



ANNUAL REPORT 2017



YellowBrickRoad
Wealth Management



Our vision is to help Australians achieve their dreams, by giving them access to quality and affordable help with their money.



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\$2m

Net Profit Before Tax

35%

Premiums Under
Management

up 35% to \$16.5m

105%

Underlying Funds
Under Management

\$1.5b*

* Includes institutional funds

* From continuing operations and excluding loan book revaluation

* Excluding integration costs



17%

Underlying Loan Book
up 17% to \$44.1b



9%

Gross Profit
up 9% to \$35m*



\$5.5m

EBITDA
FY16 loss of \$9.1m



19%

Operating Costs
down by \$8m^

Achievement

EXECUTIVE CHAIRMAN'S REPORT

Welcome to the Yellow Brick Road 2017 Annual Report. This year, we are pleased to report our maiden profit – a solid achievement in the face of challenging market conditions.

EXECUTIVE CHAIRMAN'S REPORT

Our financial results demonstrate that we have continued to deliver on our strategy. Revenue has increased, wealth management continues to grow, and we are selling more of our higher-margin YBR- and Vow-branded loans.

Greater efficiency and reduced costs have improved our financial position significantly and positioned the business for higher productivity.

Market conditions have continued to present challenges. Lending restrictions by the regulators affected volumes across the sector and credit conditions have continued to tighten.

However, this presents opportunities as well.

Major lenders have repriced risk and redefined their definition of prime borrowing candidates, meaning there is a growing pool of potential borrowers who can be serviced by alternative lenders. Yellow Brick Road is actively considering opportunities to meet this demand with appropriately risk-priced products.

Market opportunities

As the lending landscape becomes more complex, borrowers need more help to navigate it. This is a key factor driving consumer demand for our offering: skilled and experienced advisers who can help customers find the right solution.

Another opportunity is the increased availability of credit for businesses, as the sector is opened to competition from alternative lenders. This is contributing to the rapid growth of commercial lending in the Vow Financial network.

Strong growth in Wealth

Meeting all of a customer's financial needs is at the heart of the YBR value proposition. The growth of our Wealth business, plus the launch of new products in estate planning and insurance, means we are making this goal a reality. The rapid growth of Smarter Money Investments (SMI) demonstrates the opportunities for using our network as a distribution network for investment products.

Technology and innovation continue to play a vital role in our business. Our lead management tool has improved response times, conversions to meeting and marketing productivity. The network's uptake of our marketing automation, Campaign in a Box (CIAB), continues to grow and is delivering more leads.

CIAB underpins the local marketing approach that puts branches in control of their territory and fosters stronger local connections. In a fast-changing world, where big institutions are losing consumer trust, the local community is more important than ever. We empower our branches to tap into this demand for doing business with somebody they can trust.

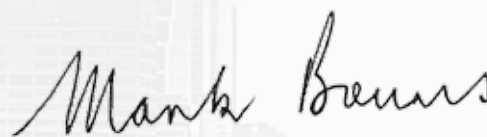
Expansion of Group Lending

Having built an extensive distribution network, we are in a position to increase sales of our higher-margin products. This continues to be a critical lever for growing revenue and one with significant upside opportunity.

Technology also plays an important role in maintaining professional standards in our network. The launch of our cutting-edge learning and development platform will make education easier, faster and more engaging.

Another important innovation being launched in FY18 is Money Coaching, powered by Money Manager – a smart budgeting tool to help clients meet their financial goals. This will not only drive additional revenue, it provides a powerful point of differentiation from our competitors.

Having reported our first profit, we now have all the fundamentals in place to deliver profitable growth well into the future.



Lending

Andrew Rasby
General Manager,
Lending

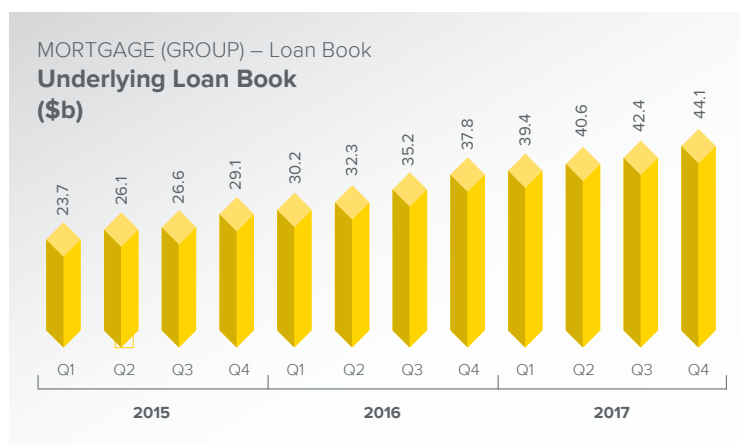
Andrew Rasby was appointed to lead the Yellow Brick Road franchise network in October 2016. He has extensive experience in wealth and mortgage broking, leading teams, developing talent, and helping franchisees grow their businesses.

Andrew is focused on growing lending volumes, increasing uptake of Group Lending products and boosting branch productivity. Improvements are already being achieved in this area, with average settlements per branch per month increasing from \$1.8m to \$2.0m.

Another priority is increasing the quality of recruitment for new branches. Branch principals now require at least two years' lending experience in order to join the network, and receive a comprehensive five-day induction, which means they're able to start writing loans from Day 1.

During FY17 we grew our overall underlying loan book by 17%, while settlements were slightly lower at \$15.3b, due to market conditions. With the appointment of Michael Chadwick to the role of Head of Group Lending, we will continue to increase the penetration of higher-margin YBR-branded products, where they meet the needs of our customers.

Another source of growth during the past year was improved lead management. We generated more quality leads, which were responded to in a timely manner thanks to our Ruby app. This contributed to the resilience of the lending business even in the face of lower growth at an industry level.



**During FY17
Yellow Brick
Road grew its
underlying loan
book to \$44.1b**



SETTLEMENTS
\$15.3b



**UNDERLYING
LOAN BOOK**
increased by 17%
to \$44.1b

**44.1
billion**

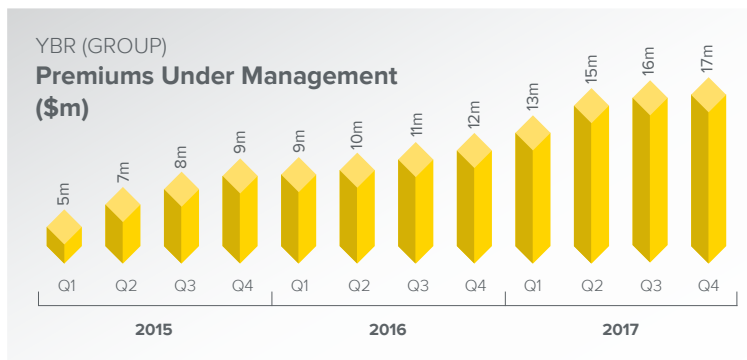
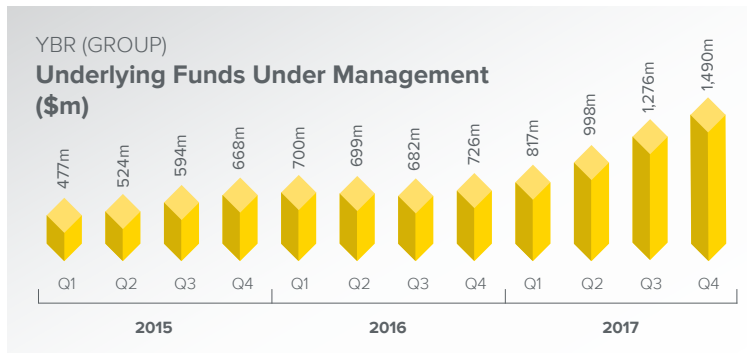
Wealth



Adam Youkhana
General Manager,
Wealth

billion

Underlying Funds Under Management is now at \$1.5b*



Adam Youkhana was appointed in September 2016 and has led the growth of the Wealth business. With extensive experience in building businesses in the banking sector, Adam is delivering on a strategy to increase the penetration of Wealth services among the YBR and Vow networks.

Adam's 'Pathways to Wealth' gives branches options for providing advice, without the need for lending professionals to cross-skill.

- ◆ Franchise Advisors – based in branches
- ◆ Mobile Advisors – available to branches
- ◆ Phone Based Advice – for convenience and accessibility
- ◆ YBR Wealth Hubs – servicing branches in key areas
- ◆ Investment Services division – for HNW and complex advice

Product sales drive growth

Strong sales of high-margin investment products have driven significant growth in both revenue and underlying funds under management. Smarter Money Investments grew 300% to \$900m, YBR Super grew by 43% and life insurance volumes increased by 17%. Ensuring we deliver these types of high-quality, profitable products is a key part of our strategy for Wealth.

The Wealth business has also been focusing on quality of advice, implementing rigorous minimum education standards and delivering a range of ongoing professional development initiatives.

In addition, specialist services are providing a comprehensive 'Create – Protect – Transfer' value proposition. An innovative and affordable online will service, and a virtual insurance advice service – YBR Life – provide additional revenue opportunities for branches, and position the Wealth business for strong growth in the coming year.



REVENUE

up by 12%
to \$11.7b



UNDERLYING FUM

increased
by 105%
to \$1.5b



PUM

increased
by 35%

Vow Financial

Vow's underlying loan book increased by 16% to \$35.2b

Clive Kirkpatrick joined Vow Financial as General Manager in December 2016, and brings deep experience in lending and distribution, gained during a long career with the major banks.

Leading the Vow Financial aggregation business, Clive is focused on improving profitability within this extensive distribution network. In FY17 he was successful in attracting recognised industry leaders to several State Manager roles, which has helped achieve this outcome.


Under Clive's leadership, Vow has been positioned as the first choice for brokers who want to diversify their revenue, especially in a challenging home loan market. With the broadest panel of lenders and a mature wealth offering, Vow is able to attract brokers keen to offer commercial, insurance and wealth services to their clients. Vow Commercial is a fast-growing point of differentiation for the business. Settlements tripled over the past three years, under the leadership of Glenn Mitchell, an award-winning industry expert.

**Clive Kirkpatrick
General Manager,
Vow Financial**





**COMMERCIAL
GROWTH**
Settlements \$1.1b



**UNDERLYING
LOAN BOOK**
increased by 16%
to \$35.2b



SETTLEMENTS
\$11.9b

Fostering high standards

Professional standards are a core focus for Vow, and the creation of its Quality Assurance Program has led to an enhanced level of governance within the network.

Underpinning this program is Vow Professional (see p.15), the industry-first education program launched in October 2017. It is part of an existing professional development program that includes events, conferences and peer learning.

Residential lending was impacted by tighter credit conditions, and this resulted in a 6% decline in Vow settlements year-on-year, at \$11.9b. However, this contraction was predominantly in flat fee, low margin lending, so it has had minimal impact on our bottom line. We will be focusing on increasing uptake of Vow-branded, higher-margin loans in FY18 to boost profitability.

Vownet launch

Following an extensive review process, Vow has made the decision to move to a new broker CRM from 2018. Vownet by Salestrekker is a comprehensive fintech solution that will position Vow as a leader in technology.

The software, which provides deal management, digital CRM, compliance and many other features to automate business processes, will increase efficiency for Vow's broker partners.

1347 brokers

Technology

Scott Graham,
Chief Commercial
Officer

Technology innovation is critical to Yellow Brick Road's strategy. In FY17, we reaped the benefits of some major technology projects, as well as putting in place several new initiatives.

Ruby

This smartphone-based lead management tool has delivered better outcomes for both our branches and customers.

YBR Head Office distributes thousands of leads to the branch network, and Ruby ensures these leads are responded to quickly and effectively, as well as providing detailed data on the lead quality. Given the investment we make in lead generation, Ruby plays a critical role in driving efficiency and maximising return on investment.

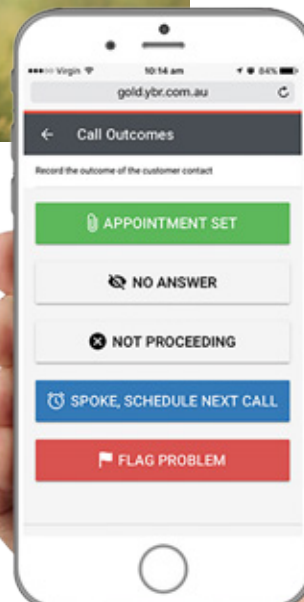
Campaign in a Box

There has been strong uptake of the marketing automation system developed exclusively for the YBR branch network. Campaign in a Box provides a fully automated suite of marketing materials and tactics that allow branches to drive effective marketing at the community level.



TOP 10 Tips for building wealth

- 1 Determine how much money you will need to retire.
- 2 Consider your retirement age.
- 3 Take control of your financial future.
- 4 Understand your current financial situation.
- 5 Stick to a budget.
- 6 Invest your money.
- 7 Diversify your investments.
- 8 Avoid debt.
- 9 Protect your financial plan.
- 10 Stay on track.



Innovation through technology is at the core of Yellow Brick Road

Vow & YBR Professional— Learning & Development Platform

We've partnered with Open Colleges to create a platform that combines robust educational standards with a focus on engagement. As global leaders in online learning, Open Colleges has collaborated with us on platform design, content development and learning technology.

Money Manager

For Australians who are repaying debt, trying to save or seeking to invest, cashflow management is often a major challenge – yet most people don't know where to turn for help on the getting the basics right.

Money Coaching, powered by Money Manager, is our solution to this gap in the market. For a monthly fee, our branches help clients take control of their money. This allows them to pay off their loans faster, build their wealth or save for their first home.

Money Manager is the technology that underpins this service. It is designed with our clients and their needs in mind. It links directly to their bank accounts, allowing clients to easily track their spending and set budgets. It also drives efficiency by providing lending specialists with verified spending and servicing data to improve loan applications and credit checks.



Business Intelligence Integration

As the YBR business has expanded, we have outgrown our initial methods of collecting information for management reporting.

This has led to the launch of a major project to implement Sisense, a sophisticated business intelligence platform that will enable us to process the increasing volume and complexity of data being generated.

The platform will provide more timely and accurate feedback on sales activity, analysed across many dimensions. High-quality data will allow us to be more agile in managing resources and responding to market conditions.



People

Frank Ganis
Non-Executive
Director

**The quality
of our people
is a key driver
of YBR's success.**

Leadership Refresh

The Group Leadership Team has been strengthened with several high-calibre senior appointments, bringing experienced, skilled professionals into the business who have a track record in delivering business results.

In addition, we appointed Frank Ganis, a former Macquarie Bank executive, to the board in August 2017. A pioneer of the mortgage sector, Frank will bring to bear his extensive securitisation experience to assist in developing YBR's capability to provide an in-house, self-funded residential mortgage loan offering.

Network Recruitment

We have invested significant resources in ensuring all brokers and advisers who join our network are aligned with our values and business practices.

In the YBR network, Branch Principals must now have a minimum of two years' experience as a mortgage broker or financial advisor. Not only does this ensure they have a track record of performance, it also means they move to profitability faster.

In the Vow network, our focus on professional development and standards means we are able to attract the industry's best lending experts.



Quality

Quality Assurance Program

ASIC has made it clear that it expects a greater level of supervision and monitoring of the broker network by the aggregator. YBR has responded by developing a new approach to education, supervision and monitoring. At the core of this is a commitment to being a leader and influencer in understanding and responding to regulatory change, then building this into how we educate advisors.

We believe that the vast majority of people will do the right thing if they know how, and that education is key to this. As a result, we have created a program to help those who need it, via support and education, to make them more productive brokers.

We are partnering with funders, who are assisting with the funding of the set-up and will provide some of the content, while users pay for this as an ongoing monthly fee.

Our highly experienced compliance teams have well established policies and procedures. Now, we are leveraging this capability, and going even further – building an innovative and industry-first Learning and Development platform - available 24/7 on all devices.



The Vow Professional and YBR Professional platforms use technology such as video and social media-style forums to engage learners. They will contain all training material, from induction through to loan selection, sales and marketing - as well tracking audit results and the associated remedial actions.

This learning platform contains all our training and development material including induction, product, sales and marketing content. It also records CPD points and all audit results, so that we can create remedial learning paths to improve any weakness found in an advisor's audit.

This innovative approach to professional standards will place YBR at the forefront of the industry and deliver better outcomes for advisors, consumers and funders.



142 employees

Community

BELOCAL

Yellow Brick Road is built on a philosophy we call 'BELOCAL'. It means our local branches and brokers are embedded in the communities in which they work and live.

Because they understand the needs, challenges and lifestyles of their clients, our branches are better equipped to help them meet their financial goals.

Many of our community activities happen at a local level. From sponsoring local sports teams to getting involved in local charities, our branches are there to support a range of causes.

Support for Charity

YBR staff are encouraged to support a range of charitable causes through our Culture Committee. We raise funds for employees and business partners undertaking charity challenges, such as our Business Development Manager, Andrew Morello, who walked the Kokoda Track to raise funds for the Seed Foundation.



Andrew
Morello on the
Kokoda Track

Making a difference in our local areas

YBR Group Women in Finance

One of the ways we help promote gender diversity is through the Women in Finance Group. It is a coalition of like-minded, female finance professionals with members from broking, wealth, banking, insurance and lending sectors. Members from a range of levels and backgrounds are welcome, from graduates to business owners.

In November 2016, YBR Women in Finance held a flagship event, sponsored by Macquarie Bank, raising money for the White Ribbon Foundation fighting violence against women.

Going forward, these events will be run across a range of locations on a regular basis.

Local YBR Branches supporting the community



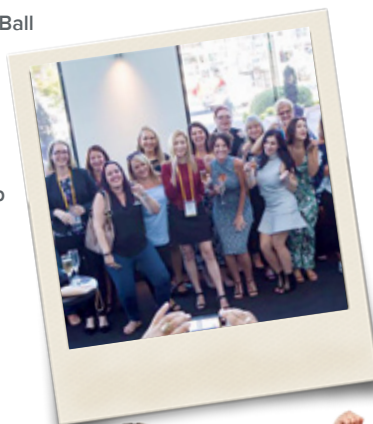
Ipswich sponsors the Ipswich Show Society Ball



Nerang sponsors the local Rugby Club



Castle Hill sponsors the Rouse Hill Rams Soccer Club



YBR Group Women in Finance

Earlwood sponsors Marrickville PCYC Time4Kids



South Morang sponsors the Eltham Rugby Club



YBR supporting Jersey Day to raise awareness of organ donation

Directors

BOARD OF DIRECTORS



► **Mark Bouris**
Executive Chairman

BCom (UNSW), MCom (UNSW), HonDBus (UNSW),
Hon DLitt (UWS), F.C.A

Mark Bouris is the Executive Chairman of Yellow Brick Road and has over 27 years' experience in the finance and property sectors. Mark is also Non-Executive Director of TZ Limited, and of Sydney Roosters and Eastern Suburbs Leagues Club. Mark is also the author of three business and finance books.

Other current directorships: Non-Executive Director of TZ Limited, Non-Executive Director of Sydney Roosters, Non-Executive Director of Eastern Suburbs Leagues Club.

Former directorships (in last 3 years): Executive Chairman of TZ Limited (ASX:TZL), Non-Executive Chairman of Anteo Diagnostics Limited

► **Adrian Bouris**
Non-Executive Director

BCom (UNSW), LLB (UNSW)

Adrian Bouris is a Non-Executive Director of Yellow Brick Road and has extensive experience in investment banking and corporate and commercial law. He is currently Principal and Managing Director of BBB Capital Pty Ltd, a boutique corporate advisory and investment company. Prior to founding BBB Capital Pty Ltd, Adrian was Managing Director of the Australian Investment Banking Division of ING Bank N.V., and was previously Director of SG Hambros Australia. He is also Director of The Surf Travel Company Holdings Pty Limited and Non-Executive Director of Surfing New South Wales, Momentum Media/ Sterling Publishing Group and Smarter Money Investments Pty Ltd.

Special responsibilities:
Member Audit and Risk Committee,
and YBR Investment Committee



► **Owen Williams**
Non-Executive Director
Bec (UNE), MTAX (Melb), FAICD

Owen Williams is a Non-Executive Director of Yellow Brick Road and has a 31 year background in investment management, finance and investment banking. He is currently Director of private consulting company ASIR Pty Ltd, and has previously held senior finance roles with Bain & Company, Babcock & Brown and Societe Generale. He was a former director of Tasmanian Ports Corporation.

Special responsibilities:
Chairman of the Audit and Risk Committee

► **John George**
Non-Executive Director
BCom (QUT), FCPA, FAIM, AICD, ACIS

John George is a Non-Executive Director of Yellow Brick Road and has an extensive background in accounting, corporate advisory, transaction management, governance, investor relations, mergers and acquisitions. He is currently Director of private consulting firm Standard Edge, SGD Partners, and previously held senior roles at KPMG, ASIC and Shine Corporate. His qualifications include former Deputy State President of the Governance Institute of Australia and Deputy Chair of the Public Companies Forum Group (Queensland).

Special responsibilities:
Member Audit and Risk Committee

► **Frank Ganis**
Non-Executive Director

Frank Ganis is a Non-Executive Director of Yellow Brick Road. Formerly an Executive Director of Macquarie Group, Mr Ganis co-founded Macquarie Group's Mortgages and Securitisation business in the early 1990s and was a leader in building the mortgage securitisation sector in Australia. He is recognised as a pioneer and influential industry leader in Australia with greater than 35 years' experience in banking and finance. During his 28 years at Macquarie, Mr Ganis had oversight of key strategic retail banking alliances and relationships, and was responsible for the development, delivery and funding of products for retail and third-party channels.

Financials

Richard Shaw,
Chief Financial Officer

In FY17, YBR achieved profitable growth

In FY17, the Company achieved a maiden profit of \$2.0m before tax. In addition, our EBITDA of \$5.5m was a significant turnaround from the loss of \$9.1m reported in FY16.

While revenue was flat, in the face of challenging lending conditions, gross profit from continuing operations was up by 9%, while we decreased overheads by 21%. This saw our operating costs (excluding integration costs) reduced to \$33m per annum, compared to \$41m the previous year. A restructured executive team has helped to create these operating efficiencies.

Overall, these financial results demonstrate a scalable, profitable business model, with core businesses growing and margins increasing.

We have a number of long term profit drivers well on track, in particular, the opportunity to drive penetration of high margin products. By rationalising the YBR branch network and improving branch productivity, we have the fundamentals in place for continued profit growth.

The integration of acquired business is coming to completion, and this has significantly enhanced product depth and distribution capacity. At the same time, a shift to local marketing and technology enhances the scalability of our distribution network.



2
before tax profit

million



EBITDA
\$5.5m



**GROSS
PROFIT**
increased
by 9%

Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Annual Report - 30 June 2017

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General information

The financial statements cover Yellow Brick Road Holdings Limited as a consolidated entity consisting of Yellow Brick Road Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Yellow Brick Road Holdings Limited's functional and presentation currency.

Yellow Brick Road Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 11
1 Chifley Square
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2017. The directors have the power to amend and reissue the financial statements.

Corporate Directory

Directors	Mark Bouris (Chairman) Adrian Bouris Owen Williams John George Frank Ganis
Company secretary	Richard Shaw
Registered office	Level 11 1 Chifley Square Sydney NSW 2000 Head office telephone: 02 8226 8200
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St George Terrace Perth WA 6000 Shareholders Enquiries: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Solicitors	Landerer & Company Level 31 133 Castlereagh Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Level 9, Tower 1201 Sussex Street, Sydney NSW 2000 St. George Bank 1 Chifley Square Sydney NSW 2000
Stock exchange listing	Yellow Brick Road Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: YBR)
Website	www.ybr.com.au
Corporate Governance Statement	The Corporate Governance Statement which was approved at the same time as the Annual Report can be found at: https://www.ybr.com.au/investor-centre/corporategovernance

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Yellow Brick Road Holdings Limited (variously referred to hereafter as 'Yellow Brick Road', 'YBR', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were directors of Yellow Brick Road Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mark Bouris - Chairman
 Adrian Bouris
 Owen Williams
 John George
 Frank Ganis (appointed 14 August 2017)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Mortgage broking, aggregation and management services;
- Investment and wealth management services; and
- General insurance services.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$1,035,000 (30 June 2016: loss of \$9,528,000).

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding impairment charges and other non-operating expenses for the consolidated entity ('Underlying EBITDA') was a profit of \$5,202,000 (2016: loss of \$3,901,000). This is calculated as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit/(loss) after income tax	1,035	(9,528)
Add: Depreciation and amortisation	2,694	2,147
Add: Interest expense	788	900
Less: Income tax expense/(benefit)	973	(3,155)
Add: Impairment of goodwill	-	566
EBITDA	5,490	(9,070)
Add: Other non-operating expenses - cash and non-cash *	846	2,149
Less: Gain on acquisitions	-	(883)
Less: (Gain)/loss on revaluation of underlying loan book	(1,361)	3,903
Add: Loss on disposal of assets classified as held for sale	227	-
Underlying EBITDA	<u>5,202</u>	<u>(3,901)</u>

* Other non-operating expenses - cash and non-cash, represent one-off acquisition costs and integration related costs, and are considered non-operating in nature.

Key features of underlying EBITDA result were:

- Revenue from continuing operations increased by 1.6% to \$218,626,000 (2016: \$215,203,000)
- Underlying loan book size increased by 16.71% to \$44,075 million (2016: \$37,762 million)
- Embedded loan book value increased by 15.2% to \$49.9 million (2016: \$43.3 million)
- Embedded loan book value per ordinary share is 18 cents (2016: 15 cents)
- Underlying funds under management increased by 61.8% to \$1,138 million (2016: \$703 million)
- Premiums under management increased by 34.8% to \$16.45 million (2016: \$12.2 million)

Directors' Report

More in-depth analysis of performance and strategy will be included with the investor update which will be released in conjunction with the Annual Report.

Significant changes in the state of affairs

On 23 September 2016, the sale of the accounting business was completed. The purchase price totalled approximately \$1,932,000 and was received in cash on completion date. A further \$2,750,000 is receivable over the next 5 years subject to payment set-off arrangements relating to the receipt of certain accounting services in the future.

The total loss on the sale of the practice was \$227,000. Goodwill relating to the accounting practice of \$566,000 was impaired in the previous financial year.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations will be detailed in the Annual Report to be released in October 2017.

Environmental regulation

The consolidated entity has complied with all regulations applicable to the financial services sector industry. It is not required to report under any specific environmental legislation.

Information on directors

Name:	Mark Bouris
Title:	Executive Chairman
Qualifications:	BCom (UNSW), MCom (UNSW), HonDBus (UNSW), Hon DLitt (UWS), F.C.A
Experience and expertise:	Mark Bouris is the Executive Chairman of Yellow Brick Road and has extensive experience in the finance and property sectors. Mark is also Executive Chairman of TZ Limited and a board member of the Sydney Roosters. He is an Adjunct Professor at the UNSW Australia Business School and he sits on boards for the UNSW Business Advisory Council. Mark is also the author of three business and finance books.
Other current directorships:	Executive Chairman of TZ Limited (ASX:TZL)
Former directorships (last 3 years):	Non-Executive Chairman of Serena Resources Limited and Anteo Diagnostics Limited
Special responsibilities:	None
Interests in shares:	51,211,262 ordinary shares
Interests in options:	None
Interests in rights:	10,000,000 performance rights
Contractual rights to shares:	None

Directors' Report

Name:	Adrian Bouris
Title:	Non-Executive Director
Qualifications:	BCom (UNSW), LLB (UNSW)
Experience and expertise:	Adrian Bouris is a Non-Executive Director of Yellow Brick Road and has extensive experience in investment banking and corporate and commercial law. He is currently a Principal and Managing Director of BBB Capital Pty Ltd, a boutique corporate advisory and investment company. Prior to founding BBB Capital Pty Ltd, Adrian was Managing Director of the Australian Investment Banking Division of ING Bank N.V., and was previously Director of SG Hambros Australia. He is also Director of The Surf Travel Company Holdings Pty Limited and Non-Executive Director of Surfing New South Wales and Momentum Media/Sterling Publishing Group.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and the Investment Committee, and Chairman of Smarter Money Investments Pty Ltd
Interests in shares:	3,155,400 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None
Name:	Owen Williams
Title:	Non-Executive Director
Qualifications:	BEc (UNE), MTax (Melb), FAICD
Experience and expertise:	Owen Williams is a Non-Executive Director of Yellow Brick Road and has extensive experience in investment management, finance and investment banking. He is currently Director of private consulting company ASIR Pty Ltd, and has previously held senior finance roles with Bain & Company, Babcock & Brown and Societe Generale. He is a former director of Tasmanian Ports Corporation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	498,250 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None
Name:	John George
Title:	Non-Executive Director
Qualifications:	BCom (QUT), FCPA, FAIM, AICD, ACIS
Experience and expertise:	John George is a Non-Executive Director of Yellow Brick Road and has extensive experience in accounting, corporate strategy, governance, capital raising and investor relations. He is currently Director of private consulting firms Standard Edge and SGD Partners and previously held senior roles at ASIC and KPMG. He was CEO of an international insurance recovery firm with offices in North America, New Zealand and Australia and a former Non-Executive Director of Shine Lawyers and Gladstone Airport Corporation Limited. John was the Deputy President of The Governance Institute (Qld) and is currently a member of Public Companies Discussion Group. He holds advisory board roles with EWM and other leading Family Offices in Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Directors' Report

Name:	Frank Ganis
Title:	Non-Executive Director
Experience and expertise:	Formerly an Executive Director of Macquarie Group, Mr Ganis co-founded Macquarie Group's Mortgages and Securitisation business in the early 1990's through which the PUMA Program became a leading Australian issuer of residential mortgage-backed securities. During his 28 years at Macquarie, he had oversight of Macquarie's key strategic retail banking alliances and relationships. He is recognised as a pioneer and influential industry leader in Australia with greater than 35 years' experience in banking and finance.
Other current directorships:	None
Former directorships (last 3 years):	Macquarie Group Limited (MQG)
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Richard Shaw is a Certified Practising Accountant and holds a Master of Business Administration from the University of Technology, Sydney. He has over 26 years' experience as a finance executive including roles as CFO at OzEmail Internet, BlueFreeway Limited (following its takeover by Independent Print Media Group) and CommSecure Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mark Bouris *	8	9	-	-
Adrian Bouris	9	9	5	5
Owen Williams	8	9	5	5
John George	9	9	5	5
Frank Ganis **	N/A	N/A	N/A	N/A

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Mark Bouris is not a member of the Audit and Risk Committee.

** Frank Ganis has not been appointed as a director until after the year end.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and other key management personnel ('KMP') arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

Directors' Report

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of KMP compensation; and
- transparency.

The company does not have a dedicated Nomination and Remuneration Committee ('NRC'). The task of ensuring that the level of KMP remuneration is sufficient and reasonable and that its relationship to performance is clear is dealt with by the full Board. The performance of the consolidated entity depends on the quality of its KMP. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

This is achieved through adopting a remuneration structure that:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of executive and non-executive directors remuneration is separate.

Non-executive directors' remuneration

Non-executive directors' fees and payments are reviewed periodically. The Board relies on advice from independent remuneration consultants, from time to time, to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive share options or other incentives.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2014, where the shareholders approved an aggregate remuneration of \$300,000.

Executive remuneration

The executive chairman's fees are determined independently to the fees of non-executive directors and are based on comparative roles in the external market. The executive chairman is not present at any discussions relating to determination of his own remuneration.

The consolidated entity aims to reward KMP with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The KMP remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the KMP's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed periodically by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Directors' Report

KMP can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity.

Short-term incentives ('STI') are designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to KMP based on specific annual targets and key performance indicators ('KPI') being achieved.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is linked to their divisional performance and the performance of the consolidated entity, if relevant. Refer to section 'Details of remuneration' of the remuneration report for details.

Use of remuneration consultants

During the financial year ended 30 June 2017, the company did not engage the use of remuneration consultants.

Voting and comments made at the company's 2016 Annual General Meeting ('AGM')

At the 2016 AGM, 78.4% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The consolidated entity did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and other KMP of Yellow Brick Road Holdings Limited are set out in the following tables.

The KMP of the consolidated entity consisted of the directors of Yellow Brick Road Holdings Limited and the following persons:

- Matthew Lawler - Chief Executive Officer - Wealth (resigned on 30 September 2016)
- Richard Shaw - Chief Financial Officer and Company Secretary
- Scott Graham - Chief Commercial Officer
- Tim Brown - Chief Executive Officer - Lending (resigned on 31 December 2016)
- Adam Youkhana - General Manager - Wealth (appointed on 5 September 2016)
- Andrew Rasby - General Manager - Lending (appointed on 24 October 2016)
- Clive Kirkpatrick - General Manager - VOW (appointed on 5 December 2016)

Directors' Report

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled shares \$	Equity-settled options \$	
2017								
<i>Non-Executive Directors:</i>								
Adrian Bouris	75,000	-	-	-	-	-	-	75,000
Owen Williams	68,493	-	-	6,507	-	-	-	75,000
John George	75,000	-	-	-	-	-	-	75,000
<i>Executive Directors:</i>								
Mark Bouris (Chairman)	1,125,000	-	-	-	-	-	320,000	1,445,000
<i>Other Key Management Personnel:</i>								
Matthew Lawler *	101,841	-	-	4,167	-	-	-	106,008
Richard Shaw	284,189	-	23,329	24,205	10,665	-	-	342,388
Scott Graham	350,000	-	(1,999)	30,479	333	-	-	378,813
Tim Brown *	160,110	-	-	9,808	-	-	-	169,918
Adam Youkhana	218,750	-	7,977	18,441	-	-	-	245,168
Andrew Rasby	182,775	-	4,807	14,908	-	-	-	202,490
Clive Kirkpatrick	173,081	-	1,169	9,500	-	-	-	183,750
	<u>2,814,239</u>	<u>-</u>	<u>35,283</u>	<u>118,015</u>	<u>10,998</u>	<u>-</u>	<u>320,000</u>	<u>3,298,535</u>

* Includes remuneration from beginning of the year to date of cessation as KMP within the consolidated entity.

Directors' Report

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	Total
	\$	\$	\$	\$	\$	\$	\$	\$
2016								
<i>Non-Executive Directors:</i>								
Adrian Bouris	75,000	-	-	-	-	-	-	75,000
Owen Williams	68,493	-	-	6,507	-	-	-	75,000
<i>Executive Directors:</i>								
Mark Bouris (Chairman)	1,125,000	-	-	-	-	-	476,250	1,601,250
<i>Other Key Management Personnel:</i>								
Matthew Lawler	375,000	-	(2,160)	25,000	10,509	-	-	408,349
Richard Shaw	265,811	-	3,934	25,000	3,213	13,214	-	311,172
Scott Graham	352,771	-	12,159	30,479	534	-	-	395,943
Tim Brown	319,635	91,324	12,305	27,984	6,814	-	-	458,062
Andrew Zanchetta	159,817	-	3,789	9,654	1,670	-	-	174,930
	<u>2,741,527</u>	<u>91,324</u>	<u>30,027</u>	<u>124,624</u>	<u>22,740</u>	<u>13,214</u>	<u>476,250</u>	<u>3,499,706</u>

Andrew Zanchetta ceased as a KMP on 31 December 2015 (remuneration above is from 1 July 2015 to 31 December 2015).

John George did not receive any remuneration during the financial year ended 30 June 2016. He was appointed as director on 3 June 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Adrian Bouris	100%	100%	-	-	-	-
Owen Williams	100%	100%	-	-	-	-
John George	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Mark Bouris	78%	72%	-	-	22%	28%
<i>Other Key Management Personnel:</i>						
Matthew Lawler	100%	100%	-	-	-	-
Richard Shaw	100%	97%	-	-	-	3%
Scott Graham	100%	100%	-	-	-	-
Tim Brown	100%	80%	-	20%	-	-
Andrew Zanchetta	-	100%	-	-	-	-
Adam Youkhana	100%	-	-	-	-	-
Andrew Rasby	100%	-	-	-	-	-
Clive Kirkpatrick	100%	-	-	-	-	-

Directors' Report

Service agreements

KMP have no entitlement to termination payments in the event of removal for misconduct.

Non-executive directors do not execute service agreements on appointment to the Board.

The Executive Chairman, Mark Bouris, is engaged under a consultancy agreement between the company and Golden Wealth Holdings Pty Limited ('GWH'), a company controlled by Mark Bouris. The term of the consultancy agreement expires on 31 July 2019. A maximum fee of \$1,125,000 per annum is payable under this agreement.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Performance rights

On 29 August 2014, GWH (controlled by Mark Bouris) was granted 10,000,000 performance rights over ordinary shares of the company in four equal tranches of 2,500,000 each as part of his remuneration. The vesting conditions attached to these performance rights is they will have a payoff of the full stock price only if the future stock price exceeds the share target prices which varies by tranches. The details of such grant of performance rights are as follows:

Grant date	Vesting date	Expiry date	Share price target for vesting	Fair value per option at grant date
29 August 2014	29 August 2016	29 August 2019	\$1.01	\$0.150
29 August 2014	29 August 2017	29 August 2019	\$1.21	\$0.150
29 August 2014	29 August 2018	29 August 2019	\$1.45	\$0.150
29 August 2014	29 August 2019	29 August 2019	\$1.74	\$0.140

The total fair value of the performance rights granted was \$1,475,000. The amount expensed during the year ended 30 June 2017 is \$320,000 (2016: \$476,000). Performance rights granted carry no dividend or voting rights. The performance rights do not vest unless the share price target for vesting is achieved.

Options

There were no options over ordinary shares granted to, or vested in, directors and other KMP as part of compensation during the year ended 30 June 2017.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Sales revenue	218,626	215,203	155,734	29,846	23,701
Profit/(loss) after income tax	1,035	(9,528)	(2,554)	(8,759)	(6,576)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	0.12	0.18	0.48	0.65	0.61
Basic earnings per share (cents per share)	0.37	(3.42)	(0.96)	(4.50)	(3.82)

Directors' Report

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mark Bouris	51,211,262	-	-	-	51,211,262
Adrian Bouris	3,155,400	-	-	-	3,155,400
Owen Williams	498,250	-	-	-	498,250
Matthew Lawler *	1,152,788	-	-	(1,152,788)	-
Richard Shaw	60,714	-	-	-	60,714
Tim Brown *	330,040	-	-	(330,040)	-
	<u>56,408,454</u>	<u>-</u>	<u>-</u>	<u>(1,482,828)</u>	<u>54,925,626</u>

* Disposals/other - represents the holding at the time of ceasing to be a KMP within the consolidated entity and not necessarily actual disposed.

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Mark Bouris*	10,000,000	-	-	-	10,000,000
	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>

* Performance rights were issued to GWH.

This concludes the remuneration report, which has been audited.

Options and performance rights

Share options and performance rights over unissued ordinary shares of Yellow Brick Road Holdings Limited issued at the date of this report are as follows:

Grant date	Expiry date	Number of options and performance rights
7 September 2011 *	30 September 2017	3,425,972
29 August 2014 **	29 August 2019	10,000,000
29 July 2015 ***	27 September 2017	168,268
29 July 2015 ***	31 October 2017	144,230
29 July 2015 ***	7 February 2018	38,461
29 July 2015 ***	31 March 2018	38,461
29 July 2015 ***	30 November 2019	92,307
29 July 2015 ***	27 September 2020	168,268
29 July 2015 ***	31 October 2020	144,230
29 July 2015 ***	7 February 2021	38,461
29 July 2015 ***	31 March 2021	38,461
29 July 2015 ***	30 November 2022	92,307
		<u>14,389,426</u>

Directors' Report

- * Options granted to Nine Entertainment Co. (ASX: NEC). One fifth of the options may vest each year based on specific Brand Performance hurdles being achieved. Exercise price is the greater of \$0.40 or 75% of the average yearly Volume-Weighted Average Prices ('VWAP') for each year since the year in which the relevant options were issued. There were no options vested or exercised in the year ended 30 June 2017.
- ** Performance rights granted to GWH, a company controlled by Mark Bouris. Refer to Note 28 for further details.
- *** Performance rights granted to the former Resi Branch owners. Refer to Note 35 for further details.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of the company issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

Directors' Report

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Bouris
Executive Chairman

30 August 2017
Sydney

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to the Directors of Yellow Brick Road Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Yellow Brick Road Holdings Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Madeleine Mattera
Partner - Audit & Assurance

Sydney, 30 August 2017

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Statement of profit or loss and other comprehensive income For the year ended 30 June 2017

	Note	Consolidated 2017 \$'000	2016 \$'000
Revenue from continuing operations	4	218,626	215,203
Share of profits of joint ventures accounted for using the equity method	32	1,327	737
Gain on acquisitions	30	-	883
Gain/(loss) on revaluation of underlying loan book		1,361	(3,903)
Expenses			
Commissions and consultancy expenses		(174,105)	(172,559)
Employee benefits expense		(17,358)	(17,141)
Depreciation and amortisation expense	5	(2,694)	(2,147)
Impairment of assets	5	-	(566)
Operating expenses		(10,596)	(16,140)
Occupancy expenses		(1,502)	(1,609)
Other non operating expenses	5	(846)	(2,149)
Finance costs	5	(11,994)	(13,336)
Profit/(loss) before income tax (expense)/benefit from continuing operations		2,219	(12,727)
Income tax (expense)/benefit	6	(973)	3,155
Profit/(loss) after income tax (expense)/benefit from continuing operations		1,246	(9,572)
Profit/(loss) after income tax expense from discontinued operations	7	(211)	44
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Yellow Brick Road Holdings Limited		1,035	(9,528)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		140	-
Other comprehensive income for the year, net of tax		140	-
Total comprehensive income for the year attributable to the owners of Yellow Brick Road Holdings Limited		<u>1,175</u>	<u>(9,528)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		1,386	(9,572)
Discontinued operations		(211)	44
		<u>1,175</u>	<u>(9,528)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of profit or loss and other comprehensive income For the year ended 30 June 2017

	Note	Consolidated 2017	2016
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	0.44	(3.44)
Diluted earnings per share	34	0.44	(3.44)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	(0.08)	0.02
Diluted earnings per share	34	(0.08)	0.02
Earnings per share for profit/(loss) attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	0.37	(3.42)
Diluted earnings per share	34	0.37	(3.42)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position As at 30 June 2017

		Consolidated	
	Note	2017	2016
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	8	5,073	6,854
Trade and other receivables	9	74,930	72,106
Deposits		469	466
Other	10	2,042	2,064
		<u>82,514</u>	<u>81,490</u>
Assets of disposal groups classified as held for sale	11	-	3,668
Total current assets		<u>82,514</u>	<u>85,158</u>
Non-current assets			
Trail commission receivables		217,853	184,666
Investments accounted for using the equity method		130	130
Available-for-sale financial assets		353	213
Property, plant and equipment	12	657	648
Intangibles	13	34,681	35,754
Other		1,907	2
Total non-current assets		<u>255,581</u>	<u>221,413</u>
Total assets		<u>338,095</u>	<u>306,571</u>
Liabilities			
Current liabilities			
Trade and other payables	14	71,616	71,940
Borrowings		251	-
Provisions	15	2,582	2,484
		<u>74,449</u>	<u>74,424</u>
Liabilities directly associated with assets classified as held for sale		-	179
Total current liabilities		<u>74,449</u>	<u>74,603</u>
Non-current liabilities			
Borrowings	16	8,320	7,404
Deferred tax	17	3,390	2,417
Provisions	18	157	105
Trail commissions payables		178,463	150,370
Total non-current liabilities		<u>190,330</u>	<u>160,296</u>
Total liabilities		<u>264,779</u>	<u>234,899</u>
Net assets		<u>73,316</u>	<u>71,672</u>
Equity			
Issued capital	19	109,792	109,672
Reserves	20	2,229	1,740
Accumulated losses		<u>(38,705)</u>	<u>(39,740)</u>
Total equity		<u>73,316</u>	<u>71,672</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes of equity For the year ended 30 June 2017

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015	108,924	1,208	(30,212)	79,920
Loss after income tax benefit for the year	-	-	(9,528)	(9,528)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(9,528)	(9,528)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	748	-	-	748
Share-based payments (note 35)	-	532	-	532
Balance at 30 June 2016	<u>109,672</u>	<u>1,740</u>	<u>(39,740)</u>	<u>71,672</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	109,672	1,740	(39,740)	71,672
Profit after income tax expense for the year	-	-	1,035	1,035
Other comprehensive income for the year, net of tax	-	140	-	140
Total comprehensive income for the year	-	140	1,035	1,175
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	120	-	-	120
Share-based payments (note 35)	-	349	-	349
Balance at 30 June 2017	<u>109,792</u>	<u>2,229</u>	<u>(38,705)</u>	<u>73,316</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		200,978	190,733
Payments to suppliers and employees (inclusive of GST)		(202,699)	(192,621)
		(1,721)	(1,888)
Interest received		47	159
Interest and other finance costs paid		(650)	(659)
Net cash used in operating activities	33	(2,324)	(2,388)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	30	-	(2,800)
Payment for expenses relating to acquisitions		(816)	-
Payments for property, plant and equipment		(258)	(77)
Payments for intangibles		(1,372)	(2,461)
Proceeds from disposal of business		1,932	-
Proceeds from disposal of investments		-	510
Net cash used in investing activities		(514)	(4,828)
Cash flows from financing activities			
Proceeds from borrowings		1,057	2,600
Proceeds from other loans		-	686
Net cash from financing activities		1,057	3,286
Net decrease in cash and cash equivalents		(1,781)	(3,930)
Cash and cash equivalents at the beginning of the financial year		6,854	10,784
Cash and cash equivalents at the end of the financial year	8	<u>5,073</u>	<u>6,854</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Yellow Brick Road Holdings Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Yellow Brick Road Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable.

Lending revenue includes the rendering of mortgage broking services and aggregation and management services. Wealth management revenue includes the rendering of investment and wealth management services and general insurance services.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services – Investment and wealth management services

Revenue for the provision of investment and wealth management services is recognised on an accruals basis in the period in which the financial service or advice is given.

Mortgage broking services - Origination commissions

Revenue from origination of mortgages is comprised of commission received at the time the loan is originated and a trailing commission which is received over the life of the loan. Origination commissions received are recognised as revenue on settlement of the loan. Commissions may be "clawed back" by lenders at a later date as per their individual policies.

Mortgage broking services - Trailing commissions

At the time of loan settlement, trailing commission revenue and the related receivable are recognised at fair value being the present value of the expected future trailing commissions to be received from the lending institution. An associated expense and payable to the franchisees and licensees is also recognised and measured at fair value being the present value of the expected future trailing commission payable to licensees.

Subsequent to initial recognition, both the trailing commission receivable and payable are measured at amortised cost. The carrying amounts of the receivable and payable are adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows at the original effective interest rate. Any resulting adjustment to the carrying value is recognised in profit or loss.

Refer to Note 2 for the significant assumptions and estimates in measuring commission revenue.

General insurance services

Commissions received from underwriters based on the value of insurance premiums written, are recognised as revenue when relevant insurance cover is established.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Yellow Brick Road Holdings Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'standalone taxpayer/separate taxpayer within a group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

A deferred tax benefit relating to previously unrecorded tax losses has been recognised to the extent they are expected to be utilised against the deferred tax liability acquired.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 - 90 days.

Receivables related to trailing commissions are recognised in accordance with the 'Revenue Recognition' accounting policy.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture are recognised in profit or loss and the share of the movements in equity are recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-25 years
Office equipment	4-25 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer/aggregator relationships

Customer and aggregator relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-9 years.

Brands

The Resi, Vow and Loan Avenue brand names acquired in the business combinations are assessed as having a finite useful life of three years for Resi and indefinite useful life for the last 2 brands.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

Other intangibles

Costs in relation to other minor intangibles, comprising mostly user interface platform, software and wealth book acquisitions, are amortised on a straight-line basis over the period of their expected benefit.

Impairment of non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit ('CGU') to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-90 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Loans and borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount and any consideration paid is recognised in profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible.

Liabilities for employee entitlements which have vested in the employee at reporting date are recognised as current liabilities notwithstanding that they are not expected to be settled within 12 months of reporting date as the consolidated entity does not have an unconditional right to defer settlement.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees and suppliers.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

The cost of equity-settled transactions is measured at fair value on grant date. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Yellow Brick Road Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Certain comparative in the statement of profit or loss and other comprehensive income have been reclassified to discontinued operations for consistency with the current period presentation.

Notes to the financial statements

Note 1. Significant accounting policies (continued)

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The main standards are listed below together with the applicability date:

AASB 9 'Financial Instruments', applicable to annual reporting periods beginning on or after 1 January 2018

This standard introduces new classification and measurement models for financial assets with no significant change for financial liabilities. There are new simpler hedge accounting requirements and an 'expected credit loss' model to recognise impairment allowance. The consolidated entity will adopt this standard from 1 July 2018, at the same time as AASB 15. The entity is currently assessing the impact of the reclassification and remeasurement of the trail commission receivable, as mentioned above, on the financial statements.

AASB 15 'Revenue from Contracts with Customers', applicable to annual reporting periods beginning on or after 1 January 2018

The core principle of this standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts to be identified, together with the separate performance obligations; determine the transaction price; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service; and recognition of revenue when each performance obligation is satisfied. Had the standard been adopted from 1 July 2017, the trail commission receivable would be reclassified as a 'contract asset' as the consolidated entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. Management are currently assessing the contracts to ascertain any such ongoing performance obligations. Due to the interplay with AASB 9, the consolidated entity will adopt both AASB 9 and AASB 15 from 1 July 2018 and the actual impact will depend on the contracts held by the consolidated entity as at 1 July 2018 and the transitional elections made at that time.

AASB 16 'Leases', applicable to annual reporting periods beginning on or after 1 January 2019

The standard replaces AASB 117 'Leases' and removes the operating lease classification. Instead, subject to short-life/low value exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, and a liability corresponding to the capitalised lease will also be recognised. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will therefore improve. Had the standard been adopted from 1 July 2017, and using the transitional rules available, the consolidated entity would have recognised a lease liability of \$3,690,000 with a corresponding increase in property, plant and equipment. However, the consolidated entity will adopt this standard from 1 July 2019 and the actual impact will depend on the operating lease assets held by the consolidated entity as at 1 July 2019 and the transitional elections made at that time.

Note 2. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Notes to the financial statements

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Revenue recognition

As disclosed in note 1, revenue from trailing commissions is initially recognised at fair value based on the future trailing commissions expected to be received and subsequently adjusted as necessary. The fair value is based on the estimated discounted cash flows expected to be received and reflects the expected life of the underlying loans and drop off rates.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Key assumptions are disclosed in note 13.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Lease make-good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Estimation of lending trail commissions

The consolidated entity recognises a receivable and payable for lending trail commissions at the inception of the lending contract where there is no further contractual obligation to provide a service. The asset and liability are measured at the expected future cash flows to be received or paid over the life of the loan allowing for a 'run off' of clients that discontinue their loan resulting in trail commissions no longer being receivable or payable. The asset is tested for impairment annually. The asset and liability are adjusted for any differences in the expected trail run off and the actual run off experienced. Historical experience, knowledge of the consolidated entity's client base and industry statistics have all been used to determine the appropriate level of assumed run off and the resulting net present value of lending trail commission balances receivable or payable. Key assumptions include a discount rate of 5-12.5% and a weighted average loan life of 4-5 years.

Recognition of deferred tax assets

The net deferred tax liability balance includes a deferred tax asset component that requires the consideration of realisation of carried forward tax losses of the consolidated entity. The extent to which deferred tax assets can be recognised and set off against the deferred tax liability is based on an assessment of the probability of the consolidated entity's future taxable income against which the deferred tax assets can be utilised.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity has identified that there are two operating segments based on the internal reports that are reviewed and used by the Executive Chairman and the Board (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing business performance and in determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Notes to the financial statements

Note 3. Operating segments (continued)

The CODM reviews various revenue and operating result metrics for each segment.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services provided by the segments are;

Lending	includes the rendering of mortgage broking services and aggregation and management services
Wealth management	includes the rendering of investment and wealth management services and general insurance services

Geographical information

All revenue was derived from customers in Australia and all non-current assets were held in Australia.

Major customers

During the year ended 30 June 2017 the consolidated entity had three major customers that contributed 13.4%, 14.8 and 14.2% respectively of total revenue each (2016: Three major customers contributing 15.0%, 14.6%, 15.8% of total revenue).

Operating segment information

	Lending \$'000	Wealth management \$'000	Other segments \$'000	Total \$'000
Consolidated - 2017				
Revenue				
Sales to external customers from continuing operations	194,381	10,426	-	204,807
Sales to external customers from discontinued operations	-	-	161	161
Total sales revenue	194,381	10,426	161	204,968
Other revenue	13,595	3	221	13,819
Total revenue	207,976	10,429	382	218,787
Segment operating result from continuing operations	21,617	(488)	-	21,129
Segment operating result from discontinuing operations			(211)	(211)
Group expenditure				(18,910)
Income tax expense				(973)
Profit after income tax expense				1,035
	Lending \$'000	Wealth management \$'000	Other segments \$'000	Total \$'000
Consolidated - 2016				
Revenue				
Sales to external customers from continuing operations	190,705	9,750	-	200,455
Sales to external customers from discontinued operations	-	-	2,762	2,762
Total sales revenue	190,705	9,750	2,762	203,217
Other revenue	14,515	3	230	14,748
Total revenue	205,220	9,753	2,992	217,965
Segment operating result from continuing operations	13,184	(173)	-	13,011
Segment operating result from discontinuing operations			44	44
Group expenditure				(25,738)
Income tax benefit				3,155
Loss after income tax benefit				(9,528)

Notes to the financial statements

Note 4. Revenue

	Consolidated	
	2017	2016
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Lending	194,381	190,705
Wealth management	10,426	9,750
	<u>204,807</u>	<u>200,455</u>
<i>Other revenue</i>		
Dividends	3	3
Interest	58	159
Discount unwind on trail commission receipts	13,595	14,515
Other	163	71
	<u>13,819</u>	<u>14,748</u>
Revenue from continuing operations	<u><u>218,626</u></u>	<u><u>215,203</u></u>

Notes to the financial statements

Note 5. Expenses

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	122	55
Office equipment	127	141
Total depreciation	249	196
<i>Amortisation</i>		
Customer relationships	1,081	989
Brands	514	220
Software	550	408
Other intangibles	300	334
Total amortisation	2,445	1,951
Total depreciation and amortisation	2,694	2,147
<i>Impairment</i>		
Goodwill (refer to note 13)	-	566
<i>Other non-operating expenses</i>		
Acquisition and integration expenses	801	2,076
Share-based payments expense (refer to note 19)	45	73
Total other non-operating expenses	846	2,149
<i>Finance costs</i>		
Interest and finance charges paid/payable	788	900
Discount unwind on trail commission payments	11,206	12,436
Finance costs expensed	11,994	13,336
Marketing expenses	3,393	8,967
Consultancy expenses	1,401	1,977
Options expense	349	532
Defined contribution superannuation expense	1,106	1,122
Rental expense relating to operating leases	1,230	954

Notes to the financial statements

Note 6. Income tax expense/(benefit)

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences	973	(3,155)
Aggregate income tax expense/(benefit)	<u>973</u>	<u>(3,155)</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Increase/(decrease) in deferred tax liabilities (note 17)	973	(3,155)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit from continuing operations	2,219	(12,727)
Profit/(loss) before income tax expense from discontinued operations	(211)	44
	<u>2,008</u>	<u>(12,683)</u>
Tax at the statutory tax rate of 30%	602	(3,805)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	42	41
Impairment of goodwill	-	170
Share-based payments	106	143
Deduction for YBRH direct to equity costs	4	2
Capital expenditure	85	178
Other adjustments	134	116
Income tax expense/(benefit)	<u>973</u>	<u>(3,155)</u>

Note 7. Discontinued operations

Description

The Company divested the accounting cash generating unit from the consolidated entity. Refer to Note 11 for further details.

Financial performance information

	Consolidated	
	2017	2016
	\$'000	\$'000
Revenue		
Wealth management	161	2,762
Expenses		
Commissions and consultancy expenses	(12)	(166)
Employee benefits expense	(175)	(1,849)
Operating expenses	42	(577)
Occupancy expenses	-	(126)
Loss on disposal of assets classified as held for sale	(227)	-
Total expenses	<u>(372)</u>	<u>(2,718)</u>
Profit/(loss) before income tax expense	(211)	44
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	<u>(211)</u>	<u>44</u>

Notes to the financial statements

Note 7. Discontinued operations (continued)

Cash flow information

	Consolidated	
	2017	2016
	\$'000	\$'000
Net cash used in operating activities	(132)	(812)
Net cash from financing activities	-	895
Net increase/(decrease) in cash and cash equivalents from discontinued operations	(132)	83

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash at bank	5,071	6,852
Cash on deposit	2	2
	5,073	6,854

Note 9. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade receivables	1,748	3,016
Less: Provision for impairment of receivables	(321)	(974)
	1,427	2,042
Other receivables	16,330	15,304
Trail commission receivables	57,173	54,760
	74,930	72,106

Impairment of receivables

The consolidated entity has recognised an expense of \$22,000 (2016: \$595,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
3 to 6 months overdue	30	347
Over 6 months overdue	291	627
	321	974

Notes to the financial statements

Note 9. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Opening balance	974	379
Additional provisions recognised	22	595
Classified as held for sale	(675)	-
Closing balance	<u>321</u>	<u>974</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$105,000 as at 30 June 2017 (\$273,000 as at 30 June 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
1 month overdue	-	134
2 months overdue	105	139
	<u>105</u>	<u>273</u>

The above information relates to trade receivables. All other financial assets, both current and non-current, are neither past due nor impaired.

Note 10. Current assets - other

	Consolidated	
	2017	2016
	\$'000	\$'000
Prepayments *	2,021	2,043
Other	21	21
	<u>2,042</u>	<u>2,064</u>

* Refer to note 28 for further information on related party prepayments of \$1,244,852 (2016: \$1,248,482).

Notes to the financial statements

Note 11. Current assets - assets of disposal groups classified as held for sale

On 23 September 2016, the sale of the accounting business was completed. The purchase price totalled approximately \$1,932,000 and was received in cash on completion date. A further \$2,750,000 is receivable over the next 5 years subject to payment set-off arrangements relating to the receipt of accounting services in the future.

The total loss on the sale of the practice was \$227,000 (Refer to note 7).

During the year net assets of \$5,038,574 including goodwill were sold as part of the sale agreements. The assets included trade receivables of \$1,382,000, provision for impairment of \$675,000, work in progress of \$207,000 and a liability for employee benefits of \$109,000.

	Consolidated	
	2017	2016
	\$'000	\$'000
Property, plant and equipment	-	6
Goodwill	-	3,662
	-	3,668

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2017	2016
	\$'000	\$'000
Leasehold improvements - at cost	1,326	1,205
Less: Accumulated depreciation	(1,096)	(974)
	230	231
Office equipment - at cost	2,422	2,279
Less: Accumulated depreciation	(1,995)	(1,862)
	427	417
	657	648

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2015	238	471	709
Additions	14	56	70
Additions through business combinations (note 30)	34	38	72
Classified as held for sale	-	(7)	(7)
Depreciation expense	(55)	(141)	(196)
Balance at 30 June 2016	231	417	648
Additions	121	137	258
Depreciation expense	(122)	(127)	(249)
Balance at 30 June 2017	230	427	657

Notes to the financial statements

Note 13. Non-current assets - intangibles

	Consolidated	
	2017	2016
	\$'000	\$'000
Goodwill - at cost	23,548	23,548
Customer relationships - at cost	8,472	8,472
Less: Accumulated amortisation	(2,894)	(1,813)
	<u>5,578</u>	<u>6,659</u>
Brands - at cost	2,139	2,139
Less: Accumulated amortisation	(1,039)	(525)
	<u>1,100</u>	<u>1,614</u>
Software - at cost	4,919	4,316
Less: Accumulated amortisation	(1,892)	(1,341)
	<u>3,027</u>	<u>2,975</u>
Other intangible assets - at cost	2,273	1,523
Less: Accumulated amortisation	(845)	(565)
	<u>1,428</u>	<u>958</u>
	<u><u>34,681</u></u>	<u><u>35,754</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$'000	Customer relationships \$'000	Brands \$'000	Software \$'000	Other \$'000	Total \$'000
Balance at 1 July 2015	27,776	7,276	1,695	1,684	600	39,031
Additions	-	-	-	1,555	692	2,247
Additions through business combinations (note 30)	-	372	139	352	-	863
Classified as held for sale	(3,662)	-	-	-	-	(3,662)
Impairment of assets	(566)	-	-	-	-	(566)
Write off of assets	-	-	-	(208)	-	(208)
Amortisation expense	-	(989)	(220)	(408)	(334)	(1,951)
Balance at 30 June 2016	23,548	6,659	1,614	2,975	958	35,754
Additions	-	-	-	602	770	1,372
Amortisation expense	-	(1,081)	(514)	(550)	(300)	(2,445)
Balance at 30 June 2017	<u><u>23,548</u></u>	<u><u>5,578</u></u>	<u><u>1,100</u></u>	<u><u>3,027</u></u>	<u><u>1,428</u></u>	<u><u>34,681</u></u>

Impairment testing for goodwill

Impairment testing was based on a value-in-use approach for all CGU's except Accounting (refer to Note 11 for further details on Accounting's impairment). For the CGU's tested, the recoverable amounts were determined to be higher than the carrying amount and therefore no impairment loss was recognised.

Value-in-use was determined by discounting future cash flows generated from the continuing use of the CGU's.

In the financial year ended 30 June 2017, assumptions have been determined separately for each CGU.

Notes to the financial statements

Note 13. Non-current assets - intangibles (continued)

The goodwill was allocated to the following CGUs:

	Consolidated	
	2017	2016
	\$'000	\$'000
Wealth Management	3,900	3,900
Lending	19,648	19,648
	<u>23,548</u>	<u>23,548</u>

Wealth Management

Valuations use cash flow projections that are based on historical performance, are extrapolated for a further five years, and include a terminal value. The growth rates are split by product and are based on industry growth figures.

The following assumptions have been used:

- 11.5% (2016: 11.5%) discount rate
- 10.7% to 6.3% (2016: -4.7% to 44.3%) per annum projected growth rate in subscription volumes
- 2.2% (2016: -9.0% to 17.6%) per annum increase in operating costs and overheads
- 4.1% (2016: 3.6%) terminal growth rate (Note the 20-year average industry growth rate is 8.1% p.a*)

Sensitivity analysis

Management has made judgements and estimates in respect of impairment testing of goodwill. The carrying amount of goodwill may decrease if these judgements and estimates do not occur. Management have performed sensitivity analysis as follows:

- An increase of 1% per annum in discount rate would result in a reduction in VIU headroom of approximately \$1.9m to \$5.2m. No impairment result.
- A reduction of 1% per annum in projected growth rate would result in a reduction in VIU headroom of approximately \$2.7m to \$4.5m. No impairment result.
- An increase of 1% per annum in the growth rate of operating costs and overheads would result in a reduction in VIU headroom of approximately \$1.0m to \$6.1m. No impairment result.
- A reduction of 1% in terminal growth will result in a reduction of VIU headroom of approximately \$1.6m to \$5.6m. No impairment result.

Lending

Valuations use cash flow projections that are based on historical performance, are extrapolated for a further six years, and include a terminal value. The growth rates are split by business unit and are based on industry growth figures. However, where a business growth is driven by factors which are independent of market movements, a growth rate greater than market may be used.

The following assumptions have been used:

- 13.8% (2016: 13.8%) discount rate.
- 3.6% to 6.7% (2016: -30.6% to 35.7%) per annum projected growth rate in loan settlement volumes
- 2.2% (2016: -13.7% to 3.2%) per annum increase in operating costs and overheads
- 5.3% (2016: 2.5%) terminal growth rate. (Note the 20-year average industry growth rate is 8.6% p.a**)

Notes to the financial statements

Note 13. Non-current assets - intangibles (continued)

Sensitivity analysis

Management have made judgements and estimates in respect of impairment testing of goodwill. The carrying amount of goodwill may decrease if these judgements and estimates do not occur. Management have performed sensitivity analysis as follows:

- a) An increase of 1% per annum in discount rate would result in a reduction in VIU headroom of approximately \$4.6m to \$2.2m. No impairment result.
- b) A reduction of 0.5% per annum in projected growth rate would result in a reduction in VIU headroom of approximately \$5.8m to \$1.0m. No impairment result.
- c) An increase of 1% per annum in the growth rate of operating costs and overheads would result in a reduction in VIU headroom of approximately \$4.1m to \$2.6m. No impairment result.
- d) A reduction of 1% in terminal growth will result in a reduction of VIU headroom of approximately \$3.4m to \$3.4m. No impairment result.

* Australian Bureau of Statistics (ABS): B15 Superannuation funds outside life offices and Life insurance offices- statutory funds; and B14 Other financial institutions.

** Australian Bureau of Statistics (ABS): Housing Finance series id A2437055C

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade payables	18,479	16,027
Trail commission payables	46,703	45,732
Accrued expenses	1,191	1,829
Income received in advance	735	751
Underwriter payables	347	377
Other payables	4,161	7,224
	<u>71,616</u>	<u>71,940</u>

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities - provisions

	Consolidated	
	2017	2016
	\$'000	\$'000
Employee benefits	1,717	1,814
Lease make-good	114	114
Clawback provision	751	556
	<u>2,582</u>	<u>2,484</u>

Lease make-good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Clawback provision

The provision represents the net clawback payable for the last 12 months by the consolidated entity to the funders/branches.

Notes to the financial statements

Note 15. Current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make-good \$'000	Clawback \$'000
Consolidated - 2017		
Carrying amount at the start of the year	114	556
Additional provisions recognised	-	195
	<u>114</u>	<u>751</u>

Note 16. Non-current liabilities - borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
Bank loans	8,400	7,600
Transaction costs	(80)	(196)
	<u>8,320</u>	<u>7,404</u>

Refer to note 22 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Bank loans	<u>8,651</u>	<u>7,600</u>

Notes to the financial statements

Note 16. Non-current liabilities - borrowings (continued)

Assets pledged as security

Bank loan facilities are financed by the Commonwealth Bank of Australia which are secured by a first ranking charge over all present and future acquired property of the consolidated entity.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2017	2016
	\$'000	\$'000
Total facilities		
Bank loans	9,600	10,800
Other loans	500	500
	<u>10,100</u>	<u>11,300</u>
Used at the reporting date		
Bank loans	8,651	7,600
Other loans	-	-
	<u>8,651</u>	<u>7,600</u>
Unused at the reporting date		
Bank loans	949	3,200
Other loans	500	500
	<u>1,449</u>	<u>3,700</u>

Note 17. Non-current liabilities - deferred tax

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Borrowings costs	308	-
Intangibles	2,000	2,473
Net trail commissions receivables/payables	14,932	12,972
Deferred tax asset in relation to cost of equity raising	(278)	(282)
Acquisition costs	(218)	(189)
Accruals	(1,318)	(1,279)
Tax losses	(12,036)	(11,349)
Other	-	71
Deferred tax liability, net	<u>3,390</u>	<u>2,417</u>
<i>Movements:</i>		
Opening balance	2,417	3,598
Charged/(credited) to profit or loss (note 6)	973	(3,155)
Additions through business combinations (note 30)	-	1,974
Closing balance	<u>3,390</u>	<u>2,417</u>

Notes to the financial statements

Note 18. Non-current liabilities - provisions

	Consolidated	
	2017	2016
	\$'000	\$'000
Employee benefits	157	105

Note 19. Equity - issued capital

	2017	2016	2017	2016
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	281,522,254	280,953,325	109,792	109,672

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2015	278,161,332		108,924
Shares issued to employees	21 October 2015	195,840	\$0.37	73
Shares issued to acquire the Loan Avenue business	2 June 2016	2,596,153	\$0.26	675
Balance	30 June 2016	280,953,325		109,672
Shares issued to employees	19 September 2016	280,468	\$0.16	45
Shares issued to acquire the Loan Avenue business	5 June 2017	288,461	\$0.26	75
Balance	30 June 2017	281,522,254		109,792

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Options and performance rights

At 30 June 2017, there were 3,425,972 (2016: 5,138,958) options over ordinary shares on issue. All the options had vested as at 30 June 2017. There were also 10,963,454 performance rights over ordinary shares on issue at 30 June 2017. There were no performance rights vested during the year.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

Notes to the financial statements

Note 19. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company, or in other growth initiatives, was seen as value adding.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Note 20. Equity - reserves

	Consolidated	
	2017	2016
	\$'000	\$'000
Share-based payments reserve	1,800	1,451
Available-for-sale assets revaluation reserve	324	184
Fair value reserve	105	105
	<u>2,229</u>	<u>1,740</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Available-for-sale assets revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Fair value reserve

The reserve is used to recognise the value of the discount applied to non-current financial liabilities in order to recognise them at their fair value in the statement of financial position.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$'000	Available-for sale assets revaluation \$'000	Fair value \$'000	Total \$'000
Balance at 1 July 2015	919	184	105	1,208
Option expense	532	-	-	532
Balance at 30 June 2016	1,451	184	105	1,740
Option expense	349	-	-	349
Available-for sale assets revaluation	-	140	-	140
Balance at 30 June 2017	<u>1,800</u>	<u>324</u>	<u>105</u>	<u>2,229</u>

Note 21. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 22. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity'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 consolidated entity. The consolidated entity 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, foreign and ageing analysis for credit risk.

Notes to the financial statements

Note 22. Financial instruments (continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Market risk

Foreign currency risk

The consolidated entity is not exposed to significant foreign currency risk.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

Interest rate risk arises from fluctuations in interest bearing financial assets or liabilities that the consolidated entity may have. The consolidated entity's main interest rate risk arises from its cash at bank and bank loans.

As at the reporting date, the consolidated entity had the following variable rate borrowings and cash and cash equivalents outstanding:

	2017		2016	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	0.98%	5,073	2.39%	6,854
Loans	6.26%	(8,651)	5.83%	(7,600)
Net exposure to cash flow interest rate risk		<u>(3,578)</u>		<u>(746)</u>

An official increase/(decrease) in interest rates of 100 (2016: 100) basis points would have favourable/(adverse) effect on profit before tax of \$35,500 (2016: favourable/adverse \$7,400) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts, forecasts.

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. 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 consolidated entity does not hold any collateral.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity. However, 44.56% (2016: 47.64%) of the value of trail commission receivable relates to loans provided by three financial institutions to customers of the consolidated entity. In the unlikely event that any of these APRA regulated financial institutions are subject to an insolvency event, the consolidated entity's obligation to remit future trail commission to its independent branch network would also be suspended pending future receipts, thereby mitigating the financial impact of any default to a point where it would have no material impact on the financial viability of consolidated entity.

The consolidated entity has a concentration of credit risk in relation to its bank balances and deposits to a number of Australian banks, other financial institutions and funds. The risk is mitigated due to the high credit rating of the banks, funds and government backed guarantees.

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Notes to the financial statements

Note 22. Financial instruments (continued)

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2017	2016
	\$'000	\$'000
Bank loans	949	3,200
Other loans	500	500
	<u>1,449</u>	<u>3,700</u>

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument 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. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	18,479	-	-	-	18,479
Other payables	-	4,161	-	-	-	4,161
Trail commission payables	-	46,703	39,395	79,562	59,505	225,165
Underwriter payables	-	347	-	-	-	347
Income received in advance	-	735	-	-	-	735
<i>Interest-bearing - fixed rate</i>						
Bank loans	6.26%	790	8,444	-	-	9,234
Total non-derivatives		<u>71,215</u>	<u>47,839</u>	<u>79,562</u>	<u>59,505</u>	<u>258,121</u>

Consolidated - 2016	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	16,027	-	-	-	16,027
Other payables	-	7,224	-	-	-	7,224
Trail commission payables	-	45,732	35,961	69,485	44,924	196,102
Underwriter payables	-	377	-	-	-	377
Income received in advance	-	751	-	-	-	751
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.83%	443	443	7,637	-	8,523
Total non-derivatives		<u>70,554</u>	<u>36,404</u>	<u>77,122</u>	<u>44,924</u>	<u>229,004</u>

Notes to the financial statements

Note 22. Financial instruments (continued)

Trail commission is based on expected maturity, not contracted maturity. Other maturities reflect contracted maturities.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 23. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2017				
<i>Assets</i>				
Available-for-sale financial assets	353	-	-	353
Total assets	353	-	-	353
Consolidated - 2016				
<i>Assets</i>				
Available-for-sale financial assets	213	-	-	213
Total assets	213	-	-	213

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying values of other financial assets and financial liabilities presented in these financial statements represent a reasonable approximation of fair value.

Notes to the financial statements

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	2,849,522	2,862,878
Post-employment benefits	118,015	124,624
Long-term benefits	10,998	22,740
Share-based payments	320,000	489,464
	<u>3,298,535</u>	<u>3,499,706</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and unrelated firms:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	264,313	222,589
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Taxation services	49,151	114,450
Advisory services	36,893	2,050
	<u>86,044</u>	<u>116,500</u>
	<u>350,357</u>	<u>339,089</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	19,160	24,000

Note 26. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2017 of \$1,199,000 (2016: \$1,199,000).

Notes to the financial statements

Note 27. Commitments

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,274	1,296
One to five years	2,704	4,622
	<u>3,978</u>	<u>5,918</u>
<i>Advertising commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	3,697
One to five years	14,847	11,150
	<u>14,847</u>	<u>14,847</u>

Operating lease commitments includes contracted amounts for office accommodation, under non-cancellable operating leases expiring within three to six years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 28. Related party transactions

Parent entity

Yellow Brick Road Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Joint ventures

Interests in joint ventures are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Notes to the financial statements

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Sale of goods and services:		
Sales to TZ Limited (director-related entity of Mark Bouris) - Accounting and secretarial services	56,096	56,096
Sales to TZ Limited (director-related entity of Mark Bouris) - Insurance services	12,645	170
Sales to TZ Limited (director-related entity of Mark Bouris) - Marketing services	-	60,000
Sales to TZ Limited (director-related entity of Mark Bouris) - Rent and administration services	171,960	171,960
Sales to State Capital Property Ltd (director-related entity of Mark Bouris) - Insurance services	11,310	13,933
Sales to parties related to Mark Bouris for insurance services	-	3,048
Sales to parties related to Adrian Bouris for insurance services	1,200	1,200
Sales to Macquarie Bank (shareholder - related entity) for commissions - Administration and brokerage services	16,094,804	19,957,586
Other income:		
Other income from Nine Entertainment Group (shareholder-related entity)	-	190,000
Payment for goods and services:		
Payment for consultancy services from Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris)	1,125,000	1,125,000
Purchases of services from Chifley Travel (director-related entity of Adrian Bouris)	24,958	28,227
Purchases of services from BBB Capital Pty Limited (director-related entity of Adrian Bouris) - Corporate finance services	144,000	340,000
Purchases for marketing services related to Nine Entertainment Group (shareholder-related entity) (refer Note a)	1,148,881	5,905,730
Payment for other expenses:		
Interest expense to Nine Entertainment Group (shareholder-related entity)	-	150,000

Other transactions:

On 29 August 2014 the consolidated entity issued GWH, a company controlled by Mark Bouris, 6,000,000 shares and 10,000,000 performance rights, at a fair value of \$4,200,000 and \$1,475,000 respectively as consideration of certain lock-in/lock-out and long term incentive arrangements with GWH and Mark Bouris. The fair value of the performance rights will be recognised as an expense over five years. The amount expensed for the financial year 30 June 2017 amounted to \$320,000 (2016: \$476,000).

Notes to the financial statements

Note 28. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2017	2016
	\$	\$
Current receivables:		
Trade receivables from TZ Limited (director-related entity of Mark Bouris)	41,810	41,810
Trade receivables from State Capital Property Ltd (director-related entity of Mark Bouris)	-	34,747
Prepayment from the Nine Entertainment Group (shareholder-related entity) (refer Note a)	1,244,852	1,248,482
Commissions from Macquarie Bank (shareholder - related entity)	4,232,396	4,548,088
Trade receivables from Nine Entertainment Group (shareholder-related entity)	-	209,000
Non-current receivables:		
Commissions from Macquarie Bank (shareholder - related entity)	14,779,465	13,110,467
Current payables:		
Rental expenses payable to State Capital Property Ltd (director-related entity of Mark Bouris)	-	33,000
Marketing and interest expenses payable to Nine Entertainment Group (shareholder-related entity)	3,185,390	3,460,882

Note a:

Nine Entertainment Group ('Nine') provided the consolidated entity \$6,490,000 in contra advertising in 2012 as part settlement for shares Nine acquired in the company. Advertising of \$3,630 (2016: \$560,816) was used during the year ended 30 June 2017, leaving an unused balance (prepayment) of \$1,244,852 (2016: \$1,248,482).

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2017	2016
	\$	\$
Non-current receivables:		
Loan to Smarter Money Investments Pty Ltd	143,021	139,787

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$'000	\$'000
Profit after income tax	16	1,414
Total comprehensive income	16	1,414

Notes to the financial statements

Note 29. Parent entity information (continued)

Statement of financial position

	Parent	
	2017 \$'000	2016 \$'000
Total current assets	53,130	42,037
Total assets	91,939	85,000
Total current liabilities	638	100
Total liabilities	8,958	2,504
Equity		
Issued capital	105,498	105,378
Share-based payments reserve	1,222	873
Available-for-sale assets revaluation reserve	1,009	1,009
Accumulated losses	(24,748)	(24,764)
Total equity	82,981	82,496

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries and joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the financial statements

Note 30. Business combinations

Comparative period

Loan Avenue Pty Ltd

On 31 May 2016, the consolidated entity acquired through its wholly-owned subsidiary, Loan Avenue Holdings Pty Ltd and the business and assets of privately-owned non-bank lender Loan Avenue Pty Ltd for total consideration of \$4,155,000. The acquired business contributed revenues of \$379,000 and net profit of \$92,000 to the consolidated entity for the period from 31 May 2016 to 30 June 2016.

Details of the acquisition are as follows:

	Fair value \$'000
Trade and other receivables	6,578
Plant and equipment	72
Intangible	511
Trade payables	(219)
Deferred tax liability	(1,974)
Other provisions	(82)
	<hr/>
Net assets acquired	4,886
Gain on acquisition *	(731)
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>4,155</u>
Representing:	
Cash paid or payable to vendor	2,600
Yellow Brick Road Holdings Limited shares issued to vendor	675
Deferred cash consideration	546
Earn-out	334
	<hr/>
	<u>4,155</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,155
Less: payments to be made in future periods	(880)
Less: shares issued by company as part of consideration	(675)
	<hr/>
Net cash used	<u>2,600</u>

Subject to satisfying certain earn-out conditions during the period ending on the first anniversary of completion, an additional amount of \$300,000 in cash, and up to \$75,000 of shares in the consolidated entity (issued at \$0.26 each) was payable as soon as Loan Avenue's relevant performance against the earn-out conditions was agreed or determined. The full amount of the earn-out was paid during the year ended 30 June 2017.

All consolidated entity shares issued are subject to a voluntary 12 months escrow period from the dates of their issue.

Notes to the financial statements

Note 30. Business combinations (continued)

Brightday

On 23 March 2016, the consolidated entity acquired 'Brightday', a web-based B2C investment business for the total consideration transferred of \$200,000.

Details of the acquisition are as follows:

	Fair value \$'000
Software and website	352
Net assets acquired	352
Gain on acquisition *	(152)
Acquisition-date fair value of the total consideration transferred	200
Representing:	
Cash paid or payable to vendor	(200)

* The gain on acquisition represents the difference between the fair value of the total consideration and the net assets acquired.

Notes to the financial statements

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Yellow Brick Road Group Pty Ltd	Australia	100.00%	100.00%
Skasgard Pty Ltd	Australia	100.00%	100.00%
Gessle Pty Ltd	Australia	100.00%	100.00%
Carithas Pty Ltd	Australia	100.00%	100.00%
Boreanaz Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Investment Partners Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Investment Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Accounting and Wealth Management Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Financial Planners Pty Ltd	Australia	100.00%	100.00%
Resi Wholesale Funding Pty Limited (formerly known as Yellow Brick Road Real Estate Pty Ltd)	Australia	100.00%	100.00%
Yellow Brick Road Finance Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Accounting and Taxation Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Wealth Management Pty Ltd	Australia	100.00%	100.00%
YBR Lawyers Pty Ltd	Australia	100.00%	100.00%
Resi Mortgage Corporation Pty Limited	Australia	100.00%	100.00%
Vow Financial Holding Pty Limited	Australia	100.00%	100.00%
Vow Financial Group Pty Ltd	Australia	100.00%	100.00%
The Mortgage Professionals Pty Ltd	Australia	100.00%	100.00%
Vow Financial Pty Ltd	Australia	100.00%	100.00%
The Money Factory Pty Ltd	Australia	100.00%	100.00%
NBG Holdings Pty Ltd	Australia	100.00%	100.00%
Vow Wealth Management Pty Ltd	Australia	100.00%	100.00%
The Mortgage Architects Pty Ltd	Australia	100.00%	100.00%
The Wealth Architects Pty Ltd	Australia	100.00%	100.00%
Ironbark Mortgage Solutions Pty Ltd	Australia	100.00%	100.00%
NBG Pty Ltd	Australia	100.00%	100.00%
FASA Pty Ltd	Australia	100.00%	100.00%
Australian Property Finance Pty Ltd	Australia	100.00%	100.00%
NBG Leasing Pty Ltd	Australia	100.00%	100.00%
Select Mortgage Finance Pty Ltd	Australia	100.00%	100.00%
Vow Financial Planning Pty Ltd	Australia	100.00%	100.00%
Loan Avenue Holdings Pty Ltd	Australia	100.00%	100.00%
Money Management Pty Ltd	Australia	100.00%	100.00%

Note 32. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Smarter Money Investments Pty Ltd	Funds management	50.00%	50.00%

Notes to the financial statements

Note 32. Interests in joint ventures (continued)

Summarised financial information

	2017 \$'000	2016 \$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	143	62
Trade and other receivables	536	247
Total assets	679	309
Trade and other payables	255	156
Other liabilities	424	148
Total liabilities	679	304
Net assets	-	5
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	2,557	1,633
Expenses	(1,230)	(896)
Profit before income tax	1,327	737
Other comprehensive income	-	-
Total comprehensive income	1,327	737

Note 33. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated 2017 \$'000	2016 \$'000
Profit/(loss) after income tax (expense)/benefit for the year	1,035	(9,528)
Adjustments for:		
Depreciation and amortisation	2,694	2,147
Impairment of goodwill	-	566
Write off of non-current assets	-	172
Share-based payments	349	605
Other expenses - non-cash (Prepayment with Nine)	-	561
Net change on the present value of trail commissions	(6,536)	(447)
Interest received non-cash	(11)	-
Interest paid non-cash	138	242
Gain on acquisitions	-	(883)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(931)	(258)
Decrease in prepayments	19	254
Decrease in other operating assets	12	530
Increase in trade and other payables	701	5,143
Increase/(decrease) in deferred tax liabilities	973	(3,155)
Increase/(decrease) in employee benefits	(45)	609
Increase/(decrease) in other operating liabilities	(722)	1,054
Net cash used in operating activities	(2,324)	(2,388)

Notes to the financial statements

Note 34. Earnings per share

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited	1,246	(9,572)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	281,192,868	278,502,949
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	963,454	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,156,322	278,502,949
	Cents	Cents
Basic earnings per share	0.44	(3.44)
Diluted earnings per share	0.44	(3.44)
	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(211)	44
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	281,192,868	278,502,949
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	963,454	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,156,322	278,502,949
	Cents	Cents
Basic earnings per share	(0.08)	0.02
Diluted earnings per share	(0.08)	0.02
	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited	1,035	(9,528)

Notes to the financial statements

Note 34. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	281,192,868	278,502,949
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	963,454	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>282,156,322</u>	<u>278,502,949</u>
	Cents	Cents
Basic earnings per share	0.37	(3.42)
Diluted earnings per share	0.37	(3.42)

The options granted to Nine Entertainment Group (Nine) and Golden Wealth Holdings Pty Ltd. (GWH) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2017. These options could potentially dilute basic earnings per share in the future.

Note 35. Share-based payments

8,564,930 options were granted to a subsidiary of the Nine Entertainment Group, Pink Platypus Pty Ltd ('Nine'), in 2011. At the reporting date, 3,425,972 options held by Nine had vested and were exercisable.

The vesting conditions are as follow; one fifth of the options may vest each year based on specific Brand Performance hurdles being achieved. Exercise price is the greater of \$0.40 or 75% of the average yearly Volume-Weighted Average Prices ('VWAP') for each year since the year in which the relevant options were issued. There were no options vested and exercised in the year ended 30 June 2017.

Set out below are summaries of options granted to Nine:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/09/2011	30/09/2017	\$0.00	5,138,958	-	-	(1,712,986)	3,425,972
			<u>5,138,958</u>	<u>-</u>	<u>-</u>	<u>(1,712,986)</u>	<u>3,425,972</u>

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/09/2011	30/09/2017	\$0.00	6,851,944	-	-	(1,712,986)	5,138,958
			<u>6,851,944</u>	<u>-</u>	<u>-</u>	<u>(1,712,986)</u>	<u>5,138,958</u>

The weighted average share price during the financial year was \$0.15 (2016: \$0.32).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.25 years (2016: 1.25 years).

The amount expensed in the financial year ended 30 June 2017 amounted to \$Nil (2016: \$Nil).

Notes to the financial statements

Note 35. Share-based payments (continued)

Set out below details of the performance rights granted:

2017

Grant date	Expiry date	Fair value at granted date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.14	2,500,000	-	-	-	2,500,000
29/07/2015	27/09/2017	\$0.23	168,268	-	-	-	168,268
29/07/2015	31/10/2017	\$0.23	144,230	-	-	-	144,230
29/07/2015	07/02/2018	\$0.21	38,461	-	-	-	38,461
29/07/2015	31/03/2018	\$0.21	38,461	-	-	-	38,461
29/07/2015	30/11/2019	\$0.21	92,307	-	-	-	92,307
20/07/2015	27/09/2020	\$0.18	168,268	-	-	-	168,268
20/07/2015	31/10/2020	\$0.18	144,230	-	-	-	144,230
20/07/2015	07/02/2021	\$0.18	38,461	-	-	-	38,461
20/07/2015	31/03/2021	\$0.18	38,461	-	-	-	38,461
20/07/2015	30/11/2022	\$0.18	92,307	-	-	-	92,307
			10,963,454	-	-	-	10,963,454

The weighted average remaining contractual life of performance rights issued in August 2014, and outstanding at the end of the financial year was two years and one month.

The weighted average remaining contractual life of other performance rights issued, and outstanding at the end of the financial year was four years.

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	31/07/2019	\$0.14	2,500,000	-	-	-	2,500,000
29/07/2015	27/09/2017	\$0.23	-	168,268	-	-	168,268
29/07/2015	31/10/2017	\$0.23	-	144,230	-	-	144,230
29/07/2015	07/02/2018	\$0.21	-	38,461	-	-	38,461
29/07/2015	31/03/2018	\$0.21	-	38,461	-	-	38,461
29/07/2015	30/11/2019	\$0.21	-	92,307	-	-	92,307
20/07/2015	27/09/2020	\$0.18	-	168,268	-	-	168,268
20/07/2015	31/10/2020	\$0.18	-	144,230	-	-	144,230
20/07/2015	07/02/2021	\$0.18	-	38,461	-	-	38,461
20/07/2015	31/03/2021	\$0.18	-	38,461	-	-	38,461
20/07/2015	30/11/2022	\$0.18	-	92,307	-	-	92,307
			10,000,000	963,454	-	-	10,963,454

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' declaration


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Bouris
Executive Chairman

30 August 2017
Sydney

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report to the Members of Yellow Brick Road Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Yellow Brick Road Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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.

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Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment (Note 13)</p> <p>At 30 June 2017, the carrying value of goodwill was \$23.55 million.</p> <p>AASB 136 <i>Impairment of Assets</i> requires that, for the purpose of impairment testing, goodwill acquired in a business combination be allocated to each of the Group's cash-generating units ("CGUs"). Each CGU to which goodwill has been allocated must be tested for impairment annually.</p> <p>Management has assessed that the group has four CGUs, and has allocated the goodwill and other intangible assets to these CGUs.</p> <p>Management has tested the CGUs for impairment by comparing their carrying amounts with their recoverable amounts. The recoverable amounts were determined using value-in-use model.</p> <p>We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGU's and calculating the recoverable amount.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's identification of CGUs and the calculation of the recoverable amount for the CGU; • evaluating the value in use models against the requirements of AASB 136 <i>Impairment of Assets</i>, including consultation with our Corporate Finance experts; • with the assistance of our Corporate Finance experts, reviewing management's value-in-use calculations to critically assess inputs and assumptions applied, including: <ul style="list-style-type: none"> – evaluating management's ability to perform accurate estimates by comparing historical forecasting to actual results; – challenging the associated underlying forecast cash flows and comparing key assumptions to historical results, business trends, economic and industry forecasts; and – agreeing discount rates applied to forecast future cash flows; and • testing the mathematical accuracy of the calculation; • performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and • assessing the adequacy of financial report disclosures.
<p>Capitalised intangible assets (Note 13)</p> <p>At 30 June 2017, the Group has a carrying value of capitalised intangible assets totalling \$4.46 million relating to software and development projects.</p> <p>In accordance with AASB 138 <i>Intangible Assets</i> internally generated assets are recognised if it can be demonstrated that it is identifiable, able to be controlled, and will provide future economic benefits to the Group.</p> <p>This is a key audit matter due to the judgments and estimates required in determining whether the requirements of AASB 138 are satisfied.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • understanding and documenting management's process to capitalise intangible assets by obtaining their position papers and assessment of recognition in accordance assessing the company's accounting policy with the requirements of AASB 138; • testing a sample of amounts capitalised to supporting documentation and assessing compliance with the recognition criteria of AASB 138; • reviewing management's cash flow forecasts, including the evaluation of assumptions, supporting the generation of future economic benefits from the capitalised costs; and • assessing the adequacy of the related disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment (Note 13)</p> <p>At 30 June 2017, the carrying value of goodwill was \$23.55 million.</p> <p>AASB 136 <i>Impairment of Assets</i> requires that, for the purpose of impairment testing, goodwill acquired in a business combination be allocated to each of the Group's cash-generating units ("CGUs"). Each CGU to which goodwill has been allocated must be tested for impairment annually.</p> <p>Management has assessed that the group has four CGUs, and has allocated the goodwill and other intangible assets to these CGUs.</p> <p>Management has tested the CGUs for impairment by comparing their carrying amounts with their recoverable amounts. The recoverable amounts were determined using value-in-use model.</p> <p>We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGU's and calculating the recoverable amount.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's identification of CGUs and the calculation of the recoverable amount for the CGU; • evaluating the value in use models against the requirements of AASB 136 <i>Impairment of Assets</i>, including consultation with our Corporate Finance experts; • with the assistance of our Corporate Finance experts, reviewing management's value-in-use calculations to critically assess inputs and assumptions applied, including: <ul style="list-style-type: none"> – evaluating management's ability to perform accurate estimates by comparing historical forecasting to actual results; – challenging the associated underlying forecast cash flows and comparing key assumptions to historical results, business trends, economic and industry forecasts; and – agreeing discount rates applied to forecast future cash flows; and • testing the mathematical accuracy of the calculation; • performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and • assessing the adequacy of financial report disclosures.
<p>Capitalised intangible assets (Note 13)</p> <p>At 30 June 2017, the Group has a carrying value of capitalised intangible assets totalling \$4.46 million relating to software and development projects.</p> <p>In accordance with AASB 138 <i>Intangible Assets</i> internally generated assets are recognised if it can be demonstrated that it is identifiable, able to be controlled, and will provide future economic benefits to the Group.</p> <p>This is a key audit matter due to the judgments and estimates required in determining whether the requirements of AASB 138 are satisfied.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • understanding and documenting management's process to capitalise intangible assets by obtaining their position papers and assessment of recognition in accordance assessing the company's accounting policy with the requirements of AASB 138; • testing a sample of amounts capitalised to supporting documentation and assessing compliance with the recognition criteria of AASB 138; • reviewing management's cash flow forecasts, including the evaluation of assumptions, supporting the generation of future economic benefits from the capitalised costs; and • assessing the adequacy of the related disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Long-term Trail Commission (Note 9 and 14) The Group recognised a net trail commission receivable asset of \$49.86 million at 30 June 2017. The value of the asset is based on an external expert valuation. The valuation of the net trail commission balance is considered to be a key audit matter because of judgement applied in respect to key inputs, including run off rate, as well as the valuation methodology.	Our procedures included, amongst others: <ul style="list-style-type: none"> obtaining and assessing findings of external expert valuation report; assessing the reasonableness of key assumptions in the model by comparing to historical internal information and available market data; and performing a sensitivity analysis on the key assumptions; evaluating of the qualifications and expertise of management's valuation expert in order to assess their professional competence and capabilities as they relate to the work undertaken; and assessing the adequacy of the related disclosures in the financial statements.
Revenue recognition (Note 4) Revenue totalled \$218.63 million for the year ending 30 June 2017, and is the largest item in the Statement of Profit or Loss. This is a key audit matter given the significance of the balance, volume of transactions and complexity of revenue streams.	Our procedures included, amongst others: <ul style="list-style-type: none"> evaluating and performing a walkthrough of management's processes and internal controls regarding the recognition of revenue; testing key controls in the revenue recognition process and verifying their operating effectiveness through re-performance; assessing the revenue recognition policies for appropriateness and compliance with AASB 118 <i>Revenues</i>, as well as reviewing consistency with the prior year; testing a sample of revenue transactions back to source documents to assess recognition criteria in line with the requirements of AASB 118 <i>Revenues</i>; performing disaggregated monthly analytical procedures for key revenue streams to identify and investigate unusual or unexpected fluctuations; testing a sample of commissions before and after the balance sheet date to ascertain whether those transactions were recognised in the correct period; and assessing the adequacy of the related disclosures in the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the

Shareholder Information

The shareholder information set out below was applicable as at 19 October 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	292
1,001 to 5,000	792
5,001 to 10,000	461
10,001 to 100,000	816
100,001 and over	158
	<u>2519</u>
Holding less than a marketable parcel	<u>801</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
MACQUARIE BANK LIMITED <STRATEGIC INVESTMENTS A/C>	51,020,919	18.12
PINK PLATYPUS PTY LIMITED	49,592,858	17.62
GOLDEN WEALTH HOLDINGS PTY LTD	51,211,262	18.19
ONE MANAGED INVT FUNDS LTD <1 A/C>	18,074,969	6.42
SANDINI PTY LTD <KARRATHA RIGGING UNIT A/C>	5,663,000	2.01
ELLISON (WA) PTY LIMITED	4,285,715	1.52
PROZMART PTY LTD <CHRISTIE FAMILY A/C>	3,517,858	1.25
MR ADRIAN JOHN BOURIS	3,130,400	1.11
MRS LINDA SALA TENNA	2,975,000	1.06
V WASP PTY LIMITED <THE PETER JAMES S/BEN'S A/C>	2,946,429	1.05
MR STEPHEN JAMES LAMBERT + MRS RUTH LYNETTE LAMBERT + MR SIMON LEE LAMBERT <LAMBERT RETIREMENT A/C>	2,890,625	1.03
B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	2,000,000	0.71
BLUE ONION CAPITAL PTY LTD <BLUE ONION CAPITAL A/C>	1,885,958	0.67
COLLO FAMILY HOLDINGS PTY LTD <PJ AND MA COLLINS FAMILY A/>	1,785,325	0.63
YBR NOMINEES PTY LTD	1,757,397	0.62
CARRIER INTERNATIONAL PTY LIMITED <SUPER FUND A/C>	1,551,440	0.55
COOLAH HOLDINGS PTY LTD <LAMBERT FAMILY A/C>	1,300,000	0.46
MURREN NOMINEES PTY LTD <HAANSE FAMILY A/C>	1,283,898	0.46
IDA TAN	1,173,900	0.42
MR BARRY HAYWARD <BH FUND A/C>	1,160,000	0.41
	<u>209,206,953</u>	<u>74.31</u>

Shareholder Information

Unquoted equity securities

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
NINE ENTERTAINMENT GROUP	Unlisted options	5,138,958
GOLDEN WEALTH HOLDINGS PTY LIMITED	Performance rights	10,000,000
Former RESI branch owners	Performance rights	963,454

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
GOLDEN WEALTH HOLDINGS PTY LTD	51,695,187	18.36
MACQUARIE BANK LIMITED (STRATEGIC INVESTMENTS A/C)	51,020,919	18.12
NINE ENTERTAINMENT GROUP	49,592,858	17.62
MERCANTILE INVESTMENT COMPANY LIMITED	18,074,969	6.42

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and performance rights

No voting rights

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	The escrow deed prevents Golden Wealth Holdings Pty Limited from disposing of shares within the defined escrow period, ending on 29 August 2016	1,500,000
Ordinary shares	The escrow deed prevents Golden Wealth Holdings Pty Limited from disposing of shares within the defined escrow period, ending on 29 August 2017	1,500,000
Ordinary shares	The escrow deed prevents Golden Wealth Holdings Pty Limited from disposing of shares within the defined escrow period, ending on 29 August 2018	1,500,000
		<u>4,500,000</u>







YellowBrickRoad
Wealth Management

Yellow Brick Road Holdings Limited
Mezzanine Level, 1 Chifley Square
Sydney, NSW 2000

ybr.com.au