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30 January 2017

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

Dear Sir/Madam

APPENDIX 4C: QUARTERLY COMMITMENTS REPORT

We attach the Company's Appendix 4C report for the three months ended 31 December 2016.

EXECUTIVE SUMMARY

In the 2nd quarter of FY2017, Yellow Brick Road Holdings delivered $4.0b in settlements, an increase on the preceding quarter ($3.9b), and the third highest result in group history. Total loan book has grown 20%, to $40.8b, from the prior comparative period (Q2 FY2016: $33.9b).

The Yellow Brick Road retail business which delivers a higher margin than other group distribution channels, delivered growth settlement of 20% versus the prior comparative period of Q2 FY2016 (PCP). Vow Financial (Vow) aggregation settlements were down versus PCP due to the impact of regulatory pressures on lending practices; but this has made little impression on the bottom line. To compensate, brokers are pulling more opportunities into the Vow business with applications up 23%.

The net operating cash result for the quarter was a $1.9m deficit, a decline of 12% ($0.2m) from Q2 FY2016 ($1.7m). Underlying trends are positive and consistent with reduced costs and improving gross profit. Compared with Q2 FY2016, on an underlying basis these trends are:

- Receipts from customers improved 4%
- Surplus of receipts over direct costs improved by 13%
- Underlying cash outflows reduced by 5%
- Underlying trend in the operating deficit improved by 91% to a deficit of $0.14m
- Marketing spend, on current year activity, down 31%

Summary of operating cash flows ($m)	Q2 2017	Q2 2016	vs PCP % Change (+ve is favourable)
Receipts from customers	50.17	48.09	4%
Branch and supplier pay away	(42.00)	(40.87)	(3%)
Underlying surplus of receipts over direct costs	**8.17**	**7.22**	**13%**
Trail rights acquisition	**(0.50)**	-	
Surplus of receipts over direct costs	**7.67**	**7.22**	**6%**
Marketing (FY2017 activity)	(1.19)	(1.73)	31%
Other operating	(7.11)	(6.97)	(2%)
Underlying operating cash outflows	**(8.30)**	**(8.70)**	**5%**
Media payment FY2016 services	**(1.10)**	-	
Acquisition & integration costs	(0.21)	(0.22)	
Total operating cash outflows	**(9.61)**	**(8.93)**	**(8%)**
Reported operating deficit/surplus	**(1.94)**	**(1.70)**	**(14%)**
Acquisition & integration costs	0.21	0.22	
Media payment FY2016 services	1.10	-	
Trail rights acquisition	0.50	-	
Underlying trend of operating deficit/surplus	**(0.14)**	**(1.48)**	**91%**

Total operating cash outflows ($9.6m), included the payment of:

- $1.1m of media expenses relating to campaign activity from H2 2016
- $0.5m to acquire trail rights on lending books from within the network This reduced liabilities and will increase future cash inflows

With annual sponsorship receipts occurring in Q3 FY2017 and continuing spending efficiencies, we anticipate a significant operating cash surplus in the 6 months to 30 June 2017. We remain committed to meeting market expectations.

At 31 December 2016, the Company holds $6.0m in cash and cash equivalents, and $2.0m in undrawn finance facilities (total $8.0m).

For details please see the attached Financial and Operating commentaries and Appendix 4C.

Kind regards

Richard Shaw

Chief Financial Officer

Yellow Brick Road Holdings

Yellow Brick Road Group

FINANCIAL COMMENTARY

Summary

The reported net operating cash deficit for Q2 FY2017 (including acquisition and integration outflows) declined by $0.9m to a deficit of $1.9m (Q1 FY2017: deficit of $1.0m).

On a normalised basis** the operating cash surplus declined by $1.5m to a deficit $1.7m. (Q1 FY2017 deficit of $0.2m)

As at 31 December 2016 the Company has $6.0m in cash and $10.7m in available borrowing facilities ($8.7m drawn and $2.0m undrawn).

Key Cash Outcomes	Q2 FY2017	*Chg. Vs Q1 FY2017*
Gross Receipts	**$50.2m**	
Net Receipts	**$7.7m**	**-12%**
Underlying net receipts***	**$8.2m**	**-1%**
Other Op. O'flows - Normalised*	**$7.1m**	**+11%**
Normalised** Operating Deficit	**-$1.7m**	**-867%**
Operating Deficit	**-$1.9m**	**-99%**
Cash and investments at call	**$6.0m**	**-20%**

Operating Cash Receipts

Receipts from customers were unchanged at $50.2m (Q1 FY2017 $50.1m).

The surplus in receipts from customers, after branch and supplier pay away (Net Receipts), decreased by $1.0m to $7.7m (Q1 FY2017 $8.7m). This movement includes a $0.4m reduction in sponsorship receipts and a $0.5m, payment to acquire the rights to future trail income (acquired from a number of YBR Franchisees). Note that:

- Sponsorship revenue stream is seasonal; the majority is received in the second half of each financial year.
- By acquiring the rights to future trail receipts, at a discount, the Company reduced liabilities and will increase future cash inflows. The acquisition was funded from the Company's existing bank facilities.

The underlying surplus in receipts from customers after branch pay away (ie excluding sponsorship receipts and payments for the acquisition of trail rights) was $8.2m a 1% decrease on the prior quarter (Q1 FY2017 $8.3m).

Operating Cash Outflows

Operating cash outflows, excluding the branch and broker share of revenue, decreased by 1% to $9.6m (Q1 FY2017 $9.7m). Outflows included a $1.1m payment to media providers for services provided in FY2016, in accordance with terms established with the Company's media providers.

Advertising and marketing outflows (which included the $1.1m media payment) increased by 156% to $2.3m (Q1 FY2017 $0.9m). Acquisition and Integration outflows reduced by 74% to $0.2m (Q1 FY2017: $0.8m).

Next quarter (Q3 FY2017) cash outflows, excluding variable branch pay away, are expected to drop by circa $0.9m.

*Normalised other operating outflows excludes marketing and integration costs

**Normalised results exclude acquisition and integration outflows.

*** Underlying net receipts excludes payment for trail rights acquisition

OPERATING COMMENTARY

Key Operating Outcomes	Q2 FY2017	Chg. Vs Q2 FY2016
Settlements	$4.0b	- 6%
Mortgage Book	$40.8b	+ 20%
FUM	$911m	+ 30%
Representatives	1616	+23%
Leads (YBR)	-	- 69%
Loan Pipeline (YBR)	-	- 5%

Overall settlements came in at $4.0b, the third highest quarter of settlements in group history. The group book of loans under management grew 20% vs PCP to $40.8b.

Lending market conditions continued to be tough during the quarter versus PCP, but the impact was mostly felt on the lower margin Vow business.

In contrast the higher margin YBR lending business continued to perform well, with settlements up 21% vs PCP behind sustained enquiries.

Take-up of the group's new fintech innovations is on track.

Volume

- Settlements – while overall settlements were down by 6% vs PCP, higher margin YBR settlements continued to grow strongly at +21% vs. PCP behind sustained customer enquiry. With continuing tight lending market conditions, Vow settlements were down 13% vs PCP, and in line with Q1 FY2017. To compensate, more opportunities are being sought by brokers and Vow applications are up by 23% vs. PCP.
- Growth in Underlying Book – the group loan book grew 20% vs PCP ending the quarter at $40.8b.
- FUM Growth – Overall FUM was up 30% vs PCP to $911m; and 11% vs. Q1 FY2017. Organisational restructure announced in Q4 FY2016 is reigniting growth in Wealth as intended.

YBR Marketing

- Mobile Lead Manager – "Ruby" a new smart phone based lead management system completed its pilot with a significant increase in conversion across the sample. It was rolled out in Q2 FY2016 reaching 100% of branches by the end of the quarter.
- YBR 3.68% offer – "Head office" leads were down -69% vs. PCP, given PCP marketing featured a TV show and major TV campaign. The FY 2017 digital campaign is generating a strong flow of quality leads, converting at a higher rate than prior TV leads.
- Pipeline – pipeline of applications is stable throughout the current year but down 5% vs PCP – cycling the strong TV activity of Q2 FY2016.

Services

- SMSF Advice – YBR Investment Services has launched an enhanced direct SMSF advice offer, plus mentoring for SMSF advisers in the network and a referral service for branches that are focused on clients in regular super.

Structure

- Leadership Changes – YBR Holdings has restructured the senior leadership team, consolidating five distribution roles into three. New General Managers have been hired to lead the YBR Lending, Wealth and Vow business units. Two CEO roles have been removed and the Executive Chairman has stepped in.

Distribution

- Individual representatives – recruitment continues to be strong with representative count up by +23% vs PCP to 1616. Following a review several under-performing YBR branches have departed. New recruitment campaign starts in February 2017 focused on open territories.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity Yellow Brick Road Holdings Limited

ABN	**Quarter ended ("current quarter")**
44 119 436 083	31 December 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	50,164	100,299
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(42,495)	(83,913)
	(c) advertising and marketing	(2,293)	(3,153)
	(d) leased assets	-	-
	(e) staff costs	(3,010)	(6,132)
	(f) administration and corporate costs [(1)]	(4,169)	(9,736)
	(g) net payment to insurance underwriters on behalf of clients [(2)]	12	19
1.3	Dividends received (see note 3)		
1.4	Interest received	5	18
1.5	Interest and other costs of finance paid	(154)	(319)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(1,940)**	**(2,917)**

[(1)] Includes integration related costs of $206,000 in current quarter.

[(2)] The Company receives general insurance premiums from clients and remits these to underwriters between 60 and 90 days after receipt. The difference between premiums received and paid is recorded as an underwriter deficit or surplus. As a consequence of these timing differences, payment to underwriters in the period was less than receipts from clients by $12,000.

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (6months) $A'000**
	Net operating cash flows (carried forward)		**(1,940)**	**(2,917)**
2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(87)	(94)
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-
	(d)	intellectual property	-	-
	(e)	other non-current assets	(308)	(653)
2.2	Proceeds from disposal of:			
	(a)	property, plant and equipment		
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-
	(d)	intellectual property	-	-
	(e)	other non-current assets	-	1,932
2.3	Cash flows from loans to other entities		-	-
2.4	Dividends received (see note 3)		-	-
2.5	Other (provide details if material) [3]		-	(217)
2.6	**Net cash from / (used in) investing activities**		**(395)**	**968**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	834	1,057
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**834**	**1,057**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6months) $A'000**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,462	6,853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,940)	(2,917)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(395)	968
4.4	Net cash from / (used in) financing activities (item 3.10 above)	834	1,057
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**5,961**	**5,961**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	5,961	**7,462**
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,961**	**7,462**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	61
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

- Directors' fees $61,000

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	441
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris received contracted payments of $309,375 (inc GST) covering consultancy fees during the period.
- BBB Capital a director related entity of Adrian Bouris received payments of $132,000 (inc GST) for consulting services related to acquisitions and the sale of the accounting practice.

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	10,700	8,650
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The Company has a secured bill facility with CBA. For the quarter the Company was charged 4% fixed rate on the finance facility plus a variable rate of 1.83%.

The Company has secured bank overdraft facilities with CBA. The company pays interest at overdraft index rate less 2.00%.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	-
9.2	Product manufacturing and operating costs *	(43,000)
9.3	Advertising and marketing	(900)
9.4	Leased assets	-
9.5	Staff costs	(3,300)
9.6	Administration and corporate costs	(4,500)
9.7	Other (provide details if material)	(200)
9.8	**Total estimated cash outflows**	**(51,900)**

* Product Manufacturing and Operating costs are predominantly branch and franchisee share of commission revenue received. This is a direct variable cost that may fluctuate significantly in line with variations in receipts from customers.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... (Director/Company secretary)   Date: 30 January 2017....

Print name: Richard Shaw

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.