taxes paid		(67,968)	(41,077)
Net cash from operating activities before customer trust accounts movement		205,962	117,650
Net movement in customer trust accounts (net cash receipts/payments on behalf of customers)		15,690	43,698
Net cash from operating activities	19	221,652	161,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions of subsidiaries and business assets		(12,262)	(85,292)
Cash acquired from acquisitions of subsidiaries and business assets		7,641	91,210
Payments for PSF rebate offer	25	(43,062)	-
Payments for investments in associates and joint ventures		(1,125)	(12,396)
Payments for step-up investment in subsidiaries on hubbing arrangements		(27,169)	(11,364)
Dividends received from listed investment		240	-
Payments for deferred consideration of subsidiaries, associates and business assets	10	(23,284)	(17,389)
Proceeds from disposal of investment in subsidiaries, net of cash disposed		187	1,950
Proceeds from part disposal of investment in subsidiaries on hubbing arrangements		15,258	3,709
Proceeds from disposal of investment in associates		2,775	314
Payments for property, plant and equipment		(3,470)	(6,384)
Payments for intangible assets		(20,417)	(12,118)
Net cash used in investing activities		(104,688)	(47,760)

	Notes	2020 \$'000	2019 \$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		127,164	-
Payments for transaction costs on issue of shares		(3,784)	-
Dividends paid to owners of Steadfast, net of Dividend Reinvestment Plan	6, 9	(68,036)	(62,649)
Dividends paid to non-controlling interests		(23,603)	(15,861)
Proceeds from borrowings	8	133,009	138,374
Repayment of borrowings	8	(147,166)	(23,411)
Payments for purchase of treasury shares		(5,052)	(3,685)
Repayment of related party loans		200	5,194
Payments for related party loans		(195)	(500)
Repayment of non-related party loans		3,325	2,553
Payments for non-related party loans		(852)	(1,505)
Payment of lease liabilities		(12,235)	-
Net cash from financing activities		2,775	38,510
Net increase in cash and cash equivalents		119,739	152,098
Cash and cash equivalents at the beginning of the financial year		540,188	387,602
Effect of movements in exchange rates on cash held		(328)	488
Cash and cash equivalents at the end of the financial year	19	659,599	540,188

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

Notes to the Financial Statements

For the year ended 30 June 2020

Note 1. General Information

This general purpose financial report is for the year ended 30 June 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 25 August 2020.

Note 2. Significant accounting policies

A. Statement of Compliance

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

International Financial Reporting Standards (IFRS) refer to the overall framework of standards and pronouncements approved by the International Accounting Standards Board. IFRS forms the basis of the Australian Accounting Standards. This financial report of the Group complies with IFRS.

B. Basis of preparation of the financial report

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

I. New and amended standards adopted by the Group

The Group has adopted the following revised or amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the year ended 30 June 2020. 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 applied AASB 16 effective 1 July 2019.

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. 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 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 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 20.

The Group 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.

The following table summarises the impact of transition to AASB 16 on 1 July 2019:

	Impact of adopting AASB 16 at 1 July 2019 \$'000
Consolidated statement of financial position	
Non-current assets	
Right-of-use assets	39,586
Increase in deferred tax assets	1,969
	41,555
Current Liabilities	
Lease liabilities - current	(11,092)
	(11,092)
Non-current Liabilities	
Lease liabilities - non-current	(35,502)
Decrease in other liabilities ¹	1,477
	(34,025)
Equity	
Decrease in opening retained earnings	2,854
Decrease in non-controlling interests	708
	3,562

¹ Under AASB 117, some entities recognised lease incentives as liabilities on the statement of financial position, and recognised the associated income on a straight line basis over the life of the lease. Such lease incentives have been deducted against the right-of-use asset on initial implementation of AASB 16.

The following tables summarise the impacts of adopting AASB 16 on the Group's statement of financial position and statement of profit or loss and other comprehensive income as at 30 June 2020.

Notes to the Financial Statements continued

Impact on the consolidated statement of financial position

As at 30 June 2020	As reported \$'000	Adjustments \$'000	Amounts without adoption of AASB 16 \$'000
ASSETS			
Total current assets	1,352,283	-	1,352,283
Deferred tax assets/ (liabilities)	(29,090)	(2,264)	(31,354)
Right-of-use assets	34,654	(34,654)	-
Investments in associates & joint ventures	118,912	(32)	118,880
Other	1,232,449	-	1,232,449
Total non-current assets	1,356,925	(36,950)	1,319,975
Total assets	2,709,208	(36,950)	2,672,258
LIABILITIES			
	-	-	-
Lease liabilities - current	11,942	(11,942)	-
Other current liabilities	1,137,466	1,477	1,138,943
Total current liabilities	1,149,408	(10,465)	1,138,943
Lease liabilities - non-current	29,932	(29,932)	-
Other non-current liabilities	332,473	-	332,473
Total non-current liabilities	362,405	(29,932)	332,473
Total liabilities	1,511,813	(40,397)	1,471,416
Net assets	1,197,395	3,447	1,200,842
EQUITY			
	-	-	-
Retained earnings	(18,604)	2,740	(15,864)
Non-controlling interests	77,385	683	78,068
Foreign currency translation reserve	(41)	24	(17)
Others	1,138,655	-	1,138,655
Total equity	1,197,395	3,447	1,200,842

Impact on the consolidated statement of profit or loss and other comprehensive income

As at June 2020	As reported \$'000	Adjustments \$'000	Amounts without adoption of AASB 16 \$'000
Share of profits of associates & joint ventures	9,309	(32)	9,277
Other income	(291,564)	(295)	(291,859)
Total revenue	(282,255)	(327)	(282,582)
Depreciation expense on right-of-use assets	(12,104)	12,104	-
Interest expense - Lease liabilities	(2,472)	2,472	-
Others	295,629	(14,470)	281,159
Income tax expense	-	82	82
Loss after income tax expense for the period	(1,202)	(139)	(1,341)
Other comprehensive income for the period	22,493	-	22,493
Total comprehensive income for the period	21,291	(139)	21,152
Loss for the period is attributable to:	-	-	-
Non-controlling interests	-	(25)	(25)
Owners of Steadfast Group Limited	22,493	(114)	22,379
	22,493	(139)	22,354
Total comprehensive income for the period is attributable to:	-	-	-
Non-controlling interests	-	(25)	(25)
Owners of Steadfast Group Limited	(6)	(114)	(120)
	(6)	(139)	(146)

(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 and Investments Commission. In accordance with that Instrument, amounts in this financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

C. Principles of Consolidation

I. Business combinations

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

II. Subsidiaries

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

III. Non-controlling interests

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

Notes to the Financial Statements continued

IV. Loss of control

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

V. Interests in equity-accounted investees

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

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

VI. Transactions eliminated on consolidation

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

D. Revenue recognition

Revenue is recognised as the Group provides services. Revenue is recognised to the extent that there is no future performance obligation. Where there is a future performance obligation, a portion is deferred over the expected service period.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract. The Group's revenue does not have a significant financing component so the transaction (invoice) price is considered to be the amortised cost.

The Group's revenue is disaggregated by major products and services which is consistent with the revenue information by reportable segment as disclosed in note 4.

The Group recognises revenue on contract assets when the service is provided, which is generally at the point in time when the invoice is raised resulting in a recognition of a receivable. In general, it is possible that there is a short time lag between invoice date and policy inception date. Following a detailed review, it was determined that revenue is generally recognised in the same month that work is undertaken, and any revenue earned but not invoiced would be immaterial.

I. Fee and commission income

The Group retains a portion of the policy premiums as fee and commission income. Premiums are typically collected on an annual basis, at or near invoice date (which could be up to 90 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a premium credit provider.

Commission, brokerage and fees are recognised when the related service has been provided and it is probable that the Group will be compensated for services rendered, and the amount of consideration for such services can be reliably measured. This is deemed to be the invoice date. An allowance is made for anticipated lapses and cancellations. Where there is a future obligation to provide claims handling services, a portion of the commission income is deferred over the expected service period.

Fees on premium funding loans are recognised as revenue as performance obligations are satisfied. A portion of the fee is recognised upfront for the performance of loan origination services while the remaining portion relating to servicing activities is recognised on a monthly basis over the life of the loans.

The Company negotiated with strategic partners, such as insurers, premium funders and underwriting agencies, to receive professional services fees based on services provided.

The Group utilises the practical expedient in AASB 15 to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

II. Premium funding income

Premium funding interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is that rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

III. Claims experience benefit

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

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

IV. Other revenue

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

E. Taxation

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

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

F. Cash and cash equivalents

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. This includes cash held by the subsidiaries for business operations/operating expenses purposes.

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

G. Trade and other receivables

Trade and other receivables includes fee and commission receivable net of the associated expected credit loss (ECL) provision, as well as other receivables. Refer to Note 3(F) for additional information on the calculation of the ECL provision.

H. Premium funding receivable

Premium funding receivable represents the amount due from clients in the Group's premium funding businesses net of the associated expected credit loss (ECL) provision. Funds are collected on a monthly instalment basis and generally within twelve months of the loan issuance date. Refer to Note 3(F) for additional information on the calculation of the ECL provision.

I. Property, plant and equipment

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

Any gain or loss on disposal of an item of plant and equipment is recognised in the consolidated statement of profit or loss and other comprehensive income.

J. Intangible assets

Identifiable intangible assets acquired separately or in a business combination (mainly customer relationships and capitalised software) are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. The useful lives of these intangible assets are assessed on acquisition.

Internally developed software costs are capitalised once the project is assessed to be feasible. The costs capitalised include licensing and direct labour costs. The useful lives of capitalised software assets are assessed when the projects are completed and available for use.

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

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

K. Premium funding borrowings

The Group's premium funding borrowings are loans from third party financial institutions to finance the premium funding businesses. These loans have recourse to the assets of the premium funding businesses only and are not cross-collateralised with the other borrowings in the Group. Premium funding borrowings are classified as current liabilities as premium funding loans are typically repaid over 10 monthly instalments.

L. Payables on broking/underwriting agency operations

These amounts represent insurance premiums payable to insurance companies for broking/underwriting agency operations on amounts received from customers (policyholders) prior to the end of the financial period.

Notes to the Financial Statements continued

M. 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.

N. Change in accounting policy – valuation of land and buildings

Effective 1 July 2019, the Group changed its accounting policy on the valuation of the Group's land & buildings. 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 2019 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 as a reduction in the revaluation reserve within 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 and buildings.

O. 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 year ended 30 June 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 adverse impact to financial covenants 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)
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

- 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.
- 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.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ from the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) during the year ended 30 June 2020 are discussed below.

The Group has considered the 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 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 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 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
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

Notes to the Financial Statements continued

F. Expected credit loss provision

The 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 receivable 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 has assessed 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 a material 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 in relation to COVID-19.

G. Climate Change

Climate change, together with increased urbanisation, is a global risk that is a material risk for the insurance industry including insurers' operations, customers and the whole economy. Climate change may increase the frequency and severity of acute weather-related events such as floods, bushfires and storms, as well as changes such as rising sea levels, increased heat waves and droughts.

The principal activities of the Group are the provision of services to Steadfast Network brokers, the distribution of insurance policies via insurance brokerages and underwriting agencies, and related services. Whilst the potential risks and related opportunities from climate change are considered as part of the Group's asset impairment review methodology and processes, based on what is currently known, it is not expected that climate risks will have a significant impact on the Group's principal activities, particularly from an asset impairment standpoint.

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, premium funders now contribute significantly to the Group's underlying earnings result and the Group's total assets and total liabilities. For this reason, the Company has separately disclosed premium funders as a second reporting segment. The comparatives for the prior year have been restated on this basis.

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 (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 a consolidated basis, that is, net of transactions between reportable segments.

Notes to the Financial Statements continued

2020	Insurance Intermediary \$'000	Premium Funding \$'000	Other \$'000	Intercompany Eliminations \$'000	Total Underlying \$'000	Re- classifications \$'000 ¹	Non- trading items \$'000 ²	Total statutory \$'000
Total revenue	755,969	73,127	4,402	(7,230)	826,268	(145,073)	15,942	697,137
Total expenses	(595,227)	(62,531)	(13,537)	7,230	(664,065)	165,252	(190,938)	(689,751)
Share of EBITA from associates and joint ventures	21,507	-	106	-	21,613	(29,170)	7,557	-
Financing expense - associates	(432)	-	(22)	-	(454)	454	-	-
Amortisation expense - associates	(2,267)	-	(72)	-	(2,339)	2,339	-	-
Net profit/(loss) before tax	179,550	10,596	(9,123)	-	181,023	(6,198)	(167,439)	7,386
Income tax benefit/(expense)	(54,733)	(2,858)	2,618	-	(54,973)	6,198	8,638	(40,137)
Net profit/(loss) after tax	124,817	7,738	(6,505)	-	126,050	-	(158,801)	(32,751)
Non- controlling interests	(16,704)	(649)	-	-	(17,353)	-	(5,140)	(22,493)
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT) - excluding JLG	108,113	7,089	(6,505)	-	108,697	-	(163,941)	(55,244)
Mark-to-market adjustment from revaluation of investment in Johns Lyng Group (JLG)	3,168	-	-	-	3,168	-	(3,168)	-
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT) - including JLG	111,281	7,089	(6,505)	-	111,865	-	(167,109)	(55,244)

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 This consists of the IBNA acquisition of \$72.701 million and the PSF rebate offer of \$77.861 million, impairment of investments, and other non-trading items such as the mark-to-market revaluation of Johns Lyng Group, PSF rebate offer income received by associates, and gain from deferred consideration adjustments.

2019	Insurance Intermediary \$'000	Premium Funding \$'000	Other \$'000	Intercompany Eliminations \$'000	Total Underlying \$'000	Re- classifications \$'000	Non- trading items \$'000 ¹	Total statutory \$'000
Total revenue	676,872	9,939	3,028	(1,481)	688,358	(125,662)	15,743	578,439
Total expenses	(546,199)	(4,671)	(10,369)	1,481	(559,758)	140,578	-	(419,180)
Share of EBITA from associates and joint ventures	22,315	2,404	250	-	24,969	(24,969)	-	-
Financing expense - associates	(427)	(56)	(2)	-	(485)	485	-	-
Amortisation expense - associates	(2,446)	(400)	(72)	-	(2,918)	2,918	-	-
Net profit/(loss) before tax	150,115	7,216	(7,165)	-	150,166	(6,650)	15,743	159,259
Income tax benefit/(expense)	(44,055)	(1,025)	1,312	-	(43,768)	6,650	(307)	(37,425)
Net profit/(loss) after tax	106,060	6,191	(5,853)	-	106,398	-	15,436	121,834
Non- controlling interests	(17,225)	(483)	-	-	(17,708)	-	(281)	(17,989)
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT) - excluding JLG	88,835	5,708	(5,853)	-	88,690	-	15,155	103,845
Mark-to-market adjustment from revaluation of investment in Johns Lyng Group (JLG)	507	-	-	-	507	-	(507)	-
Net profit after income tax attributable to owners of Steadfast Group Limited (NPAT) - including JLG	89,342	5,708	(5,853)	-	89,197	-	14,648	103,845

¹ Non-trading items have been restated to exclude the mark-to-market revaluation of Johns Lyng Group which was \$0.725 million pre tax and \$0.507 million post tax.

Notes to the Financial Statements continued

Note 5. Earnings per share

A. Reporting period value

	2020 Cents	2019 Cents
Basic earnings per share	(6.47)	13.16
Diluted earnings per share	(6.47)	13.12
If non-trading items were removed, the underlying earnings per share would be as follows:		
Basic earnings per share ¹	12.73	11.30
Diluted earnings per share - excluding JLG	12.70	11.14
Diluted earnings per share - including JLG ²	13.07	11.20

¹ The underlying earnings per share in 2020 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.

² The underlying earnings per share was historically reported including the mark-to-market gains from the revaluation of the investment in Johns Lyng Group (JLG).

B. Reconciliation of earnings used in calculating earnings per share

	2020 \$'000	2019 \$'000
Profit/(loss) after income tax	(32,751)	121,834
Non-controlling interests	(22,493)	(17,989)
Profit/(loss) after income tax attributable to the owners of Steadfast Group Limited for calculation of statutory basic and diluted earnings per share	(55,244)	103,845
Removing non-trading items (net of tax and non-controlling interest):		
IBNA acquisition expense (Note 24)	72,701	-
PSF Rebate expense (Note 25)	63,068	-
Impairment of investments (Note 7F)	40,737	-
Change in value and sale of investment	(2,009)	(14,599)
Net gain on deferred consideration estimates	(5,439)	62
Other non-trading items	(1,949)	(110)
	167,109	(14,647)
Profit after income tax attributable to the owners of Steadfast Group Limited (underlying NPAT) for calculation of underlying basic and diluted earnings per share - including JLG	111,865	89,198
Less: mark-to-market adjustment from revaluation of investment in Johns Lyng Group (JLG)	(3,168)	(508)
Profit after income tax attributable to the owners of Steadfast Group Limited (underlying NPAT) for calculation of underlying basic and diluted earnings per share - excluding JLG	108,697	88,690

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

	2020 Number in '000	2019 Number in '000
I. Weighted average number of ordinary shares issued		
Weighted average number of ordinary shares issued	857,050	793,036
Weighted average number of treasury shares held in trust	(3,432)	(3,973)
Weighted average number of ordinary shares used in calculating basic earnings per share	853,618	789,063
II. Weighted average number of dilutive potential ordinary shares related to		
Weighted average number of ordinary shares	853,618	789,063
Effect of share-based payments arrangements	2,080	2,579
Weighted average number of ordinary shares used in calculating diluted earnings per share	855,698	791,642

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 payable 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

	Cents per share	Total amount \$'000	Payment date	Tax rate for franking credit	Percentage franked
2020					
2020 interim dividend	3.6	31,075	26 March 2020	30%	100%
2019 final dividend	5.3	42,031	20 September 2019	30%	100%
2019					
2019 interim dividend	3.2	25,377	21 March 2019	30%	100%
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 until it is declared and so the dividends for a period are generally recognised and measured in the financial reporting period following the period to which the dividends relate.

The dividends recognised in the current reporting period include \$0.233 million (2019: \$0.252 million) paid in relation to treasury shares held in a trust controlled by the Group. All the treasury shares participate in the Dividend Reinvestment Plan (DRP).

B. Dividend Policy

The Company targets a dividend payout ratio in the range of 65% to 85% of 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.

Notes to the Financial Statements continued

D. Dividend not recognised at reporting date

On 25 August 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 final dividend	6.0	51,792	25 September 2020	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 final dividend is 3 September 2020.

E. Franking credits

	2020 \$'000	2019 \$'000
Franking account balance at reporting date at 30%	61,587	33,764
Franking credits to arise from payment of income tax payable/(refundable)	4,283	(6,573)
Franking credits available for future reporting periods	65,870	27,191
Franking account impact of dividends declared before issuance of financial report but not recognised at reporting date	(22,197)	(18,013)
Franking credits available for subsequent financial periods based on a tax rate of 30%	43,673	9,178

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

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

Note 7. Intangible assets and goodwill

A. Composition

	Customer relationships \$'000	Capitalised software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Goodwill \$'000
2020					
At cost	291,993	51,622	7,976	351,591	973,601
Accumulated amortisation and impairment	(143,652)	(18,806)	(6,761)	(169,219)	(43,292)
	148,341	32,816	1,215	182,372	930,309

B. Movements

2020	Customer relationships \$'000	Capitalised software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Goodwill \$'000
Balance at the beginning of the financial year	164,128	27,090	1,988	193,206	945,498
Additions	8,752	13,749	121	22,622	-
Additions through business combinations	6,679	-	-	6,679	25,152
Reduction upon loss of control	(1,109)	(12)	(107)	(1,228)	(3,592)
Amortisation expense – acquired intangibles	(27,572)	(82)	(787)	(28,441)	-
Amortisation expense – developed intangibles	-	(7,929)	-	(7,929)	-
Impairment expense	(2,412)	-	-	(2,412)	(36,400)
Net foreign currency exchange difference	(125)	-	-	(125)	(349)
Balance at the end of the financial year	148,341	32,816	1,215	182,372	930,309

C. Composition

2019	Customer relationships \$'000	Capitalised software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Goodwill \$'000
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

2019	Customer relationships \$'000	Capitalised software \$'000	Other intangible assets \$'000	Total intangible assets \$'000	Goodwill \$'000
Balance at the beginning of the financial year	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 year	164,128	27,090	1,988	193,206	945,498

Notes to the Financial Statements continued

E. Amortisation rates per annum

2020	Customer relationships	Capitalised software	Other intangible assets	Goodwill
Amortisation rates per annum	10.0%–33.3%	20.0%–100.0%	20.0%–33.3%	-

F. Impairment testing

The Group performs impairment testing for all goodwill on an annual basis and for any identifiable intangibles including investments in associates and joint ventures that have impairment indicators. In performing impairment testing, each business acquired or portfolio of businesses acquired is considered a separate Cash Generating Unit (CGU) or grouped into one CGU where operations are linked. Goodwill and identifiable intangible assets are allocated across each of the Group's CGUs, the majority of which operate in the Insurance Intermediary segment. The goodwill and identifiable intangible assets allocated to each individual CGU is not considered significant in comparison to the Group's total carrying value of these assets.

For the year ended 30 June 2020, the Group recognised an impairment provision for all these assets of \$41.461 million (\$40.737 million net of tax) (2019: nil). All assets impaired were insurance intermediaries who collectively had a carrying value post impairment of \$346.959 million after considering their value in use. With the significant uncertainties surrounding the COVID-19 pandemic, the carrying value of assets was reviewed against a number of potential prudent scenarios.

Impairment losses for each category of intangible assets and investments in associates and joint ventures are shown in Section B above and Note 12 respectively. When assessing the recoverable amount of customer relationships, the Group considered client retention rates, current market conditions and the potential impact of the COVID-19 pandemic to determine both fair value and value in use of each CGU.

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

- ▶ value in use – a discounted cash flow model, based on a five-year projection of the FY21 approved budget of the tested CGUs with a terminal value; and
- ▶ fair value – based on the Group's estimates of sustainable earnings before interest expense, tax and amortisation of acquired intangible assets (EBITA) for each CGU multiplied by an earnings multiple appropriate for similar businesses less costs to sell.

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

	2020	2019
Post tax discount rates ¹	9.7% to 10.7%	10.0% to 11.0%
Pre-tax discount rates	13.0% to 13.7%	13.5% to 15.9%
Revenue growth rate – year two to five extrapolation ²	2.0% to 4.0% per annum	4.0% to 6.7% per annum
Long-term revenue growth rate ³	3.00% per annum	3.25% per annum

¹ Post tax discount rates reflect the Group's weighted average cost of capital (WACC), adjusted for additional risks specific to each CGU. The WACC takes into account market risks (including the uncertainty created by COVID-19), size of the business, current borrowing interest rates, borrowing capacity of the businesses and the risk free rate. External advice has been sought in relation to the determination of appropriate discount rates to be used.

² Year one FY21 approved budget applied

³ The Group considers that a long-term revenue growth rate of 3.00% is appropriate, based on the current market conditions and historical Gross Written Premium (GWP) trends.

Given the significant uncertainty surrounding future growth rates as a result of the COVID-19 pandemic, the Group ran a number of scenarios and took a probability weighted approach to estimate value in use. The growth rate assumptions utilised in the value in use model are shown above.

A reasonable change in individual assumptions would result in the following impairments:

- ▶ WACC rate increased by 0.5%: an additional \$20.816 million impairment
- ▶ Revenue growth rate in years one to five decreased by 0.5%: an additional \$17.975 million impairment
- ▶ Long-term revenue growth rate decreased by 0.25%: an additional \$6.994 million impairment

The Group has also considered the impact of climate change from an asset impairment standpoint. The Group has incorporated the potential risks and opportunities of climate change in the current asset impairment review methodology and processes. Based on what is currently known, it is not expected that climate risks will have a significant impact on the Group's principal activities.

Note 8. Borrowings

The Group has two types of borrowings, as follows:

- I. 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.
- II. Loans to finance the premium funding businesses (predominantly IQumulate Premium Funding Pty Ltd). These loans have recourse to the assets of the premium funding business.

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

The Group complied with all debt covenants during the financial year.

A. Corporate and subsidiaries; borrowings

I. Bank loans

	2020 \$'000	2019 \$'000
Current	2,840	25,707
Non-current	320,254	311,543
	323,094	337,250
Capitalised transaction costs	(2,032)	(311)
	321,062	336,939

II. Bank facilities available

	2020 \$'000	2019 \$'000
a. Bank facilities drawn down or applied		
Bank loans - corporate facility	275,000	290,654
Bank loans - subsidiaries	48,094	46,596
Lines of credit - corporate facility	3,931	3,874
Lines of credit - subsidiaries	-	3,781
	327,025	344,905
b. Bank facilities not drawn down or applied		
Bank loans - corporate facility	175,000	88,346
Bank loans - subsidiaries	5,792	1,142
Lines of credit - corporate facility	6,069	2,126
Lines of credit - subsidiaries	600	7,294
	187,461	98,908
c. Total bank facilities available		
Bank loans	503,886	426,738
Lines of credit	10,600	17,075
	514,486	443,813

Notes to the Financial Statements continued

III. Corporate facility details

The Company entered into a new multibank syndicated facility (corporate facility) during the year. This new corporate facility was drawn upon in January 2020 to repay the previous facility.

As at 30 June 2020:

- ▶ the Company had a \$460.000 million multibank syndicated facility (corporate facility) (2019: \$385.000 million); and
- ▶ \$275.000 million of the \$460.000 million facility had been drawn down, which together with \$3.931 million for bonds and rental guarantees, leaves \$181.069 million available in the corporate facility for future drawdowns (30 June 2019: \$90.472 million).

IV. Key terms and conditions of corporate facilities

The \$460.000 million corporate facility includes the following tranches:

- ▶ a revolving (partly drawn) \$260.000 million tranche for three years, maturing January 2023;
- ▶ a revolving (undrawn) \$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.

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 \$150.000 million and \$62.500 million, where the Company swaps the floating rate payment into fixed rate payments. Refer Note 14B for further details on the interest rate swaps.

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.

B. Premium funding borrowings

	2020 \$'000	2019 \$'000
I. Premium funding borrowings		
Premium funding borrowings	399,675	4,009
Less: capitalised transaction costs	(366)	(625)
	399,309	3,384
II. Premium funding borrowings available		
Premium funding borrowings drawn down or applied	399,309	3,384
Premium funding borrowings not drawn down or applied	118,923	504,594
	518,232	507,978

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

The key terms and conditions of the IQumulate premium funding borrowings as at 30 June 2020 were as follows:

- ▶ two Australian Dollar (AUD) facilities for \$472.500 million and \$10.000 million, and a New Zealand Dollar (NZD) facility for \$35.000 million;
- ▶ the maturity date of these facilities were 8 July 2020, 31 July 2020 and 30 June 2022 respectively;
- ▶ variable interest rate – AUD facilities and NZD facility based on BBSY (Bank Bill Swap Bid 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 Australian facility was refinanced to July 2022 post balance date (refer to Note 16).

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

	Bank loans - corporate facility \$'000 ¹	Bank loans - subsidiaries \$'000	Bank loans - Corporate facility and subsidiaries \$'000	Premium funding borrowings \$'000 ²	Total borrowings \$'000
2020					
Balance at the beginning of the financial period	290,343	46,596	336,939	3,384	340,323
Proceeds from borrowings	124,000	9,009	133,009	395,559	528,568
Repayment of borrowings	(139,655)	(7,511)	(147,166)	-	(147,166)
Unwind capitalised transaction costs	(1,720)	-	(1,720)	366	(1,354)
Balance at the end of the financial period (net of capitalised transaction costs)	272,968	48,094	321,062	399,309	720,371
2019					
Balance at the beginning of the financial period	170,700	48,540	219,240	-	219,240
Proceeds from borrowings	138,154	220	138,374	-	138,374
Repayment of borrowings	(19,000)	(4,411)	(23,411)	-	(23,411)
Acquisitions	-	2,247	2,247	3,384	5,631
Unwind capitalised transaction costs	489	-	489	-	489
Balance at the end of the financial period (net of capitalised transaction costs)	290,343	46,596	336,939	3,384	340,323

¹ This balance comprises \$275m drawn down less capitalised transaction costs of \$2.032m.

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

D. Borrowing by associates and joint ventures

As at 30 June 2020, the Group's associates and joint ventures had a total of \$40.578 million (2019: \$35.370 million) of bank borrowings (including bank overdrafts and loans).

As the associates and joint ventures are equity-accounted, these borrowings are not included in the Group consolidated statement of financial position. The Group's proportionate share of the associates' and joint ventures' bank borrowings is \$16.976 million (2019: \$14.776 million). Refer Note 12C for summarised financial information of associates and joint ventures.

Notes to the Financial Statements continued

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

A. Share capital

	2020 Number of shares \$'000	2019 Number of shares \$'000	2020 \$'000	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	-	-	(2,650)	170
Balance at the end of the financial year	863,205	793,036	1,149,601	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

	2020 Number of shares \$'000	2019 Number of shares \$'000	2020 \$'000	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	67	82	233	252
Balance at the end of the financial year	3,448	4,017	11,209	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 for meeting future obligations under that plan when conditional rights vest and shares are allocated to participants.

C. Capital risk management

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

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

The Group monitors capital on the basis of 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 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:

	2020 \$'000	2019 \$'000	Maximum Board approved
Total borrowings of the Company and its subsidiaries (excluding premium funding borrowings)	327,025	344,905	
Total Group equity	1,197,395	1,095,252	
Total Group equity and total borrowings of the Company and its subsidiaries	1,524,420	1,440,157	
Total gearing ratio excluding premium funding borrowings	21.5%	23.9%	30.0%
Total borrowings of the Company and its subsidiaries (including premium funding borrowings)	726,334	348,289	
Total Group equity	1,197,395	1,095,252	
Total Group equity and total borrowings of the Company and its subsidiaries	1,923,729	1,443,541	
Total gearing ratio including premium funding borrowings	37.8%	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.

Notes to the Financial Statements continued

Note 10. Business combinations

Acquisitions for the year ended 30 June 2020

During the year ended 30 June 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 the one insurance broking business acquired which became a subsidiary of the Group.

A. Consideration paid/payable

2020	Acquisitions \$'000
Cash	12,262
Deemed consideration ^(a)	10,136
Deferred consideration ^(b)	4,339
Total	26,737

Table notes

- a. This amount represents the fair value of the original investments at the date the Group gained control of the entity which was previously an associate of the Group.
- b. Pursuant to the Share Purchase Agreements, some of the consideration will be settled based on future years' actual financial performance and thus was recognised as deferred consideration by the Group. The deferred consideration is estimated based on a 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:
- \$4.028 million of deferred consideration for which the maximum amount of payment is not capped; and
 - \$0.311 million of deferred consideration which is fixed.

B. Identifiable assets and liabilities acquired

2020	Acquisitions \$'000
Cash and cash equivalents ¹	7,641
Trade and other receivables ²	682
Property, plant and equipment	567
Right-of-use assets	942
Deferred tax assets	307
Identifiable intangibles	6,679
Other assets	118
Trade and other payables	(7,956)
Income tax payable	(115)
Lease liabilities	(1,302)
Provisions	(433)
Deferred tax liabilities	(2,175)
Other liabilities	(2,631)
Total net identifiable assets acquired	2,324

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

2020	Acquisitions \$'000
Total consideration paid/payable	26,737
Total net identifiable assets acquired	(2,324)
Non-controlling interests acquired	739
Goodwill on acquisition ¹	25,152

¹ 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 subsidiaries to the financial performance of the Group is outlined in the table below.

2020	Acquisitions \$'000
Revenue	5,453
EBITA	2,803
Profit after income tax	1,942

If the acquisitions of subsidiaries occurred on 1 July 2019, the Group's revenue for the year ended 30 June 2020 would increase from \$697.137 million to \$697.294 million and loss after income tax would decrease from \$32.751 million to \$32.747 million.

E. Subsidiary acquired

The table below outlines the subsidiary acquired during the year ended 30 June 2020. The other acquisitions represent portfolio purchases and are therefore not included in this table.

Name of subsidiary acquired	Table note	Ownership interest as at 30 June 2020 %
Scott & Broad Pty Ltd and its subsidiary	(i)	65.00

Table note

i. The Group acquired additional shares in Scott & Broad Pty Ltd (Scott & Broad). As a result, Scott & Broad, which was previously an associate, became a subsidiary of the Group. In March 2020, the Group sold 5% interest in Scott & Broad, reducing Steadfast's ownership to 65% as at 30 June 2020.

Notes to the Financial Statements continued

F. Deferred consideration reconciliation

The following table shows a reconciliation of movements in deferred consideration for the years ended 30 June 2020 and 30 June 2019.

	2020 \$'000	2019 \$'000
Balance at the beginning of the financial year	34,406	3,946
Settlement of deferred consideration	(23,284)	(17,389)
Non-cash settlement of deferred consideration	-	(2)
Additions from new acquisitions in business combinations	4,339	47,347
Additions from new acquisition of associates	-	121
Additions from new acquisitions of intangibles	1,236	-
Additions from step-up investments	950	273
Net (gain)/loss in profit or loss on settlement or reassessment	(5,432)	110
Balance at the end of the financial year	12,215	34,406
Disclosed as:		
Deferred consideration current	7,780	28,064
Deferred consideration non-current	4,435	6,342
Balance at the end of the financial year	12,215	34,406

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

	2020 \$'000	2019 \$'000
Amount payable is limited	-	22,108
Amount payable is not capped	12,014	12,298
Amount payable is fixed	201	-
	12,215	34,406

Note 11. Subsidiaries

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

Name	Country of incorporation	Ownership interest	
		2020 %	2019 %
A. Parent entity			
Steadfast Group Limited	Australia		
B. Subsidiaries - operating entities			
I. Insurance broking businesses			
Steadfast Insurance Brokers Pty Ltd	Australia	100.00	100.00
Steadfast Group UK Ltd	United Kingdom	100.00	100.00
Abbott NZ Holdings Ltd and its subsidiaries	New Zealand	69.87	65.48
Asparq Consolidated Pty Ltd (formerly Lanyon Partners Consolidated Pty Ltd) and its subsidiaries	Australia	97.56	97.56
Austcover Holdings Pty Ltd and its subsidiary	Australia	50.00	50.00
Ausure Group Pty Ltd and its subsidiaries	Australia	50.01	50.01
Ballyglisheen Pty Ltd (trades as Steel Pacific)	Australia	63.64	60.00
Body Corporate Brokers Pty Ltd	Australia	100.00	100.00
Capital Insurance (Broking) Group Pty Ltd and Capital Insurance Broking Group Unit Trust and its subsidiaries	Australia	85.11	79.46
Centrewest Holdings Pty Ltd and its subsidiaries	Australia	70.18	70.18
Community Broker Network Pty Ltd (formerly National Adviser Services Pty Ltd) and its subsidiaries	Australia	100.00	100.00
Consolidated Insurance Agencies Pty Ltd and its subsidiary	Australia	55.00	55.00
Corporate Insurance Brokers Ballina (NSW) Pty Ltd	Australia	100.00	100.00
G.W.S. Pty Ltd and its subsidiaries	Australia	65.00	62.50
Galaxy Insurance Consultants Pte Ltd	Singapore	73.00	73.00
Great Wall Insurance Services Pty Ltd	Australia	67.50	67.50
ICF (Australia) Pty Ltd and its subsidiary	Australia	100.00	56.25
Joe Vella Insurance Brokers Pty Ltd	Australia	70.00	70.00
Mega Capital Holdings Pty Ltd and Mega Capital Unit Trust and its subsidiary	Australia	100.00	100.00
National Credit Insurance (Brokers) Pty Ltd (incorporating IMC Trade Credit) and its subsidiaries	Australia	86.25	91.20
Newmarket Grand West Pty Ltd and its subsidiaries	Australia	100.00	90.00
Newmarket Insurance Brokers Pty Ltd	Australia	100.00	100.00
Newsure Insurance Brokers Pty Ltd (formerly Garaty Murnane Insurance Brokers Pty Ltd)	Australia	75.00	93.68
Paramount Insurance Brokers Pty Ltd	Australia	62.50	62.50
Phoenix Insurance Brokers Pty Ltd	Australia	89.00	89.00
PID Holdings Pty Ltd and its subsidiaries	Australia	100.00	100.00
Quattro Risk Services Pty Ltd (formerly Finn Foster & Associates Pty Ltd) and its subsidiaries	Australia	65.00	93.68

Notes to the Financial Statements continued

Name	Country of incorporation	Ownership interest	
		2020 %	2019 %
Resolute Property Protect Pty Ltd	Australia	100.00	100.00
RIB Group Holdings Pty Ltd and its subsidiaries (RIB Group)	Australia	86.85	81.08
Scott & Broad Pty Ltd and its subsidiary	Australia	65.00	-
Steadfast Brecknock Insurance Brokers Pty Ltd (formerly Brecknock Insurance Brokers Pty Ltd) and its subsidiaries	Australia	100.00	95.00
Steadfast Distribution Services Pte Ltd	Singapore	100.00	100.00
Steadfast Hub Pty Ltd	Australia	65.00	62.50
Steadfast IFS Pty Ltd	Australia	50.98	50.98
Steadfast IRS Pty Ltd and its subsidiaries	Australia	65.00	56.25
Steadfast NZ Holdings Ltd	New Zealand	100.00	100.00
Steadfast NZ Ltd	New Zealand	100.00	100.00
Steadfast QIS Pty Ltd (formerly NCA Insurance Services Pty Ltd) and its subsidiary	Australia	76.00	70.91
Steadfast Re Pty Ltd	Australia	50.00	50.00
Steadfast Shared Services Pty Ltd	Philippines	100.00	-
Steadfast Taswide Insurance Brokers Pty Ltd and its subsidiaries	Australia	66.12	73.12
T&G Insurance Brokers Pty Ltd and its subsidiary	Australia	80.00	80.00
Trident Insurance Group Pty Ltd and its subsidiary	Australia	80.00	80.00
VBIH Pty Ltd and its subsidiary	Australia	80.00	80.00
Webmere Pty Ltd and its subsidiaries	Australia	76.00	88.00
Whitbread Life Pty Ltd	Australia	100.00	100.00
Whitbread Holdings Pty Ltd and its subsidiary	Australia	100.00	100.00
Work Health Alternatives Pty Ltd	Australia	57.00	57.00
II. Underwriting agency businesses			
Steadfast Underwriting Agencies Holdings Pty Ltd	Australia	100.00	100.00
SUA Services Pty Ltd	Australia	100.00	100.00
Associated Marine Underwriting Agency Pty Ltd	Australia	100.00	100.00
Axis Underwriting Services Pty Ltd	Australia	100.00	100.00
Calliden Group Pty Ltd and its subsidiaries	Australia	100.00	100.00
CHU Underwriting Agencies Pty Ltd and its subsidiaries	Australia	97.00	97.00
Emergence Insurance Group Pty Ltd and its subsidiary	Australia	50.00	50.00
Grange Underwriting Pty Ltd	Australia	76.00	88.00
HMIA Pty Ltd	Australia	80.00	95.00
Hostsure Underwriting Agency Pty Ltd	Australia	100.00	100.00
Miramar Underwriting Agency Pty Ltd	Australia	100.00	100.00
NM Insurance Pty Ltd and its subsidiary	Australia	80.00	75.00
Procover Underwriting Agency Pty Ltd	Australia	100.00	100.00
Protecsure Pty Ltd	Australia	89.19	90.00
Proteus Marine Insurance Pty Ltd	Australia	87.50	87.50
Residential Builders Underwriting Agency Pty Ltd	Australia	100.00	80.00

Name	Country of incorporation	Ownership interest	
		2020 %	2019 %
Sports Underwriting Australia Pty Ltd	Australia	90.00	90.00
Steadfast Placement Solutions Pty Ltd	Australia	100.00	100.00
Steadfast Placement Solutions UK Ltd	United Kingdom	100.00	100.00
Underwriting Agencies of Australia Pty Ltd	Australia	88.33	88.33
Underwriting Agencies of Fiji Pte Ltd	Fiji	88.33	88.33
Underwriting Agencies of New Zealand Limited	New Zealand	83.92	83.92
Underwriting Agencies of Singapore Pte Ltd	Singapore	88.33	88.33
Unity Trade Credit Pty Ltd	Australia	100.00	100.00
Winsure Underwriting Pty Ltd	Australia	100.00	100.00
WM Amalgamated Pty Ltd and its subsidiaries	Australia	99.01	86.14
III. Complementary businesses			
Aus Funding Solutions Pty Ltd	Australia	80.00	80.00
CHU Services Pty Ltd	Australia	97.00	97.00
IQumulate Premium Funding Pty Ltd	Australia	100.00	100.00
InsuranceCONNECT Pty Ltd	Australia	100.00	100.00
Steadfast Business Solutions Pty Ltd	Australia	100.00	100.00
Steadfast Convention Pty Ltd	Australia	100.00	100.00
Steadfast Foundation Pty Ltd	Australia	100.00	100.00
Steadfast INSIGHT Holdings Pty Ltd (formerly Actionquote Holdings Pty Ltd)	Australia	100.00	100.00
Steadfast Share Plan Nominee Pty Ltd	Australia	100.00	100.00
Steadfast Technologies Group Holdings Pty Ltd	Australia	100.00	100.00
Steadfast Technologies NZ Ltd	New Zealand	100.00	100.00
Steadfast Technologies Pty Ltd	Australia	100.00	100.00
Steadfast Technologies Shared Services Pty Ltd	Australia	100.00	100.00
Steadfast Technology Services Pty Ltd	Australia	100.00	100.00
Steadfast Technology Services NZ Ltd	New Zealand	100.00	100.00
Steadfast UnderwriterCentral Holdings Pty Ltd (formerly Insurance Connect Holdings Pty Ltd)	Australia	100.00	100.00
Steadfast Virtual Underwriter Holdings Pty Ltd	Australia	100.00	100.00

Notes to the Financial Statements continued

Note 12. Investments in associates & joint ventures

A. Details of associates & joint ventures

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

Name	Ownership interest		Equity-accounted	
	2020 %	2019 %	2020 \$'000	2019 \$'000
I. Insurance broking businesses				
Armstrong's Insurance Brokers Pty Ltd and Armstrong's Insurance Brokers Unit Trust	25.00	25.00	954	848
Ausure Group Pty Ltd – associates thereof	19.65	20.00	5,652	4,604
Blackburn (Insurance Brokers) Pty Ltd and Liability Brokers Pty Ltd	40.00	40.00	2,818	2,814
Collective Insurance Brokers Pty Ltd	49.00	49.00	20	62
Covercorp Pty Ltd	49.00	49.00	1,111	1,112
Edgewise Insurance Brokers Pty Ltd and The Bradstock GIS Unit Trust	35.31	35.31	4,990	4,174
Empire Insurance Services Pty Ltd and McLardy McShane & Associates Pty Ltd	37.00	37.00	4,464	3,912
Finpac Insurance Advisors Pty Ltd	49.00	49.00	1,040	1,037
Glenowar Pty Ltd	49.00	49.00	4,046	4,072
IPS Insurance Brokers Pty Ltd	-	40.00	-	3,034
J.D.I. (YOUNG) Pty Ltd	25.00	25.00	921	874
Johansen Insurance Brokers Pty Ltd	48.35	48.35	4,333	4,454
King Insurance Brokers Pty Ltd	37.00	37.00	-	-
McKillops Insurance Brokers Pty Ltd	49.00	49.00	4,646	4,670
Melbourne Insurance Brokers Pty Ltd	49.00	49.00	1,616	1,629
Origin Insurance Brokers Pty Ltd	49.00	26.00	149	399
Pollard Advisory Services Pty Ltd	46.50	46.50	3,897	3,817
Quattro Risk Services Pty Ltd - associates thereof	13.00	-	174	-
Risk Partners Pty Ltd	45.00	45.00	9,166	9,085
Rose Stanton Insurance Brokers Pty Ltd	49.00	49.00	701	684
Rothbury Group Ltd and its subsidiaries	42.80	42.80	27,412	25,726
RSM Group Pty Ltd	49.00	49.00	5,043	4,929
Sapphire Star Pty Ltd	30.00	30.00	1,184	1,167
Scott & Broad Pty Ltd and its subsidiary	-	49.00	-	8,938
Southside Insurance Brokers Pty Ltd	49.00	49.00	606	611
Steadfast Eastern Insurance Brokers Pty Ltd	25.00	25.00	515	444
Steadfast Life Pty Ltd and its subsidiary	50.00	50.00	3,182	3,084
Tudor Insurance Australia (Insurance Brokers) Pty Ltd and Tudor Insurance Agency Unit Trust	48.00	48.00	2,026	2,055
unisonSteadfast AG	40.00	40.00	2,975	2,868
Watkins Taylor Stone Insurance Brokers Pty Ltd and D&E Watkins Unit Trust	35.00	35.00	1,304	1,656

Name	Ownership interest		Equity-accounted	
	2020 %	2019 %	2020 \$'000	2019 \$'000
II. Underwriting agency businesses				
Community Broker Network Pty Ltd (formerly National Adviser Services Pty Ltd) - associates thereof	35.00	37.50	285	303
QUS Pty Ltd	45.00	45.00	919	1,016
Sterling Insurance Pty Ltd	39.50	39.50	6,872	6,981
III. Complementary businesses				
HJS Unit Trust	33.33	33.33	272	257
Meridian Lawyers Ltd	25.00	25.00	2,083	2,149
IV. Joint ventures				
ABICO Insurance Brokers and its related entities (ABICO)	50.00	50.00	2,183	2,206
Ausure City & Rural Pty Ltd	50.00	50.00	58	8
BAC Insurance Brokers Ltd Pty	50.00	50.00	220	11
Blend Insurance Solutions Pty Ltd	50.00	50.00	1,367	984
Clubs New Zealand Insurance Services Ltd	34.94	32.74	433	444
Steadfast Risk Services Pty Ltd and its subsidiary	50.00	50.00	669	340
Rhymemat Pty Ltd	27.80	27.80	1,446	1,420

B. Reconciliation of movements of associates & joint ventures

	2020 \$'000	2019 \$'000
Balance at the beginning of the financial period	128,259	145,605
Additions - cash	1,125	12,396
Additions - non-cash	2,062	2,868
Step-up investment to subsidiaries	(8,182)	(33,140)
Disposal of associates	(3,182)	(111)
	120,082	127,618
Share of EBITA from associates & joint ventures	29,332	25,126
Less share of:		
Finance costs	(477)	(485)
Amortisation expense	(2,528)	(3,075)
Income tax expense	(6,148)	(6,650)
Share of associates' profit after income tax	20,179	14,916
Dividends received/receivable	(18,712)	(14,256)
Impairment	(2,649)	-
Net foreign exchange movements	12	(19)
Balance at the end of the financial year	118,912	128,259

Notes to the Financial Statements continued

C. Summarised financial information of associates & joint ventures

I. Disclosure in aggregate

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

	2020 \$'000	2019 \$'000
Current assets	266,609	238,921
Non-current assets	141,657	120,827
Current liabilities	244,052	208,570
Non-current liabilities	39,932	31,372
Net assets	124,282	119,806
Revenue	245,980	306,945
EBITA	74,969	73,201
Profit after income tax	56,231	40,372
Total comprehensive income	56,231	40,372

Note 13. Trade and other receivables

	2020 \$'000	2019 \$'000
Trade and other receivables		
Fee and commission receivable	91,126	84,958
Less: expected credit loss provision (refer Note 14C)	(3,200)	(2,780)
Net fee and commission receivable	87,926	82,178
Other receivables	57,772	82,441
	145,698	164,619
Premium funding receivable		
Premium funding receivable	539,263	76,398
Less: expected credit loss provision	(2,030)	(220)
	537,233	76,178

Note 14. Financial instruments

A. Financial risk management objectives

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

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

B. Market risk

Interest rate risk

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

	2020 Weighted average interest rate %	2020 Balance \$'000	2019 Weighted average interest rate %	2019 Balance \$'000
Non-derivatives				
Cash at bank	0.36	538,405	0.98	435,192
Cash on deposit	1.05	121,194	1.96	108,925
Bank overdrafts	-	-	-	(3,781)
Bank loans	2.18 ¹	(321,062)	3.32 ¹	(336,939)
Premium funding borrowings	2.16 ¹	(399,309)	5.16 ¹	(3,384)
		(60,772)		200,013
Derivatives				
Interest rate swaps	1.98 ²	(212,500) ²	-	-

¹ Weighted average interest rate excludes any applicable line fee paid to lenders.

² The Group has entered into two interest rate swaps, with face values of \$150.000 million and \$62.500 million, where the Group swaps the BBSY indexed floating rate payment into 1.84450% and 2.29875% fixed rate payments respectively. The interest rate swaps for the \$150.000 million and \$62.500 million mature in January 2023 and January 2025 respectively. The Group entered into the interest rate swaps to minimise the Group's exposure to interest rate risk, in which the Group agrees to exchange the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon face value. The swaps are designed to hedge interest costs associated with the underlying corporate debt obligations. At 30 June 2020, after taking into account the effect of the interest rate swaps, the Group had approximately 22.2% of the Group's corporate debt exposed to variable rates (2019: 100%).

An increase/decrease in interest rates of one hundred (2019: one hundred) basis points would have the following effect on profit/(loss) after tax:

- ▶ Increase of one hundred basis points: \$0.425 million unfavourable per annum (2019: \$2.047 unfavourable)
- ▶ Decrease of one hundred basis points: \$2.852 million favourable per annum (2019: \$2.047 favourable); assuming a zero interest rate floor on cash at bank balances.

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

Notes to the Financial Statements continued

C. Credit risk

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

Credit risk of the Group mainly arises from cash and cash equivalents, and trade and other receivables.

The Group has funded \$46.511 million (2019: \$33.211 million) of loans to facilitate management buy-ins to certain businesses under the Group's owner-driven business model. These loans are disclosed as other non-current assets in the Consolidated Statement of Financial Position. These loans attract commercial interest rates, with dividends from these businesses used to fund interest and loan repayments. The shares held by management in those businesses are provided as loan collateral.

The Group's exposure to credit risk is concentrated in the financial services industry with parties that are considered to be of sufficiently high credit quality (including cash held with major Australian banks) to minimise credit risk losses. Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. The Group assumes that the credit risk on fee and commission receivable increases significantly if outstanding past credit due terms. The expected credit loss provision is recognised for the fee and commission receivable.

The Group also has exposure to credit risk from premium funding loans. The expected credit loss provision for premium funding loans is based on historical data as a percentage of total loans written, after expected recoveries from trade credit policies.

The following table shows the movement in expected credit loss that has been recognised for fee and commission receivable and premium funding receivables in accordance with the simplified approach set out in AASB 9:

Fee & commission receivables	2020 \$'000	2019 \$'000
Balance at the beginning of the financial year	2,780	2,403
Increase in expected credit loss	420	305
Additions through business combinations	2	56
Foreign exchange losses	(1)	16
Balance at the end of the financial year	3,200	2,780

Premium funding receivables	2020 \$'000	2019 \$'000
Balance at the beginning of the financial year	220	-
Increase in expected credit loss ¹	1,810	220
Balance at the end of the financial year	2,030	220

¹ The increase in premium funding expected credit loss is directly related to IQumulate Premium Funding Pty Ltd (IQumulate). In June 2019, IQumulate changed its funding model to become the originator of premium funding loans. The increase in expected credit loss reflects the growth in the premium funding business, including an increase in provision of \$0.460 million. The expected credit loss provision has not been significantly impacted by COVID-19.

D. Liquidity risk

Vigilant liquidity risk management requires that the Group maintains sufficient liquid assets to be able to pay debts as and when they become due and payable. For both the Group's insurance intermediaries and premium funders, this is largely achieved by maintaining sufficient cash reserves in the forms of cash and cash equivalents and available borrowing facilities.

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

For the Group's premium funders, liquidity risk is mitigated by allocating premium funding to a diverse range of Corporate and SME businesses, limiting the majority of premium funding loans to 10 monthly instalments, minimising the life cycle of funds in use, retaining adequate levels of available funds to safeguard against exceeding facility limits, and by matching the maturity profile of current and prospective financial assets against available funding limits.

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

	Weighted average interest rate %	1 year or less \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	Over 5 years \$'000	Total contractual maturities \$'000
2020						
Non-derivatives						
I. Non-interest bearing						
Payables on broking/underwriting agency operations		435,572				435,572
Trade and other payables		99,827				99,827
Premium funding payables		144,061				144,061
Deferred consideration		7,780	4,435			12,215
II. Interest bearing						
Bank loans	2.18	2,902	5,595	250,954	68,618	328,069
Premium funding borrowings	2.16	407,936				407,936
Total non-derivatives		1,098,078	10,030	250,954	68,618	1,427,680
Derivatives						
Hedge interest rate swaps (net settled)		(99)				(99)
Total derivatives		(99)				(99)
2019						
Non-derivatives						
I. Non-interest bearing						
Payables on broking/underwriting agency operations		410,334	-	-	-	410,334
Trade and other payables		99,232	3,003	-	-	102,235
Premium funding payables		66,873	-	-	-	66,873
Deferred consideration		28,064	6,342	-	-	34,406
II. Interest bearing						
Bank loans	3.33	26,151	301,416	13,099	7,444	348,110
Premium funding borrowings	5.16	3,559	-	-	-	3,559
Total non-derivatives		634,213	310,761	13,099	7,444	965,517
Derivatives						
Hedge interest rate swaps (net settled)		-	-	-	-	-
Total derivatives		-	-	-	-	-

Notes to the Financial Statements continued

Note 15. Contingencies

Contingent liabilities

Macquarie Bank put options

The Group has granted options to Macquarie Bank Limited (Macquarie) to enable Macquarie to put shares held by other shareholders in associates to the Group at fair value if Macquarie enforces its security over those shares. These have been granted in relation to shares held by other shareholders in associates over which Macquarie holds a security interest to secure indebtedness by those shareholders. The Group expects no material net exposure from this arrangement as the contingent liabilities have contingent assets (being rights to shares held by the relevant shareholders) approximating similar values.

Bank guarantee

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

Note 16. Events after the reporting period

On 25 August 2020, the Board declared a final dividend for 2020 of 6.0 cents per share, 100% franked. The dividend will be paid on 25 September 2020.

The IQumulate borrowing facilities were refinanced in July 2020 to July 2022. The facilities total \$470 million (inclusive of \$16.450 million Steadfast Group funds) and have terms and conditions similar to the facilities in existence at balance date, with trade credit coverage continuing.

The Group has invested circa \$70 million since balance date into broking businesses.

At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not 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.

Note 17. Share-based remuneration

Share-based payments – employee related

Share-based remuneration encourages employee share ownership, links employee reward to the performance of the Group and assists with attracting, retaining and motivating highly qualified and key personnel.

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

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

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

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

The share-based payments are included in the employment expense line in the statement of profit or loss and other comprehensive income.

Senior management and executive share plans

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

A. The short-term incentive plan (STI)

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

The key terms of the STI plan for 2020 financial year are:

- ▶ total STI will be awarded and settled in the form of cash and conditional rights as approved by the Board if diluted EPS growth targets and individual participant's performance criteria for the performance period (i.e. 1 July to 30 June) are met. If met:
 - ▶ 60% of STI will be settled in the form of cash and will be paid annually in September after the performance period; and
 - ▶ 40% of STI awarded will be deferred and granted in the form of conditional rights;
- ▶ conditional rights (rights) are granted for nil consideration;
- ▶ the vesting condition of rights is not market related and requires the participant to continue in relevant employment from the grant date of the rights (retention period), split one-third over one, two and three years;
- ▶ the rights will accrue notional dividends during the retention period;
- ▶ when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share per right for nil consideration upon exercise by the participant. The notional dividends will be converted into an equivalent number of Steadfast ordinary shares based on the Dividend Reinvestment Plan issue price applicable to each dividend;
- ▶ the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares;
- ▶ the vesting is conditional on there being no material adverse deterioration in the 2020 reported results during the performance period before the exercise of the rights; and
- ▶ if the vesting condition is not met then the rights lapse.

Further details of the 2020 STI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

B. The long-term incentive plan (LTI)

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

The key terms of the LTI plan awarded in August 2019 were:

- ▶ LTI will be awarded in the form of conditional rights as approved by the Board and will be granted in August following the end of each financial year;
- ▶ conditional rights (rights) are granted for nil consideration;
- ▶ the vesting condition of rights is not market related and is conditional on meeting the following performance hurdles:
 - ▶ the participants meeting their individual performance hurdles during the three-year employment tenure from the grant date of the rights (retention period);
 - ▶ 75% based on the Group achieving a minimum 5% (maximum at 10%) average straight line per annum diluted EPS growth during the retention period; and
 - ▶ 25% based on the Group achieving a minimum TSR above the 50th percentile (maximum at 75th percentile) of the peer group during the retention period;
- ▶ the rights will not accrue notional dividends during the retention period;
- ▶ before vesting, the Board will determine the number of rights to vest based on the combined outcome of the performance hurdles;
- ▶ when vesting (after completion of the retention period), each right will be converted into one Steadfast ordinary share for nil consideration upon exercise by the participant;
- ▶ the Board has discretion to settle the rights in cash instead of Steadfast ordinary shares; and
- ▶ if the vesting conditions are not met then the rights lapse.

Further details of the 2020 LTI in relation to the Group's key management personnel are disclosed in the Remuneration Report.

Employee share plan

The Short-Term Employee Incentive Plan (STEIP) was introduced during FY19. The STEIP is a discretionary, performance based at-risk reward arrangement that aims to recognise the contributions of the eligible employees of Steadfast Group Limited when outstanding financial results and individual performance objectives are achieved.

The STEIP consists of two reward components:

- ▶ cash component – a cash award which may be delivered if diluted EPS growth targets are met; and
- ▶ deferred equity component – a deferred equity award (DEA) of conditional rights to Steadfast shares if diluted EPS growth targets are met and subject to a tenure hurdle and no negative material deterioration in EPS from prior year adjustments in the subsequent year. Participation in the DEA component of the STEIP is by invitation only and is limited to participants approved by the Group Managing Director & CEO.

The diluted underlying EPS growth targets for the STEIP are aligned with those in the senior management and executive STI plan.

Notional dividends on the conditional rights will accrue during the tenure hurdle period from the first interim dividend after the grant date. The notional dividends will be calculated in accordance with the Dividend Reinvestment Plan (DRP) as varied from time to time. The accrued value of notional dividends will be provided to a participant on the vesting date of a conditional right in the form of additional Steadfast shares (or cash in lieu).

Notes to the Financial Statements continued

Note 18. Taxation

	2020 \$'000	2019 \$'000
A. Income tax (expense)/benefit		
Profit before income tax expense	7,386	159,259
Income tax expense at statutory tax rate	(2,216)	(47,778)
Tax effect of change in corporate tax rate	-	29
Tax effect of amounts that are not (deductible)/taxable in calculating taxable income		
Share of after-tax profits of associates and joint ventures	6,054	4,475
Non-assessable and other deductible items	7,060	9,340
Non-deductible and other assessable items	(16,495)	(6,068)
Impact of IBNA and PSF Rebate	(32,250)	-
	(37,847)	(40,002)
Over/(under) provision for income tax of prior periods	(2,290)	2,577
Income tax expense	(40,137)	(37,425)
B. Major components of income tax expense		
Current tax	(64,059)	(39,272)
Movement in deferred tax assets	17,608	(1,421)
Movement in deferred tax liabilities	8,604	691
Adjustments for current tax of prior periods	(2,290)	2,577
	(40,137)	(37,425)
C. Income tax on items recognised directly in equity		
Deferred tax assets	269	782
Deferred tax liabilities	5,172	85
	5,441	867
D. Deferred tax assets		
I. Composition		
Accrued expenses	8,104	10,637
Provisions	9,993	8,800
Employee share scheme	2,050	1,951
Deferred income	9,554	8,943
Business related capital costs (including PSF Rebate)	14,577	-
AASB16 Leases	2,166	-
Other	8,516	4,476
	54,960	34,807
II. Movements		
Balance at the beginning of the financial year	7,358	3,514
Add: reversal of offset against deferred tax liabilities	27,449	15,910
Gross balance at the beginning of the financial year	34,807	19,424

	2020 \$'000	2019 \$'000
Opening balance adjustments to retained earnings	1,969	7,134
Charged to profit or loss	17,608	(1,421)
Charged to equity	269	782
Additions through business combinations	307	8,888
Balance at the end of the financial year before offset	54,960	34,807
Less: offset against deferred tax liabilities	(37,529)	(27,449)
Balance at the end of the financial year	17,431	7,358

E. Deferred tax liabilities

I. Composition

Intangible assets	42,090	47,733
Receivables	28,616	25,487
Accrued income	6,882	11,999
Asset revaluation	5,172	-
Other	1,290	88
	84,050	85,307

II. Movements

Balance at the beginning of the financial year	57,858	56,320
Add: reversal of offset against deferred tax assets	27,449	15,910
Gross balance at the beginning of the financial year	85,307	72,230
Charged to profit or loss	(8,604)	(691)
Charged to equity	5,172	(85)
Additions through acquisitions	2,175	13,853
Balance at the end of the financial year before offset	84,050	85,307
Less: offset against deferred tax assets	(37,529)	(27,449)
Balance at the end of the financial year	46,521	57,858

Notes to the Financial Statements continued

F. ATO transparency reporting

The Australian Taxation Office (ATO) publishes total income, taxable income and tax payable in relation to large taxpayers, with the 2018 financial year being the latest information released. The information published is sourced from the income tax return lodged by Steadfast Group Limited as the head company of the Australian tax consolidated group (which captures only the entities that are 100% owned by the Group).

Total income includes all Australian income, including commission and fee income, investment return and dividends. It does not include any business expenses such as commission and fees expense, salaries or other operating expenses.

Taxable income is the net profit that is subject to tax and takes into account allowable deductions for business expenses and other tax concessions, including non-taxable dividends from foreign subsidiaries.

Tax payable on taxable income is calculated with reference to the Australian corporate tax rate of 30%, adjusted for franking credits and other tax concessions. On release of the 2019 tax information, we envisage the following will be reported:

	2019 \$'000	2018 \$'000
Total income	276,336	245,197
Taxable income	82,302	83,886
Tax paid by head entity	48	1,480
Effective tax rate	0.06%	1.76%

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

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

	2019 \$'000	2018 \$'000
Tax paid by head entity	48	1,480
Tax paid by investees (and passed to head entity as franking credits)	24,643	23,686
Underlying tax paid	24,691	25,166
Taxable income	82,302	83,886
Effective tax rate (excl. franking credits)	30%	30%

The 2020 income tax return for Steadfast Group Limited is expected to have an effective rate continuing at circa 30%.

Note 19. Notes to the Statement of Cash Flows

A. Composition

	2020 \$'000	2019 \$'000
Cash and cash equivalents	210,644	116,520
Cash held on trust	448,955	427,449
Bank overdrafts	-	(3,781)
	659,599	540,188

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

	2020 \$'000	2019 \$'000
Profit/ (loss) after income tax expense for the year	(32,751)	121,834
Adjustments for		
Depreciation, amortisation and (gain)/loss on disposal of property, plant and equipment	54,481	36,112
Share of profits of associates and joint ventures	(20,179)	(14,916)
Income tax paid	(67,968)	(41,077)
Dividends received from associates/joint ventures	18,712	14,256
Fair value gain on listed investments	(4,525)	(725)
Net gain from investments	(9,309)	(14,829)
Share-based payments and incentives accruals	8,189	7,501
Insurance Brokers Network Australia Limited (IBNA) acquisition	72,701	-
Professional Services Fee (PSF) rebate offer	77,861	-
Impairment expense	41,461	-
Interest income on loans	231	(986)
Capitalised interest on loans	(2,322)	1,336
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(45,380)	(42,331)
(Increase)/decrease in deferred tax assets	(7,583)	12,624
(Increase)/decrease in other assets	(1,346)	5,200
Increase/(decrease) in trade and other payables	95,135	80,977
Increase/(decrease) in income tax payable	74,537	35,440
Increase/(decrease) in deferred tax liabilities	(26,817)	(10,639)
Increase/(decrease) in other liabilities	(3,636)	(25,894)
Increase/(decrease) in provisions	160	(2,535)
Net cash from operating activities	221,652	161,348

Notes to the Financial Statements continued

Note 20. 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 as lease liabilities. 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:

- ▶ 4% for the Group's Head Office entities;
- ▶ 4% for insurance intermediaries that are guarantors on the Group's syndicate facility agreement; and
- ▶ 6% for all other insurance intermediaries and premium funders.

A. Right-of-use assets

	Property \$'000	Non-Property \$'000	Total \$'000
Balance at the beginning of the financial year	37,781	1,807	39,588
Accumulated depreciation	(11,481)	(624)	(12,105)
Additions	7,537	392	7,929
Disposals	(1,735)	(69)	(1,803)
Lease modifications and reassessments	157	(2)	155
Additions through business combinations	956	7	962
Foreign currency translation reserve	(68)	(4)	(71)
Balance at the end of the financial year	33,146	1,508	34,654

B. Lease liabilities

I. Amounts recognised in the statement of profit or loss and other comprehensive income

	Total \$'000
Interest expense on lease liabilities	(2,472)
Depreciation expense on right-of-use assets	(12,104)
Income from sub-leasing right-of-use assets ¹	140
Expenses relating to short-term leases	(447)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	(48)
Net gain on disposal of leases	128
Total expense from leases ²	(14,804)

¹ The Group sub-lease some its property and equipment under operating leases. On the statement of profit or loss and other comprehensive income, income from sub-leasing right-of-use assets is recognised under "other income".

² If AASB 16 had not been adopted, the Group would have recorded total lease expenses of \$14.825 million.

II. 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	(89)
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	(2,330)
Non-lease components	(2,255)
Operating lease liabilities before discounting	54,255
Lease Liabilities as at 1 July 2019 (discounted using the incremental borrowing rate)	46,594

At 30 June 2020, the Group had not contractually committed to any leases that were yet to commence.

Note 21. Related party transactions

A. Key management personnel compensation

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

	2020 \$'000	2019 \$'000
Short-term employee benefits	6,016	5,247
Post-employment benefits	126	123
Long-term benefits	102	84
Accrued share-based expenses	4,496	3,451
	10,740	8,905

B. Transactions with subsidiaries

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

Notes to the Financial Statements continued

C. Transactions with other related parties

The following transactions occurred with related parties:

	2020 \$'000	2019 \$'000
I. Sale of goods and services		
Professional services fees received from associates on normal commercial terms	156	120
Professional services fees received from joint ventures on normal commercial terms	-	2,417
Commission income received/receivable from associates on normal commercial terms	1,152	103
II. Interest income		
Interest income received/receivable from joint ventures	-	41
III. Payment for goods and services		
Estimated Steadfast Network broker rebate expense paid or payable to associates on the basis as determined by the Board	31	901
Commission expense paid/payable to associates on normal commercial terms	8,583	6,724
Service fees paid to associates	12	111
IV. Other transactions		
Steadfast Network Broker rebate offer expense paid to associates	16,469	-
Arm's length consideration for purchase of customer relationships paid to an entity controlled by a director	4,000	-
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	575	6,055
Dividend receivable from associates	27	-
b. Current payables		
Payables to associates	1,118	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

Note 22. 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

	2020 \$'000	2019 \$'000
Profit after income tax	47,457	49,014
Other comprehensive income	(141)	42
Total comprehensive income	47,316	49,056

B. Statement of financial position

	2020 \$'000	2019 \$'000
Current assets	71,248	68,026
Total assets	1,515,214	1,358,442
Current liabilities	21,692	68,599
Total liabilities	297,270	363,865
Total equity of the parent entity comprising of:		
Share capital	1,149,601	912,517
Share-based payments reserve	4,782	6,187
Undistributed profits reserve	-	89,509
Retained earnings	51,492	(13,636)
Revaluation reserve	12,069	-
Total equity	1,217,944	994,577

C. Significant accounting policies

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

D. Going concern

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

E. Contingent assets/liabilities not considered remote

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

F. Parent entity capital commitments for acquisition of property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

G. Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity provided no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Notes to the Financial Statements continued

Note 23. Remuneration of auditors

A. KPMG

	2020 \$	2019 \$
I. Audit and review services		
Audit and review of financial statements - Group	712,011	662,000
Audit and review of financial statements - controlled entities	1,159,424	1,097,210
	1,871,435	1,759,210
II. Assurance services		
Regulatory assurance services	25,677	26,200
Other assurance services	48,735	-
	74,412	26,200
III. Other services		
Taxation advice and tax compliance services	190,106	157,035
Other services	255,099	67,837
	445,205	224,872

B. Other auditors

	2020 \$	2019 \$
I. Audit and review services		
Audit and review of financial statements	349,904	334,239
II. Assurance services		
Regulatory assurance services	7,820	-
Other assurance services	380	-
	8,200	-
III. Other services		
Taxation advice and tax compliance services	15,102	35,069
Other services	49,734	395,744
	64,836	430,813

Note 24. 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 the 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. This contributed to a statutory loss in the current financial year, and is considered a non-trading item in deriving normalised underlying earnings. Refer Note 4.

Note 25. 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 of Steadfast shares.

Total consideration of \$77.861 million was paid to the Network brokerages which accepted the PSF rebate offer. This comprised of cash consideration of \$43.062 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 valued at \$42.895 million. Refer Note 9.

As anticipated and previously advised to shareholders, the total consideration for the PSF rebate offer of \$77.861 million was expensed. The after tax impact of this PSF rebate offer was \$63.068 million. This contributed to a statutory loss in the current financial year, and is considered a non-trading item in deriving normalised underlying earnings. Refer Note 4.

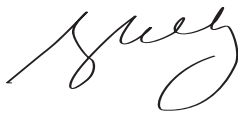
Director's declaration

1. In the opinion of the Directors of Steadfast Group Limited ('the Company'):
 - a. the consolidated financial statements and notes that are set out on pages 70 to 125 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2020.
3. The Directors draw attention to Note 2A to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed at Sydney on 25 August 2020 in accordance with a resolution of the Directors:



Frank O'Halloran, AM
Chairman



Robert Kelly
Managing Director & CEO



Independent Auditor's Report

To the shareholders of Steadfast Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of Financial Position as at 30 June 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 year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation of goodwill, Other intangible assets and Investments in associates and joint ventures
- Decentralised operations

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

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

Valuation of Goodwill, Other intangible assets and Investments in associates and joint ventures

Refer to Note 7: Goodwill (\$930.3m) and Other intangible assets (\$182.4m), Note 12: Investments in associates and joint ventures (\$118.9m), and Note 3: Critical accounting judgements, estimates and assumptions

The key audit matter

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

- Goodwill, other intangible assets and investments in associates and joint ventures represented 45% of the Group's total assets.
- The high number of individual Cash Generating Units (CGUs), of more than 70 at 30 June 2020, necessitated our consideration of the Group's determination of CGUs and the valuation for each of the CGUs, intangible assets and investments in associates and joint ventures.
- The Group recognised an impairment of \$41.5m during the financial year.
- Our evaluation of impairment involves applying judgement in relation to the Group's forecast cash flows and forward looking assumptions, including discount rates, short term growth rates and terminal growth rates. The ongoing economic uncertainty from the COVID-19 pandemic has impacted the forecast cash flows and other assumptions in the valuation models. These conditions increase the inherent uncertainty of the forecasts and the probability of a wider range of possible outcomes.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

How the matter was addressed in our audit

Our procedures included:

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

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the valuation methods applied (value in use and fair value less costs of disposal) by the Group against the requirements of the accounting standards.
- Considering and challenging the Group's assessment of the impact of the COVID-19 pandemic on cash flows and assumptions.
- Comparing the forecast cash flows contained in the valuation models to the Board approved budgets. We also evaluated the forecasting process undertaken by the Group and assessed the precision of prior year forecast cash flows by comparison to actual outcomes, both before and after, the COVID-19 pandemic commenced.
- Applying increased professional scepticism to forecasts in the areas where previous forecasts were not achieved. We compared the forecast revenue growth rate and terminal growth rate assumptions to recent external data on inflation rates and projected revenue growth for the insurance industry in Australia. We used our knowledge of the Group, their past performance, business and customers, and our general insurance industry experience in considering the appropriateness of the forecasts used.
- Independently developing a discount rate range based on analysis of comparable companies using publicly available market data, adjusted by risk factors specific to the Group and the industry it operates in.
- Performing sensitivity analysis on the discount rate, and forecast growth rate for key CGUs. We did this to

	<p>identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application, and to focus our further procedures. This included the impact of various COVID-19 scenarios. Additionally, we cross checked the valuation results against earnings multiples inherent in the value of other comparable companies.</p> <ul style="list-style-type: none"> • We assessed the integrity of the value in use model used, including accuracy of the underlying calculation formulas.
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Decentralised operations

Refer to Note 2: Significant accounting policies, Note 11: Subsidiaries, and Note 12: Investments in associates and joint ventures

The key audit matter

The Group comprises more than 130 subsidiaries, associates and joint ventures (components) whose operations are spread across Australia, New Zealand, and to a lesser degree, the United Kingdom, Singapore and Germany. The Group's primary business is general insurance distribution, and the individual components are wide ranging in size and also in the customers and products of each business operation.

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

This was a key audit matter for us given the high number of subsidiaries, associates and joint ventures and the varied operations, accounting processes and systems.

We focused on:

- Understanding the components and identifying the significant risks of misstatement within each component;
- The scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances;

How the matter was addressed in our audit

Our procedures included:

- Instructing component audit teams to perform procedures on the financial information prepared for consolidation purposes by 36 components. The selected components were significant to the audit of the Group, either by size or by risk, and covered over 89% of the Group's revenue and 93% of total assets. The objective of this approach was to gather evidence on significant balances that aggregate to form part of the Group's financial reporting.
- The component audit teams performed audits of the financial information of these components which included specific Group reporting package information and local statutory financial reporting. We worked with the component audit teams to identify risks significant to the audit of the Group and to plan relevant procedures.
- Discussing the component audits as they progressed to identify and address any issues, working with the component audit teams as appropriate. We read the audit reports issued to us and the underlying memos explaining component results, including the impacts of the COVID-19 pandemic on each component.
- Evaluating the work performed by the component audit teams for sufficiency for our overall audit purpose. We also considered the components' compliance with the Group's accounting policies, including those relating to the recognition of revenue as part of our evaluation of the component teams reporting to us.

<ul style="list-style-type: none"> • The assessment of components compliance with the Group accounting policies, particularly regarding compliance with the new accounting standard AASB 16 <i>Leases</i>; and • The consolidation process and aggregation of results from component procedures. 	<ul style="list-style-type: none"> • Testing the financial data used in the consolidation process for consistency with the financial data audited by component audit teams. We also assessed the consolidation process for compliance with accounting standards, giving particular focus on the implementation of AASB 16. • For those selected significant components, inspecting the component auditors' files for consistency between the auditor's opinion and the underlying audit work. • For the other components not within the scope of the component audit teams' procedures, our head office audit procedures included testing the Group's key monitoring controls and performance of analytical procedures. We inspected a sample of bank reconciliations, debtors reports, statutory financial reports and accompanying audit reports, and inquired of head office and component management. In our analytical procedures we compared actual financial results to budgets and the prior year results. We inquired of head office and component management and considered trends within the insurance market.
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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Steadfast Group Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 47 to 66 of the Directors' report for the year ended 30 June 2020.

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

KPMG

Scott Guse
Partner

Sydney

25 August 2020

Shareholders' information

as at 31 July 2020

Ordinary share capital

There were 863,205,401 fully paid ordinary shares held by 6,032 shareholders. All the shares carry one vote per share and carry the rights to dividends.

Distribution of shareholders

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

Range	No. of holders	No. of shares	% of issued capital
100,001 and over	407	801,016,707	92.80%
10,001 to 100,000	1,593	50,375,629	5.84%
5,001 to 10,000	843	6,229,691	0.72%
1,001 to 5,000	1,788	4,914,227	0.57%
1 to 1,000	1,401	669,147	0.08%
Total	6,032	863,205,401	100.00%

There were 236 shareholders holding less than a marketable parcel based on a market price of \$3.35 at the close of trading on 31 July 2020.

SUBSTANTIAL SHAREHOLDERS

Name	Date of notice	No. of shares	% of issued capital
Challenger Limited	5 March 2020	53,103,980	6.15%
Commonwealth Bank of Australia	23 April 2020	43,398,988	5.03%
Alphinity Investment Management Pty Ltd	13 May 2020	43,220,300	5.01%

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

TWENTY LARGEST SHAREHOLDERS

Name	No. of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	224,481,861	26.01%
J P Morgan Nominees Australia Pty Limited	173,543,269	20.10%
Citicorp Nominees Pty Limited	68,337,885	7.92%
National Nominees Limited	67,611,912	7.83%
BNP Paribas Nominees Pty Ltd	31,596,189	3.66%
Mackay Insurance Services Pty Ltd	27,768,740	3.22%
BNP Paribas Noms Pty Ltd	15,814,450	1.83%
Citicorp Nominees Pty Limited	15,464,412	1.79%
Argo Investments Limited	12,778,079	1.48%
HSBC Custody Nominees (Australia) Limited-Gsco Eca	9,773,964	1.13%
Mackay Insurance Services Pty Ltd	6,315,383	0.73%
HSBC Custody Nominees (Australia) Limited	5,607,790	0.65%
Steadfast Share Plan Nominee Pty Ltd	3,447,945	0.40%
Mr Robert Bernard Kelly	3,237,473	0.38%
RC & IP Gilbert Pty Ltd	3,100,000	0.36%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	2,717,484	0.31%
Mr David Ingram	2,686,242	0.31%
AMP Life Limited	1,948,036	0.23%
Brispot Nominees Pty Ltd	1,651,061	0.19%
Australian Executor Trustees Limited	1,634,630	0.19%
Total	679,516,805	78.72%

DIVIDEND DETAILS

Dividend	Franking	Amount per share	DRP issue price	Payment date
Interim	Fully franked	3.6 cents	\$3.28	26 March 2020
Final	Fully franked	6.0 cents	¹ 25 September 2020	

¹ The DRP issue price of the final dividend is scheduled to be announced on 18 September 2020

The final dividend has an ex-dividend date of 1 September 2020, a record date of 2 September 2020, a payment date of 25 September 2020 and is eligible for Steadfast's Dividend Reinvestment Plan (DRP) which carries a 2% discount.

Glossary of Terms

Term	Explanation
AGM	Annual General Meeting
Client	Customer of broker/underwriting agency
CPS	Cents per share
DPS	Dividend per share
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
EPS (NPATA)	Earnings per share that reference NPATA
Equity Brokers	An insurance broker who is a member of the Steadfast network, where Steadfast does have an equity interest
Group	Steadfast Group Limited (ABN 98 073 659 677, AFSL 254928)
GWP	Gross Written Premium – the amount paid by customers for insurance policies excluding taxes and levies
Hayne Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
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
IPO	An initial public offering of the Company's fully paid ordinary shares
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
NPATA	Net profit after tax adjusted for (post non controlling interests) amortisation of customer relationships
PSF	Professional services fee
Rebate	An annual payment made to Steadfast Network Brokers, at the discretion of the Board
SCTP	Steadfast Client Trading Platform – a web based platform that is a digitally contestable market place providing Steadfast Network Brokers access to obtain multiple, detailed quotes from a variety of insurers, with only one data input as well as place and maintain policy contracts
SME	Small to medium enterprise
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
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

Notice of the AGM

The AGM will be held on Wednesday 28 October 2020. Due to the uncertainty of the COVID-19 pandemic, the AGM will be held as a virtual meeting. Steadfast Group will provide further details with the Notice of 2020 Annual General Meeting to be released in September 2020.

Corporate Office

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99 Bathurst Street
Sydney NSW 2000

Postal Address

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P 02 9495 6500

E investor@steadfast.com.au

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ACN 073 659 677

Share registry

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Level 12
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Postal Address

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P 1300 554 474

E registrars@linkmarketservices.com.au

Stock Listing

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



Steadfast Group Limited
ABN 98 073 659 677

www.steadfast.com.au