Lodged via ASX Online

7 March 2019

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

Dear Sir/Madam

FY2019 Half-Year Report

Yellow Brick Road Holdings Limited (ASX: YBR) (**YBR** or the **Company**) has today released its unqualified audit-reviewed half-year report for the six months to 31 December 2018, which shows a net loss after tax (**NLAT**) of $34.15m. The result includes a non-cash asset write-down of $33.95m ($30.96m after tax) on the carrying value of the wealth management and lending business and various other intangible assets across the Group. The balance sheet reset results in no goodwill being carried and only one remaining strategic intangible asset. Underlying EBITDA (excluding non-cash asset write down) was $2.46m loss vs $2.10m profit for the prior corresponding period (**pcp**). Underlying Cash EBITDA (excluding non-cash asset write down and non-cash PV-based revenues) was $1.27m loss (pcp $2.06m profit).

The above-mentioned write-down results from detailed consideration of the goodwill and other intangible assets in the context of the cumulative effect of challenging consumer and market trading conditions, the response from the banks to increased macro-prudential oversight, sentiment resulting from the Royal Commission and uncertainty regarding proposed changes to the future regulatory environment.

It is a non-cash balance sheet adjustment, non-recurring and has no impact on underlying EBITDA or operations of the business.

Mark Bouris, Executive Chairman of YBR, commenting on the results said: "The first half of this financial year has been challenging for the sector and we have taken decisive action. In this context, we have made the necessary decisions for the Company to reset and provide a simplified balance sheet.

"It has been an unusually tough six months. Sentiment surrounding the Royal Commission, changes in credit approval processes, more intense regulatory oversight and greater compliance requirements and costs have created significant uncertainty. It is now particularly hard for mortgage originators and brokers to assist borrowers to obtain an approved home loan. In all the years of being involved in the home loan business, I have never seen such difficult borrowing conditions. These factors have caused an adverse impact to our new lending, particularly in the December quarter," Mr Bouris said.

Outlook

Having simplified the Company's balance sheet, the board and management are currently undertaking a broad strategic and operational review to simplify the business, including assessing the wealth management business and business structures, to ensure YBR remains competitive. The board will provide an update by the end of April 2019.

"I remain fully committed to working in the business and achieving better returns for all shareholders. We are working on new market-relevant and competitive lending products to offer borrowers through our branded branch network and our independent distribution network across Australia to meet demand from consumers" Mr Bouris said.

For media inquiries, phone:

Sean Aylmer	Gabriel McDowell
Res Publica	Res Publica
0409 817 039	0417 260 918

Yellow Brick Road Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Yellow Brick Road Holdings Limited
ABN:	44 119 436 083
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The consolidated entity had adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

				$'000
Revenues from ordinary activities	down	15.3%	to	93,440
Revenue from contracts with customers	down	15.3%	to	93,415
Loss from ordinary activities after tax attributable to the owners of Yellow Brick Road Holdings Limited	down	> 100%	to	(34,150)
Loss for the half-year attributable to the owners of Yellow Brick Road Holdings Limited	down	> 100%	to	(34,150)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $34,150,000 (31 December 2017: profit of $234,000).

Further information on the review of operations, financial position and future strategies is detailed in the Directors' report attached as part of the Interim Financial Statements.

Earnings before interest expense, tax, depreciation and amortisation (‘EBITDA’) after excluding the impairment of non-financial assets for the consolidated entity ('Underlying EBITDA') was a loss of $2,460,000 (2017: profit of $2,099,000). This is calculated as follows:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
(Loss)/profit after income tax	(34,150)	234
Add: Depreciation and amortisation	1,552	1,225
Add: Interest expense	267	346
Less: Income tax (benefit)/expense	(4,076)	294
EBITDA	(36,407)	2,099
Add: Impairment of non-financial assets	33,947	-
Underlying EBITDA	(2,460)	2,099

Key features of Underlying EBITDA result were:
● Revenue from continuing operations decreased by 15.3% to $93,415,000 (31 Dec 2017: $110,248,000)
● Underlying loan book size decreased by 3.1% to $46,143 million (30 Jun 2018: $47,640 million)
● Net present value of loan book decreased by 3% to $48.8 million (30 Jun 2018: $50.26 million)
● Net present value of loan book per ordinary share is 17.19 cents (30 Jun 2018: 17.73 cents)
● Underlying funds under management decreased by 9.2% to $1,361 million (30 Jun 2018: $1,499 million)
● Premiums under management increased by 1.6% to $18.5 million (30 Jun 2018: $18.2 million).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	13.42	13.65

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to (loss)/profit (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Smarter Money Investments Pty Ltd	50.00%	50.00%	1,498	891
Group's aggregate share of associates and joint venture entities' (loss)/profit (where material)				
(Loss)/profit from ordinary activities before income tax			1,498	891

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Statements.

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10. Attachments

Details of attachments (if any):

The Interim Financial Statements of Yellow Brick Road Holdings Limited for the half-year ended 31 December 2018 are attached.

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11. Signed

Mark Bouris

Signed ______________________________ Date: 7 March 2019

Mark Bouris
Executive Chairman
Sydney

Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Interim Financial Statements - 31 December 2018

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 half-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 7 March 2019. The directors have the power to amend and reissue the financial statements.

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 (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Mark Bouris - Chairman
Adrian Bouris
Owen Williams
John George

Principal activities

During the financial half-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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $34,150,000 (31 December 2017: profit of $234,000).

Impairment testing of Goodwill

The consolidated entity has allocated the goodwill amount to two cash generating units ('CGU'), Lending and Wealth Management. Goodwill and intangible assets that have indefinite useful life are tested at least annually for impairment. An impairment is recognised when the carrying amount of goodwill exceeds the CGU’s recoverable amount. Impairment testing was based on a value in use approach for both CGU’s and the recoverable amounts were determined to be lower than the carrying amount and therefore an impairment loss was recognised.

The value in use for each CGU is derived by discounting future cash flows generated from the continuing use of that CGU. The value in use has been determined based on actuals for six months and projections for a further nine year period.

For the reporting period ended 31 December 2018, certain assumptions and methodology were applied separately for each CGU.

The following assumptions have been used in calculating the value in use of each CGU:

Wealth Management CGU
- Discount rate: 13.0% p.a. (30 June 2018: 11.7% p.a.);
- Projected growth rate in subscription volumes based on actual performance and industry performance: from FY20 to FY24 of between 11% and 13.2% p.a. and from FY25 to FY29 of 4.1%p.a. (30 June 2018: 44.1% in FY19 and 7.5% to 12.2% p.a. in subsequent years);
- Increase in operating costs and overheads: 2.2% p.a. (30 June 2018: 11.5% p.a. in FY19 and subsequent years 2.2% p.a.); and
- Terminal growth rate: 2.2% p.a. (30 June 2018: 2.2% p.a.).

Lending CGU
- Discount rate: 13.0% p.a. (30 June 2018: 13.8% p.a.);
- Projected growth rate in subscription volumes based on actual performance and industry performance: from FY20 to FY24 of between 0.1% to 4.5% p.a. and from FY25 to FY29 of 4.5% p.a. (30 June 2018: 17.6% in FY19 and 3.1% to 8.6% p.a. in subsequent years);
- Increase in operating costs and overheads: 2.2% p.a. (30 June 2018: 11.5% p.a. in FY19 and subsequent years 2.2% p.a.); and
- Terminal growth rate: 2.2% p.a. (30 June 2018: 2.2% p.a.).

Wealth Management CGU.
During the reporting period, the Wealth CGU’s products, cost structure, scalability and financial performance was reviewed. In particular, Funds Under Management did not meet management's expectations over the course of the half year. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry particularly in the last six months, and the subsequent release of its findings (a post balance date event, see note 20), have created significant uncertainty which has adversely affected the market and consumer sentiment. These conditions were not present at 30 June 2018. After careful and prudent review of the above factors and analysis of the market outlook, the consolidated entity has recorded an impairment loss writing down goodwill by $3,900,000 to zero. The excess impairment loss has been allocated to other assets of the CGU based on their relative carrying amounts.

Lending CGU
The ongoing and sustained macro prudential changes and impact of the Royal Commission deliberations, most prominently in and after the reporting period, resulted in broad tightening of credit market conditions. The consolidated entity anticipates that the housing and general business sector will experience short-term contraction in growth and challenges in accessibility to credit, noting a decrease in market volumes of 9%* for the reporting period. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry particularly in the last six months, and the subsequent release of its findings (a post balance date event, see note 20), have created significant uncertainty which has adversely affected the market and consumer sentiment, leading to a reduction in settlement volumes in the latter part of the reporting period. While the Australian federal government has responded to the recommendations, the process to enact legislation will take time and as a result, there will remain uncertainty, subdued lending market conditions and a degree of volatility in the market in the foreseeable future. These conditions were not present at 30 June 2018. After careful and prudent review of the above factors, the consolidated entity has written down goodwill by $19,648,000 to zero. The excess impairment loss has been allocated to other assets of the CGU based on their relative carrying amounts.

** ABS 5609.0 Housing Finance commitments (Owner Occupied and Investment Housing). 4 months to 30 November 2018 compared to the 4 months to 30 November 2017.*

Earnings before interest expense, tax, depreciation and amortisation (‘EBITDA’) after excluding the impairment of non-financial assets for the consolidated entity ('Underlying EBITDA') was a loss of $2,460,000 (2017: profit of $2,099,000). This is calculated as follows:

	Consolidated	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**
(Loss)/profit after income tax	(34,150)	234
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Add: Interest expense	267	346
Less: Income tax (benefit)/expense	(4,076)	294
EBITDA	(36,407)	2,099
Add: Impairment of non-financial assets	33,947	-
Underlying EBITDA	(2,460)	2,099

Key features of Underlying EBITDA result were:
- Revenue from continuing operations decreased by 15.3% to $93,415,000 (31 Dec 2017: $110,248,000)
- Underlying loan book size decreased by 3.1% to $46,143 million (30 Jun 2018: $47,640 million)
- Net present value of loan book decreased by 3% to $48.8 million (30 Jun 2018: $50.26 million)
- Net present value of loan book per ordinary share is 17.19 cents (30 Jun 2018: 17.73 cents)
- Underlying funds under management decreased by 9.2% to $1,361 million (30 Jun 2018: $1,499 million)
- Premiums under management increased by 1.6% to $18.5 million (30 Jun 2018: $18.2 million).

Significant changes in the state of affairs
In August 2018, wholly-owned subsidiaries Yellow Brick Road Investment Services Pty Ltd and Yellow Brick Road Wealth Management Pty Ltd sold their service relationships, records and recurring revenues from approximately 150 private clients and their related wealth portfolio to INPRO Australia Pty Ltd, a professional financial advisory company.

The off market takeover offer by Mercantile OFM Pty Limited for the Company closed in October 2018 without Mercantile securing any securities in the Company.

On 25 October 2018, Frank Ganis was appointed Chief Executive Officer of the Yellow Brick Road Group.

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

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 is set out immediately after this directors' report and forms part of this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Mark Bouris

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Mark Bouris
Executive Chairman

7 March 2019
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 review of Yellow Brick Road Holdings Limited for the half-year ended 31 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 7 March 2019

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue from contracts with customers	3	84,393	110,270
Share of profits of joint ventures accounted for using the equity method		1,498	891
Other income		6	-
Interest income		25	-
Discount unwind on trail commission		9,016	-
Total revenue and other gains		94,938	111,161
Expenses			
Commissions and consultancy expenses		(73,610)	(87,575)
Employee benefits expense		(8,265)	(8,389)
Depreciation and amortisation expense	4	(1,552)	(1,225)
Impairment of receivables	5	(107)	-
Operating expenses		(7,224)	(5,898)
Occupancy expenses		(734)	(824)
Finance costs	4	(7,725)	(6,722)
Total expenses		(99,217)	(110,633)
Operating (loss)/profit		(4,279)	528
Impairment of non-financial assets	4	(33,947)	-
(Loss)/profit before income tax benefit/(expense)		(38,226)	528
Income tax benefit/(expense)		4,076	(294)
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		(34,150)	234
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	19
Changes in the fair value of equity investments through other comprehensive income		(19)	-
Other comprehensive income for the half-year, net of tax		(19)	19
Total comprehensive income for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		(34,169)	253
		Cents	**Cents**
Basic earnings per share	19	(12.084)	0.083
Diluted earnings per share	19	(12.061)	0.083

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 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		4,706	5,415
Trade and other receivables	5	17,879	17,513
Contract assets - trail commissions	6	65,914	-
Trail commission receivables	6	-	63,706
Deposits		471	471
Other assets	7	637	1,086
		89,607	88,191
Non-current assets classified as held for sale	8	-	164
Total current assets		89,607	88,355
Non-current assets			
Contract assets - trail commissions	9	261,442	-
Trail commission receivables	9	-	255,212
Investments accounted for using the equity method		485	468
Available-for-sale financial assets		-	371
Investments		50	112
Property, plant and equipment	10	-	562
Intangibles	11	722	35,282
Deferred tax		1,372	-
Other assets	12	1,380	1,501
Total non-current assets		265,451	293,508
Total assets		355,058	381,863
Liabilities			
Current liabilities			
Trade and other payables	13	77,319	75,160
Contract liabilities	14	540	-
Borrowings		1,501	1,451
Provisions		2,799	2,417
Total current liabilities		82,159	79,028
Non-current liabilities			
Payables		4,453	4,453
Borrowings		6,600	7,200
Deferred tax		-	2,794
Provisions		172	159
Trail commission payables		222,841	215,207
Total non-current liabilities		234,066	229,813
Total liabilities		316,225	308,841
Net assets		38,833	73,022
Equity			
Issued capital	15	110,109	109,963
Reserves		2,124	2,422
Accumulated losses		(73,400)	(39,363)
Total equity		38,833	73,022

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 half-year ended 31 December 2018

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	109,792	2,229	(38,705)	73,316
Profit after income tax expense for the half-year	-	-	234	234
Other comprehensive income for the half-year, net of tax	-	19	-	19
Total comprehensive income for the half-year	-	19	234	253
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	99	-	-	99
Share-based payments	-	139	-	139
Balance at 31 December 2017	109,891	2,387	(38,471)	73,807

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	109,963	2,422	(39,363)	73,022
Adjustment for adoption of AASB 9 and AASB 15 (note 1)	-	-	(210)	(210)
Balance at 1 July 2018 - restated	109,963	2,422	(39,573)	72,812
Loss after income tax benefit for the half-year	-	-	(34,150)	(34,150)
Other comprehensive income for the half-year, net of tax	-	-	(19)	(19)
Total comprehensive income for the half-year	-	-	(34,169)	(34,169)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	146	-	-	146
Share-based payments	-	44	-	44
Transfer of gain on disposal of equity investments at fair value through other comprehensive income	-	(342)	342	-
Balance at 31 December 2018	110,109	2,124	(73,400)	38,833

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 half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		98,811	105,168
Payments to suppliers and employees (inclusive of GST)		(98,937)	(104,073)
		(126)	1,095
Interest received		24	24
Interest and other finance costs paid		(264)	(286)
Net cash from/(used in) operating activities		(366)	833
Cash flows from investing activities			
Payments for property, plant and equipment	10	(22)	(43)
Payments for intangibles	11	(322)	(1,948)
Proceeds from disposal of business		200	260
Proceeds from disposal of investments		352	-
Net cash from/(used in) investing activities		208	(1,731)
Cash flows from financing activities			
Repayment of borrowings		(551)	-
Net cash used in financing activities		(551)	-
Net decrease in cash and cash equivalents		(709)	(898)
Cash and cash equivalents at the beginning of the financial half-year		5,415	5,073
Cash and cash equivalents at the end of the financial half-year		4,706	4,175

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Estimates
When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the consolidated entity's last annual financial statements for the year ended 30 June 2018, except for the policies stated below.

Determination of variable consideration - cost of servicing loan book
The consolidated entity estimates the cost of servicing the existing loan book customers over the estimated life of the loans. The present value for the cost of servicing the loan book is netted off against the trail income receivable. In calculating the estimate, the consolidated entity considers the costs incurred in managing the portfolio. The loan run off assumption is the same as used in the present value of trail income receivable.

Estimation of Life Insurance trail commissions
The consolidated entity recognises a contract asset and payable for Life Insurance trail commissions at the inception of the policy 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 policy allowing for a 'run off' of clients that discontinue their policy resulting in trail commissions no longer being receivable or payable. This asset is tested for impairment annually. The asset and liability is adjusted for any difference in the expected trail run off and the actual run off experienced. Due to the limited history of run off experience, industry statistics have been used to determine the appropriate level of assumed run off and the resulting net present value of the life insurance trail commission balances receivable or payable. Key assumptions include a discount rate of 12.0% p.a., premium growth rate 5% p.a. and average remaining policy term of 20 years.

Allowance for expected credit loss
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates and forward looking information.

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.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets and introduces an "expected credit loss" model for impairment of financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. For receivables and contract assets, the consolidated entity uses a simplified approach to measuring expected credit losses using a lifetime expected loss allowance.

The investment classifications 'Available-for-sale financial assets' are no longer used and 'Financial assets at fair value through other comprehensive income' was introduced.

'Interest revenue' is no longer included in the 'Revenue' note and is now shown separately on the face of the statement of profit or loss and other comprehensive income, resulting in a reclassification of $22,000 for the half-year ended 31 December 2017.

On adoption of AASB 9 at 1 July 2018:
- $318,918,000 of trail commission receivables was reclassified from receivable to contract assets;
- $371,000 of equity investments recorded as available for sale financial assets were classified and recognised at fair value through other comprehensive income;
- $342,000 available for sale reserve was transferred to financial assets at fair value through other comprehensive income reserve; and
- $112,000 of equity investments recorded as available for sale financial assets included in non-current assets - other at 30 June 2018 were classified and recognised at fair value through other comprehensive income.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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.

On adoption of AASB 15 at 1 July 2018:
- Life insurance trail commission previously recognised at time of receipt of income is now recognised at point of inception of the policy at fair value being the present value of the expected future trailing commissions; and
- Mortgage service fees previously recognised at time of the service being performed is now recognised over time during the period which the service is provided.

Impact of adoption
AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was as follows:

	1 July 2018 $'000
Mortgage services fee (AASB 15)	(1,220)
Increase in initial recognition of contract assets - insurance trail commission (AASB 15)	4,734
Decrease in initial recognition of insurance trail commission payables (AASB 15)	(3,814)
Impact of first time adoption of AASB 9	-
Tax effect on the above adjustments	90
Total impact on opening retained profits as at 1 July 2018	(210)

Note 1. Significant accounting policies (continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. The consolidated entity has estimated the cost of servicing the loan books which is detailed under estimates.

Revenue is recognised either at a point in time or over the time, when (or as) the consolidated entity satisfies performance obligations by transferring the promised services to its customers.

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.

Rendering of services – Investment and wealth management services
Revenue from the provision of investment and wealth management services is recognised at a point in time 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 at a point in time on settlement of the loan net of expected clawbacks using the expected value method. Costs to introduce the loans are also recognised at inception of the loan.

Mortgage broking services - Trailing commissions
At the time of loan settlement, trailing commission revenue and the related contract assets are recognised at the estimated ‘expected value’ of the variable consideration 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, the carrying amount of the contract asset and trail commission 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. This results in a significant financing component recognised in profit or loss.

Ongoing costs to continue servicing the loan portfolio are recognised over time over the course of the loan as a trade receivable.

Life insurance broking services - Upfront commissions
Revenue in the form of a commission generated on successful placement of an insurance application is recognised at a point in time on inception of the policy.

Note 1. Significant accounting policies (continued)

Life insurance broking services - Trailing commissions
At the time of policy inception, trailing commission revenue and the related contract asset are recognised at the estimated 'expected value' of the variable consideration being present value of the expected future trailing commissions to be received from the insurance companies. An associated expense and payable to the franchisees and licensees is also recognised at fair value being present value of the expected future trailing commission payable to franchisees.

Subsequent to initial recognition, the carrying amount of the contract assets 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 adjustments to the carrying value due to the significant financing component is recognised in profit or loss.

General insurance services
Commissions received from underwriters based on the value of insurance premiums written are recognised at a point in time as revenue when relevant insurance cover is established.

Professional and service fees
Professional and service fees are recognised at a point in time when they are received or when the right to receive payment is established.

Interest
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30-90 days of recognition.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the consolidated entity has transferred services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract assets relates to future trail commission receivables due from combination of Australian banks, non-bank lenders and insurance companies. Any expected credit loss would not be material as these have reduced credit risk and consequently none has been recognised.

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such on transition. Changes in fair value are recognised in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

Contract liabilities
Contract liabilities represent cash received where the services to customers have not yet been performed.

Note 2. 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 management team 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.

The consolidated entity has changed the composition of its reports provided to CODM to now include group recharges within the segment operating results.

Comparatives have now been restated for this change.

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.

Operating segment information

Consolidated - 31 Dec 2018	Lending $'000	Wealth Management $'000	Total $'000
Revenue			
Services to external customers	79,629	4,764	84,393
Discount unwind on trail commission	9,016	-	9,016
Interest income	25	-	25
Total revenue	88,670	4,764	93,434
Segment operating result	(1,060)	(3,219)	(4,279)
Impairment of non-financial assets	(28,858)	(5,089)	(33,947)
Segment results after impairment of non-financial assets	(29,918)	(8,308)	(38,226)
Income tax benefit			4,076
Loss after income tax benefit			(34,150)

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2017	Lending $'000	Wealth management $'000	Total $'000
Revenue			
Sales to external customers	97,118	5,607	102,725
Discount unwind on trail commission	7,523	-	7,523
Interest income	22	-	22
Total revenue	104,663	5,607	110,270
Segment operating result	2,471	(1,943)	528
Income tax expense			(294)
Profit after income tax expense			234

Note 3. Revenue from contracts with customers

	Consolidated	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**
Revenue from contracts with customers		
Lending	79,629	97,118
Wealth management	4,764	5,607
	84,393	102,725
Other revenue		
Discount unwind on trail commission receipts	-	7,523
Interest	-	22
	-	7,545
Revenue from contracts with customers	84,393	110,270

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 31 Dec 2018	Lending $'000	Wealth management $'000	Total $'000
Geographical regions			
Australia	79,629	4,764	84,393
Timing of revenue recognition			
Services transferred at a point in time	78,763	4,698	83,461
Services transferred over time	866	66	932
	79,629	4,764	84,393

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

Note 4. Expenses

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	8	18
Office equipment	56	78
Total depreciation	64	96
Amortisation		
Customer relationships	546	546
Brands	-	61
Software	743	305
Other intangibles	199	217
Total amortisation	1,488	1,129
Total depreciation and amortisation	1,552	1,225
Impairment of non-financial assets		
Leasehold improvements	184	-
Office equipment	336	-
Goodwill	23,548	-
Customer relationships	3,950	-
Brands	1,039	-
Software	3,995	-
Other intangible	669	-
Non-current asset classified as held for sale	226	-
Total impairment of non-financial assets	33,947	-
Finance costs		
Interest and finance charges paid/payable	267	346
Discount unwind on trail commission payments	7,458	6,376
Finance costs expensed	7,725	6,722
Marketing expenses	1,991	1,926
Consultancy expenses	734	616

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	1,959	1,378
Less: Allowance for expected credit losses	(487)	(392)
	1,472	986
Other receivables	1,377	1,661
Revenue accrual	15,030	14,866
	16,407	16,527
	17,879	17,513

Allowance for expected credit losses
The consolidated entity has recognised a loss of $107,000 in respect of the expected credit losses for the half-year ended 31 December 2018.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 31 Dec 2018 %	Carrying amount 31 Dec 2018 $'000	Allowance for expected credit losses 31 Dec 2018 $'000
Not overdue	1%	857	9
0 to 3 months overdue	9%	593	53
3 to 6 months overdue	53%	154	82
Over 6 months overdue	97%	355	343
		1,959	487

Note 6. Current assets - contract assets - trail commissions

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Contract assets	65,914	-
Trail commission receivables	-	63,706
	65,914	63,706

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

Opening balance	-
Additions	7,741
Transfer on transition to AASB 15 on 1 July 2018	64,711
Disposals	(6,538)
Closing balance	65,914

Note 7. Current assets - other assets

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Prepayments	617	1,066
Other	20	20
	637	1,086

Note 8. Current assets - non-current assets classified as held for sale

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

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Software	-	164

The consolidated entity measured the non-current asset classified as held for sale and recognised $164,000 as an impairment loss in the statements of profit or loss and other comprehensive income for the half-year ended 31 December 2018.

Note 9. Non-current assets - contract assets - trail commissions

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Contract assets	261,442	-
Trail commission receivables	-	255,212
	261,442	255,212

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

Opening balance	-
Additions	30,962
Transfer on transition to AASB 15 on 1 July 2018	258,242
Disposals	(27,762)
Closing balance	261,442

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2018 $'000	**30 Jun 2018 $'000**
Leasehold improvements - at cost	1,326	1,326
Less: Accumulated depreciation	(1,142)	(1,129)
Less: Impairment	(184)	-
	-	197
Office equipment - at cost	2,514	2,492
Less: Accumulated depreciation	(2,178)	(2,127)
Less: Impairment	(336)	-
	-	365
	-	562

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

Consolidated	Leasehold improvements $'000	Office equipment $'000	Total $'000
Balance at 1 July 2018	197	365	562
Additions	-	22	22
Impairment of assets	(184)	(336)	(520)
Transfers in/(out)	(5)	5	-
Depreciation expense	(8)	(56)	(64)
Balance at 31 December 2018	-	-	-

Note 11. Non-current assets - intangibles

	Consolidated	
	31 Dec 2018 $'000	**30 Jun 2018 $'000**
Goodwill - at cost	23,548	23,548
Less: Impairment	(23,548)	-
	-	23,548
Customer relationships- at cost	8,472	8,472
Less: Accumulated amortisation	(4,522)	(3,976)
Less: Impairment	(3,950)	-
	-	4,496
Brands - at cost	2,139	2,139
Less: Accumulated amortisation	(1,100)	(1,100)
Less: Impairment	(1,039)	-
	-	1,039
Software and product development - at cost	8,261	7,939
Less: Accumulated amortisation	(3,544)	(2,801)
Less: Impairment	(3,995)	-
	722	5,138
Other intangible assets - at cost	1,731	1,983
Less: Accumulated amortisation	(1,062)	(922)
Less: Impairment	(669)	-
	-	1,061
	722	35,282

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

Consolidated	Goodwill $'000	Customer relationships $'000	Brands $'000	Software and product development $'000	Other $'000	Total $'000
Balance at 1 July 2018	23,548	4,496	1,039	5,138	1,061	35,282
Additions	-	-	-	322	-	322
Disposals	-	-	-	-	(193)	(193)
Impairment of assets	(23,548)	(3,950)	(1,039)	(3,995)	(669)	(33,201)
Amortisation expense	-	(546)	-	(743)	(199)	(1,488)
Balance at 31 December 2018	-	-	-	722	-	722

Impairment testing of Goodwill
The consolidated entity has allocated the goodwill amount to two cash generating units ('CGU'), Lending and Wealth Management. Goodwill and intangible assets that have indefinite useful life are tested at least annually for impairment. An impairment is recognised when the carrying amount of goodwill exceeds the CGU’s recoverable amount. Impairment testing was based on a value in use approach for both CGU’s and the recoverable amounts were determined to be lower than the carrying amount and therefore an impairment loss was recognised.

The value in use for each CGU is derived by discounting future cash flows generated from the continuing use of that CGU. The value in use has been determined based on actuals for six months and projections for a further nine year period.

Note 11. Non-current assets - intangibles (continued)

For the reporting period ended 31 December 2018, certain assumptions and methodology were applied separately for each CGU.

The following assumptions have been used in calculating the value in use of each CGU:

Wealth Management CGU
- Discount rate: 13.0% p.a. (30 June 2018: 11.7% p.a.);
- Projected growth rate in subscription volumes based on actual performance and industry performance: from FY20 to FY24 of between 11% and 13.2% p.a. and from FY25 to FY29 of 4.1%p.a. (30 June 2018: 44.1% in FY19 and 7.5% to 12.2% p.a. in subsequent years);
- Increase in operating costs and overheads: 2.2% p.a. (30 June 2018: 11.5% p.a. in FY19 and subsequent years 2.2% p.a.); and
- Terminal growth rate: 2.2% p.a. (30 June 2018: 2.2% p.a.).

Lending CGU
- Discount rate: 13.0% p.a. (30 June 2018: 13.8% p.a.)
- Projected growth rate in subscription volumes based on actual performance and industry performance: from FY20 to FY24 of between 0.1% to 4.5% p.a. and from FY25 to FY29 of 4.5% p.a. (30 June 2018: 17.6% in FY19 and 3.1% to 8.6% p.a. in subsequent years);
- Increase in operating costs and overheads: 2.2% p.a. (30 June 2018: 11.5% p.a. in FY19 and subsequent years 2.2% p.a.); and
- Terminal growth rate: 2.2% p.a. (30 June 2018: 2.2% p.a.).

Wealth Management CGU.
During the reporting period, the Wealth CGU's products, cost structure, scalability and financial performance was reviewed. In particular, Funds Under Management did not meet management's expectations over the course of the half year. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry particularly in the last six months, and the subsequent release of its findings (a post balance date event, see note 20), have created significant uncertainty which has adversely affected the market and consumer sentiment. These conditions were not present at 30 June 2018. After careful and prudent review of the above factors and analysis of the market outlook, the consolidated entity has recorded an impairment loss writing down goodwill by $3,900,000 to zero. The excess impairment loss has been allocated to other assets of the CGU based on their relative carrying amounts.

Lending CGU
The ongoing and sustained macro prudential changes and impact of the Royal Commission deliberations, most prominently in and after the reporting period, resulted in broad tightening of credit market conditions. The consolidated entity anticipates that the housing and general business sector will experience short-term contraction in growth and challenges in accessibility to credit, noting a decrease in market volumes of 9%* for the reporting period. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry particularly in the last six months, and the subsequent release of its findings (a post balance date event, see note 20), have created significant uncertainty which has adversely affected the market and consumer sentiment, leading to a reduction in settlement volumes in the latter part of the reporting period. While the Australian federal government has responded to the recommendations, the process to enact legislation will take time and as a result, there will remain uncertainty, subdued lending market conditions and a degree of volatility in the market in the foreseeable future. These conditions were not present at 30 June 2018. After careful and prudent review of the above factors, the consolidated entity has written down goodwill by $19,648,000 to zero. The excess impairment loss has been allocated to other assets of the CGU based on their relative carrying amounts.

** ABS 5609.0 Housing Finance commitments (Owner Occupied and Investment Housing). 4 months to 30 November 2018 compared to the 4 months to 30 November 2017.*

Note 12. Non-current assets - other assets

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Prepayments	1,380	1,245
Other	-	256
	1,380	1,501

Note 13. Current liabilities - trade and other payables

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Trade payables	16,633	15,129
Trail commission payables	55,696	53,447
Accrued expenses	663	1,042
Income received in advance *	-	1,077
Underwriter payables	401	391
Other payables	3,926	4,074
	77,319	75,160

* Income received in advance is now classified as contract liabilities pursuant to AASB 15.

Note 14. Current liabilities - contract liabilities

	Consolidated 31 Dec 2018 $'000
Contract liabilities	540

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

Opening balance	-
Payments received in advance	944
Transfer on transition to AASB 15 on 1 July 2018	1,077
Transfer to revenue - other balances	(1,481)
Closing balance	540

Note 15. Equity - issued capital

				Consolidated
	31 Dec 2018 Shares	**30 Jun 2018 Shares**	**31 Dec 2018 $'000**	**30 Jun 2018 $'000**
Ordinary shares - fully paid	283,987,008	282,419,831	110,109	109,963

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	282,419,831		109,963
Performance rights exercised (Resi Franchisees)	4 September 2018	36,057	$0.23	8
Shares issued to employees	18 December 2018	1,531,120	$0.09	138
Balance	31 December 2018	283,987,008		110,109

Note 16. Equity - dividends

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

Note 17. 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

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income	371	-	-	371
Total assets	371	-	-	371

During the half-year ended as at 31 December 2018, the consolidated entity sold the shares in the financial assets at fair value through other comprehensive income (Steadfast Group Limited).

Assets and liabilities at fair value through other comprehensive income are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

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

Note 18. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2018 of $1,199,000 (30 June 2018:$1,199,000).

Note 18. Contingent liabilities (continued)

In the normal course of business, YBR may incur obligations or potential future liability arising from litigation. A contingent liability exists where there are instances of actual or likely potential legal proceedings. The accounting standards permit YBR not to disclose certain information where such disclosure may potentially prejudice the position of YBR and accordingly the consolidated entity's policy is not disclosed in this note.

On 22 May 2018, the consolidated entity received summons which commenced legal proceedings 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 consolidated entity is defending the proceedings and a hearing date is expected to be set for some time in the 2019 calendar year.

The consolidated entity received a claim from a broker group relating to the consolidated entity's decision to withhold commissions payments otherwise owing to a broker group. This claim is being vigorously defended and while the consolidated entity's legal advice indicates the matter is capable of resolution for less than the contingent liability amount, there remains a contingent liability of approximately $600,000.

Note 19. Earnings per share

		Consolidated
	31 Dec 2018 $'000	**31 Dec 2017 $'000**
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(34,150)	234
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	282,599,649	281,740,757
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	548,506	963,454
Weighted average number of ordinary shares used in calculating diluted earnings per share	283,148,155	282,704,211
	Cents	**Cents**
Basic earnings per share	(12.084)	0.083
Diluted earnings per share	(12.061)	0.083

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 half-year ended 31 December 2018. These options if vested and exercised would dilute basic earnings per share in the future.

Note 20. Events after the reporting period

On 4 February 2019, the findings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry were released. Certain recommendations in the report that relate to the Mortgage Broker industry, if implemented, might have potential material impacts on the YBR Group.

Actions which may be taken by industry participants in response to the Royal Commission recommendations may also have material impacts on the YBR Group.

Recommendations relating to the mortgage broker industry were not and could not have been reasonably anticipated in period to 31 December 2018. As such, management have determined that this is a non-adjusting event and the financial effects have not been recognised in this financial report.

No other matter or circumstance has arisen since 31 December 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
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mark Bouris

Mark Bouris
Executive Chairman

7 March 2019
Sydney

Independent Auditor's Review Report

To the Members of Yellow Brick Road Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year 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 31 December 2018, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Yellow Brick Road Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

Regulations 2001. As the auditor of Yellow Brick Road Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 7 March 2019