



**YellowBrickRoad**  
Wealth Management

Yellow Brick Road **Annual Report 2018**



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# Executive Chairman's Report

Dear Shareholders,

The original rationale for establishing Yellow Brick Road was to address an unmet need in the financial services sector for an alternate lender and adviser. Our strategy, the provision of broad wealth creation solutions through a proven mortgage-based customer acquisition model, remains unchanged.

The mortgage and broader financial services sectors have undergone a structural shift in last 12 months. Increasing macro-prudential and other regulatory controls are impacting more onerously on the larger established banks and financial institutions. These changes present opportunities for a young, agile business such as ours.

During the 2018 financial year, we worked towards our goal of a lower cost and more efficient operation. We enhanced the overall team by recruiting highly skilled, experienced and market respected executives and revised our organisational structure to align distribution, manufacturing, funding and support areas. We also made significant investments in real-time systems and tools to align our management, network and clients.

We are now positioned to leverage our distribution base of over 1,300 predominantly mortgage-based business writers, to drive future profitability with greater product diversification and increased wealth engagement.

## **FY18 Business Rebuild**

During the year we rationalised the Vow and YBR distribution network to improve efficiency – doing more with less. We actively managed and filtered out non-producing franchisees from the YBR network, thereby enhancing the quality and productivity of the distribution network overall.

We invested significantly in innovative fintech solutions to offer enhanced technological capabilities to our broker members, and this has positioned us as a leading innovator within the industry. Our \$3.4m investment in new systems and platforms will help to attract more brokers from around the country and ultimately drive higher lending and wealth volumes.

Some of these investments include:

- *Vownet* - a customised, state-of-the-art lending, advice and compliance CRM, replacing the previous system, Symmetry.
- *Money Manager* - a sophisticated tool that provides the YBR network with the tools to navigate changing credit underwriting requirements while strengthening the responsible lending process.
- *Business Intelligence* - a platform that delivers business reporting, with real-time analytics and trend analysis.
- *YBR & Vow Professional* - a market-leading compliance and training platform, specifically designed for the YBR and Vow networks. It provides scalable and efficient compliance and training capabilities which can be rolled out externally.

Along with implementing more advanced and sophisticated IT systems, we have also restructured the architecture of our workforce, resulting in a more efficient and effective outfit.

## Distribution

The YBR Group has a significant national mortgage distribution network of both independent and branded brokers in cities, towns and neighbourhoods right across Australia. We utilise diversified business models suited to their maturity and preference, direct to customer channels and wholesale mortgage provision.

Our distribution network includes:

- *The YBR-branded physical "shopfront"* franchise network. We now have a footprint of 117 YBR contracted and active franchisees with over 180 accredited business writers.
- *The Vow "independent broker"* network. Vow is estimated to be the 4th largest mortgage aggregator in Australia with a footprint of 529 independent active broking firms, totalling over 1200 accredited business writers.
- *The Resi/Loan Avenue "mortgage manager"* wholesale business. This business has a credit decisioning capacity, which is important as it adds greater control over the certainty and speed of approval and direction of allocation of funding of any mortgage application. It also allows the YBR Group to be a "manufacturer" of mortgage products via separate wholesale funding lines.

## Product

We aim to meet emerging areas of demand in the lending market by product diversification. Opportunities we will target include commercial lending, equipment finance and small business lending.

We believe market timing is now ripe to establish our own securitisation program, especially as the banking royal commission and regulation are causing the major banks to pull away from certain categories of lending products.

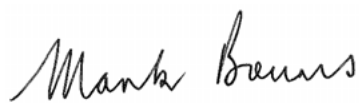
Securitisation will allow YBR to fill this gap by distributing our own products. It will give us greater ownership of the mortgage value chain and allow us to share in the funding margins.

At the heart of the YBR value proposition is offering our clients a financial partnership for life - and our wealth business delivers this value to Australians. With more than 70 active wealth branches, the expansion of our "Pathways to Wealth" program and increased penetration of the wealth product suite into the YBR and Vow networks gives us the opportunity to drive strong growth in this emerging part of our business.

The past year has been very much about creating a solid and sustainable platform for accelerating success through a carefully managed program of network optimisation, product and platform innovations and the creation of continuing development pathways for all staff. We have been working hard "under the bonnet" to improve the engine.

We have a clear vision, backed by a calculated, yet logical strategy, and a team of highly capable industry experts leading the way. With a strong brand presence across Australia, a value proposition that puts the customer first, and a significant distribution network, we are well positioned to take advantage of emerging market opportunities.

Regards,



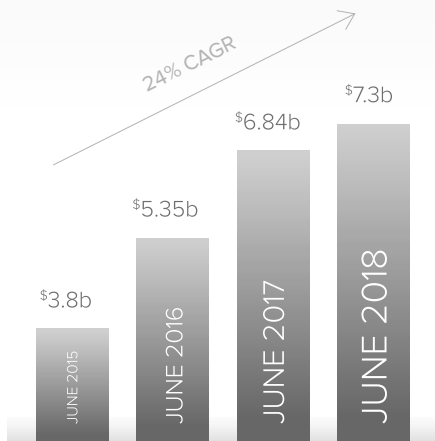
**Mark Bouris**  
Executive Chairman



**SETTLEMENTS**  
\$2.2b



**UNDERLYING  
LOAN BOOK**  
increased by 7%  
to \$7.3b



**UNDERLYING LOAN BOOK (\$b)**  
SOURCE: YBR

## Lending

General Manager: Glenn Gibson

### At the heart of Yellow Brick Road is community

YBR branches are in neighbourhoods throughout Australia. That's where we connect with our clients and help them achieve their dreams.

In FY18, the YBR retail division grew its underlying mortgage book to \$7.3b, up \$452m from the previous year, with mortgage settlements averaging \$185m per month.

A strategic focus in FY18 has been to rationalise the YBR distribution network, to help pave the way for greater efficiency and drive greater productivity. As a result of this initiative, non-producing branches were selectively managed and filtered from the network, enhancing the overall quality of the YBR network.

With 117 branches throughout Australia, the number of staff operating at the branches grew to 306, demonstrating confidence in the YBR brand and increasing the productivity delivered per branch.

The introduction of enhanced business intelligence during the year delivered a greater understanding of not only the YBR business but also comprehensive details and analysis at an individual writer level. This enabled us to help the branches achieve greater efficiency and productivity.

This knowledge, combined with our commitment to implementing the recommendations of the Combined Industry Forum, means that we are taking a proactive approach to ensure we deliver the best outcomes for our clients.

With plans to diversify the YBR revenue base by creating a broader product offering through mortgages, small business and wealth, YBR will be able to better service the needs of our clients, setting up the retail business for increasing future profitability.

# Y Wealth

General Manager: Adam Youkhana

## Our wealth services help us to empower Australians

Progress in key strategic areas, strong performance of Smarter Money Investments (SMI) and investment in innovation and technology are the key outcomes YBR Wealth achieved in FY18.

Strong sales of our high-margin cash/fixed products within the SMI suite of funds contributed significant growth in both revenue and underlying Funds Under Management.

Overall, in FY18, the YBR wealth business had Funds Under Management (attributable to YBR via its 50% indirect SMI interests and its other 100% direct interests) of \$1.049b.

Strong channel penetration for the life insurance and general insurance divisions also produced positive results in FY18. Life Insurance Premiums Under Management increased by 11% to \$18.2m and general insurance gross written Premiums Under Management rose to \$6.89m, representing an increase of 3%.

Our 'Pathways to Wealth' program (Create, Protect, Transfer) is at the heart of the YBR value proposition of being our clients' financial partner for life, and expansion of this program was a key initiative for the business.

As such, in FY18 we expanded 'Pathways to Wealth' to over 70 branches with ability for them to leverage advice specialists through franchise advisers, head office, and our new virtual insurance advice service - making our wealth services more accessible to the branches than ever before.

We are also reaping the benefits of investing in the innovative Money Manager tool, which is helping us to empower our branches and arm our clients with technology that helps them achieve their financial goals.

Our refined YBR investment services licensee (ExchangelQ) has been established to recruit commercially focussed Independent Financial Adviser (IFA) practices. This will enable revenue capture while using our existing advice, operations and compliance capabilities to attract advisers currently earning revenue for other groups.

With Wealth pathways imbedded, SMI on a strong growth trajectory and the launch of ExchangelQ to open up dealer group services, FY19 is set to be a strong year for YBR Wealth.



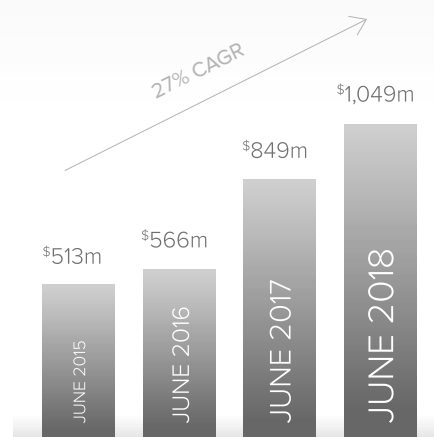
### UNDERLYING FUM

increased by 24% to \$1,05b



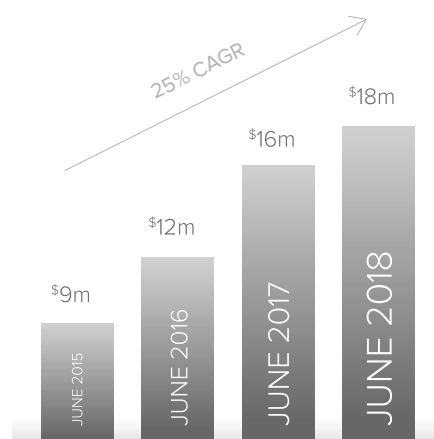
### PUM

increased by 11%



### FUNDS UNDER MANAGEMENT (\$m)

SOURCE: YBR



### LIFE INSURANCE PREMIUMS UNDER MANAGEMENT (\$m)

SOURCE: YBR



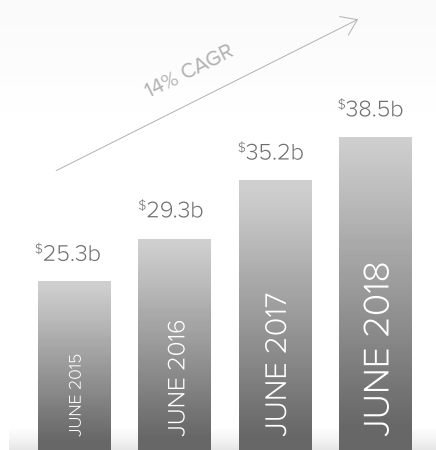
### UNDERLYING LOAN BOOK

increased by 9%  
to \$38.5b



### SETTLEMENTS

\$11.4b



### UNDERLYING LOAN BOOK (\$b)

SOURCE: YBR



General Manager: Clive Kirkpatrick

## Vow Financial – driving lending scale and product diversification

In FY18, Vow Financial achieved 9.4% growth in its underlying mortgage book, up from \$35.2b in the previous year to \$38.5b.

It is encouraging to note that this growth was achieved against the backdrop of tightening serviceability criteria by the lenders, triggered by the banking royal commission, and the changes in credit policy introduced through APRA's new macro-prudential controls.

With the average mortgage settlements edging close to \$1b per month (\$948m as of June 2018) this is an achievement that shows the strength and resilience of the Vow network.

In FY18, Vow Financial launched a new advice and compliance CRM platform – Vownet.

This customised, market-leading platform is designed to automate and streamline the compliance process for our broker partners, delivering increased efficiencies across the entire network.

The new fintech solution was rolled out nationwide, state-by-state, and was fully implemented in FY18. It has been very well received by the network and we have already started to attract new broker groups to the business. We expect this trend to continue well into FY19, driving an increase in settlement volumes.

Further to this, Vow Financial expanded its commercial and equipment finance offering into the YBR broker group and partnered with Platform Consolidated Group, which is the largest platform group in Australia.

This partnership gives us access to a better product selection platform, a broader product suite and better opportunities to provide Vow brokers with diversified income streams – helping us deliver the tools that provide holistic solutions to customers.

With key critical enhancements made to the network, internal processes better optimised for more efficiency, and a broader product offering, Vow Financial is well positioned to attract more broker partners in FY19 and increase its market share in mortgage settlement volumes throughout Australia.

## Financials

Chief Financial Officer: Richard Shaw

### Investment for the future

In FY18, the company recorded a small Comprehensive Net Loss of \$0.64m. This result, which was \$1.8m less than the \$1.2m profit reported in FY17, was mainly impacted by a \$5.1m reduction in the contribution from non-cash revenue. Importantly, the company improved its operating cash surplus by \$4.8m to a surplus of \$2.4m.

Despite challenging lending conditions, total revenue increased by 4% to \$230.7m while overheads fell by 5% - reducing our total cost to \$33.6m compared to \$34.1m in the previous year.

Underlying annuity generating assets continued to grow and the proportion of recurring revenue, to total cash revenue, increased to 52% compared to 46% the previous year.

Underlying Funds Under Management increased 33% to \$1.5b, Underlying Loan Book increased 8% to \$47.6m and Premiums Under Management increased 11% to \$18.2m.

YBR continued its significant investment in key operational systems, platforms and fintech, investing a total of \$3.4 million for the 2018 financial year.

Major investments included Vownet, Money Manager, Business Intelligence and YBR & Vow Professional - our learning & development platform.

Key profit drivers for the business in FY19 and beyond are increasing the scale and productivity of our distribution network, diversifying our product range through securitisation, continued growth of recurring revenue streams and leveraging our investments in technology.

# **Yellow Brick Road Holdings Limited**

ABN 44 119 436 083

Annual Report - 30 June 2018

**Yellow Brick Road Holdings Limited**  
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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 29 August 2018. The directors have the power to amend and reissue the financial statements.

**Yellow Brick Road Holdings Limited**  
**Corporate directory**  
**30 June 2018**

Directors	Mark Bouris (Chairman) Adrian Bouris Owen Williams John George
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	<a href="http://www.ybr.com.au">www.ybr.com.au</a>
Corporate Governance Statement	The Corporate Governance Statement which was approved at the same time as the Annual Report can be found at: <a href="https://www.ybr.com.au/investor-centre/corporategovernance">https://www.ybr.com.au/investor-centre/corporategovernance</a>

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

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 2018.

**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 on 14 August 2017 and resigned on 18 January 2018)

**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 loss for the consolidated entity after providing for income tax amounted to \$658,000 (30 June 2017: profit of \$1,035,000).

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 \$885,000 (2017: profit of \$5,202,000). This is calculated as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit after income tax	(658)	1,035
Add: Depreciation and amortisation	2,670	2,694
Add: Interest expense	665	788
Less: Income tax (benefit)/expense	(596)	973
EBITDA	2,081	5,490
Add: Other non-operating expenses - cash and non-cash *	159	846
Less: Gain on revaluation of underlying loan book	(1,355)	(1,361)
Add: Loss on disposal of assets classified as held for sale	-	227
Underlying EBITDA	<u>885</u>	<u>5,202</u>

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

Key features of underlying EBITDA result were:

- Revenue from continuing operations increased by 4% to \$227,365,000 (2017: \$218,626,000)
- Underlying loan book size increased by 8.0% to \$47,640 million (2017: \$44,075 million)
- Embedded loan book value increased by 0.7% to \$50.26 million (2017: \$49.90 million)
- Embedded loan book value per ordinary share is 18 cents (2017: 18 cents)
- Underlying funds under management increased by 31.7% to \$1,499 million (2017: \$1,138 million)
- Premiums under management increased by 10.6% to \$18.2 million (2017: \$16.45 million)

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

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**

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

**Matters subsequent to the end of the financial year**

On 20 August 2018, the consolidated entity received a Bidder's Statement issued by Mercantile OFM Pty Ltd (Bidder), a wholly-owned subsidiary of Mercantile Investment Company Ltd (ASX:MVT) (MVT), regarding an off-market takeover offer by the Bidder to acquire all of the ordinary shares in YBR ('YBR Shares') at a price of A\$0.09 in cash for each YBR Share (Takeover Bid). The company will respond formally to the Takeover Bid in its Target's Statement to be released after the date of this report, but in the interim the YBR Directors have advised YBR shareholders not to take any action whatsoever regarding their YBR Shares in response to the Takeover Bid.

On 25 June 2018, Yellow Brick Road Holdings Limited announced that wholly-owned subsidiaries Yellow Brick Road Investment Services Pty Ltd and Yellow Brick Road Wealth Management Pty Ltd had entered into a Book Sale and Purchase Agreement whereby INPRO Australia Pty Ltd, a professional financial advisory company will acquire service relationships, records and recurring revenues from approximately 150 private clients and their related wealth portfolio. This transaction is expected to complete by 31 August 2018.

No other matter or circumstance has arisen since 30 June 2018 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 2018.

**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 Non-Executive Director 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.
Other current directorships:	Non-Executive Director 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:	51,695,187 ordinary shares
Interests in options:	None
Interests in rights:	5,000,000 performance rights
Contractual rights to shares:	None

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

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 Australia 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:	240,000 ordinary shares
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.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

'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 ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mark Bouris *	8	8	-	-
Adrian Bouris	8	8	6	6
Owen Williams	8	8	6	6
John George	8	8	6	6
Frank Ganis	2	2	-	-

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.

**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.

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.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

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, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

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 2018, the consolidated entity engaged Egan and Associates, remuneration consultants, to review its existing remuneration policies to assess and benchmark executive remuneration against market. The review determined that no company executive is in the top quartile of market comparatives. The review made specific observations regarding the Company's remuneration structure. The Company has adopted the recommendation in regard to STI and LTI plans and has engaged Egan and Associates to prepare an employee share plan. Egan and Associates was paid \$15,750 for services related to the remuneration review.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
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An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

*Voting and comments made at the company's 2017 Annual General Meeting ('AGM')*

At the 2017 AGM, 90.82% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. 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:

- Richard Shaw - Chief Financial Officer and Company Secretary
- Adam Youkhana - General Manager - Wealth
- Clive Kirkpatrick - General Manager - VOW
- Glenn Gibson - General Manager - Lending (appointed on 9 April 2018)
- Andrew Rasby - General Manager - Lending (resigned on 30 April 2018)
- Scott Graham - Chief Commercial Officer (resigned on 24 December 2017)

	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	
2018	\$	\$	\$	\$	\$	\$	\$	\$
<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
Frank Ganis *	25,000	-	-	-	-	-	-	25,000
<i>Executive Directors:</i>								
Mark Bouris (Chairman)	712,500	-	-	-	-	-	184,583	897,083
<i>Other Key Management Personnel:</i>								
Richard Shaw	300,548	-	4,614	25,000	8,121	-	-	338,283
Adam Youkhana	303,000	-	(2,217)	26,506	545	-	-	327,834
Clive Kirkpatrick	300,004	-	3,461	28,500	563	-	-	332,528
Glenn Gibson	69,615	-	5,266	5,205	15	-	-	80,101
Andrew Rasby **	267,717	-	-	21,618	-	-	-	289,335
Scott Graham **	206,274	-	-	19,658	-	-	-	225,932
	2,403,151	-	11,124	132,994	9,244	-	184,583	2,741,096

\* Includes remuneration from his appointment date as a director, on 14 August 2017 until 18 January 2018 date of resignation as a director within the consolidated entity.

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

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

	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
<b>2017</b>	\$	\$	\$	\$	\$	\$	\$	\$
<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
	2,814,239	-	35,283	118,015	10,998	-	320,000	3,298,535

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

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Adrian Bouris	100%	100%	-	-	-	-
Owen Williams	100%	100%	-	-	-	-
John George	100%	100%	-	-	-	-
Frank Ganis	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Mark Bouris	80%	78%	-	-	20%	22%
<i>Other Key Management Personnel:</i>						
Matthew Lawler	-	100%	-	-	-	-
Richard Shaw	100%	100%	-	-	-	-
Scott Graham	100%	100%	-	-	-	-
Tim Brown	-	100%	-	-	-	-
Adam Youkhana	100%	100%	-	-	-	-
Andrew Rasby	100%	100%	-	-	-	-
Clive Kirkpatrick	100%	100%	-	-	-	-
Sean Preece	100%	-	-	-	-	-

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

**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. During the year ended 30 June 2018, a total consulting fee of \$712,500 has been charged.

**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 2018.

*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 to get the full stock price only if the future stock price exceeds the share target prices which varies by tranches. The performance rights do not vest unless the share price target for vesting is achieved.

The total fair value of the performance rights granted was \$1,475,000. The amount expensed during the year ended 30 June 2018 is \$185,000 (2017: \$320,000). Performance rights granted carry no dividend or voting rights.

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 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

\* These performance rights did not vest and lapsed during the year.

*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 2018.

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Sales revenue	227,365	218,626	215,203	155,734	29,846
(Loss)/profit after income tax	(658)	1,035	(9,528)	(2,554)	(8,759)

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

	2018	2017	2016	2015	2014
Share price at financial year end (\$)	0.09	0.12	0.18	0.48	0.65
Basic earnings per share (cents per share)	(0.23)	0.37	(3.42)	(0.96)	(4.50)

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

**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	-	483,925	-	51,695,187
Adrian Bouris	3,155,400	-	-	-	3,155,400
Owen Williams	498,250	-	-	-	498,250
John George	-	-	240,000	-	240,000
Richard Shaw	60,714	-	-	-	60,714
	<u>54,925,626</u>	<u>-</u>	<u>723,925</u>	<u>-</u>	<u>55,649,551</u>

*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*	7,500,000**	-	-	(2,500,000)	5,000,000
	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>5,000,000</u>

\* Performance rights were issued to GWH.

\*\* The closing balance in the 2017 directors' report included 2.5 million rights which had lapsed. The opening balance, as shown above, includes only unexpired rights at the start of the year.

***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
29 August 2014 *	29 August 2019	5,000,000
29 July 2015 **	27 September 2017	36,057
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 **	30 November 2022	92,307
		<u>5,571,630</u>

\* Performance rights granted to GWH, a company controlled by Mark Bouris. Refer to Note 30 for further details.

\*\* Performance rights granted to the former Resi Branch owners. Refer to Note 36 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.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

**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 2018 and up to the date of this report.

**Shares issued on the exercise of performance rights**

The following ordinary shares of Yellow Brick Road Holdings Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
29 July 2015	\$0.23	314,902

**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 27 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 27 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.

**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.


**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2018**

**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



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Mark Bouris  
Executive Chairman

29 August 2018  
Sydney

## 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 2018, 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*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*Madeleine Mattera*

Madeleine Mattera  
Partner – Audit & Assurance

Sydney, 29 August 2018

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
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**Yellow Brick Road Holdings Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$'000</b>	<b>2017 \$'000</b>
<b>Revenue from continuing operations</b>	4	227,365	218,626
Share of profits of joint ventures accounted for using the equity method	33	2,053	1,327
Gain on revaluation of underlying loan book		1,355	1,361
<b>Expenses</b>			
Commissions and consultancy expenses		(184,924)	(174,105)
Employee benefits expense		(16,776)	(17,358)
Depreciation and amortisation expense	5	(2,670)	(2,694)
Operating expenses		(11,520)	(10,596)
Occupancy expenses		(1,616)	(1,502)
Other non-operating expenses	5	(159)	(846)
Finance costs	5	(14,362)	(11,994)
<b>(Loss)/profit before income tax benefit/(expense) from continuing operations</b>		(1,254)	2,219
Income tax benefit/(expense)	6	596	(973)
(Loss)/profit after income tax benefit/(expense) from continuing operations		(658)	1,246
Loss after income tax expense from discontinued operations	7	-	(211)
<b>(Loss)/profit after income tax benefit/(expense) for the year attributable to the owners of Yellow Brick Road Holdings Limited</b>	22	(658)	1,035
<b>Other comprehensive income</b>			
<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		18	140
Other comprehensive income for the year, net of tax		18	140
<b>Total comprehensive income for the year attributable to the owners of Yellow Brick Road Holdings Limited</b>		<u>(640)</u>	<u>1,175</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(640)	1,386
Discontinued operations		-	(211)
		<u>(640)</u>	<u>1,175</u>

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

**Yellow Brick Road Holdings Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018</b>	<b>2017</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit/(loss) from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	35	(0.23)	0.44
Diluted earnings per share	35	(0.23)	0.44
<b>Earnings per share for loss from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	35	-	(0.08)
Diluted earnings per share	35	-	(0.08)
<b>Earnings per share for profit/(loss) attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	35	(0.23)	0.37
Diluted earnings per share	35	(0.23)	0.37

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

**Yellow Brick Road Holdings Limited**  
**Statement of financial position**  
**As at 30 June 2018**

	Note	Consolidated 2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,415	5,073
Trade and other receivables	9	81,219	74,930
Deposits		471	469
Other	10	1,086	2,042
		88,191	82,514
Non-current assets classified as held for sale	12	164	-
Total current assets		88,355	82,514
<b>Non-current assets</b>			
Trail commission receivables		255,212	217,853
Investments accounted for using the equity method		468	130
Available-for-sale financial assets		371	353
Property, plant and equipment	13	562	657
Intangibles	14	35,282	34,681
Other		1,613	1,907
Total non-current assets		293,508	255,581
<b>Total assets</b>		<b>381,863</b>	<b>338,095</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	75,160	71,616
Borrowings		1,451	251
Provisions	16	2,417	2,582
Total current liabilities		79,028	74,449
<b>Non-current liabilities</b>			
Payables		4,453	-
Borrowings	17	7,200	8,320
Deferred tax	18	2,794	3,390
Provisions	19	159	157
Trail commissions payables		215,207	178,463
Total non-current liabilities		229,813	190,330
<b>Total liabilities</b>		<b>308,841</b>	<b>264,779</b>
<b>Net assets</b>		<b>73,022</b>	<b>73,316</b>
<b>Equity</b>			
Issued capital	20	109,963	109,792
Reserves	21	2,422	2,229
Accumulated losses	22	(39,363)	(38,705)
<b>Total equity</b>		<b>73,022</b>	<b>73,316</b>

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

**Yellow Brick Road Holdings Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
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 20)	120	-	-	120
Share-based payments (note 36)	-	349	-	349
Balance at 30 June 2017	109,792	2,229	(38,705)	73,316
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	109,792	2,229	(38,705)	73,316
Loss after income tax benefit for the year	-	-	(658)	(658)
Other comprehensive income for the year, net of tax	-	18	-	18
Total comprehensive income for the year	-	18	(658)	(640)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 20)	171	-	-	171
Share-based payments (note 36)	-	175	-	175
Balance at 30 June 2018	109,963	2,422	(39,363)	73,022

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

**Yellow Brick Road Holdings Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		203,696	200,978
Payments to suppliers and employees (inclusive of GST)		(200,706)	(202,699)
		2,990	(1,721)
Interest received		55	47
Interest and other finance costs paid		(598)	(650)
Net cash from/(used in) operating activities	34	2,447	(2,324)
<b>Cash flows from investing activities</b>			
Payment for expenses relating to acquisitions		-	(816)
Payments for property, plant and equipment		(70)	(258)
Payments for intangibles		(3,270)	(1,372)
Payments for investment		(113)	-
Proceeds from disposal of business		1,348	1,932
Net cash used in investing activities		(2,105)	(514)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	1,057
Net cash from financing activities		-	1,057
Net increase/(decrease) in cash and cash equivalents		342	(1,781)
Cash and cash equivalents at the beginning of the financial year		5,073	6,854
Cash and cash equivalents at the end of the financial year	8	5,415	5,073

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

## **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 31.

### **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 2018 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.

**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 from 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 in the form of a commission generated on origination of mortgages is 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.

**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.

**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.

## 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.

**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 relationships*

Customer 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*

Brand assets are acquired in business combinations are recognised at cost less impairment and amortisation as applicable. The Resi brand name is assessed as having a useful life of three years. The Vow and Loan Avenue brand names are assessed as having an indefinite useful life.

*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.

**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 high quality 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.

**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.

**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, where necessary, to be consistent with current year presentation.

**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 2018. 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 impact of adoption of this standard has been assessed in conjunction with the adoption of AASB15, and is disclosed below.

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

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the 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 (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; 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, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018, resulting in an expected decrease in trade commission receivables of \$0.8m, an increase in deferred tax asset balance of \$0.2m and an overall decrease in net assets of \$0.6m.

*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 1. Significant accounting policies (continued)**

*IASB revised Conceptual Framework for Financial Reporting*

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The consolidated entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

**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.

*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 14.

*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.

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

*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 3-6 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.

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 2018 the consolidated entity had three major customers that contributed 12.4%, 12.1% and 11.4% respectively of total revenue each (2017: Three major customers contributing 13.4%, 14.8%, 14.2% of total revenue). Revenue from all these three major customers come from lending division.

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 3. Operating segments (continued)**

*Operating segment information*

	Lending \$'000	Wealth management \$'000	Other segments \$'000	Total \$'000
<b>Consolidated - 2018</b>				
<b>Revenue</b>				
Sales to external customers from continuing operations	197,310	10,622	-	207,932
Other revenue	18,674	4	755	19,433
<b>Total revenue</b>	<b>215,984</b>	<b>10,626</b>	<b>755</b>	<b>227,365</b>
Segment operating result	10,567	271	-	10,838
Group expenditure				(12,092)
Income tax benefit				596
<b>Loss after income tax benefit</b>				<b>(658)</b>
<b>Consolidated - 2017</b>				
<b>Revenue</b>				
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
<b>Total revenue</b>	<b>207,976</b>	<b>10,429</b>	<b>382</b>	<b>218,787</b>
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)
<b>Profit after income tax expense</b>				<b>1,035</b>

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Lending	197,310	194,381
Wealth management	10,622	10,426
	<b>207,932</b>	<b>204,807</b>
<i>Other revenue</i>		
Dividends	4	3
Interest	55	58
Discount unwind on trail commission receipts	18,674	13,595
Other	700	163
	<b>19,433</b>	<b>13,819</b>
Revenue from continuing operations	<b>227,365</b>	<b>218,626</b>

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
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**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	33	122
Office equipment	132	127
Total depreciation	165	249
<i>Amortisation</i>		
Customer relationships	1,082	1,081
Brands	61	514
Software	909	550
Other intangibles	453	300
Total amortisation	2,505	2,445
Total depreciation and amortisation	2,670	2,694
<i>Other non-operating expenses</i>		
Acquisition and integration expenses	96	801
Share-based payments expense	63	45
Total other non-operating expenses	159	846
<i>Finance costs</i>		
Interest and finance charges paid/payable	665	788
Discount unwind on trail commission payments	13,697	11,206
Finance costs expensed	14,362	11,994
Marketing expenses	3,366	3,393
Consultancy expenses	1,351	1,401
Options expense	248	349
Defined contribution superannuation expense	1,119	1,106
Rental expense relating to operating leases	1,304	1,230

**Yellow Brick Road Holdings Limited**  
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**Note 6. Income tax (benefit)/expense**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax (benefit)/expense</i>		
Deferred tax - origination and reversal of temporary differences	(596)	973
Aggregate income tax (benefit)/expense	<u>(596)</u>	<u>973</u>
Deferred tax included in income tax (benefit)/expense comprises:		
Increase/(decrease) in deferred tax liabilities (note 18)	(596)	973
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit/(expense) from continuing operations	(1,254)	2,219
Loss before income tax expense from discontinued operations	-	(211)
	<u>(1,254)</u>	<u>2,008</u>
Tax at the statutory tax rate of 30%	(376)	602
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	43	42
Share-based payments	104	106
Deduction for YBRH direct to equity costs	-	4
Capital expenditure	-	85
Other adjustments	(367)	134
Income tax (benefit)/expense	<u>(596)</u>	<u>973</u>

**Note 7. Discontinued operations**

*Description*

The company divested the accounting cash generating unit from the consolidated entity during the year ended 30 June 2017. Refer to Note 11 for further details.

*Financial performance information*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue		
Non-branch: Professional services	-	161
Expenses		
Commissions and consultancy expenses	-	(12)
Employee benefits expense	-	(175)
Operating expenses	-	42
Loss on disposal of assets classified as held for sale	-	(227)
Total expenses	<u>-</u>	<u>(372)</u>
Loss before income tax expense	-	(211)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>-</u>	<u>(211)</u>

**Yellow Brick Road Holdings Limited**  
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**Note 7. Discontinued operations (continued)**

*Cash flow information*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash used in operating activities	-	(132)

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	5,414	5,071
Cash on deposit	1	2
	<u>5,415</u>	<u>5,073</u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	1,378	1,748
Less: Provision for impairment of receivables	(392)	(321)
	<u>986</u>	<u>1,427</u>
Other receivables	16,527	16,330
Trail commission receivables	63,706	57,173
	<u>81,219</u>	<u>74,930</u>

*Impairment of receivables*

The consolidated entity has recognised an expense of \$71,000 (2017: \$22,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
3 to 6 months overdue	74	30
Over 6 months overdue	318	291
	<u>392</u>	<u>321</u>

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
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**Note 9. Current assets - trade and other receivables (continued)**

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	321	974
Additional provisions recognised	71	22
Classified as held for sale	-	(675)
Closing balance	<u>392</u>	<u>321</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$58,000 as at 30 June 2018 (\$105,000 as at 30 June 2017).

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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
2 months overdue	<u>58</u>	<u>105</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**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments *	1,066	2,021
Other	<u>20</u>	<u>21</u>
	<u>1,086</u>	<u>2,042</u>

\* Refer to note 30 for further information on related party prepayments of \$nil (2017: \$1,244,852). In 2018, the prepayment balance was reclassified to non-current other.

**Yellow Brick Road Holdings Limited**  
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**30 June 2018**

**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 sale 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 ended 30 June 2017 net assets of \$5,038,574 including goodwill were sold as part of the sale agreements. The net 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.

During the year ended 30 June 2018, the company received \$1,325,000 which represented the deferred consideration from the sale of the accounting practice,

**Note 12. Current assets - non-current assets classified as held for sale**

The Board has decided to sell the "Brightday Website" and the assets are available for sale.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Software	164	-

**Note 13. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements - at cost	1,326	1,326
Less: Accumulated depreciation	(1,129)	(1,096)
	197	230
Office equipment - at cost	2,492	2,422
Less: Accumulated depreciation	(2,127)	(1,995)
	365	427
	562	657

**Reconciliations**

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

<b>Consolidated</b>	<b>Leasehold improvements \$'000</b>	<b>Office equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	231	417	648
Additions	121	137	258
Depreciation expense	(122)	(127)	(249)
Balance at 30 June 2017	230	427	657
Additions	-	70	70
Depreciation expense	(33)	(132)	(165)
Balance at 30 June 2018	197	365	562

**Note 14. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	23,548	23,548
Customer relationships - at cost	8,472	8,472
Less: Accumulated amortisation	(3,976)	(2,894)
	4,496	5,578
Brands - at cost	2,139	2,139
Less: Accumulated amortisation	(1,100)	(1,039)
	1,039	1,100
Software - at cost	7,939	4,919
Less: Accumulated amortisation	(2,801)	(1,892)
	5,138	3,027
Other intangible assets - at cost	1,983	2,273
Less: Accumulated amortisation	(922)	(845)
	1,061	1,428
	<b>35,282</b>	<b>34,681</b>

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill</b>	<b>Customer</b>	<b>Brands</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>relationships</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 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	23,548	5,578	1,100	3,027	1,428	34,681
Additions	-	-	-	3,184	86	3,270
Classified as held for sale (note 12)	-	-	-	(164)	-	(164)
Amortisation expense	-	(1,082)	(61)	(909)	(453)	(2,505)
Balance at 30 June 2018	<b>23,548</b>	<b>4,496</b>	<b>1,039</b>	<b>5,138</b>	<b>1,061</b>	<b>35,282</b>

*Impairment testing for goodwill*

Impairment testing was based on a value-in-use approach for all CGU's. 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 2018, assumptions have been determined separately for each CGU.

**Note 14. Non-current assets - intangibles (continued)**

The goodwill was allocated to the following CGUs:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Wealth Management	3,900	3,900
Lending	19,648	19,648
	<u>23,548</u>	<u>23,548</u>

**Wealth Management CGU**

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

- 11.7% p.a. (2017: 11.5% p.a.) discount rate.
- 44.1% p.a. (FY19), 7.5% to 12.2% p.a. for subsequent years (2017: -10.7% to 6.3% p.a.) projected growth rate in subscription volumes.
- 11.5% p.a. (FY19), subsequent years 2.2% p.a. (2017: 2.2% p.a.) increase in operating costs and overheads.
- 2.2% p.a. (2017: 2.2% p.a.) terminal growth rate (Note the 20-year average industry growth rate is 8.1% p.a.\*).

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

**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 2% p.a. in the discount rate would result in a reduction in the 'value-in-use' ('VIU') valuation headroom of approximately \$4m to \$3.2m. No impairment would result.
- A reduction of 1% p.a. in the projected growth rate would result in a reduction in the VIU valuation headroom of approximately \$2m to \$5.2m. No impairment would result.
- Achieving 90% of growth rates assumptions would result in a reduction in the VIU valuation headroom of approximately \$3.7m to \$3.5m. No impairment would result.

**Lending CGU**

Valuations use cash flow projections that are based on budget expectations and historical performance, are extrapolated for a further nine years, and include a terminal value. The growth rates are split by business unit and are based on industry growth figures. However, where 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% p.a. (2017: 13.8% p.a.) discount rate.
- 17.6% p.a. (FY19), 3.1% to 8.6% p.a. for subsequent years (2017: -3.6% to 6.7% p.a.) projected growth rate in loan settlement volumes.
- 11.5% p.a. (FY19), subsequent years 2.2% p.a. (2017: 2.2% p.a.) increase in operating costs and overheads.
- 2.2% p.a. (2017: 2.2% p.a.) terminal growth rate. (Note the 20-year average industry growth rate is 8.6% p.a.\*\*)

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

**Note 14. 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 2% p.a. in the discount rate would result in a reduction in the VIU valuation headroom of approximately \$10.4m to \$7.6m. No impairment would result.
- b) A reduction of 1% p.a. in the projected growth rate would result in a reduction in the VIU valuation headroom of approximately \$11.8m to \$6.2m. No impairment would result.
- c) Achieving 90% of growth rates assumptions would result in a reduction in the VIU valuation headroom of approximately \$11.9m to \$6.1m. No impairment would result.

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	15,129	18,479
Trail commission payables	53,447	46,703
Accrued expenses	1,042	1,191
Income received in advance	1,077	735
Underwriter payables	391	347
Other payables	4,074	4,161
	<u>75,160</u>	<u>71,616</u>

Refer to note 24 for further information on financial instruments.

**Note 16. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	1,448	1,717
Lease make-good	114	114
Clawback provision	855	751
	<u>2,417</u>	<u>2,582</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.

**Yellow Brick Road Holdings Limited**  
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**Note 16. 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
<b>Consolidated - 2018</b>		
Carrying amount at the start of the year	114	751
Additional provisions recognised	-	104
Carrying amount at the end of the year	<u>114</u>	<u>855</u>

**Note 17. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	7,200	8,400
Transaction costs	-	(80)
	<u>7,200</u>	<u>8,320</u>

Refer to note 24 for further information on financial instruments.

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	<u>8,651</u>	<u>8,651</u>

**Yellow Brick Road Holdings Limited**  
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**Note 17. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank loans *	8,400	9,600
Other loans	500	500
	<u>8,900</u>	<u>10,100</u>
Used at the reporting date		
Bank loans *	8,651	8,651
Other loans	-	-
	<u>8,651</u>	<u>8,651</u>
Unused at the reporting date		
Bank loans *	-	949
Other loans	500	500
	<u>500</u>	<u>1,449</u>

\* A repayment of \$251,000 was made to the bank on 3 July 2018.

**Note 18. Non-current liabilities - deferred tax**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Borrowings costs	-	308
Intangibles	1,660	2,000
Net trail commissions receivables/payables	15,079	14,932
Deferred tax asset in relation to cost of equity raising	(297)	(278)
Acquisition costs	-	(218)
Accruals	(1,779)	(1,318)
Tax losses	(11,842)	(12,036)
Deferred CGT cost base	(27)	-
	<u>2,794</u>	<u>3,390</u>
Deferred tax liability, net	<u>2,794</u>	<u>3,390</u>
<i>Movements:</i>		
Opening balance	3,390	2,417
Charged/(credited) to profit or loss (note 6)	(596)	973
	<u>2,794</u>	<u>3,390</u>
Closing balance	<u>2,794</u>	<u>3,390</u>

**Yellow Brick Road Holdings Limited**  
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**Note 19. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	159	157

**Note 20. Equity - issued capital**

	<b>2018</b>	<b>Consolidated</b>	<b>2018</b>	<b>2017</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	282,419,831	281,522,254	109,963	109,792

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 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
Shares issued to employees	24 October 2017	582,675	\$0.17	99
Performance rights exercised (Resi Franchisees)	4 May 2018	314,902	\$0.23	72
Balance	30 June 2018	282,419,831		109,963

*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 2018, there were nil (2017: 3,425,972) options over ordinary shares on issue. All the options had expired as at 30 September 2017. There were also 5,571,630 performance rights over ordinary shares on issue at 30 June 2018. 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.

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**Note 20. 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 2017 Annual Report.

**Note 21. Equity - reserves**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Share-based payments reserve	1,975	1,800
Available-for-sale assets revaluation reserve	342	324
Fair value reserve	105	105
	<u>2,422</u>	<u>2,229</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:

<b>Consolidated</b>	<b>Share-based payments \$'000</b>	<b>Available-for sale assets revaluation \$'000</b>	<b>Fair value \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	1,451	184	105	1,740
Option expense	349	-	-	349
Available-for sale assets revaluation	-	140	-	140
Balance at 30 June 2017	1,800	324	105	2,229
Option expense	175	-	-	175
Available-for sale assets revaluation	-	18	-	18
Balance at 30 June 2018	<u>1,975</u>	<u>342</u>	<u>105</u>	<u>2,422</u>

**Note 22. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the financial year	(38,705)	(39,740)
(Loss)/profit after income tax benefit/(expense) for the year	(658)	1,035
Accumulated losses at the end of the financial year	<u>(39,363)</u>	<u>(38,705)</u>

**Note 23. Equity - dividends**

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

**Note 24. 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.

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:

	2018		2017	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash and cash equivalents	1.13%	5,415	0.98%	5,073
Loans	6.07%	(8,651)	6.26%	(8,571)
Net exposure to cash flow interest rate risk		<u>(3,236)</u>		<u>(3,498)</u>

An official increase/(decrease) in interest rates of 100 (2017: 100) basis points would have a favourable/unfavourable effect on profit before tax of \$32,300 (2017: \$34,900) per annum and favourable/unfavourable effect on equity of \$22,600 (2017: \$24,400) 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.

**Note 24. Financial instruments (continued)**

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, 42.85% (2017: 44.56%) 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.

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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans *	-	949
Other loans	500	500
	<u>500</u>	<u>1,449</u>

\* A repayment of \$251,000 was made to the bank on 3 July 2018.

**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.

<b>Consolidated - 2018</b>	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
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	15,129	4,453	-	-	19,582
Other payables	-	4,074	-	-	-	4,074
Trail commission payables	-	53,447	44,728	91,595	78,884	268,654
Underwriter payables	-	391	-	-	-	391
Income received in advance	-	1,077	-	-	-	1,077
<i>Interest-bearing - variable</i>						
Bank loans	6.07%	1,451	7,200	-	-	8,651
Total non-derivatives		<u>75,569</u>	<u>56,381</u>	<u>91,595</u>	<u>78,884</u>	<u>302,429</u>

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**Note 24. Financial instruments (continued)**

<b>Consolidated - 2017</b>	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
<b>Non-derivatives</b>						
<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
<b>Total non-derivatives</b>		<b>71,215</b>	<b>47,839</b>	<b>79,562</b>	<b>59,505</b>	<b>258,121</b>

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 25. 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

<b>Consolidated - 2018</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Available-for-sale financial assets	371	-	-	371
<b>Total assets</b>	<b>371</b>	<b>-</b>	<b>-</b>	<b>371</b>
<b>Consolidated - 2017</b>				
<i>Assets</i>				
Available-for-sale financial assets	353	-	-	353
<b>Total assets</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>353</b>

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.

**Yellow Brick Road Holdings Limited**  
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**Note 25. Fair value measurement (continued)**

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

**Note 26. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,414,275	2,849,522
Post-employment benefits	132,994	118,015
Long-term benefits	9,244	10,998
Share-based payments	184,583	320,000
	<u>2,741,096</u>	<u>3,298,535</u>

**Note 27. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	286,820	264,313
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Taxation services	61,175	49,151
Advisory services	-	36,893
	<u>61,175</u>	<u>86,044</u>
	<u>347,995</u>	<u>350,357</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	21,700	19,160

**Note 28. Contingent liabilities**

The consolidated entity has given bank guarantees as at 30 June 2018 of \$1,199,000 (2017: \$1,199,000).

On 22 May 2018, the company received a summons which commenced legal procedures in relation to a dispute over the earn-out provisions contained in the Share Sale Agreement ('SSA') dated 8 July 2014 under which the company acquired Resi Mortgage Corporation Pty Ltd ('Resi').

An earn-out amount of up to \$2,500,000 in cash was agreed to be paid by the company to the vendors of Resi on or about the first anniversary of the completion of the acquisition if certain earn-out conditions were satisfied.

The proceedings deal with the issue as to whether the earn-out conditions have been satisfied or not. Based on legal advice, the company is confident that its interpretations of the SSA is correct, and that no earn-out is payable. The company intends to defend the proceedings.

**Yellow Brick Road Holdings Limited**  
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**Note 28. Contingent liabilities (continued)**

During the financial year the consolidated entity received claims from 2 broker groups for additional commission totalling \$600,000. Management has received legal advice on these claims and they have been strongly disputed and as such no liability has been recorded in the financial statements.

**Note 29. Commitments**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,086	1,274
One to five years	1,871	2,704
	<u>2,957</u>	<u>3,978</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.

*Advertising commitments*

Committed at the reporting date but not recognised as liabilities, payable:

One to five years	<u>13,697</u>	<u>14,847</u>
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**Note 30. Related party transactions**

*Parent entity*

Yellow Brick Road Holdings Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 32.

*Joint ventures*

Interests in joint ventures are set out in note 33.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
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**Note 30. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Sale of goods and services:		
Sales to TZ Limited (director-related entity of Mark Bouris) - Accounting and secretarial services	9,349	56,096
Sales to TZ Limited (director-related entity of Mark Bouris) - Insurance services	13,436	12,645
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	13,290	11,310
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	15,906,474	16,094,804
Payment for goods and services:		
Payment for consultancy services from Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris)	712,500	1,125,000
Purchases of services from Chifley Travel (director-related entity of Adrian Bouris)	29,742	24,958
Purchases of services from BBB Capital Pty Limited (director-related entity of Adrian Bouris) - Corporate finance services	52,600	144,000
Purchases for marketing services related to Nine Entertainment Group (shareholder-related entity) (refer Note a)	1,151,989	1,148,881

**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 2018 amounted to \$184,583 (2017: \$320,000). As at 30 June 2018, 5,000,000 of the 10,000,000 performance rights have lapsed, with no benefit to GWH. The remaining 5,000,000 performance rights will not vest unless the Company's share price exceeds a range of \$1.21 to \$1.74 per share.

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
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**Note 30. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Trade receivables from TZ Limited (director-related entity of Mark Bouris)	144,569	41,810
Prepayment from the Nine Entertainment Group (shareholder-related entity) (refer Note a)	-	1,244,852
Commissions from Macquarie Bank (shareholder - related entity)	4,578,804	4,232,396
Non-current receivables:		
Commissions from Macquarie Bank (shareholder - related entity)	15,193,716	14,779,465
Prepayment from the Nine Entertainment Group (shareholder-related entity) (refer Note a)	1,244,852	-
Current payables:		
Marketing and interest expenses payable to Nine Entertainment Group (shareholder-related entity)	-	3,185,390
Non-current payables:		
Marketing and interest expenses payable to Nine Entertainment Group (shareholder-related entity)	4,452,578	-

*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 \$nil (2017: \$3,630) was used during the year ended 30 June 2018, leaving an unused balance of non-current prepayment of \$1,244,852 (2017: current prepayment of \$1,244,852). The consolidated entity does not expect to realise this asset within 12 months of reporting date and hence it has been reclassified as a non-current asset.

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Non-current receivables:		
Loan to Smarter Money Investments Pty Ltd (a joint venture entity)	150,249	143,021

*Terms and conditions*

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

**Note 31. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	1,337	16
Total comprehensive income	1,337	16

**Yellow Brick Road Holdings Limited**  
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**Note 31. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	51,852	53,130
Total assets	92,242	91,939
Total current liabilities	378	638
Total liabilities	7,578	8,958
Equity		
Issued capital	105,669	105,498
Share-based payments reserve	1,397	1,222
Available-for-sale assets revaluation reserve	1,009	1,009
Accumulated losses	(23,411)	(24,748)
Total equity	84,664	82,981

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

*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.

**Yellow Brick Road Holdings Limited**  
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**Note 32. 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	
		2018 %	2017 %
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 33. 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	
		2018 %	2017 %
Smarter Money Investments Pty Ltd	Funds management	50.00%	50.00%

**Yellow Brick Road Holdings Limited**  
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**Note 33. Interests in joint ventures (continued)**

*Summarised financial information*

	2018 \$'000	2017 \$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	247	143
Trade and other receivables	362	536
Total assets	609	679
Trade and other payables	244	255
Other liabilities	365	424
Total liabilities	609	679
Net assets	-	-
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	4,929	2,557
Expenses	(2,876)	(1,230)
Profit before income tax	2,053	1,327
Other comprehensive income	-	-
Total comprehensive income	2,053	1,327

**Note 34. Reconciliation of (loss)/profit after income tax to net cash from/(used in) operating activities**

	Consolidated 2018 \$'000	2017 \$'000
(Loss)/profit after income tax benefit/(expense) for the year	(658)	1,035
Adjustments for:		
Depreciation and amortisation	2,670	2,694
Share-based payments	347	349
Net change on the present value of trail commissions	(407)	(6,536)
Interest received non-cash	-	(11)
Interest paid non-cash	97	138
Gain on sale of business	(270)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	528	(931)
Decrease/(increase) in prepayments	(289)	19
Decrease/(increase) in other operating assets	(7)	12
Increase in trade and other payables	387	701
Increase/(decrease) in deferred tax liabilities	(596)	973
Decrease in employee benefits	(267)	(45)
Increase/(decrease) in other operating liabilities	912	(722)
Net cash from/(used in) operating activities	2,447	(2,324)

**Yellow Brick Road Holdings Limited**  
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**Note 35. Earnings per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for profit/(loss) from continuing operations</i>		
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(658)	1,246
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	281,971,386	281,192,868
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	894,026	963,454
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,865,412	282,156,322
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.23)	0.44
Diluted earnings per share	(0.23)	0.44
	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	-	(211)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	-	281,192,868
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
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	(0.08)
Diluted earnings per share	-	(0.08)
	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for profit/(loss)</i>		
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(658)	1,035
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	281,971,386	281,192,868
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	894,026	963,454
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,865,412	282,156,322

**Yellow Brick Road Holdings Limited**  
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**30 June 2018**

**Note 35. Earnings per share (continued)**

	Cents	Cents
Basic earnings per share	(0.23)	0.37
Diluted earnings per share	(0.23)	0.37

The options granted to 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 2018. These options could potentially dilute basic earnings per share in the future.

**Note 36. Share-based payments**

8,564,930 options were granted to a subsidiary of the Nine Entertainment Group, Pink Platypus Pty Ltd ('Nine'), in 2011. During the year, the balance of 3,425,972 performance options granted to Nine Entertainment Group (Nine) and held by Pink Platypus Pty Ltd were not exercised by it and expired on 30 September 2017.

The vesting conditions were as follows; 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. No options vested or were exercised in the year ended 30 June 2018.

Set out below are summaries of options granted to Nine:

**2018**

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	3,425,972	-	-	(3,425,972)	-
			<u>3,425,972</u>	<u>-</u>	<u>-</u>	<u>(3,425,972)</u>	<u>-</u>

**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>

The weighted average share price during the financial year was \$0.12 (2017: \$0.15).

The amount expensed in the financial year ended 30 June 2018 amounted to \$Nil (2017: \$Nil).

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 36. Share-based payments (continued)**

Set out below details of the performance rights granted to directors and external parties:

2018

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	\$0.14	2,500,000	-	-	-	2,500,000
29/07/2015	27/09/2017	\$0.23	168,268	-	(132,211)	-	36,057*
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
			8,463,454	-	(314,902)	(2,576,922)	5,571,630

\* Shares against the performance rights were due during the year ended 30 June 2018 but will be issued in the upcoming year.

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.

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
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	-	-	(2,500,000)	8,463,454

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 37. Events after the reporting period**

On 20 August 2018, the consolidated entity received a Bidder's Statement issued by Mercantile OFM Pty Ltd (Bidder), a wholly-owned subsidiary of Mercantile Investment Company Ltd (ASX:MVT) (MVT), regarding an off-market takeover offer by the Bidder to acquire all of the ordinary shares in YBR ('YBR Shares') at a price of A\$0.09 in cash for each YBR Share (Takeover Bid). The company will respond formally to the Takeover Bid in its Target's Statement to be released after the date of this report, but in the interim the YBR Directors have advised YBR shareholders not to take any action whatsoever regarding their YBR Shares in response to the Takeover Bid.

On 25 June 2018, Yellow Brick Road Holdings Limited announced that wholly-owned subsidiaries Yellow Brick Road Investment Services Pty Ltd and Yellow Brick Road Wealth Management Pty Ltd had entered into a Book Sale and Purchase Agreement whereby INPRO Australia Pty Ltd, a professional financial advisory company will acquire service relationships, records and recurring revenues from approximately 150 private clients and their related wealth portfolio. This transaction is expected to complete by 31 August 2018.

No other matter or circumstance has arisen since 30 June 2018 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.

**Yellow Brick Road Holdings Limited**  
**Directors' declaration**  
**30 June 2018**

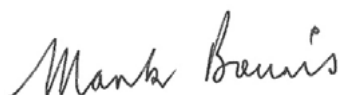
In the directors' opinion:

- 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 2018 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



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Mark Bouris  
Executive Chairman

29 August 2018  
Sydney

# 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 2018, 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 2018 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.

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## 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.

Key audit matter	How our audit addressed the key audit matter
<b>Goodwill impairment ( Note 14)</b>	
<p>At 30 June 2018, the carrying value of goodwill was \$23.55 million. 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 have assessed that the group has two CGUs, and have allocated the goodwill and other intangible assets to these CGUs.</p> <p>Management have 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"> <li>• reviewing management's assessment of the impairment indicators ascribed to the relevant CGUs and corroborating their findings to historical performance;</li> <li>• evaluating the value in use model for each CGU against the requirements of AASB 136 <i>Impairment of Assets</i>, including consultation with our Valuation Specialists;</li> <li>• with the assistance of our Valuation Specialists, reviewing management's value-in-use models to critically assess inputs and assumptions applied, including: <ul style="list-style-type: none"> <li>– evaluating management's ability to perform accurate estimates by comparing historical forecasting to actual results;</li> <li>- challenging the associated underlying forecast cash flows and comparing key assumptions to historical results, business trends, economic and industry forecasts; and</li> <li>– agreeing discount rates applied to forecast future cash flows; and</li> </ul> </li> <li>• testing the mathematical accuracy of the calculation;</li> <li>• performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and</li> <li>• assessing the adequacy of financial report disclosures.</li> </ul>
<b>Capitalised intangible assets (Note 14)</b>	
<p>At 30 June 2018, the carrying value of the Group's capitalised intangible assets was \$6.5 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"> <li>• understanding and documenting management's process to capitalise intangible assets by obtaining their position papers and assessment of recognition in accordance with the company's accounting policy with the requirements of AASB 138;</li> <li>• testing a sample of underlying addition to documentation for existence and accuracy and appropriateness of capitalisation;</li> <li>• reviewing management's cash flow forecasts, including the evaluation of assumptions, supporting the generation of future economic benefits from the capitalised costs;</li> <li>• for all completed projects, reviewing whether management has commenced amortisation of all intangibles available for use; and</li> <li>• assessing the adequacy of the related disclosures in the financial statements.</li> </ul>

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**Long-term Trail Commission (Note 9 and Note 15)**


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The Group recognised a net trail commission receivable asset of \$50.26 million at 30 June 2018. 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:

- obtaining and assessing findings of external expert valuation report including assessing the completeness and accuracy of the data used to develop the report;
- 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;
- assessing the reasonableness of key assumptions in the model by comparing to historical internal information and available market data;
- performing a sensitivity analysis on the key assumptions; and
- assessing the adequacy of the related disclosures in the financial statements.

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**Revenue Recognition (Note 4)**


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Revenue from continuing operations totalled \$227.3 million for the year ending 30 June 2018, 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:

- evaluating and performing a walkthrough of management's processes and internal controls regarding the recognition of revenue;
  - testing a sample of transactions recognised in the general ledger to supporting documentation, including cash receipts per the bank statements;
  - agreeing a sample of recorded fees and commission transactions to invoices and bank statements;
  - assessing the revenue recognition policies for appropriateness and compliance with AASB 118 *Revenues*, 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 *Revenues*; 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 2018, 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 preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### **Report on the remuneration report**

##### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2018

In our opinion, the Remuneration Report of Yellow Brick Road Holdings Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



Madeleine Mattera  
Partner – Audit & Assurance

Sydney, 29 August 2018

**Yellow Brick Road Holdings Limited**  
**Shareholder information**  
**30 June 2018**

The shareholder information set out below was applicable as at 1 October 2018.

**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	267
1,001 to 5,000	650
5,001 to 10,000	356
10,001 to 100,000	697
100,001 and over	182
	<hr/> 2,152 <hr/>
Holding less than a marketable parcel	<hr/> 818 <hr/>

**Equity security holders**

*Twenty largest quoted equity security holders*

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

	Number held	Ordinary shares % of total shares issued
ONE MANAGED INVT FUNDS LTD <1 A/C>	56,329,555	19.94
PINK PLATYPUS PTY LIMITED	49,592,858	17.56
GOLDEN WEALTH HOLDINGS PTY LTD	49,453,865	17.51
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,921,300	2.45
SANDINI PTY LTD <KARRATHA RIGGING UNIT A/C>	6,693,344	2.37
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,375,254	1.55
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	1.05
V WASP PTY LIMITED <THE PETER JAMES S/BEN'S A/C>	2,946,429	1.04
SOME TOUCH PTY LTD <LAMBERT RETIREMENT FUND A/C>	2,890,625	1.02
B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	2,000,000	0.71
VENN MILNER SUPERANNUATION PTY LTD	2,000,000	0.71
YBR NOMINEES PTY LTD	1,757,397	0.62
NATIONAL NOMINEES LIMITED <DB A/C>	1,630,200	0.58
CARRIER INTERNATIONAL PTY LIMITED <SUPER FUND A/C>	1,551,440	0.55
STILETTO INVESTMENTS PTY LTD	1,550,000	0.55
EAST 72 INVESTMENTS PTY LTD	1,450,000	0.51
COOLAH HOLDINGS PTY LTD <LAMBERT FAMILY A/C>	1,300,000	0.46
	<hr/> <b>206,351,240</b>	<hr/> <b>73.06</b>

**Yellow Brick Road Holdings Limited**  
**Shareholder information**  
**30 June 2018**

*Unquoted equity securities*

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

<b>Name</b>	<b>Class</b>	<b>Number held</b>
GOLDEN WEALTH HOLDINGS PTY LIMITED	Performance rights	10,000,000
Former RESI branch owners	Performance rights	535,573

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Number held</b>	<b>Ordinary shares % of total shares issued</b>
MERCANTILE INVESTMENT COMPANY LIMITED	56,329,555	19.94
GOLDEN WEALTH HOLDINGS PTY LIMITED	51,710,187	18.31
PINK PLATYPUS PTY LIMITED	49,592,858	17.56

**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**

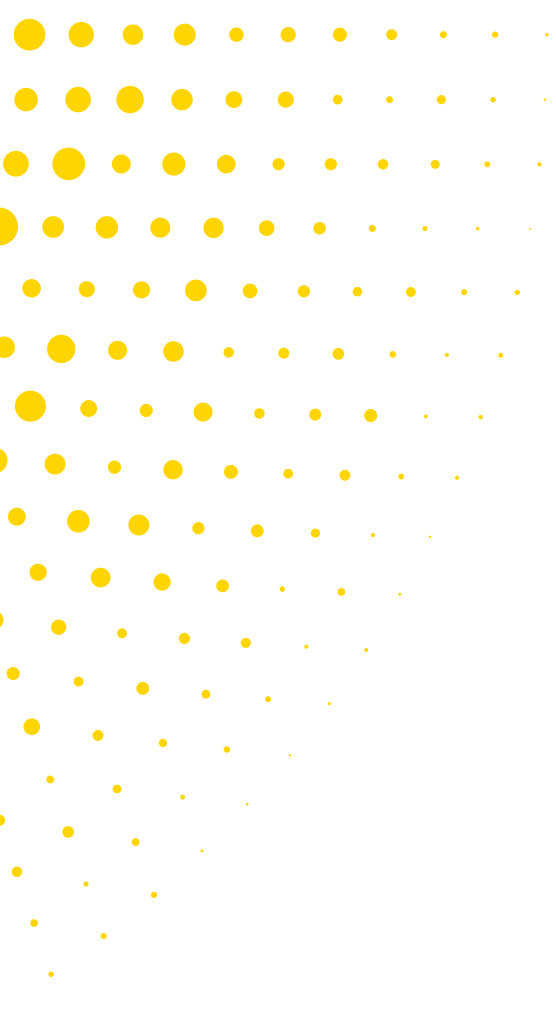
<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary shares	The escrow deed prevents Golden Wealth Holdings Pty Limited from disposing of shares within the defined escrow period, ending on 29 August 2018	1,500,000
		<hr/> 1,500,000











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