

**Lodged by ASX Online**

31 July 2015

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 30 June 2015.

#### **EXECUTIVE SUMMARY**

Yellow Brick Road Holdings (the Group) continues to generate strong operating cash surpluses driven by successful execution of Group strategy. The Q4 underlying operating cash surplus (excluding integration, acquisition and underwriter receipts) is \$1.8m (Q3 FY2015 surplus \$0.8).

- Cash receipts totaled \$41.7m with strong uplift in lending and a resurgence in wealth
  - Loan settlements increased by 10% in Q4 FY2015 vs Q3, achieving a record in excess of \$3b for quarter, driven by sharp loan rates and effective marketing.
  - Wealth activity has continued to gain momentum. Lead indicators show a doubling of activity, building a strong pipeline and lifting receipts from wealth customers by 26% in the quarter, versus 7% in Q3.
- Underlying cash outflows (excluding acquisition, integration and underwriter payments) were contained to \$39.9m. This represents an increase of only \$0.2m, 1% versus Q3. The timing of creditor commitments generated a benefit of \$0.8m. This is expected to reverse next quarter, increasing Q1 FY2016 cash outflows.

The Group pulled forward integration activity, closing out the integration project early. Marketing investment was maintained at steady rate throughout the FY. Accordingly, Q4 cash outflows included \$0.8m in integration and \$0.5m in marketing.

# Yellow Brick Road Group

## Q4 FY15 – Continuing operating surplus

The Group generated an underlying operating cash surplus (excluding acquisition/integration and net underwriter receipts) of \$1.77m (Q3 FY 2015: Surplus \$0.77m)

As at 31 June, the Group has \$10.78m in cash and \$12.50m in available borrowing facilities (\$5.00m drawn and \$7.50m undrawn).

The reported net operating surplus, including acquisition, integration and net underwriter receipts improved by \$1.62m to a surplus of \$1.33m (Q3 FY2015: deficit of \$0.29m).

### QUARTERLY OPERATING COMMENTARY

#### Volume

- **Settlements Up Strongly** – settlements were up by 32% in Q4, versus year ago (VYA). The Group seized the opportunity of further rate reductions to maintain the pressure on the big four; dropping its entry level rate from 4.39%, to 4.17%, one of the lowest in the market. This was promoted heavily driving strong lead flow.
- **Significant Underlying Book** – Group lending book ends the quarter at \$31b up 24% VYA. A strong achievement when most mortgage managers are suffering from declining book values.
- **Wealth Pipeline Growth** - The June quarter has seen a resurgence in Wealth Management activity. Revenue was up 15% in the quarter and lead indicators point to a strong Q1 FY16:
  - Statements of Advice for Q4 were up 142% VYA
  - Submitted Life Insurance proposals were up 19% VYA
  - Active advisers were up 40% VYA
- **FUM Growth** – Overall FUM was up 57% VYA. While growth was strong on YBR's core RetireRight product, the star performer was YBR's funds management joint venture, Smarter Money Investments (SMI) which broke through \$300M to end Q4 on \$311M FUM after its highest ever quarter of inflows. SMI is strongly supported across YBR's Branch Network, online, with independent financial advisors, direct from HNW family offices and now corporates. In Q4 it was launched to the Vow network with over 50 accreditations by end of quarter.

Key Cash Outcomes	Q4 FY15	Change from Q3 FY15
Gross Receipts	\$41.7m	+ 3%
Net Receipts	\$7.4m	+ 5%
Other Op. O'flows	\$5.6m	- 10%
Underlying Operating Surplus	\$1.8m	+ 125%
Cash	\$10.8	+9%

- Product Innovation – Options, an important new line of home loans was created and released under the VOW and YBR brands. Options addresses the lending needs of key Groups like the recently self-employed who often struggle to meet the income record requirements of traditional lenders. It broadens the Group's branded offering and will improve average loan margin. Traction was immediate, with applications from week one.

### Marketing

- Lead Growth – YBR's Hopes & Dreams campaign was carried forward from Q3, with similar spend but spread across more active weeks and better integrated across channels. This new strategy drove a significant increase in leads of 51% in Q4, VYA.
- Digital Disruption - YBR challenged advice incumbents with an innovative new advice tool called Guru. Guru addresses the 80% who currently go unadvised, helping them assess options and develop a roadmap with the help of a YBR Money Coach. The roadmap is free of charge and execution is at accessible list prices. It was launched in a pilot in June through 15 specially trained advisers and will be rolled out in Q2 FY16.

### Distribution

- Distribution Growth Continues – point of sale agreements grew by 23% VYA in the quarter to 750 across the Group. Growth was strong in both YBR and VOW channels.
- Individual representatives - are also up by 25% VYA. VOW is successfully attracting new brokers to the industry with a 58% increase in brokers joining VOW's license. YBR's cross skilling of lenders to provide wealth advice also contributed.

### Diversification

- Leasing Revenue – VOW established a referral network with leasing specialists in all major cities to service lending focused brokers. This will broaden impact of VOW's leasing aggregation play with 8 top asset lending institutions.
- Commercial Revenue – VOW also established a referral network with commercial specialists to support consumer focused brokers. This ensures the Group does not miss out on the commercial deals that inevitably come to any broking business even when that is not their focus.

## Integration

Growth in Brand Scale – agreements were settled with all 19 RESI franchisees to move across to YBR and the brand transition was mostly complete by the end of the quarter. This adds substantially to YBR's reach in key markets and helps further leverage the Groups growing product capability.

- Operational Integration Complete – all functional teams now fully integrated and operating under combined Group structure. Project is complete ahead of deadline and team has been released back to BAU. Only remaining spend relates to finalizing rebranding of former RESI branches.

## Key Contacts

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**Quarterly report  
for entities admitted  
on the basis of commitments**

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

Name of entity

Yellow Brick Road Holdings Limited

ABN

44 119 436 083

Quarter ended ("current quarter")

30 June 2015

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	41,683	136,326
1.2	Payments for		
	(a) staff costs	(2,877)	(11,094)
	(b) advertising and marketing	(461)	(2,651)
	(c) Transfer of business		
	(d) leased assets		
	(e) other working capital	(36,385)	(120,047)
	(f) Net payment to insurance underwriters on behalf of clients (1)	332	(105)
	(g) Acquisition and integration costs	(776)	(4,669)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	38	395
1.5	Interest and other costs of finance paid	(226)	(716)
1.6	Income taxes paid		(160)
1.7	Other (provide details if material)		
<b>Net operating cash flows</b>		<b>1,328</b>	<b>(2,721)</b>

- (1) 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, receipts from clients exceeded payment to underwriters in the period by \$332,000.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>1,328</b>	<b>(2,721)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		(35,793)
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets	(390)	(1,964)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Purchase of available for sale investments: (Working capital held in YBR Smarter Higher Income Fund, available at 3 days notice)	(7)	(512)
<b>Net investing cash flows</b>	<b>(397)</b>	<b>(38,269)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>931</b>	<b>(40,990)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		42,050
Cost of capital raising and debt arrangements.		(2,205)
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		17
1.19 Dividends paid		
1.20 Other (provide details if material)		(201)
<b>Net financing cash flows</b>	<b>-</b>	<b>39,661</b>
<b>Net increase (decrease) in cash held</b>	<b>931</b>	<b>(1,329)</b>
1.21 Cash at beginning of quarter/year to date	9,852	12,112
1.22 Exchange rate adjustments to item 1.20		
<b>1.23 Cash at end of quarter</b>	<b>10,783</b>	<b>10,783</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	357
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Payments to related parties in 1.24 above include:

- Directors' fees \$47,779
- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris received contracted payments of \$309,375 covering consultancy fees during the period.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	12,500	5,000
3.2 Credit standby arrangements		

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	6,556	5,569
4.2 Deposits at call	4,227	4,283
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.23)	<b>10,783</b>	<b>9,852</b>



**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~/does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 30 July 2015  
(Company Secretary) 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.