

ASX Release

24 February 2021

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

Today we released the ASX Appendix 4D Preliminary Interim Report and associated accounts for the first half of the 2021 financial year for Yellow Brick Road Holdings (**YBR** or the **Company**).

Overall, given the disruptions in 2020 to most economic markets, I am pleased with the Group's ability to react, adapt, and perform well financially.

Whilst the report shows a net profit after tax of \$231,000 compared to a profit of \$3,973,000 for the previous corresponding period, it should be noted that the previous period incorporated \$4,865,000 for the profit on sale of YBR's 50% share in Smarter Money Investments (SMI). If we reverse that abnormal sale item out, this year's statutory profit shows our trend towards continued profitable periods.

What I am most excited by is \$3,336,000 for the Company's cash profit after tax. For the sake of clarity, the cash profit excludes the impact of NPV trail commission movements.

Key financial results include:

- This past period shows the best cash profit that the group has ever achieved (when excluding one-off abnormal transactions).
- Increase in settlements of 11.0% on the prior year to \$6,297m.
- Increase in revenues from ordinary activities (contracts with customers from continuing operations) by 9.2% to \$89,922,999
- Increase of \$876,000 in cash for the 6 months to 31 December. Cash at bank now sits at \$12,203,000 which has grown by \$2,870,000 from December 2019.
- Increase of 6.3% in Net tangible assets (NTA) per ordinary security from 31 December 2019. The increase becomes 26.1% when including YBR's 50% share in the NTA's of Resi Wholesale Funding.
- Decrease in operating expenses of circa 21% versus the prior year. This has been an area of focus, particularly with the uncertainties of the Covid-19 outbreak during the period. During 2020 we were mindful of watching our expenses during the uncertain times.
- Decrease in borrowings of \$1m to \$4,200,000 from June 2020. As a result of the recent renewal of the corporate debt facility, there is an additional \$2m in undrawn funding available for acquisition opportunities. There are quite a lot of opportunities presenting themselves where we can acquire mortgage trail books from retiring brokers from within and outside of our system.

I would like to share with you some key observations...

The first half of FY21 has seen a very competitive home loan refinancing market with some of the lowest interest rates and unusual marketing of those rates that I have ever seen. This has presented many challenges to our industry. Notwithstanding that, the YBR Group has weathered these challenges admirably.

We managed to maintain a flat mortgage portfolio of \$50.2m, however, the portfolio has a lower value (NPV of trail) for the Group as customers reacted to the record low interest rates on offer and refinanced resulting in the discharge or faster paydown of older, higher margin loans. As such there was a small 4.2% reduction in the NPV. This is an important asset to be strategically managed by us, therefore in 2021 we are allocating more resources to this asset.

We take the view for the 2021 calendar year that more aggressive marketing is now warranted as it seems that the Covid-19 disruption is behind us.

We have engaged in a number of strategic initiatives including:

- Recently launching with Magnetar a 2.39% (2.42% comparison rate) variable rate offer for our own mortgage-backed securitisation product. This is to push back on the low bank fixed rate deals and /or cash back offers which invariably have quite high comparison rates. This is a no-frills, simple, variable rate loan product developed by the joint venture and is, at the date of writing this letter, one of the lowest variable rates available to consumers through brokers. A series of TV campaigns have been completed and will be shortly launched to support this offer.
- From a marketing perspective, we are leveraging the Company's technology and data capabilities and the Mentored Platform's digital marketing community to progress the digital targeting of potential customers with a high propensity to seek a home loan. Efforts so far have seen strong lead delivery to our branch network at a significantly reduced cost per lead. This capability is currently being extended to promote our own home loan products, particularly for the joint venture.
- For the securitisation business, investments are being made in technology and people to ensure a first-class service is delivered to brokers and customers. As announced in December, the debt facility for this business has been increased by \$130 million to \$250 million subject to the satisfaction of the conditions precedent. Its early stages yet but this is a high margin business once we build volume. We are allocating more resources to build volume.
- Building distribution, particular in our branded branch network. A strong pipeline of prospects has been developed during the period and we are now seeing an increased commitment to join our distribution. We were somewhat hamstrung during 2020 as new franchisees are best originated in person and during the latter part of 2020, we were unable to achieve in person meetings due to lockdowns in various states. We are now putting more resources into expanding our footprint.

We have also built our strategic initiatives to address the head winds faced by the company.

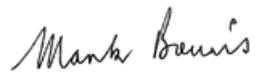
- The ever-changing regulatory framework for our industry requires the continued focus on training and technology enhancements to support our YBR franchisees and Vow independent

brokers. By way of example, the Best Interests Duty requirements have been successfully addressed by 1 January 2021.

- Improving the overall margins for the Company by building scale, maturity and productivity within the YBR branded business. Support will be increased to achieve this objective.

We are fortunate we are able to spend money selectively in taking advantage of the favourable property market and mortgage lending market. Our conservative strategy in 2020 of cost controls and banking cash will allow us to pursue market share in 2021.

Kind regards

A handwritten signature in cursive script that reads "Mark Bouris".

Mark Bouris

Executive Chairman

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

1. Company details

Name of entity:	Yellow Brick Road Holdings Limited
ABN:	44 119 436 083
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	4.2% to	99,667
Revenue from contracts with customers from continuing operations	up	9.2% to	89,922
Profit from ordinary activities after tax attributable to the owners of Yellow Brick Road Holdings Limited	down	94.2% to	231
Underlying EBITDA from continuing operations	up	311.8% to	980
Profit for the half-year attributable to the owners of Yellow Brick Road Holdings Limited	down	94.2% to	231

Dividends

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

Comments

The statutory profit for the consolidated entity after providing for income tax amounted to \$231,000 (31 December 2019: \$3,973,000).

The cash profit (excluding the impact of trailing commissions present value) for the consolidated entity was \$3,336,000 (31 December 2019: \$5,262,000).

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

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding net gain on disposal of investments, litigation settlement, share of the net loss from joint venture and the loss after income tax expense from discontinued operations for the consolidated entity ('Underlying EBITDA from continuing operations') was a profit of \$980,000 (2019: profit of \$238,000). This is calculated as follows:

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
Profit after income tax	231	3,973
Add: Depreciation and amortisation*	122	109
Add: Interest expense**	122	176
Add: Income tax expense	53	2,140
EBITDA	528	6,398
Less: Gain on disposal of investments in joint venture	-	(6,952)
Less: Gain on disposal of general insurance business	(130)	-
Add: Litigation settlement	-	550
Add: Loss after income tax expense from discontinued operations	5	242
Add: Legal expenses incurred not in normal course of business	161	-
Add: Share of net loss from joint venture	416	-
Underlying EBITDA from continuing operations	980	238

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

* Excludes depreciation on right-of-use assets

** Excludes discount unwind on trail commission payments and interest on right-of-use assets

Key features of the consolidated entity's result were:

- Statutory revenue from continuing operations increased by 9.2% to \$89,922,000 (31 Dec 2019: \$82,311,000)
- Reduction in operating expenses including \$0.9 million in employee benefits to \$4,718,000 (31 Dec 2019: \$5,596,000) and \$1.4 million in other expenses to \$3,773,000 (31 Dec 2019: \$5,174,000)
- Cash balances increased by \$0.9 million to \$12,203,000 (30 Jun 2020: \$11,327,000)
- Borrowings reduced by \$1.0 million to \$4,200,000 (30 Jun 2020: \$5,200,000)
- Net tangible assets increased by 6.3% to 13.58 cents (31 Dec 2019: 12.78 cents)
- Settlements grew by 11.0% to \$6,297 million (31 Dec 2019: \$5,675 million)
- Underlying loan book size decreased by 0.1% to \$50,204 million (30 Jun 2020: \$50,247 million)
- Net present value of loan book decreased by 4.2% to \$42.75 million (30 Jun 2020: \$44.64 million)
- Net present value of loan book per ordinary share is 13.2 cents (30 Jun 2020: 13.8 cents)

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>13.58</u>	<u>12.78</u>

Net tangible assets per ordinary security has been calculated by excluding the net right-of-use assets and leases liabilities of (\$147,000) (2019: (\$333,000)).

In addition, the consolidated entity's 50% interest in the Resi Wholesale Funding joint venture (carrying value as at 31 December 2020 of \$9,000 in the consolidated entity's financial statements) is excluded from the above calculation. As at 31 December 2020, the consolidated entity's share of net tangible assets of Resi Wholesale Funding is \$8,197,000. The 50% share of the net tangible assets equates to 2.53 cents per share for the consolidated entity.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to (loss)/profit (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Smarter Money Investments Pty Ltd (discontinued operation)	-	-	-	13
Resi Wholesale Funding Pty Limited*	50.00%	-	(416)	-
<i>Group's aggregate share of associates and joint venture entities' (loss)/profit (where material)</i>				
(Loss)/profit from ordinary activities before income tax			(416)	13

* The consolidated entity's share of net tangible assets of Resi Wholesale Funding as at 31 December 2020 is \$8,197,000.

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') for the total sale consideration of \$7,500,000.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Interim Financial Statements of Yellow Brick Road Holdings Limited for the half-year ended 31 December 2020 is attached.

11. Signed

As authorised by the Board of Directors


Signed _____

Date: 24 February 2021

Mark Bouris
Executive Chairman
Sydney

Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Interim Financial Statements - 31 December 2020

Yellow Brick Road Holdings Limited
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31 December 2020

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General information

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

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

Level 11
1 Chifley Square
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2021. The directors have the power to amend and reissue the financial statements.

Yellow Brick Road Holdings Limited

Directors' report

31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Yellow Brick Road Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

Mark Bouris - Chairman
Adrian Bouris
John George

Principal activities

During the financial half-year, the principal continuing activities of the consolidated entity consisted of mortgage broking, aggregation and management services.

Dividends

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

Review of operations

The statutory profit for the consolidated entity after providing for income tax amounted to \$231,000 (31 December 2019: \$3,973,000).

The cash profit (excluding the impact of trailing commissions present value) for the consolidated entity was \$3,336,000 (31 December 2019: \$5,262,000).

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the consolidated entity up to 31 December 2020, it is not practicable to estimate the impact, after the reporting date. The consolidated entity did not receive the Federal Government's Job Keeper incentive, though has benefitted from the deferral of tax related payments which have been fully repaid by 31 January 2021. The situation continues to evolve and is dependent on measures imposed by the Australian Government and other countries, such as efficiency and availability of Coronavirus vaccines, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The potential impacts of COVID-19 will continue to be closely monitored, especially for any impact on the Australian residential property markets. To mitigate the impact of COVID-19, the major suppliers have allowed borrower's loan repayments to be deferred. The company continues to receive and pay Trail commission on deferred loans.

The consolidated entity has implemented a range of measures, particularly expense containment, to deal with COVID-19. Other measures include work from home availability for 100% of corporate staff from mid-March 2020, restrictions on the number of staff allowed in company offices based on social distancing, additional cleaning of offices, availability of hand sanitisers and other cleaning facilities and reimbursement of seasonal flu vaccines made available to all staff.

No other matter or circumstance has arisen since 31 December 2020 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.

During the previous financial half-year, the consolidated entity sold its 50% equity interest in Smarter Money Investment Pty Ltd ('SMI') which resulted in a net gain on disposal of \$6,952,000 recorded in the statement of profit or loss.

During the second half of the last financial year, the consolidated entity sold its Wealth business for a net gain on disposal of \$225,000.

During the current financial half-year, the consolidated entity sold its General Insurance business for a net gain on disposal of \$130,000.

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding net gain on disposal of investments, litigation settlement, share of the net loss from joint venture and the loss after income tax expense from discontinued operations for the consolidated entity ('Underlying EBITDA from continuing operations') was a profit of \$980,000 (2019: profit of \$238,000). This is calculated as follows:

Yellow Brick Road Holdings Limited
Directors' report
31 December 2020

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Underlying EBITDA from continuing operations	980	238

* Excludes depreciation on right-of-use assets

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Key features of the consolidated entity's result were:

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- Net present value of loan book decreased by 4.2% to \$42.75 million (30 Jun 2020: \$44.64 million)
- Net present value of loan book per ordinary share is 13.2 cents (30 Jun 2020: 13.8 cents)

Significant changes in the state of affairs

The COVID-19 outbreak and the response of Governments in dealing with the pandemic has continued to affect general activity levels within the community and the economy. After the initial lockdown last financial year, the government has provided various home building incentives along with record low interest rates to promote economic growth. Due to these factors, the consolidated entity has seen increased settlement activity, which is partially offset with a net increase in loan book run offs. As such, there was been no net significant impact on its business. Further the consolidated entity had not received any government grants such as JobKeeper, nor received any COVID-19 rent concessions from landlords.

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

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report and forms part of this directors' report.

Yellow Brick Road Holdings Limited
Directors' report
31 December 2020

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

On behalf of the directors

A handwritten signature in black ink that reads "Mark Bouris". The signature is written in a cursive, flowing style.

Mark Bouris
Executive Chairman

24 February 2021
Sydney

Auditor's Independence Declaration

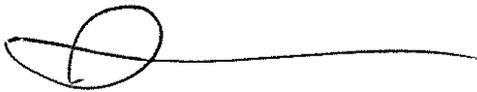
To the Directors of Yellow Brick Road Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Yellow Brick Road Holdings Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 24 February 2021

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
Revenue from contracts with customers from continuing operations	3	89,922	82,311
Share of profits/(losses) of joint ventures accounted for using the equity method		(416)	13
Other income		608	41
Interest income		19	18
Discount unwind on trail commission		9,677	9,529
Total revenue and other gains		<u>99,810</u>	<u>91,912</u>
Expenses			
Commissions and consultancy expenses		(81,594)	(71,975)
Employee benefits expense		(4,718)	(5,596)
Depreciation and amortisation expense	4	(565)	(586)
Impairment of receivables		(35)	(180)
Occupancy expenses		(227)	(291)
Other expenses		(3,773)	(5,174)
Finance costs	4	(8,739)	(8,707)
Total expenses		<u>(99,651)</u>	<u>(92,509)</u>
Operating profit/(loss)		159	(597)
Net gain on disposal of investment in joint ventures	5	-	6,952
Net gain on disposal of general insurance business	6	130	-
Profit before income tax expense from continuing operations		289	6,355
Income tax expense		(53)	(2,140)
Profit after income tax expense from continuing operations		236	4,215
Loss after income tax benefit from discontinued operations	6	(5)	(242)
Profit after income tax expense for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		231	3,973
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		<u>231</u>	<u>3,973</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		236	4,215
Discontinued operations		(5)	(242)
		<u>231</u>	<u>3,973</u>

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

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	18	0.07	1.41
Diluted earnings per share	18	0.07	1.41
Earnings per share for loss from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	18	-	(0.08)
Diluted earnings per share	18	-	(0.08)
Earnings per share for profit attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	18	0.07	1.33
Diluted earnings per share	18	0.07	1.33

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

Yellow Brick Road Holdings Limited
Statement of financial position
As at 31 December 2020

	Note	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		12,203	11,327
Trade and other receivables	7	17,507	19,311
Contract assets - trail commissions	8	71,386	70,154
Deposits		474	473
Other assets		614	961
		<u>102,184</u>	<u>102,226</u>
Assets of disposal groups classified as held for sale	9	-	128
Total current assets		<u>102,184</u>	<u>102,354</u>
Non-current assets			
Contract assets - trail commissions	8	310,312	302,214
Investments accounted for using the equity method		9	425
Right-of-use assets	10	467	872
Plant and equipment		114	127
Intangibles		317	418
Other assets		1,245	1,245
Total non-current assets		<u>312,464</u>	<u>305,301</u>
Total assets		<u>414,648</u>	<u>407,655</u>
Liabilities			
Current liabilities			
Trade and other payables	11	83,831	82,235
Contract liabilities		773	1,281
Borrowings	12	1,588	1,900
Lease liabilities		614	1,221
Provisions		1,299	1,767
		<u>88,105</u>	<u>88,404</u>
Liabilities directly associated with assets classified as held for sale	13	-	282
Total current liabilities		<u>88,105</u>	<u>88,686</u>
Non-current liabilities			
Trade and other payables	11	278,945	270,851
Borrowings	12	2,612	3,300
Lease liabilities		-	89
Deferred tax		382	329
Provisions		401	424
Total non-current liabilities		<u>282,340</u>	<u>274,993</u>
Total liabilities		<u>370,445</u>	<u>363,679</u>
Net assets		<u>44,203</u>	<u>43,976</u>
Equity			
Issued capital	14	112,450	112,457
Reserves		2,209	2,206
Accumulated losses		<u>(70,456)</u>	<u>(70,687)</u>
Total equity		<u>44,203</u>	<u>43,976</u>

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

Yellow Brick Road Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	110,109	2,177	(76,644)	35,642
Profit after income tax expense for the half-year	-	-	3,973	3,973
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,973	3,973
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,340	-	-	2,340
Share-based payments	-	21	-	21
Balance at 31 December 2019	<u>112,449</u>	<u>2,198</u>	<u>(72,671)</u>	<u>41,976</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	112,457	2,206	(70,687)	43,976
Profit after income tax expense for the half-year	-	-	231	231
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	231	231
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	3	-	3
Share buy back	(7)	-	-	(7)
Balance at 31 December 2020	<u>112,450</u>	<u>2,209</u>	<u>(70,456)</u>	<u>44,203</u>

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

Yellow Brick Road Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2020

	Note	31 Dec 2020	Consolidated
		\$'000	31 Dec 2019
			\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		97,910	96,133
Payments to suppliers and employees (inclusive of GST)		<u>(98,441)</u>	<u>(94,848)</u>
		(531)	1,285
Interest received		18	17
Interest and other finance costs paid		<u>(144)</u>	<u>(223)</u>
Net cash from/(used in) operating activities		<u>(657)</u>	<u>1,079</u>
Cash flows from investing activities			
Payments for plant and equipment		(8)	(101)
Proceeds from disposal of investments	5	2,500	4,586
Proceeds from disposal of business	6	<u>629</u>	<u>-</u>
Net cash from investing activities		<u>3,121</u>	<u>4,485</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	2,400
Share issue transaction costs		-	(144)
Repayment of borrowings		(1,000)	(2,000)
Repayment of lease liabilities		(581)	(544)
Payments for share buy-backs		<u>(7)</u>	<u>-</u>
Net cash used in financing activities		<u>(1,588)</u>	<u>(288)</u>
Net increase in cash and cash equivalents		876	5,276
Cash and cash equivalents at the beginning of the financial half-year		<u>11,327</u>	<u>4,057</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>12,203</u></u>	<u><u>9,333</u></u>

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

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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.

Note 2. Operating segments

Identification of reportable operating segments

Having disposed of its Wealth Management operations in May 2019, the consolidated entity is now organised into one operating segment operated predominantly in Australia being 'Lending' that includes the rendering of mortgage broking services and aggregation and management services. This assessment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Accordingly, the information provided in this Interim Report reflects the one operating segment.

The reportable segment disclosed is 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.

Geographical information

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

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 3. Revenue from contracts with customers

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
From continuing operations		
Lending	89,922	82,311

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

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
Major product lines:		
Mortgage broking services - origination commissions	37,767	32,393
Mortgage broking services - trailing commissions	46,538	44,831
Mortgage broking services - professional fees and services	3,852	3,856
Sponsorship revenue	1,480	1,033
Mortgage management fees	285	198
Total revenue from contracts from continuing operations	<u>89,922</u>	<u>82,311</u>
From discontinued operations:		
Investment and wealth management services	26	1,748
Life Insurance broking services - upfront	7	643
Life Insurance broking services - trail	24	865
General insurance services - upfront	(4)	87
General insurance services - renewal commission	(6)	361
Investment services	-	84
Professional and service fees	2	9
Total revenue from contracts from discontinued operations (note 6)	<u>49</u>	<u>3,797</u>
	<u>89,971</u>	<u>86,108</u>
Timing of revenue recognition:		
Services transferred at a point in time under continued operations	89,637	82,113
Services transferred over a period of time under continued operations	285	198
Services transferred at a point in time under discontinued operations (note 6)	<u>49</u>	<u>3,797</u>
	<u>89,971</u>	<u>86,108</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 4. Expenses

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	1	1
Office equipment	20	8
Right-of-use assets	443	477
	<hr/>	<hr/>
Total depreciation	464	486
<i>Amortisation</i>		
Other intangibles	101	100
	<hr/>	<hr/>
Total depreciation and amortisation	565	586
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	122	176
Discount unwind on trail commission payments	8,595	8,484
Interest on right-of-use assets	22	47
	<hr/>	<hr/>
Finance costs expensed	8,739	8,707
Marketing expenses	405	1,124
Consultancy expenses	717	872

Note 5. Net gain on disposal of investments in joint ventures

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') for the total sale consideration of \$7,500,000. The investments were sold 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 first tranche of \$5,000,000 was received on 12 July 2019. Since the end of the financial year, the second tranche of \$2,000,000 was received on 12 July 2020. The final tranche of \$500,000 was received on 16 December 2020.

Net gain on disposal of SMI amounting to \$6,952,000 (net of disposal costs) was included in the statement of profit or loss as at 31 December 2019.

Note 6. 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 securitisation. An active plan was then initiated to dispose of, outsource or otherwise restructure the head office wealth business functions.

The consolidated entity entered into a sale agreement and strategic alliance with Sequoia Financial Group Limited (ASX: SEQ) in relation to the head office operational and business functions that comprise its Yellow Brick Road Wealth Division. The total consideration for the sale was \$1,906,000, of which the company received \$468,000 by June 2020, \$479,000 on 1 October 2020 and the balance is expected to be received in the remainder of FY21. The net gain on disposal of the wealth business amounting to \$225,000 (net of disposal costs) was included in profit or loss as at 30 June 2020.

The consolidated entity entered into a sale agreement and strategic alliance with Steadfast Group Limited (ASX: SDF) in relation to the head office operational and business functions that comprise its Yellow Brick Road Wealth Division. The total consideration for the sale was \$150,000, of which the company received the full amount in August 2020. The net gain on disposal of the wealth business amounting to \$130,000 (net of disposal costs) is included in profit or loss as at 31 December 2020.

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 6. Discontinued operations (continued)

Particulars of sale of General Insurance business:

	Consolidated 31 Dec 2020 \$'000
Sale consideration	150
Costs directly associated with sale	<u>(20)</u>
Profit on sale	<u><u>130</u></u>

Financial performance information

	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
Revenue		
Wealth management (note 3)	49	3,797
Expenses		
Commissions and consultancy expenses	(17)	(2,845)
Employee benefits expense	(5)	(514)
Other expenses	(32)	(803)
Total expenses	<u>(54)</u>	<u>(4,162)</u>
Loss before income tax expense	(5)	(365)
Income tax expense	<u>-</u>	<u>-</u>
Income tax benefit	<u>-</u>	<u>123</u>
Gain on disposal after income tax benefit	<u>-</u>	<u>123</u>
Loss after income tax benefit from discontinued operations	<u><u>(5)</u></u>	<u><u>(242)</u></u>

Cash flow information

	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
Net cash used in operating activities	(101)	(568)
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(101)</u></u>	<u><u>(568)</u></u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 7. Trade and other receivables

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	637	661
Less: Allowance for expected credit losses	(370)	(428)
	<u>267</u>	<u>233</u>
Other receivables	1,283	4,293
Revenue accrual	15,957	14,785
	<u>17,240</u>	<u>19,078</u>
	<u>17,507</u>	<u>19,311</u>

Note 8. Contract assets - trail commissions

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Current assets</i>		
Contract assets	<u>71,386</u>	<u>70,154</u>
<i>Non-current assets</i>		
Contract assets	<u>310,312</u>	<u>302,214</u>
	<u>381,698</u>	<u>372,368</u>

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

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
Opening balance	372,368	359,236
Additions - new settlements	47,861	90,346
Run offs	(38,531)	(77,214)
Closing balance	<u>381,698</u>	<u>372,368</u>

Note 9. Assets of disposal groups classified as held for sale

The trade and other receivables were collected during the period hence there were no assets at the date of the sale.

Refer to note 6 'Discontinued operations'.

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	<u>-</u>	<u>128</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 10. Right-of-use assets

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	1,838	1,800
Less: Accumulated depreciation	(1,371)	(928)
	<u>467</u>	<u>872</u>

The consolidated entity leases land and buildings for its offices under agreements expiring between 1 to 2 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Office premises \$'000	Others \$'000	Total \$'000
Balance at 1 July 2020	846	26	872
Additions	36	2	38
Depreciation expense	(427)	(16)	(443)
Balance at 31 December 2020	<u>455</u>	<u>12</u>	<u>467</u>

Note 11. Trade and other payables

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	16,165	14,599
Trail commission payables	62,839	60,872
Accrued expenses	1,187	2,488
Underwriter payables	5	-
Other payables	3,635	4,276
	<u>83,831</u>	<u>82,235</u>
<i>Non-current liabilities</i>		
Trade payables	2,833	3,993
Trail commission payables	276,112	266,858
	<u>278,945</u>	<u>270,851</u>
	<u>362,776</u>	<u>353,086</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 12. Borrowings

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans	1,588	1,900
<i>Non-current liabilities</i>		
Bank loans	2,612	3,300
	<u>4,200</u>	<u>5,200</u>

Total secured liabilities

The total secured liabilities are as follows:

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
Bank loans	6,200	5,200
Other loans	-	500
	<u>6,200</u>	<u>5,700</u>

Assets pledged as security

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

Financing arrangements

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

	31 Dec 2020	Consolidated 30 Jun 2020
	\$'000	\$'000
<i>Total facilities</i>		
Bank loans	6,200	5,200
Other loans	-	500
	<u>6,200</u>	<u>5,700</u>
<i>Used at the reporting date</i>		
Bank loans	4,200	5,200
Other loans	-	-
	<u>4,200</u>	<u>5,200</u>
<i>Unused at the reporting date</i>		
Bank loans	2,000	-
Other loans	-	500
	<u>2,000</u>	<u>500</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 13. Liabilities directly associated with assets classified as held for sale

The trade and other payables and underwriter payables were paid during the period hence there were no liabilities at the date of the sale.

Refer to note 6 'Discontinued operations'.

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
<i>Current liabilities</i>		
Trade and other payables	-	43
Underwriter payables	-	239
	<u>-</u>	<u>282</u>

Note 14. Issued capital

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Ordinary shares - fully paid	<u>324,277,552</u>	<u>324,371,884</u>	<u>112,450</u>	<u>112,457</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	324,371,884		112,457
Share buy back	15 October 2020	<u>(94,332)</u>	\$0.08	<u>(7)</u>
Balance	31 December 2020	<u>324,277,552</u>		<u>112,450</u>

Note 15. Dividends

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

Note 16. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables 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 17. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2020 of \$1,085,000 (30 June 2020: \$1,104,000).

In the normal course of business, the consolidated entity 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 the consolidated entity not to disclose certain information where such disclosure may potentially prejudice the position of the consolidated entity.

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 17. Contingent liabilities (continued)

From time to time, the consolidated entity may suffer financial loss arising from litigation or contracts entered into in the normal course of business. Legal proceedings threatened against the consolidated entity may also, if filed, result in the consolidated entity incurring obligations or suffering financial loss. Claims have been brought against Yellow Brick Road Accounting and Wealth Management Pty Ltd ('the company') by 2 former unrelated clients, claiming loss from allegedly incorrect investment, accounting and tax advice. Prior to 2016, the company operated an accounting business, although that business has since been sold. The company is no longer operating but remains part of the consolidated entity. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the consolidated entity (or its insurers) in a dispute, accounting standards allow the consolidated entity not to disclose such information. It is the consolidated entity's policy that such information is not disclosed in this note. Both claims are subject to claims by the company for complete indemnity from the consolidated entity's insurance broker, which they have admitted. Neither claim is not likely to be determined until late 2021 or early 2022 at the earliest.

Note 18. Earnings per share

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>236</u>	<u>4,215</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,331,895	298,141,729
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>535,573</u>	<u>443,266</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,867,468</u>	<u>298,584,995</u>
	Cents	Cents
Basic earnings per share	0.07	1.41
Diluted earnings per share	0.07	1.41
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>(5)</u>	<u>(242)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,331,895	298,141,729
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,331,895</u>	<u>298,141,729</u>
	Cents	Cents
Basic earnings per share	-	(0.08)
Diluted earnings per share	-	(0.08)

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2020

Note 18. Earnings per share (continued)

	31 Dec 2020	Consolidated 31 Dec 2019
	\$'000	\$'000
<i>Earnings per share for profit</i>		
Profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>231</u>	<u>3,973</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,331,895	298,141,729
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>535,573</u>	<u>443,266</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,867,468</u>	<u>298,584,995</u>
	Cents	Cents
Basic earnings per share	0.07	1.33
Diluted earnings per share	0.07	1.33

Note 19. Events after the reporting period

The impact of COVID-19 is ongoing and, while it has had no adverse financial effects on the consolidated entity for the financial half-year ended 31 December 2020, the scale and duration of these developments remain uncertain as at the date of this report and it is, therefore, not possible to estimate the impact of the outbreak's near-term and longer effects. This being the case, the consolidated entity does not consider it practicable to provide any future quantitative or qualitative estimates of the potential impact of this outbreak on the consolidated entity at this time.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Yellow Brick Road Holdings Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mark Bouris
Executive Chairman

24 February 2021
Sydney

Independent Auditor's Report

To the Members of Yellow Brick Road Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Yellow Brick Road Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Yellow Brick Road Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yellow Brick Road Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 24 February 2021