Lodged via ASX Online

29 August 2019

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

Dear YBR shareholders, YBR branch principals, Vow brokers, team members and customers

YBR Appendix 4E Preliminary Final Report & Associated Accounts for FY2019

Today we released the ASX Appendix 4E Preliminary Final Report and associated accounts for FY2019 for Yellow Brick Road Holdings Limited (**YBR** or the **Company**). It shows a net loss after tax (**NLAT**) of $37.39 million, which included the previously announced non-cash asset write down of $33.95 million on the carrying value of the wealth management and lending business and various other intangible assets across the group.

The operating loss for the year prior to impairment and income tax benefit was impacted by the following factors:

- Lending volumes were 19% lower than the 2018 year, largely due to market forces, which negatively impacted revenue;
- Sponsorship revenue was also negatively impacted by the new regulatory environment;
- A non-cash charge against operating loss of $5.4m relating to a decrease in the present value of net trail commissions from the underlying loan book from $50.26m to $44.87m; and
- Operating expenses across the group increased by 5%. The primary drivers of this increase were redundancy expenses, the immediate expensing of costs associated with business projects (previously expenses of this nature were capitalised), the write off a prepayment relating to the wealth business, and expenses incurred with the 2018 takeover defence, the current securitisation initiative and associated sourcing of funding.

The group achieved a positive cashflow from operations of $379,000, notwithstanding carrying costs which have since been eliminated in our announced restructuring.

As we have announced to the market in April 2019, we have been simplifying the business to focus primarily on mortgages, as well as restructuring the cost base to be more appropriate to that new focus.

In many ways it is back to the future. My experience with the Wizard group of companies from the mid-1990s to 2005 provided me with the genesis of YBR. The success of Wizard can be put down to 3 simple criteria and they are:

1. Funding
   We were able to fund, through the capital markets, our own mortgage products. Therefore, we owned more of the interest margin, we weren't giving it away to a competitor bank or other funders.

2. Branding
   We were able to build a brand that tapped into borrowers' desire for more competition to the banks, and

3. Distribution

We were able to fulfil consumer demand via a knowledgeable and agile broker intermediary network trained to get the customer the best appropriate outcome available.

Wizard, along with other non-bank lenders, became the trusted alternative for consumers to help them get a loan approved to buy or build their dream home or buy an investment property.

In these days of YBR, we have:

- Firstly, rolled out a YBR-branded branch franchise network and acquired and consolidated a major independent Vow broker network to act as intermediaries and to advise consumers on choosing the right loan and assist in their increasingly difficult application and settlement process.

- Secondly, established the YBR brand in the minds of consumers as an alternative way to get mortgage funding. We invested in a TV show to promote the YBR brand and other cost-effective marketing initiatives that turned YBR into a nationally recognised mortgage brand.

- Thirdly, we invested heavily in recruiting, education, training and compliance at our YBR branches and Vow broker network to comply with the increasingly regulated mortgage broking legislation and banking scrutiny.

Establishing our own mortgage product has taken much longer and been much more difficult to establish than I initially thought it would, in large part because of significant regulatory change and uncertainty.

However, we are now well advanced in our negotiations to access the bank wholesale and debt capital markets to fund our own products. We expect to conclude arrangements for the remaining components of that funding matrix within this calendar year. Once complete, we can enter the market with our own mortgage product. We will most likely do this under the Resi home loan brand, which we own, and we will distribute through our owned YBR network and the Vow aggregator platform.

It is also our intention that the YBR network will continue to be able to distribute wealth products, but these will be provided via an external third party under its own AFSL.

Pleasingly, in recent months, we have observed a number of positive changes in the residential housing market and the demand for mortgages. Our two distribution platforms are experiencing a material increase in enquiry for mortgages, applications lodged, and approvals granted. These 'new shoots' began showing in June and have continued to grow at an increasing rate though July and August. In total, since the Federal election, we've seen a 36% increase in new business.

It may be too early to call it a long-term trend. Irrespective, we have completely restructured our business to be less costly, and more efficient in loan processing, and so we can operate on lower loan volumes than we've seen during our winter months. Since June, I have been directly responsible for the retraining and energising of our people in the YBR branches and I will continue to do so until that process is complete.

We believe the uncertainty for the broking sector caused by the Royal Commission is now firmly behind us. Mortgage brokers now have greater certainty in their remuneration structure. Gone too, are the threats to negative gearing and capital gains tax that put a damper on the mortgage market. I, and others, were highly vocal about the negative impact these policies would have had and I think the resurgence of confidence within our sector that we have seen since the Federal election is evidence that we were right to fight these moves.

It should also be noted that the Reserve Bank's low interest rate policy is helping to stimulate borrowing, especially in the mortgage sector.

We have a view that the increased complexity of responsible lending requirements will see consumers place an even greater reliance on intermediary mortgage brokers. We believe that the origination of mortgage loans will increasingly be dominated by brokers and rise beyond 70% of all transactions in Australia – it currently sits around 55% of all transactions.

Other points of note for shareholders are that we have sold our 50% interest in the Smarter Money Investments funds management business for a significant profit which we announced post-balance date. That sale won't be booked into our accounts until the first half of the 2020 financial year. Some of the proceeds of that sale were used to reduce debt and the balance banked. Additionally, we are now dealing with a number of tenderers for the sale/restructuring and outsourcing of our wealth business. Again, the positive financial effect of this won't be booked until at least the first half of the 2020 financial year.

I would like to thank Richard Shaw, our CFO and company secretary who is leaving the Group for personal reasons, for all his help and hard work over many years. We have retained the services of a highly experienced finance consultant, in the interim, who is well known in the financial markets. Sean Preece, our Chief Risk Officer, will fulfil Richard's company secretarial duties.

To recap - our strategic focus is now singular. It is to provide mortgages through our franchised YBR branches and our extensive Vow independent broker business.

I think that my initial premise for establishing Yellow Brick Road is now becoming a reality, despite so many headwinds over so many years. I have never felt more positive about this Company's prospects and more excited about the future of the intermediary mortgage market.

Kind regards

Mark Bouris

Mark Bouris
Executive Chairman

For media inquiries:
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Yellow Brick Road Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Yellow Brick Road Holdings Limited
ABN:	44 119 436 083
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	6.9%	to	211,696
Revenues from contracts with customers from continuing operations	down	6.8%	to	183,846
Loss from ordinary activities after tax attributable to the owners of Yellow Brick Road Holdings Limited	up	>100%	to	(37,394)
Loss for the year attributable to the owners of Yellow Brick Road Holdings Limited	up	>100%	to	(37,394)

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 $37,394,000 (30 June 2018: $658,000).

The loss for the year included a $33,947,000 pre-tax impairment to non-financial assets previously disclosed in the 31 December 2018 Interim Financial Statements.

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

Earnings before interest expense, tax, depreciation and amortisation (‘EBITDA’) after excluding (loss)/gain on revaluation of underlying loan book, impairment of non-financial assets and the loss after income tax expense from discontinued operations for the consolidated entity ('Underlying EBITDA from continuing operations') was a loss of $4,611,000 (2018: profit of $2,619,000). This is calculated as follows:

	Consolidated	
	2019 **$'000**	**2018** **$'000**
Loss after income tax	(37,394)	(658)
Add: Depreciation and amortisation	1,662	2,566
Add: Interest expense	540	666
Less: Income tax benefit	(5,174)	(596)
EBITDA	(40,366)	1,978
Less: Loss/(gain) on revaluation of underlying loan book	507	(1,355)
Add: Impairment of non-financial assets	28,858	-
Add: Loss after income tax expense from discontinued operations	6,390	1,996
Underlying EBITDA from continuing operations	(4,611)	2,619

Key features of underlying EBITDA result were:

- Revenue from continuing operations decreased by 7% to $200,923,000 (2018: $215,984,000);
- Underlying loan book size increased by 3.7% to $49,416 million (30 Jun 2018: $47,640 million);
- Net present value of loan book decreased by 10.7% to $44.87 million (30 Jun 2018: $50.26 million);
- Net present value of loan book per ordinary share is 15.8 cents (30 Jun 2018: 17.8 cents);
- Underlying funds under management decreased by 13.7% to $1,293 million (30 Jun 2018: $1,499 million); and
- Premiums under management increased by 4.4% to $19 million (30 Jun 2018: $18.2 million).

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	12.33	13.36

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4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Dividend reinvestment plans

Not applicable.

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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%	3,770	2,053
Group's aggregate share of associates and joint venture entities' (loss)/profit (where material)				
(Loss)/profit from ordinary activities before income tax			3,770	2,053

* Refer to note 36 - Events after the reporting period for details of the sale of investment in joint venture.

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8. Foreign entities

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

Not applicable.

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9. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

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10. Attachments

Details of attachments (if any):

The Annual Report of Yellow Brick Road Holdings Limited for the year ended 30 June 2019 is attached.

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11. Signed

Mark Bouris

Signed ___________________________ Date: 29 August 2019

Mark Bouris
Executive Chairman
Sydney

Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Annual Report - 30 June 2019

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 2019. The directors have the power to amend and reissue the financial statements.

Yellow Brick Road Holdings Limited
Corporate directory
30 June 2019

Directors	Mark Bouris (Chairman) Adrian Bouris 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	www.ybr.com.au
Corporate Governance Statement	The directors and management are committed to conducting the business of Yellow Brick Road Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. Yellow Brick Road Holdings Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the company's website at https://www.ybr.com.au/investor-centre/corporategovernance

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 year ended 30 June 2019.

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
John George
Owen Williams (resigned 30 April 2019)

Principal activities

During the financial year, the principal 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 $37,394,000 (30 June 2018: $658,000).

The loss for the year included a $33,947,000 pre-tax impairment to non-financial assets previously disclosed in the 31 December 2018 Interim Financial Statements.

Impairment testing of Goodwill

The consolidated entity had allocated the goodwill amount to two cash generating units ('CGU'), Lending and Wealth Management. During the financial half-year ended 31 December 2018, goodwill and other intangible assets were tested for impairment which, based on a value in use approach, resulted in these assets being fully impaired as the carrying amount exceeded the CGU's recoverable amount as at 31 December 2018. The excess impairment loss was allocated to the assets of each CGU based on their relative carrying amounts. The total amount allocated was $28,338,000 to Lending CGU and $5,089,000 to Wealth CGU.

The value in use for each CGU was derived by discounting future cash flows generated from the continuing use of that CGU, determined based on actuals for six months to 31 December 2018 and projections for a further nine year period. The following assumptions were used to calculate the value in use of each CGU at 31 December 2018:

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% and 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 financial half-year ended 31 December 2018, the Wealth CGU's products, cost structure, scalability and financial performance were reviewed. In particular, funds under management did not meet management's expectations. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry created significant uncertainty which had adversely affected the market and consumer sentiment which together resulted in the impairment.

Lending CGU
During the financial half-year ended 31 December 2018, the ongoing and sustained macro prudential changes and impact of the Royal Commission deliberations, resulted in broad tightening of credit market conditions. The consolidated entity anticipated that the housing and general business sector would experience short-term contraction in growth and challenges in accessibility to credit. This together with the Royal Commission (as mentioned above) had led to a reduction in settlement volumes and thus the impairment.

Goodwill once impaired cannot be reversed. However, other intangibles can be reversed if conditions have changed and the recoverable amount is higher than carrying amount. As at 30 June 2019, the assumptions and conditions were reassessed and management had determined that no reversal of impairment was appropriate.

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding (loss)/gain on revaluation of underlying loan book, impairment of non-financial assets and the loss after income tax expense from discontinued operations for the consolidated entity ('Underlying EBITDA from continuing operations') was a loss of $4,611,000 (2018: profit of $2,619,000). This is calculated as follows:

	Consolidated	
	2019	**2018**
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Less: Income tax benefit	(5,174)	(596)
EBITDA	(40,366)	1,978
Less: Loss/(gain) on revaluation of underlying loan book	507	(1,355)
Add: Impairment of non-financial assets	28,858	-
Add: Loss after income tax expense from discontinued operations	6,390	1,996
Underlying EBITDA from continuing operations	(4,611)	2,619

Key features of Underlying EBITDA result were:

- Revenue from continuing operations decreased by 7% to $200,923,000 (2018: $215,984,000);
- Underlying loan book size increased by 3.7% to $49,416 million (30 Jun 2018: $47,640 million);
- Net present value of loan book decreased by 10.7% to $44.87 million (30 Jun 2018: $50.26 million);
- Net present value of loan book per ordinary share is 15.8 cents (30 Jun 2018: 17.8 cents);
- Underlying funds under management decreased by 13.7% to $1,293 million (30 Jun 2018: $1,499 million); and
- Premiums under management increased by 4.4% to $19 million (30 Jun 2018: $18.2 million).

Significant changes in the state of affairs
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 was completed in FY19.

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 and stepped down on 16 May 2019, to a part-time role where he will consult to the consolidated entity on a number of initiatives, having previously been a non-executive director/consultant to the consolidated entity since August 2017.

On 16 May 2019, the company announced a new strategy and structure for the consolidated entity focusing on mortgage distribution, servicing, funding and securitisation. An active plan has been initiated to dispose of, outsource or otherwise restructure the head office wealth business functions. A sale is expected to be completed within 12 months.

The company also progressed with securitisation initiatives.

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

Matters subsequent to the end of the financial year
On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019.

The Purchase Price was $7,500,000, payable in cash as to:
- $5,000,000 on completion ('12 July 2019');
- $2,000,000 12 months after completion; and
- $500,000 18 months after completion.

YBR used part of the proceeds received on 12 July 2019 to repay $2,000,000 on the company's bank debt facility.

On 5 July 2019, the company issued 313,714 ordinary shares at 13 cents to an employee as a bonus.

No other matter or circumstance has arisen since 30 June 2019 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 2019.

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 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:	None
Former directorships (last 3 years):	Non-Executive Chairman of Anteo Diagnostics Limited. Non-Executive Director of TZ Limited (ASX:TZL)
Special responsibilities:	None
Interests in shares:	54,028,182 ordinary shares
Interests in options:	None
Interests in rights:	2,500,000 performance rights
Contractual rights to shares:	None

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:	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:	Chairman 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.

'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 27 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 2019, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mark Bouris *	8	9	-	-
Adrian Bouris	9	9	7	7
John George	9	9	7	7
Owen Williams	7	7	6	6

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 KMP

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of KMP compensation; and
- transparency.

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

This is achieved through adopting a remuneration structure that:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

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

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

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

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

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

The KMP remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed periodically, 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 2019, the consolidated entity had not engaged any remuneration consultants to review or advise upon its existing remuneration policies.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')
At the 2018 AGM, 57.81% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The consolidated entity did not receive any specific feedback at the AGM regarding its remuneration practices.

As more than 25% of the votes were cast against, this constituted a first strike for the purposes of the Act. The votes against included one shareholder who controls 56,329,555 shares which, if excluded, would have resulted in only 4.63% being against.

Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the consolidated entity are set out in this section.

The KMP of the consolidated entity consisted of the following directors of Yellow Brick Road Holdings Limited:
- Mark Bouris - Executive Chairman
- Adrian Bouris - Non-Executive Director
- John George - Non-Executive Director
- Owen Williams - Non-Executive Director (resigned 30 April 2019)

And the following persons:
- Frank Ganis - Chief Executive Officer (appointed 25 October 2018, resigned 16 May 2019)
- Richard Shaw - Chief Financial Officer and Company Secretary
- Clive Kirkpatrick - General Manager - Lending
- Sean Preece - Chief Risk Officer
- Adam Youkhana - General Manager - Wealth (resigned 14 December 2018)
- Glenn Gibson - General Manager - Lending (resigned 29 October 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 performance rights	Total
2019	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Adrian Bouris	75,000	-	-	-	-	-	-	75,000
John George	75,000	-	-	-	-	-	-	75,000
Owen Williams *	57,078	-	-	5,422	-	-	-	62,500
Executive Directors:								
Mark Bouris (Chairman)	1,125,000	-	-	-	-	-	85,625	1,210,625
Other Key Management Personnel:								
Frank Ganis **	266,282	-	1,999	25,297	767	-	-	294,345
Richard Shaw	300,000	-	1,212	25,000	12,351	-	-	338,563
Clive Kirkpatrick	300,000	-	18,400	28,500	1,029	-	-	347,929
Sean Preece***	290,000	-	(2,040)	27,550	10,242	-	-	325,752
Adam Youkhana*	134,897	-	-	9,946	-	-	-	144,843
Glenn Gibson*	103,728	-	-	9,500	-	-	-	113,228
	2,726,985	-	19,571	131,215	24,389	-	85,625	2,987,785

* Includes remuneration from beginning of the year to their respective resignation dates.
** Includes remuneration from his appointment date as CEO (appointed 25 October 2018, resigned 16 May 2019).
*** Became a KMP at start of the year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2018	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled shares $	Equity-settled performance rights $	Total $
Non-Executive Directors:								
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
Executive Directors:								
Mark Bouris (Chairman)	712,500	-	-	-	-	-	184,583	897,083
Other Key Management Personnel:								
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.

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

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018	At risk - LTI 2019	At risk - LTI 2018
Non-Executive Directors:						
Adrian Bouris	100%	100%	-	-	-	-
Owen Williams	100%	100%	-	-	-	-
John George	100%	100%	-	-	-	-
Frank Ganis	-	100%	-	-	-	-
Executive Directors:						
Mark Bouris	93%	80%	-	-	7%	20%
Other Key Management Personnel:						
Frank Ganis	100%	-	-	-	-	-
Richard Shaw	100%	100%	-	-	-	-
Scott Graham	-	100%	-	-	-	-
Adam Youkhana	100%	100%	-	-	-	-
Andrew Rasby	-	100%	-	-	-	-
Clive Kirkpatrick	100%	100%	-	-	-	-
Sean Preece	100%	-	-	-	-	-
Glenn Gibson	100%	100%	-	-	-	-

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 expired on 31 July 2019. A maximum fee of $1,125,000 per annum is payable under this agreement. During the year ended 30 June 2019, a total consulting fee of $1,125,000 has been charged.

The company and GWH and Mark Bouris have commenced negotiating the terms of a new consultancy agreement and, until that process is concluded, it has been agreed that GWH will continue to provide the services of Mark Bouris on the same terms as set out in the expired consultancy agreement.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

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 allocation 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 2019 is $85,625 (2018: $184,583). 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 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 2019.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Sales revenue	211,696	227,365	218,787	217,965	165,895
(Loss)/profit after income tax	(37,394)	(658)	1,035	(9,528)	(2,554)

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

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.07	0.09	0.12	0.18	0.48
Basic earnings per share (cents per share)	(13.20)	(0.23)	0.37	(3.42)	(0.96)
Diluted earnings per share (cents per share)	(13.18)	(0.23)	0.37	(3.42)	(0.96)

Additional disclosures relating to KMP

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
Ordinary shares					
Mark Bouris	51,695,187	-	2,332,995	-	54,028,182
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
Sean Preece	52,356	-	-	-	52,356
	55,701,907	-	2,332,995	-	58,034,902

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
Performance rights over ordinary shares					
Mark Bouris*	5,000,000	-	-	(2,500,000)	2,500,000
	5,000,000	-	-	(2,500,000)	2,500,000

* Performance rights were issued to GWH.

Other transactions with key management personnel and their related parties
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 2019 amounted to $85,625 (2018: $184,583). As at 30 June 2019, 7,500,000 performance rights have lapsed, with no benefit to GWH. The remaining 2,500,000 performance rights will not vest unless the company's share price exceeds $1.74 per share. Refer to note 35 - Share-based payments for further details.

This concludes the remuneration report, which has been audited.

Performance rights

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 performance rights
29 August 2014 *	29 August 2019	2,500,000
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
		3,035,573

* Performance rights granted to GWH, a company controlled by Mark Bouris. Refer to Note 29 - Related party transactions for further details.

** Performance rights granted to the former Resi Branch owners. Refer to Note 35 - Share-based payments for further details.

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

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 2019 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	36,057

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 26 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 26 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.

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

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

On behalf of the directors

Mark Bouris

Mark Bouris
Executive Chairman

29 August 2019
Sydney

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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 2019, 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 2019

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue from contracts with customers from continuing operations	4	183,846	197,310
Share of profits of joint ventures accounted for using the equity method	32	3,770	2,053
Other income		6	704
Interest income		45	54
(Loss)/gain on revaluation of underlying loan book		(507)	1,355
Discount unwind on trail commission	3	17,077	18,674
Total revenue and other gains		204,237	220,150
Expenses			
Commissions and consultancy expenses		(167,026)	(177,751)
Employee benefits expense		(14,309)	(12,527)
Depreciation and amortisation expense	5	(1,662)	(2,566)
Impairment of receivables	8	(113)	-
Occupancy expenses		(1,661)	(1,616)
Other expenses		(12,024)	(10,586)
Finance costs	5	(14,762)	(14,362)
Total expenses		(211,557)	(219,408)
Operating (loss)/profit		(7,320)	742
Impairment of non-financial assets	5	(28,858)	-
(Loss)/profit before income tax benefit from continuing operations		(36,178)	742
Income tax benefit	6	5,174	596
(Loss)/profit after income tax benefit from continuing operations		(31,004)	1,338
Loss after income tax expense from discontinued operations	7	(6,390)	(1,996)
Loss after income tax benefit for the year attributable to the owners of Yellow Brick Road Holdings Limited		(37,394)	(658)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments through other comprehensive income		(19)	-
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	18
Other comprehensive income for the year, net of tax		(19)	18
Total comprehensive income for the year attributable to the owners of Yellow Brick Road Holdings Limited		(37,413)	(640)
Total comprehensive income for the year is attributable to:			
Continuing operations		(31,023)	1,356
Discontinued operations		(6,390)	(1,996)
		(37,413)	(640)

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 2019

	Note	2019	2018
		Consolidated	
		Cents	**Cents**
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	(10.95)	0.47
Diluted earnings per share	34	(10.92)	0.47
Earnings per share for loss from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	(2.26)	(0.71)
Diluted earnings per share	34	(2.25)	(0.71)
Earnings per share for loss attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	34	(13.20)	(0.23)
Diluted earnings per share	34	(13.18)	(0.23)

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 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents		4,057	5,415
Trade and other receivables	8	14,959	17,513
Contract assets - trail commissions	9	67,641	-
Trail commission receivables	9	-	63,706
Deposits		471	471
Other assets	10	1,272	1,086
		88,400	88,191
Non-current assets classified as held for sale	11	1,024	164
Assets of disposal groups classified as held for sale	12	7,308	-
Total current assets		96,732	88,355
Non-current assets			
Contract assets - trail commissions	9	291,595	-
Trail commission receivables	9	-	255,212
Investments accounted for using the equity method		-	468
Available-for-sale financial assets		-	371
Held-to-maturity investments		50	112
Plant and equipment	13	14	562
Intangibles	14	618	35,282
Deferred tax	6	2,469	-
Other assets	10	1,245	1,501
Total non-current assets		295,991	293,508
Total assets		392,723	381,863
Liabilities			
Current liabilities			
Trade and other payables	15	78,798	75,160
Contract liabilities	16	896	-
Borrowings	17	1,425	1,451
Provisions	18	2,855	2,417
		83,974	79,028
Liabilities directly associated with assets classified as held for sale	19	6,399	-
Total current liabilities		90,373	79,028
Non-current liabilities			
Trade and other payables	15	4,453	4,453
Borrowings	17	5,775	7,200
Deferred tax	6	-	2,794
Provisions	18	433	159
Trail commissions payables		256,047	215,207
Total non-current liabilities		266,708	229,813
Total liabilities		357,081	308,841
Net assets		35,642	73,022

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

Yellow Brick Road Holdings Limited
Statement of financial position
As at 30 June 2019

		Consolidated	
	Note	**2019 $'000**	**2018 $'000**
Equity			
Issued capital	20	110,109	109,963
Reserves	21	2,177	2,422
Accumulated losses		(76,644)	(39,363)
Total equity		35,642	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 year ended 30 June 2019

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
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)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 20)	171	-	-	171
Share-based payments (note 21)	-	175	-	175
Balance at 30 June 2018	109,963	2,422	(39,363)	73,022

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 year	-	-	(37,394)	(37,394)
Other comprehensive income for the year, net of tax	-	(19)	-	(19)
Total comprehensive income for the year	-	(19)	(37,394)	(37,413)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 20)	146	-	-	146
Share-based payments (note 21)	-	97	-	97
Transfer to accumulated losses on disposal of the equity investments	-	(323)	323	-
Balance at 30 June 2019	110,109	2,177	(76,644)	35,642

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 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		190,729	203,696
Payments to suppliers and employees (inclusive of GST)		(190,350)	(200,706)
		379	2,990
Interest received		45	55
Interest and other finance costs paid		(519)	(598)
Net cash (used in)/from operating activities	33	(95)	2,447
Cash flows from investing activities			
Payments for property, plant and equipment	13	(42)	(70)
Payments for intangibles	14	(324)	(3,270)
Proceeds/(payments) for investment		353	(113)
Proceeds from disposal of business		200	1,348
Net cash from/(used in) investing activities		187	(2,105)
Cash flows from financing activities			
Repayment of borrowings		(1,450)	-
Net cash used in financing activities		(1,450)	-
Net increase/(decrease) in cash and cash equivalents		(1,358)	342
Cash and cash equivalents at the beginning of the financial year		5,415	5,073
Cash and cash equivalents at the end of the financial year		4,057	5,415

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.

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

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

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018 using the modified retrospective approach and as such, comparatives have not been restated. 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 $45,000 for the year ended 30 June 2019.

On adoption of AASB 9 at 1 July 2018:
- $371,000 of equity investments previously recorded as available for sale financial assets were classified and recognised as investments in equity instruments designated at fair value through other comprehensive income;
- $323,000 previously recognised in the available for sale asset revaluation reserve was transferred to a 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 as investments in equity instruments designated 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 using the modified retrospective approach and as such, comparatives have not been restated. 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:
- $318,918,000 of trail commission receivables was reclassified as contract assets;
- Life insurance trail commission previously recognised as income at time of receipt of income is now recognised at the 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 the time of the service being performed are now recognised over time during the period which the service is provided.

Note 1. Significant accounting policies (continued)

The impact of adoption of AASB 15 on opening retained profits as at 1 July 2018 was as follows:

	1 July 2018 $'000
Decrease - recognition of contract liabilities - mortgage services fee	(1,220)
Increase - recognition of contract assets - insurance trail commission	4,734
Decrease - recognition of insurance trail commission payables	(3,814)
Tax effect on the above adjustments	90
Total impact on opening retained profits as at 1 July 2018	(210)

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 30.

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 2019 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
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 in note 2 - Critical accounting judgements, estimates and assumptions.

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.

Note 1. Significant accounting policies (continued)

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.

The expected value of variable consideration includes amounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when any uncertainties associated with the variable consideration are subsequently resolved. The consolidated entity has regard to constraining factors such as market volatility and possible increase in run-off rates, absence of experience with certain customer or contract types, and likelihood of unfavourable changes to commission arrangements when determining variable consideration. Refer to note 2 - Estimation of Mortgage trail commissions for further details.

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.

The contract assets and liabilities are calculated having regard also to a 'run-off' of clients that discharge or pay-down their loans resulting in trail commission no longer being receivable or payable. The asset is tested for impairment annually and is adjusted for any difference in the expected trail run off and the actual run off experienced.

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.

Mortgage management fees
Ongoing mortgage management fees from servicing the loan book portfolio are recognised over time over the course of the loan. The fee represents a separate service obligation that includes maintaining a dedicated post settlement customer service function.

Life insurance broking services - Upfront commissions (discontinued operations)
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.

Life insurance broking services - Trailing commissions (discontinued operations)
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 (discontinued operations)
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 represent branch and broker charges for services offered by the company. These are recognised at a point of time.

Sponsorship revenue
Sponsorship revenue represents contributions from lenders for distinct services provided by the consolidated entity. The key services relate to compliance, training and educational in the form of learning management systems, conferences and professional development workshops. This is recognised at a point in time when the service has been performed.

Note 1. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is 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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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

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.

Note 1. Significant accounting policies (continued)

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.

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.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or debt instruments at fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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 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 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.

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

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 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. 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 2019. The main standards are listed below together with the applicability date:

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

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019.

Impact of adoption of AASB 16 on 1 July 2019 would be an increase in assets and corresponding increase in liabilities of $1,705,975. This represents the net present value of all estimated office and vehicle lease payments. Under the same lease assumptions, the group expects a lease expense of $995,130 in the year ending 30 June 2020 (comparatively, an expense of $943,023 would be expected under the current accounting methodologies being applied).

New Conceptual Framework for Financial Reporting

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the consolidated entity has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the consolidated entity may need to revisit such policies.

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.

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

Determination of variable consideration - cost of servicing loan book
For loans where there is a continuing obligation to provide a customer service, 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 6.8% p.a. and average remaining policy term of 20 years.

Estimation of Mortgage trail commissions
The consolidated entity recognises a contract asset and payable for Mortgage trail commissions at the inception of the loan 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 discharge or pay-down their loans 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.

For loans where there is no further contractual obligation to provide a service, key assumptions include a discount rate of 5% - 12 % p.a., run-off rates per annum per 6 monthly tranches of 5% - 33% p.a., and lender trail commission rates earned and paid to brokers.

For loans where there is a continuing obligation to provide a customer service, key assumptions include a discount rate of 5% - 12 % p.a., run-off rates per annum per 6 monthly tranches of 5% - 33% p.a., lender trail commission rates earned and paid to brokers, and servicing costs of 2.5 basis points p.a.

Estimation of Mortgage management fees
Revenue for ongoing mortgage management fees of 2.5 basis points has been estimated on a cost plus methodology. The fee is deducted from the trail commission received over the course of the loan.

Allowance for expected credit losses
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.

Goodwill
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has 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 - Intangibles.

Impairment of non-financial assets other than goodwill
The consolidated entity assesses impairment of non-financial assets other than goodwill 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.

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

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.

Clawback provision
A clawback on the upfront commission received from funders is incurred when a loan is discharged. The provision represents the net expected clawback payable on upfront commissions received by the consolidated entity from the funders. The key assumptions are the clawback % of between 25% - 100%, the clawback period of 0 to 24 months and the rate of discharge per 6 monthly tranches of 5% - 33% p.a.

Recognition of deferred tax assets
The net deferred tax asset 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 were two operating segments during the year but as at 30 June 2019, only the lending segment remained as wealth management was classified as discontinued operations in May 2019. These segments are based on 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.

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. This segment has been discontinued at the end of the year.

Revenue disclosed from ‘other segments’ relates to fees charged to branches and brokers.

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

Note 3. Operating segments (continued)

Major customers
During the year ended 30 June 2019 the consolidated entity had four major customers that contributed $75,497,512 to the total consolidated entity's revenue – {$20,993,000 (12.3%), 18,734,000 (11.0%), $17,971,000 (10.6%) and $17,799,000 (10.5%)}. (2018: Four major customers contributing $84,877,000 - $22,829,000 (12.4%), 22,192,000 (12.1%), 20,859,000 (11.4%) and 18,996,000 (10.4%) respectively of total consolidated entity's revenue each. Revenue from all these four major customers were part of the lending division.

Operating segment information

Consolidated - 2019	Continued operations Lending $'000	Discontinued operations Wealth management $'000	Other segments $'000	Total $'000
Revenue				
Sales to external customers from continuing operations	183,846	-	-	183,846
Sales to external customers from discontinued operations	-	10,721	-	10,721
Total sales revenue	183,846	10,721	-	194,567
Discount unwind on trail commission	17,077	-	-	17,077
Other revenue	-	1	51	52
Total revenue	200,923	10,722	51	211,696
Segment operating result from continuing operations	8,581	-	-	8,581
Segment operating result from discontinuing operations	-	(374)	-	(374)
Share of profits of joint ventures accounted for using the equity method	-	-	3,770	3,770
Group expenditure	-	-	(20,598)	(20,598)
Impairment of non-financial assets	(28,858)	(5,089)	-	(33,947)
Loss before income tax benefit	(20,277)	(5,463)	(16,828)	(42,568)
Income tax benefit				5,174
Loss after income tax benefit				(37,394)

Consolidated - 2018	Continued operations Lending $'000	Discontinued operations Wealth management $'000	Other segments $'000	Total $'000
Revenue				
Sales to external customers from continuing operations	197,310	-	-	197,310
Sales to external customers from discontinued operations	-	10,622	-	10,622
Total sales revenue	197,310	10,622	-	207,932
Discount unwind on trail commission	18,674	-	-	18,674
Other revenue	-	1	758	759
Total revenue	215,984	10,623	758	227,365
Segment operating result from continuing operations	10,567	-	-	10,567
Segment operating result from discontinuing operations	-	(1,162)	-	(1,162)
Share of profits of joint ventures accounted for using the equity method	-	-	2,053	2,053
Group expenditure	-	-	(12,712)	(12,712)
(Loss)/profit before income tax benefit	10,567	(1,162)	(10,659)	(1,254)
Income tax benefit				596
Loss after income tax benefit				(658)

Note 4. Revenue from contracts with customers

	Consolidated 2019 $'000	Consolidated 2018 $'000
From continuing operations		
Lending	183,846	197,310

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

	Consolidated 2019 $'000
Major product lines	
Mortgage broking services - Origination commissions	64,020
Mortgage broking services - Trailing commissions	110,133
Mortgage broking services - Professional fees and services	7,133
Sponsorship revenue	2,120
Mortgage management fees	440
Total revenue from contracts from continuing operations	183,846
Investment and wealth management services	3,311
Life Insurance broking services - Upfront	1,774
Life Insurance broking services - Trail	2,266
General Insurance Services - Upfront	248
General Insurance Services - Trail	2,652
Investment services	339
Professional and service fees	131
Total revenue from contracts from discontinued operations (note 7)	10,721
	194,567
Geographical regions	
Australia under continued operations	183,846
Australia under discontinued operations (note 7)	10,721
	194,567
Timing of revenue recognition	
Services transferred at a point in time under continued operations	183,406
Services transferred over a period of time under continued operations	440
Services transferred at a point in time under discontinued operations (note 7)	10,721
	194,567

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

Note 5. Expenses

	Consolidated	
	2019	**2018**
	$'000	**$'000**
(Loss)/profit before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Leasehold improvements	10	33
Office equipment	60	132
Total depreciation	70	165
Amortisation		
Customer relationships	546	1,082
Brands	-	61
Software	849	892
Other intangibles	197	366
Total amortisation	1,592	2,401
Total depreciation and amortisation	1,662	2,566
Impairment of non-financial assets		
Leasehold improvements	184	-
Plant and equipment	336	-
Goodwill	19,648	-
Customer relationships	3,950	-
Brands	1,039	-
Software	3,032	-
Other intangible	669	-
Total impairment non-financial assets	28,858	-
Finance costs		
Interest and finance charges paid/payable	540	666
Discount unwind on trail commission payments	14,222	13,696
Finance costs expensed	14,762	14,362
Marketing expenses	3,076	3,360
Consultancy expenses	1,230	1,113
Performance rights expense	106	248
Defined contribution superannuation expense	1,027	845
Rental expense relating to operating leases	1,189	1,383

Note 6. Income tax

	Consolidated 2019 $'000	2018 $'000
Income tax benefit		
Deferred tax - origination and reversal of temporary differences	(5,263)	(596)
Adjustment recognised for prior periods	89	-
Aggregate income tax benefit	(5,174)	(596)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(5,263)	(596)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
(Loss)/profit before income tax benefit from continuing operations	(36,178)	742
Loss before income tax expense from discontinued operations	(6,390)	(1,996)
	(42,568)	(1,254)
Tax at the statutory tax rate of 30%	(12,770)	(376)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	25	43
Share-based payments	73	104
Write down of intangible assets	7,146	-
Other adjustments	155	(367)
	(5,371)	(596)
Adjustment recognised for prior periods	89	-
Prior year tax losses not recognised now recouped	108	-
Income tax benefit	(5,174)	(596)

Note 6. Income tax (continued)

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Deferred tax		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	12,654	11,842
Allowance for expected credit losses	148	-
Contract liabilities	269	-
Employee benefits	471	-
Provision for lease make good	76	-
Provision for clawback	203	-
Accrued expenses	911	1,779
Deferred CGT cost base	-	27
Intangibles	1,228	(1,660)
Prepayments	214	-
Net deferred trail income/commissions	(13,864)	(15,079)
	2,310	(3,091)
Amounts recognised in equity:		
Transaction costs on share issue	159	297
Deferred tax asset/(liability)	2,469	(2,794)
Movements:		
Opening balance	(2,794)	(3,390)
Credited to profit or loss	5,263	596
Closing balance	2,469	(2,794)

Note 7. Discontinued operations

Description

On 16 May 2019, the company announced a new strategy and structure for the consolidated entity focusing on mortgage distribution, servicing, funding and securitization. An active plan has been initiated to dispose of, outsource or otherwise restructure the head office wealth business functions. A sale is expected to be completed within 12 months.

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Revenue		
Wealth management	10,721	10,622
Interest income	1	1
Total revenue and other gains	10,722	10,623
Expenses		
Commissions and consultancy expenses	(8,104)	(7,172)
Employee benefits expense	(2,259)	(4,249)
Depreciation and amortisation expense	-	(105)
Impairment of receivables	(9)	-
Other expenses	(1,545)	(1,093)
Finance costs	(106)	-
Total expenses	(12,023)	(12,619)
Loss before income tax expense	(1,301)	(1,996)
Income tax expense	-	-
Loss after income tax expense	(1,301)	(1,996)
Impairment of non-financial assets	(5,089)	-
Loss after income tax expense from discontinued operations	(6,390)	(1,996)

Cash flow information

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Net cash used in operating activities	(2,333)	(1,733)
Net cash from/(used in) investing activities	195	(740)
Net decrease in cash and cash equivalents from discontinued operations	(2,138)	(2,473)

On 25 June 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 revenue from approximately 150 private clients and their wealth portfolio to INPRO Australia Pty Ltd. The total consideration for this sales agreement was $223,000 out of which the company received $23,000 in June 2018 and balance in FY19. The company made a profit of $30,000 from sale of this transaction.

Note 8. Trade and other receivables

	Consolidated 2019 $'000	2018 $'000
Current assets		
Trade receivables	576	1,378
Less: Allowance for expected credit losses	(444)	(392)
	132	986
Other receivables	1,069	1,189
Revenue accrual	13,758	15,338
	14,827	16,527
	14,959	17,513

Allowance for expected credit losses
The consolidated entity has recognised a loss of $113,000 (2018: $71,000) in respect of the expected credit losses for the year ended 30 June 2019.

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

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	-	70	-
0 to 3 months overdue	14%	64	9
3 to 6 months overdue	51%	14	7
Over 6 months overdue	100%	428	428
		576	444

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	2018 $'000
Opening balance	392	321
Additional provisions recognised	102	71
Classified as held for sale	(50)	-
Closing balance	444	392

Note 9. Contract assets - trail commissions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Contract assets	67,641	-
Trail commission receivables	-	63,706
	67,641	63,706
Non-current assets		
Contract assets	291,595	-
Trail commission receivables	-	255,212
	291,595	255,212
	359,236	318,918

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

Opening balance	-
Transfer on transition to AASB 15 on 1 July 2018	318,918
Initial recognition of contract assets – insurance trail commission on 1 July 2018	4,734
Additions - new settlements	111,373
Run offs	(69,053)
Classified to assets of disposal groups classified as held for sale	(6,736)
Closing balance	359,236

Contract assets increased due to increase in the loan life in the aggregation business.

Note 10. Other assets

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Prepayments	1,252	1,066
Other	20	20
	1,272	1,086
Non-current assets		
Prepayments *	1,245	1,245
Other	-	256
	1,245	1,501
	2,517	2,587

* Refer to note 29 - Related party transactions for further details.

Note 11. Non-current assets classified as held for sale

In 2019, the company retained the services of an advisor to facilitate the sale of its 50% equity interest in Smarter Money Investments Pty Ltd.

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ("SMI') to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019. The conditions of the sale are disclosed in note 36 - Events after the reporting period.

In 2018, the Board decided to sell the "Brightday Website". 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 year ended 30 June 2019.

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Investment in joint ventures	1,024	-
Software	-	164
	1,024	164

Note 12. Assets of disposal groups classified as held for sale

Refer to note 7 - Discontinued operations for further details.

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Trade and other receivables	508	-
Contract assets - trail commissions	2,223	-
Prepayments	64	-
Non-current - contract assets - trail commissions	4,513	-
	7,308	-

Note 13. Plant and equipment

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Non-current assets		
Leasehold improvements - at cost	1,333	1,326
Less: Accumulated depreciation	(1,143)	(1,129)
Less: Impairment	(184)	-
	6	197
Office equipment - at cost	2,525	2,492
Less: Accumulated depreciation	(2,181)	(2,127)
Less: Impairment	(336)	-
	8	365
	14	562

Note 13. Plant and equipment (continued)

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

Consolidated	Leasehold improvements $'000	Office equipment $'000	Total $'000
Balance at 1 July 2017	230	427	657
Additions	-	70	70
Depreciation expense	(33)	(132)	(165)
Balance at 30 June 2018	197	365	562
Additions	8	34	42
Impairment of assets	(184)	(336)	(520)
Transfers in/(out)	(5)	5	-
Depreciation expense	(10)	(60)	(70)
Balance at 30 June 2019	6	8	14

Note 14. Intangibles

	Consolidated 2019 $'000	2018 $'000
Non-current assets		
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 - at cost	8,152	7,939
Less: Accumulated amortisation	(3,539)	(2,801)
Less: Impairment	(3,995)	-
	618	5,138
Other intangible assets - at cost	1,842	1,983
Less: Accumulated amortisation	(1,173)	(922)
Less: Impairment	(669)	-
	-	1,061
	618	35,282

Note 14. Intangibles (continued)

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

Consolidated	Goodwill $'000	Customer relationships $'000	Brands $'000	Software $'000	Other $'000	Total $'000
Balance at 1 July 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 11)	-	-	-	(164)	-	(164)
Amortisation expense	-	(1,082)	(61)	(909)	(453)	(2,505)
Balance at 30 June 2018	23,548	4,496	1,039	5,138	1,061	35,282
Additions	-	-	-	324	-	324
Disposals	-	-	-	-	(195)	(195)
Impairment of assets	(23,548)	(3,950)	(1,039)	(3,995)	(669)	(33,201)
Amortisation expense	-	(546)	-	(849)	(197)	(1,592)
Balance at 30 June 2019	-	-	-	618	-	618

Impairment testing for goodwill
The consolidated entity had allocated the goodwill amount to two cash generating units ('CGU'), Lending and Wealth Management. During the financial half-year ended 31 December 2018, goodwill and other intangible assets were tested for impairment which, based on a value in use approach, resulted in these assets being fully impaired as the carrying amount exceeded the CGU's recoverable amount as at 31 December 2018. The excess impairment loss was allocated to the assets of each CGU based on their relative carrying amounts. The total amount allocated was $28,338,000 to Lending CGU and $5,089,000 to Wealth CGU.

The value in use for each CGU was derived by discounting future cash flows generated from the continuing use of that CGU, determined based on actuals for six months to 31 December 2018 and projections for a further nine year period. The following assumptions were used to calculate the value in use of each CGU at 31 December 2018:

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% and 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 financial half-year ended 31 December 2018, the Wealth CGU's products, cost structure, scalability and financial performance were reviewed. In particular, funds under management did not meet management's expectations. Ongoing negative sentiment surrounding the Royal Commission into the Banking, Superannuation and Financial Services Industry created significant uncertainty which had adversely affected the market and consumer sentiment which together resulted in the impairment.

Note 14. Intangibles (continued)

Lending CGU
During the financial half-year ended 31 December 2018, the ongoing and sustained macro prudential changes and impact of the Royal Commission deliberations, resulted in broad tightening of credit market conditions. The consolidated entity anticipated that the housing and general business sector would experience short-term contraction in growth and challenges in accessibility to credit. This together with the Royal Commission (as mentioned above) had led to a reduction in settlement volumes and thus the impairment.

Goodwill once impaired cannot be reversed. However, other intangibles can be reversed if conditions have changed and the recoverable amount is higher than carrying amount. As at 30 June 2019, the assumptions and conditions were reassessed and management had determined that no reversal of impairment was appropriate.

The goodwill, prior to being fully impaired, was allocated to the following CGUs:

	Consolidated	
	2019 $'000	2018 $'000
Wealth Management	3,900	3,900
Lending	19,648	19,648
	23,548	23,548

Note 15. Trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Current liabilities		
Trade payables	14,198	15,129
Trail commission payables	58,323	53,447
Accrued expenses	3,234	1,042
Income received in advance *	-	1,077
Underwriter payables	-	391
Other payables	3,043	4,074
	78,798	75,160
Non-current liabilities		
Trade payables	4,453	4,453
	83,251	79,613

Refer to note 23 for further information on financial instruments.

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

Note 16. Contract liabilities

	Consolidated 2019 $'000
Current liabilities	
Contract liabilities	896

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

	Consolidated 2019 $'000
Opening balance	-
Transfer on transition to AASB 15 on 1 July 2018	1,077
Amount of opening balance recognised as revenue during the year	(2,119)
Payments received in advance	1,938
Closing balance	896

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $896,000 as at 30 June 2019 ($nil as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 $'000
Within 6 months	896

Note 17. Borrowings

	Consolidated	
	2019 $'000	2018 $'000
Current liabilities		
Bank loans	1,425	1,451
Non-current liabilities		
Bank loans	5,775	7,200
	7,200	8,651

Refer to note 23 for further information on financial instruments.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	2019 $'000	2018 $'000
Bank loans	7,200	8,651

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.

Note 17. Borrowings (continued)

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Total facilities		
Bank loans *	7,200	8,400
Other loans	500	500
	7,700	8,900
Used at the reporting date		
Bank loans *	7,200	8,651
Other loans	-	-
	7,200	8,651
Unused at the reporting date		
Other loans	500	500
	500	500

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

Note 18. Provisions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current liabilities		
Employee benefits	1,260	1,448
Lease make-good	-	114
Clawback provision	667	855
Client remediation provision	928	-
	2,855	2,417
Non-current liabilities		
Employee benefits	179	159
Lease make good	254	-
	433	159
	3,288	2,576

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 expected clawback payable on upfront commissions received by the consolidated entity from the funders/branches.

Note 18. Provisions (continued)

Client remediation provision
During the year it was identified that some advice clients who pay an ongoing fee for wealth services may not have received a Fee Disclosure Statement or a Renewal Notice within the time limits prescribed by the Corporations Act. A programme was put in place to carry out an internal audit of available records and to contact affected clients. That programme has not yet been completed and is ongoing. The consolidated entity has raised a provision for instances where it is established that a breach of the Corporations Act has occurred and where the appropriate remediation action may require financial compensation. There are challenges involved in determining whether or not there have been such breaches of the Corporations Act and, if so, the appropriate form of remediation action. As such, provisions of this nature require significant levels of judgement. A sample-based review was conducted to ascertain an estimate of fees that might need to be refunded to clients if it is established there have been breaches of the Corporations Act. It is possible that the financial costs could be below or above the provision, if the actual outcome of the internal audit differs to the assumptions used to estimate the provision.

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

Consolidated - 2019	Lease make-good $'000	Clawback $'000	Client remediation provision $'000
Carrying amount at the start of the year	114	855	-
Additional provisions recognised	140	667	928
Amounts used	-	(855)	-
Carrying amount at the end of the year	254	667	928

Note 19. Liabilities directly associated with assets classified as held for sale

Refer to note 7 - Discontinued operations and note 12 - Assets of disposal groups classified as held for sale for further details.

	Consolidated	
	2019 $'000	**2018 $'000**
Current liabilities		
Trade and other payables	506	-
Trail commissions payable	1,778	-
Underwriter payables	356	-
Provisions	149	-
Non-current - trail commissions payable	3,610	-
	6,399	-

Note 20. Issued capital

			Consolidated	
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Ordinary shares - fully paid	283,987,008	282,419,831	110,109	109,963

Note 20. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 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
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	30 June 2019	283,987,008		110,109

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.

Performance rights
At 30 June 2019, there are 3,035,573 performance rights over ordinary shares on issue.

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.

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 2018 Annual Report.

Note 21. Reserves

	Consolidated	
	2019 $'000	2018 $'000
Share-based payments reserve	2,072	1,975
Financial assets at fair value through other comprehensive income reserve (2018: Available-for-sale assets revaluation reserve)	-	342
Fair value reserve	105	105
	2,177	2,422

Note 21. Reserves (continued)

Financial assets at fair value through other comprehensive income reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

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.

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

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

Consolidated	Share-based payments $'000	Available-for sale assets revaluation $'000	Financial assets at FV through OCI $'000	Fair value $'000	Total $'000
Balance at 1 July 2017	1,800	324	-	105	2,229
Performance rights net movement	175	-	-	-	175
Available-for sale assets revaluation	-	18	-	-	18
Balance at 30 June 2018	1,975	342	-	105	2,422
Transfer on adoption of AASB 9	-	(342)	342	-	-
Performance rights net movement	97	-	-	-	97
Changes in the fair value of equity investments through other comprehensive income	-	-	(19)	-	(19)
Transfer to accumulated losses on disposal of the equity investments	-	-	(323)	-	(323)
Balance at 30 June 2019	2,072	-	-	105	2,177

Note 22. Dividends

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

Note 23. 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 risk 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.

Note 23. Financial instruments (continued)

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:

Consolidated	2019 Weighted average interest rate %	2019 Balance $'000	2018 Weighted average interest rate %	2018 Balance $'000
Cash and cash equivalents	1.03%	4,057	1.13%	5,415
Loans	6.10%	(7,200)	6.07%	(8,651)
Net exposure to cash flow interest rate risk		(3,143)		(3,236)

An official increase/(decrease) in interest rates of 100 (2018: 100) basis points would have a favourable/unfavourable effect on profit before tax of $31,400 (2018: $32,300) per annum and favourable/unfavourable effect on equity of $22,000 (2018: $22,600) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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, 56.74% (2018: 42.85%) of the value of trail commission receivable relates to loans provided by four 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.

Note 23. Financial instruments (continued)

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Other loans	500	500

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. The below table includes continuing and discontinuing operations balances.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	14,704	4,453	-	-	19,157
Other payables	-	3,043	-	-	-	3,043
Contract liabilities	-	896	-	-	-	896
Trail commission payables	-	60,101	58,365	111,892	89,400	319,758
Underwriter payables	-	356	-	-	-	356
Interest-bearing - variable						
Bank loans	6.10%	1,848	2,101	4,105	-	8,054
Total non-derivatives		80,948	64,919	115,997	89,400	351,264

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
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
Interest-bearing - variable						
Bank loans	6.07%	1,451	7,200	-	-	8,651
Total non-derivatives		75,569	56,381	91,595	78,884	302,429

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

Note 23. Financial instruments (continued)

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

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

Note 24. 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 - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets	371	-	-	371
Total assets	371	-	-	371

During the year ended 30 June 2019, the consolidated entity sold the shares in the financial assets at fair value through other comprehensive income named during the prior year as "available-for-sale financial assets".

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 year.

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

The carrying amounts of trade and other receivables and trade and other 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 liabilities.

Note 25. Key management personnel disclosures

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

	Consolidated	
	2019 **$**	**2018** **$**
Short-term employee benefits	2,746,556	2,414,275
Post-employment benefits	131,215	132,994
Long-term benefits	24,389	9,244
Share-based payments	85,625	184,583
	2,987,785	2,741,096

Note 26. Remuneration of auditors

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

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	315,464	286,820
Other services - Grant Thornton Audit Pty Ltd		
Taxation services	94,159	61,175
	409,623	347,995
Audit services - unrelated firms		
Audit or review of the financial statements	14,700	21,700

Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2019 of $1,104,000 (2018: $1,199,000).

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. 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 has been set for late 2019 calendar year.

A claim has been brought against Yellow Brick Road Accounting and Wealth Management Pty Ltd (the company) by a former client, claiming loss from allegedly incorrect accounting and tax advice. This company is no longer operating but remains registered and part of the YBR consolidated Group. Prior to 2016, the company operated an accounting business, although that business has since been sold. The claim relates to advice given in 2011 and 2012. Court proceedings are pending and there are a number of other defendants to the action. Legal advice says the defendants have strong grounds to believe they will be successful. An estimate of the worst exposure of all defendants is likely to be up to $500,000, with the company's at worst exposure (being a proportionate share thereof) being significantly less than this amount.

Note 28. Commitments

	Consolidated 2019 $'000	2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,134	1,086
One to five years	1,159	1,871
	2,293	2,957
Advertising commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	13,697	13,697

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

Note 29. Related party transactions

Parent entity
Yellow Brick Road Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Joint ventures
Interests in joint ventures are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 29. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2019 $	2018 $
Sale of goods and services:		
Sales to TZ Limited (director-related entity of Mark Bouris) - Accounting and secretarial services	-	9,349
Sales to TZ Limited (director-related entity of Mark Bouris) - Insurance services	-	13,436
Sales to TZ Limited (director-related entity of Mark Bouris) - Rent and administration services (d)	71,650	171,960
Sales to State Capital Property Ltd (director-related entity of Mark Bouris) - Insurance services	2,477	13,290
Sales to parties related to Mark Bouris for insurance services	6,529	-
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 (a)	-	15,906,474
Expensed during the year:		
Consultancy services from Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris) (b)	1,125,000	712,500
Purchases of services from Chifley Travel (director-related entity of Adrian Bouris)	21,376	29,742
Purchases of services from BBB Capital Pty Limited (director-related entity of Adrian Bouris) - Corporate finance services (c)	416,466	52,600
Purchases for marketing services related to Nine Entertainment Group (shareholder-related entity)	-	1,151,989

(a) Macquarie Bank ceased being a substantial shareholder of the company in May 2018.
(b) Consulting services per consultancy service agreement referenced in directors report.
(c) BBB Capital and its team provided during the year corporate finance services in relation to takeover bid, sale of wealth business and securitisation project.
(d) TZ Limited ceased being a related party on 20 November 2018.

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 2019 amounted to $85,625 (2018: $184,583). As at 30 June 2019, 7,500,000 performance rights have lapsed, with no benefit to GWH. The remaining 2,500,000 performance rights will not vest unless the company's share price exceeds $1.74 per share.

Note 29. Related party transactions (continued)

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

	Consolidated 2019 $	Consolidated 2018 $
Current receivables:		
Trade receivables from TZ Limited (director-related entity of Mark Bouris) (e)	-	144,569
Commissions from Macquarie Bank (shareholder - related entity) (a)	-	4,578,804
Non-current receivables:		
Commissions from Macquarie Bank (shareholder - related entity) (a)	-	15,193,716
Prepayment from the Nine Entertainment Group (shareholder-related entity) (d)	1,244,852	1,244,852
Current payables:		
Consultancy services payable to Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris) (b)	618,750	-
Corporate finance services payable to BBB Capital Pty Ltd (director-related entity of Adrian Bouris) (c)	27,500	-
Non-current payables:		
Marketing and interest expenses payable to Nine Entertainment Group (shareholder-related entity) (d)	4,452,578	4,452,578

(a) Macquarie Bank ceased being a substantial shareholder of the company in May 2018.
(b) Consulting services per consultancy service agreement referenced in directors report.
(c) BBB Capital and its team provided during the year corporate finance services in relation to takeover bid, sale of wealth business and securitisation project.
(d) 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 (2018: $nil) was used during the year ended 30 June 2019, leaving an unused balance of non-current prepayment of $1,244,852 (2018: $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.
(e) TZ Limited ceased being a related party on 20 November 2018.

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

	Consolidated 2019 $	Consolidated 2018 $
Non-current receivables:		
Loan to Smarter Money Investments Pty Ltd (a joint venture entity)	-	150,249

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

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	 2018 $'000
Profit after income tax	3,157	1,337
Total comprehensive income	3,157	1,337

Statement of financial position

	Parent 2019 $'000	 2018 $'000
Total current assets	58,827	51,852
Total assets	97,463	92,242
Total current liabilities	330	378
Total liabilities	6,105	7,578
Equity		
Issued capital	110,109	105,669
Share-based payments reserve	1,503	1,397
Financial assets at fair value through other comprehensive income reserve (2018: Available-for-sale assets revaluation reserve)	-	1,009
Accumulated losses	(20,254)	(23,411)
Total equity	91,358	84,664

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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.

Note 31. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
Yellow Brick Road Group Pty Ltd	Australia	100.00%	100.00%
Skasgard Pty Ltd	Australia	100.00%	100.00%
Gessle Pty Ltd	Australia	100.00%	100.00%
Carithas Pty Ltd	Australia	100.00%	100.00%
Boreanaz Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Investment Partners Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Investment Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Accounting and Wealth Management Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Financial Planners Pty Ltd	Australia	100.00%	100.00%
Resi Wholesale Funding Pty Limited (formerly known as Yellow Brick Road Real Estate Pty Ltd)	Australia	100.00%	100.00%
Yellow Brick Road Finance Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Accounting and Taxation Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Wealth Management Pty Ltd	Australia	100.00%	100.00%
YBR Lawyers Pty Ltd	Australia	100.00%	100.00%
Resi Mortgage Corporation Pty Limited	Australia	100.00%	100.00%
Vow Financial Holding Pty Limited	Australia	100.00%	100.00%
Vow Financial Group Pty Ltd	Australia	100.00%	100.00%
The Mortgage Professionals Pty Ltd	Australia	100.00%	100.00%
Vow Financial Pty Ltd	Australia	100.00%	100.00%
The Money Factory Pty Ltd	Australia	100.00%	100.00%
NBG Holdings Pty Ltd	Australia	100.00%	100.00%
Vow Wealth Management Pty Ltd	Australia	100.00%	100.00%
The Mortgage Architects Pty Ltd	Australia	100.00%	100.00%
The Wealth Architects Pty Ltd	Australia	100.00%	100.00%
Ironbark Mortgage Solutions Pty Ltd	Australia	100.00%	100.00%
NBG Pty Ltd	Australia	100.00%	100.00%
FASA Pty Ltd	Australia	100.00%	100.00%
Australian Property Finance Pty Ltd	Australia	100.00%	100.00%
NBG Leasing Pty Ltd	Australia	100.00%	100.00%
Select Mortgage Finance Pty Ltd	Australia	100.00%	100.00%
Vow Financial Planning Pty Ltd	Australia	100.00%	100.00%
Loan Avenue Holdings Pty Ltd	Australia	100.00%	100.00%
Money Management Pty Ltd	Australia	100.00%	100.00%

Note 32. Interests in joint ventures

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

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
Smarter Money Investments Pty Ltd*	Funds management	50.00%	50.00%

Note 32. Interests in joint ventures (continued)

* On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ("SMI') to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019. The conditions of the sale are disclosed in note 36 - Events after the reporting period.

Summarised financial information

	2019 $'000	2018 $'000
Summarised statement of financial position		
Cash and cash equivalents	230	247
Trade and other receivables	1,088	362
Total assets	1,318	609
Trade and other payables	424	244
Other liabilities	894	365
Total liabilities	1,318	609
Net assets	-	-
Summarised statement of profit or loss and other comprehensive income		
Revenue	6,770	4,929
Expenses	(3,000)	(2,876)
Profit before income tax	3,770	2,053
Other comprehensive income	-	-
Total comprehensive income	3,770	2,053

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loss after income tax benefit for the year	(37,394)	(658)
Adjustments for:		
Depreciation and amortisation	1,662	2,670
Impairment of non-current assets	33,947	-
Share-based payments	244	347
Net change on the present value of trail commissions	3,755	(407)
Interest paid non-cash	-	97
Gain on sale of business	-	(270)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,595	528
Increase in prepayments	(250)	(289)
Decrease/(increase) in other operating assets	141	(7)
Increase/(decrease) in trade and other payables	(395)	387
Decrease in deferred tax liabilities	(5,174)	(596)
Decrease in employee benefits	(50)	(267)
Increase in other operating liabilities	1,824	912
Net cash (used in)/from operating activities	(95)	2,447

Note 34. Earnings per share

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Earnings per share for profit/(loss) from continuing operations		
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(31,004)	1,338

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	283,267,463	281,971,386
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	543,560	894,026
Weighted average number of ordinary shares used in calculating diluted earnings per share	283,811,023	282,865,412

	Cents	**Cents**
Basic earnings per share	(10.95)	0.47
Diluted earnings per share	(10.92)	0.47

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(6,390)	(1,996)

Note 34. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	283,267,463	281,971,386
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	543,560	894,026
Weighted average number of ordinary shares used in calculating diluted earnings per share	283,811,023	282,865,412

	Cents	Cents
Basic earnings per share	(2.26)	(0.71)
Diluted earnings per share	(2.25)	(0.71)

	Consolidated	
	2019 $'000	2018 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(37,394)	(658)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	283,267,463	281,971,386
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	543,560	894,026
Weighted average number of ordinary shares used in calculating diluted earnings per share	283,811,023	282,865,412

	Cents	Cents
Basic earnings per share	(13.20)	(0.23)
Diluted earnings per share	(13.18)	(0.23)

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 2019. These options if vested and exercised would dilute basic earnings per share in the future.

Note 35. Share-based payments

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 2019 amounted to $85,625 (2018: $184,583). As at 30 June 2019, 7,500,000 performance rights have lapsed, with no benefit to GWH. The remaining 2,500,000 performance rights will not vest unless the company's share price exceeds $1.74 per share.

Note 35. Share-based payments (continued)

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

2019

Grant date	Expiry date	Fair value at granted date	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
29/08/2014	29/08/2019	$0.15	2,500,000	-	-	(2,500,000)	-
29/08/2014	29/08/2019	$0.15	2,500,000	-	-	-	2,500,000
29/07/2015	27/09/2017	$0.23	36,057	-	(36,057)	-	-
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	30/11/2022	$0.18	92,307	-	-	-	92,307
			5,571,630	-	(36,057)	(2,500,000)	3,035,573

In addition to the expense for the performance rights to the KMP there is an amount expensed for RESI performance rights which was $20,305 (2018: $31,115).

The weighted average remaining contractual life of performance rights issued in August 2014 (KMP), and outstanding at the end of the financial year was two months. The weighted average remaining contractual life of other performance rights issued, and outstanding at the end of the financial year was 1.54 years.

2018

Grant date	Expiry date	Fair value at granted date	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
29/08/2014	29/08/2019	$0.15	2,500,000	-	-	(2,500,000)	-
29/08/2014	29/08/2019	$0.15	2,500,000	-	-	-	2,500,000
29/08/2014	29/08/2019	$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.

Note 36. Events after the reporting period

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019.

The Purchase Price was $7,500,000, payable in cash as to:
- $5,000,000 on completion ('12 July 2019');
- $2,000,000 12 months after completion; and
- $500,000 18 months after completion.

YBR used part of the proceeds received on 12 July 2019 to repay $2,000,000 on the company's bank debt facility.

On 5 July 2019, the company issued 313,714 ordinary shares at 13 cents to an employee as a bonus.

No other matter or circumstance has arisen since 30 June 2019 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 2019

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 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Mark Bouris
Executive Chairman

29 August 2019
Sydney

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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 2019, 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 2019 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 auditor 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
Long-term trail commissions (Note 1, Note 9 and Note 15)	
The Group recognised net contract assets - trail commission of $46.21m at 30 June 2019 representing the net present value of trailing commissions expected to be received by the Group after deducting the net present value of future trailing commission payable by the Group. The value of the asset is based on an external expert valuation. Upon adoption of AASB 15 *Revenue from Contract with Customers* (AASB 15) on 1 July 2018, as disclosed in Note 1, the Group • recognised net contract assets on insurance trail commission of $0.92m This is included as part of the net contract assets – trail commission at balance sheet date; and • also recognised contract liabilities of $1.22m relating to the mortgage servicing fees to recognise both fees and ongoing costs of managing mortgages over the expected life of the mortgage. This area is a key audit matter due to the level and extent of judgement applied in respect to key inputs, including run off rates, discount rates and lapse rates, as well as the valuation methodology.	Our procedures included, amongst others: • obtaining and assessing findings of management's expert's valuation report including assessing the completeness of the data used to develop the report; • evaluating the accuracy of loan data by matching a sample of loans listed on the loan data file to external funder statements; • agreeing, for the sample above, percentage payable to brokers to supporting broker agreements; • evaluating 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; • challenging the reasonableness of key assumptions in the model by comparing to historical internal information and available market data; • assessing management's calculation of ongoing costs for managing mortgages for reasonableness; • performing a sensitivity analysis on the key assumptions; • assessing management's evaluation of the impact of AASB 9 and AASB 15 on initial transition on trail commission; and • assessing the appropriateness and adequacy of the related disclosures in the financial statements.
Revenue from contracts with customers (Note 1, Note 4 and Note 7)	
The majority of the Group's revenue is earned from providing mortgage broking services, in the form of origination and trailing commissions. The remaining approximately 10.3% of revenue is derived from other services such as providing investment and wealth management services, life and general insurance broking services and sponsorship income. Revenue totalled $194.57m ($183.85m continuing operations and $10.72m discontinued operations) for the year ending 30 June 2019, and is the largest item in the Statement of Profit or Loss. This area 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; • agreeing total revenue recorded as received for originations and trailing commission to 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 15, as well as reviewing consistency with the prior year; • testing a sample of contracts with customers to assess recognition criteria in line with the requirements of AASB 15; and • assessing the adequacy of the related disclosures in the financial statements.

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Impairment of non-financial assets (Note 14)	
The Group has incurred an impairment expense of $33.95m ($28.86m from continuing operations and $5.09m from discontinued operations) relating to write down of goodwill and other identifiable intangibles at 31 December 2018. Based on AASB 136 *Impairment of Assets,* the Group performed an impairment assessment on its Cash Generating Units (CGUs) by comparing their carrying amounts with their recoverable amounts determined using value-in-use model. As at 31 December 2018 the CGUs were deemed to be impaired resulting in the Group writing down the carrying amount of non-financial assets totalling $33.95m. The residual assets in the CGUs were assessed to be held at the higher of their fair value less costs of disposal and their value in use, and therefore were not impaired. This area is a key audit matter due to the judgements and estimates required in calculating the recoverable amount of each CGU as well as the significance of the impairment expense to the business.	Our procedures included, amongst others: • reviewing management's assessment of the impairment indicators ascribed to the relevant CGU's and corroborating their findings to historical performance; • evaluating the value in use models against the requirements of AASB 136, including consultation with our valuation experts; • with the assistance of our valuation experts, reviewing management's value-in-use model to critically assess inputs and assumptions applied, including: – evaluating management's ability to perform accurate estimates by comparing historical forecasting to actual results; - challenging the associated underlying forecast cash flows and comparing key assumptions to historical results, business trends, economic and industry forecasts; and – agreeing discount rates applied to forecast future cash flows; • testing the mathematical accuracy of the calculation; • performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; • reviewing the allocation of impairment expense to goodwill and other identifiable intangibles; and • assessing the adequacy of financial report disclosures.
Non-current assets classified as held for sale and Discontinued operations (Note 7 and Note 12)	
During the financial year, the Group announced a new strategy and structure for the Group focusing on mortgage distribution, servicing and funding and securitisation, therefore they have commenced a process to dispose of the head office wealth business function. The Wealth business has therefore been classified as Discontinued Operation and Non-Current Asset classified as held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* This area is a key audit matter due to the requirements under AASB 5 for specific conditions to be met and the level of judgement involved in determining the financial results of the discontinued operations.	Our procedures included, amongst others: • assessed whether the Group's decision to sell the Wealth business function meets criteria to be accounted for under AASB 5*;* • reviewing supporting documents including board minutes approving the Group's intention to dispose of the Wealth business; • challenging the reasonableness of the basis and assumptions used by management in allocating revenue, expenses, assets and liabilities between continuing and discontinued operations and comparing to prior year for consistency; • substantively testing accruals to ensure all costs relating to the sale such as employee costs are adequately accounted for; • assessing measurement criteria for non-current assets held for sale to lower of carrying value and fair value less costs to sell per AASB 5; and • assessing the adequacy of financial report disclosures.

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 2019, 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. 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 7 to 12 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Yellow Brick Road Holdings Limited, for the year ended 30 June 2019 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 29 August 2019