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28 July 2017

The Manager
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

APPENDIX 4C: QUARTERLY COMMITMENTS REPORT

We attach the Company's Appendix 4C report for the three months ended 30 June 2017.

EXECUTIVE SUMMARY

The full year (FY2017) underlying operating cash result is a surplus of \$0.6m. This result demonstrates the Company's ability to generate operating cash surpluses.

Other operating outcomes include:

- The embedded value of the Company's net receivables from its existing underlying loan book (capitalised on the balance sheet) as at 30 June 2017 increased to over \$47m, an increase of more than \$9m from 30 June 2016.
- Q4 FY2017 settlement volumes are marginally up, compared to Q4 FY2016, despite a difficult and volatile lending environment.

FY2017 cash outflows included \$3.0m in discretionary and/or non-recurring expenditure. The total FY2017 operating deficit of \$2.3m includes the following discretionary or non-recurring outflows:

- Integration costs of \$1.1m. Integration activity decreased to minimal levels in H2 FY2017 and is not anticipated to have a material impact in FY2018.
- \$0.8m to acquire trail rights on lending books from within the network. This discretionary spend reduced liabilities and will have a positive effect on FY2018 cash flows.
- \$1.1m reduction in creditor balances attributable to the Company's reduced operating cost base.

The net operating cash result for Q4 FY2017 was a \$0.1m surplus, this follows a \$0.5m surplus in Q3. The reduced surplus is attributable to a reduction in creditor liabilities during the quarter. The underlying operating cash surplus for the quarter was \$0.3m (Q3: \$0.6m).

Summary of operating cash flows (\$m)	Q3 2017	Q4 2017	Q4 FY17 vs PP % Change (+ ve is favourable)	FY 2016	FY 2017	FY17 vs PP % Change (+ ve is favourable)
Receipts from customers	50.39	50.29	(0%)	190.73	200.99	5%
Branch and supplier pay away	(42.04)	(41.90)	0%	(158.92)	(167.36)	(5%)
Underlying surplus of receipts over direct costs	8.35	8.39	0%	31.81	33.63	6%
Trail rights acquisition	(0.10)	(0.19)	(90%)	-	(0.79)	
Surplus of receipts over direct costs	8.25	8.20	(1%)	31.81	32.84	3%
Marketing	(0.80)	(0.61)	23%	(5.36)	(4.57)	15%
Other operating	(6.96)	(7.44)	(7%)	(27.06)	(29.54)	(9%)
Underlying operating cash outflows	(7.76)	(8.05)	(4%)	(32.42)	(34.11)	(5%)
Acquisition & integration costs	(0.03)	(0.02)	44%	(1.78)	(1.05)	41%
Total operating cash outflows	(7.79)	(8.07)	(4%)	(34.20)	(35.16)	(3%)
Reported operating deficit/surplus	0.46	0.13	(71%)	(2.39)	(2.33)	3%
Acquisition & integration costs	0.03	0.02		1.78	1.05	
Reduction in creditors attributable to lower cost base	-	-		-	1.10	
Trail rights acquisition	0.10	0.19		-	0.79	
Underlying operating cash deficit/surplus	0.59	0.34	(42%)	(0.61)	0.62	202%

Yellow Brick Road Holdings Limited | ABN 44 119 436 083

At 30 June 2017, the Company holds \$5.1m in cash and cash equivalents, and \$1.5m in undrawn finance facilities (total available \$6.6m).

For details please see the attached Financial and Operating commentaries and Appendix 4C.



Kind regards

Richard Shaw

Chief Financial Officer

Yellow Brick Road Holdings

Yellow Brick Road Group

FINANCIAL COMMENTARY

Summary

The reported net operating cash surplus for Q4 FY2017 (including acquisition and integration outflows) reduced by \$0.35m to a surplus of \$0.15m (Q3 FY2017: \$0.5m).

On a normalised basis** the operating cash surplus reduced by \$0.34m to a surplus \$0.15m. (Q3 FY2017 \$0.49m)

As at 30 June 2017 the Company has \$5.1m in cash and \$10.1m in available borrowing facilities (\$8.7m drawn and \$1.5m undrawn).

Operating Cash Receipts

Receipts from customers were \$50.29m (Q3 FY2017 \$50.39m).

The surplus in receipts from customers, after branch and supplier pay away (Net Receipts), reduced by \$0.05m to \$8.20m (Q3 FY2017 \$8.25m).

Operating Cash Outflows

Operating cash outflows, excluding branch and broker share of revenue, increased by \$0.3m to \$8.1m (Q3 FY2017 \$7.8m).

Key Cash Outcomes	Q4 FY2017	Chg. Vs Q3 FY2017
Gross Receipts	\$50.3m	+0%
Net Receipts	\$8.2m	-1%
Underlying net receipts***	\$8.4m	+0%
Other Op. O'flows - Normalised*	\$7.4m	-7%
Normalised** Operating Surplus	\$0.2m	-70%
Operating Surplus	\$0.2m	-70%
Cash and investments at call	\$5.1m	-2%

*Normalised other operating outflows excludes acquisition and integration costs

**Normalised results exclude acquisition and integration outflows.

*** Underlying net receipts excludes payment for trail rights acquisition

OPERATING COMMENTARY

Group loans under management grew 21% vs Q4 FY2016 (PCP) to \$44.6b. Overall settlements came in at \$3.7b, +3% vs PCP, a welcome recovery under tough lending market conditions. Within this, commercial lending grew 52% vs PCP, helping to diversify revenue.

The Company's Wealth business continues to gain scale and head toward critical mass, underlying FUM has grown 61% to \$1.1b * vs PCP and Premiums under Management (PUM) is up by 36% vs PCP to \$16.6M.

The following progress is being made on our operational priorities:

Key Operating Outcomes	Q4 FY2017	Chg. Vs Q4 FY2016
Settlements	\$3.7b	+ 3%
Mortgage Book	\$44.6b	+ 21%
FUM *	\$1.1b	+ 61%
PUM	\$16.6M	+ 36%
Representatives	1,585	+ 6%

1. Train and Enable Branches to Improve Lending Productivity

- Recruitment – new recruitment team and advertising have added over 20 new franchises to the pipeline. A focus on qualified recruits means ~50% write business immediately following induction.
- Vow Commercial – commercial settlements are up by 52% vs PCP following an increase in recruitment of qualified commercial brokers.
- Vow CRM investment – broker productivity supported through a substantial increase in search accuracy on Symmetry platform.
- Lead management – Ruby application provides feedback on sales outcomes to lead sources. This has led to a lift in lead quality, with non-qualifying prospects dropping from 15% – 11% over the last six months.

2. Drive Expansion of Proven Wealth Model

- Overall underlying FUM is up strongly, increasing by 61% to \$1.1b*. Smarter Money inflows continue to outperform with underlying FUM up 95% vs PCP to \$551m*; while YBR Super is up 47% vs PCP to \$501m.
- Ongoing advice – a major push to improve our recurrent revenues is yielding a 28% lift in ongoing advice revenues vs PCP.
- Insurance uplift – the increase in specialist financial planners is yielding an increase in case size by 36% vs PCP. This is flowing through to a healthy increase in PUM of 36%.
- Technology – network is adopting new Provisio SOA tool that generates SOAs more efficiently, reducing branch cost per client by \$600-1000 and improving turnaround from ~2 weeks to 48 hours.

3. Leveraging the Strong YBR Brand

- Super change campaign – consumers were anxious about the July 1 changes to superannuation. YBR seized the moment to engage them through a unique online advice tool which helps identify how the new regulations would impact them.
- Marketing automation – new trigger based campaigns are being created to increase engagement and conversion. The first campaign sends automated emails to prospects and clients on their birthday.
- Online visibility – YBR is working with branches to improve branch visibility for local search. Branches applying the protocol move up to page one of google organic search within months.
- Fixed rate campaign – with growing expectations for a series of rate rises, YBR has launched a campaign promoting its fixed rate offer.

* Excludes \$352M of institutional funds in SMI, that sit outside YBR's share of underlying assets under management. Total SMI FUM is \$930M.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Yellow Brick Road Holdings Limited

ABN

44 119 436 083

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	50,290	200,978
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(42,088)	(168,138)
(c) advertising and marketing	(616)	(4,568)
(d) leased assets	-	-
(e) staff costs	(2,731)	(11,683)
(f) administration and corporate costs ⁽¹⁾	(4,532)	(18,266)
(g) net payment to insurance underwriters on behalf of clients ⁽²⁾	(20)	(44)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	47
1.5 Interest and other costs of finance paid	(182)	(650)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	134	(2,324)

⁽¹⁾ Includes integration related costs of \$18,000 in current quarter.

⁽²⁾ The Company receives general insurance premiums from clients and remits these to underwriters between 60 and 90 days after receipt. The difference between premiums received and paid is recorded as an underwriter deficit or surplus. As a consequence of these timing differences, payment to underwriters in the period was more than receipts from clients by \$20,000.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
	Net operating cash flows (carried forward)	134	(2,324)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(298)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	(578)	(1332)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	1,932
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ³	(417)	(816)
2.6	Net cash from / (used in) investing activities	(995)	(514)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	1,057
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	1,057

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,933	6,853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	134	(2,324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(995)	(514)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,057
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	5,072	5,072

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,072	5,933
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,072	5,933

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	61
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
-	Directors' fees \$61,000	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	309
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
<p>- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris received contracted payments of \$309,375 (inc GST) covering consultancy fees during the period.</p>	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	10,100	8,650
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<p>The Company has a secured bill facility with CBA. For the quarter the Company was charged 4% fixed rate on the finance facility plus a variable rate of 1.83%.</p> <p>The Company has secured bank overdraft facilities with CBA. The company pays interest at overdraft index rate less 2.00%.</p>		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs *	(42,300)
9.3 Advertising and marketing	(800)
9.4 Leased assets	-
9.5 Staff costs	(2,800)
9.6 Administration and corporate costs	(4,200)
9.7 Other (provide details if material)	(200)
9.8 Total estimated cash outflows	(50,300)

* Product Manufacturing and Operating costs are predominantly branch and franchisee share of commission revenue received. This is a direct variable cost that may fluctuate significantly in line with variations in receipts from customers.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 28 July 2017....

Print name: Richard Shaw

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.