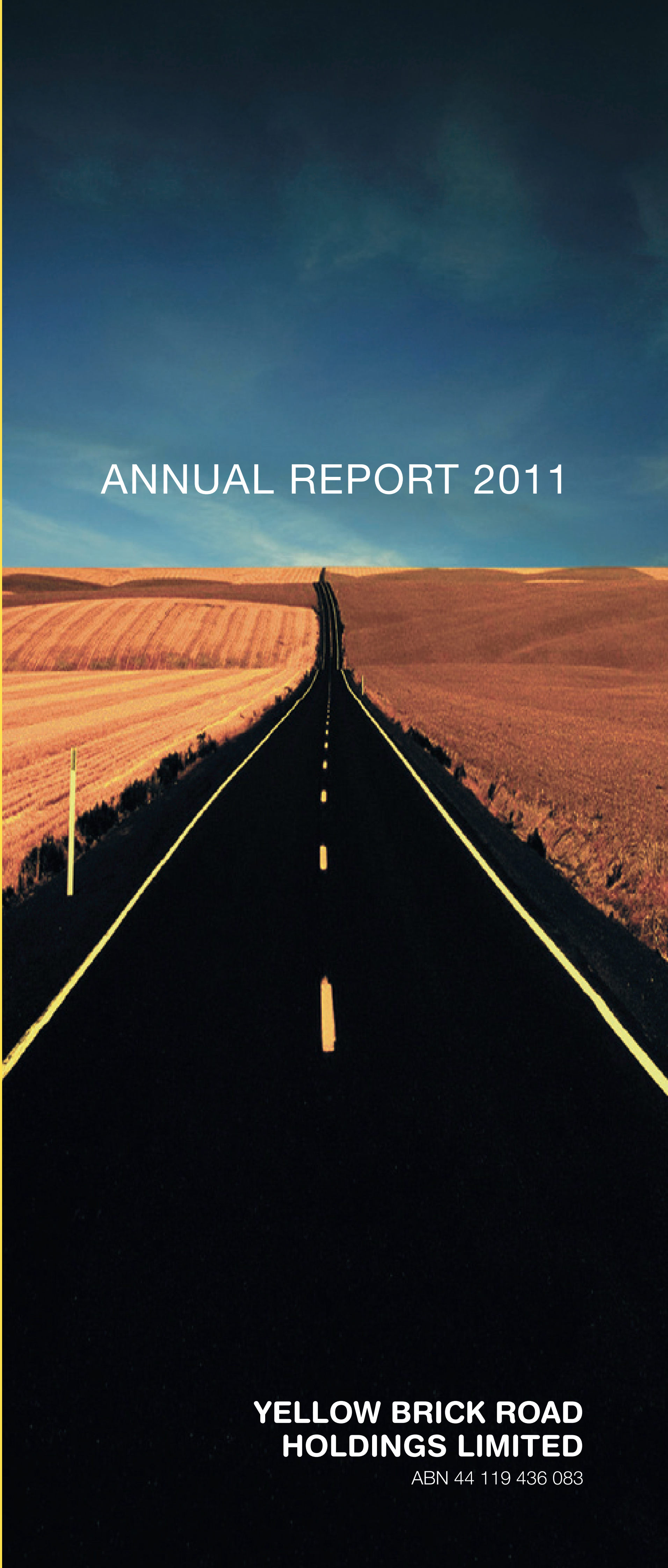
YellowBrickRoad
Wealth Management



# ANNUAL REPORT 2011

**YELLOW BRICK ROAD HOLDINGS LIMITED**

ABN 44 119 436 083

Yellow Brick Road believes all Australians deserve access to quality financial advice

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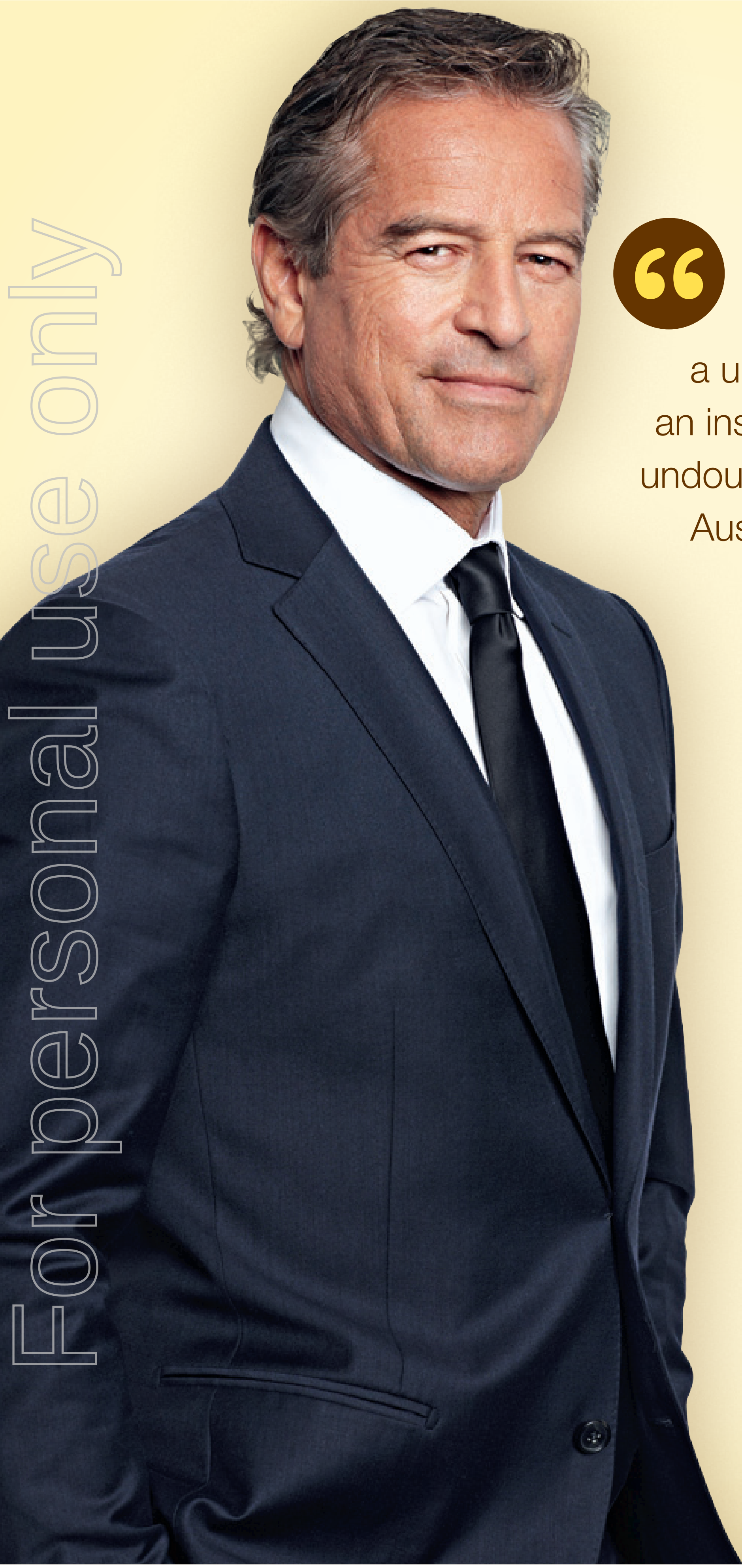
## 2011 ANNUAL REPORT CONTENTS



> We are building a unique business with an inspired outlook that will undoubtedly change the way Australians think about planning for their financial future.

Dear Shareholders,

In 2007, I founded Yellow Brick Road on a single principle – that all Australians deserve access to quality financial advice. As I look back over the past few years at how the financial landscape has changed, I realise that the vision I had for Yellow Brick Road has actually become more of a necessity. We're living in a time of economic uncertainty and people need advice and a person they trust to deliver it. This is the foundation, principle and inspiration behind Yellow Brick Road.

We have a once in a decade opportunity to build a brand that disrupts the market and provides real value for consumers. When I started Yellow Brick Road, I wanted to create a company that offered first class financial services in the suburbs. I wanted to give people a choice when it came to whom they could go to for advice, and how that advice was administered. Today I am proud to say that we're not only building the business that I envisioned, we're exceeding my every expectation.

This past year has been a game changer for Yellow Brick Road. As at 30 June 2011, we had grown to 72 licensees in all five states. We built a solid foundation of trusted advisors in budding communities where people need quality financial advice the most. We completed a capital raising which gave the company a $12.5 million capital injection, followed by the subsequent $13 million investment by Nine Entertainment Group for a 19.9% shareholding. The alliance with Nine Entertainment not only provided Yellow Brick Road with capital, it delivered a platform that gives us the ability to communicate our brand messaging and expand our national distribution footprint. With Nine as our partner, we have the opportunity and the capacity to put consumers on the road to a better future.

When we listed Yellow Brick Road on the Australian Securities Exchange in June of this year, we made it our top priority to cultivate a team who realised our vision and could take the company to the next level. Since the end of the reporting period, two new appointments have been made with David Coleman joining the Board as a Non-Executive Director and representative for the Nine Entertainment Group, and Matt Lawler coming on as the Company's Chief Executive Officer. We've also established the Yellow Brick Road Group Executive, which comprises some of the greatest minds in the financial services industry. I've had the privilege of working alongside most of these people for many years, and their insight will be integral in the facilitation of our rapid growth plans in the years to come.

We are building a unique business with an inspired outlook that will undoubtedly change the way Australians think about planning for their financial future. To make this initiative successful, we will continue to invest capital and resources to ensure that Yellow Brick Road continues on its path as Australia's leading independent wealth management provider. The strength of the business rests with the team that is delivering our vision, whether they are a part of our client-facing distribution network or working within our head office to deliver an all-encompassing advice-based business model. I am proud to say that we have a committed and energetic team on board whose contributions will be integral in supporting Yellow Brick Road's establishment and growth.

The Board and I look forward to meeting shareholders at the forthcoming Annual General Meeting and updating you further on Company initiatives and progress. I'd like to thank you for joining us on our journey and I look forward to sharing an exciting future with you.

Regards,

**Mark Bouris**
**Executive Chairman**
**Yellow Brick Road Holdings Limited**

# CEO's Report

Dear Shareholders,

This is my inaugural CEO's Report to shareholders having joined Yellow Brick Road Holdings Limited (the "Company") on 15 July 2011 as its Chief Executive Officer.

Whilst still relatively young, Yellow Brick Road has already achieved many milestones to this point and I congratulate all those involved for their vision, passion, dedication and hard work so far. A wonderful platform for growth has been established.

I am delighted to have joined the Company at this time, with a vision that resonates with me. I have been a passionate advocate for quality financial advice in both the Financial Planning and Mortgage Broking industries in previous roles. With continuing consolidation in the Financial Services market, Yellow Brick Road is poised to capture the brand space as a trusted, independent and affordable provider of quality financial advice.

I certainly look forward to working with Mark Bouris, the Company's directors, Yellow Brick Road employees and the growing number of branch licensees, to provide the guidance and leadership for the Company to achieve its objectives.

The 2011 financial year was a significant year for the Company and we made pleasing progress in many areas. As the final foundations for the business were laid, a number of major milestones were achieved:

- A capital raising of $12.5 million was completed and listing on the ASX was finalised;
- Nine Entertainment Group announced their intention to invest $13 million in Yellow Brick Road in return for a 19.9% shareholding in the Company (completed in September 2011);
- The number of branches in our network more than doubled by the end of the 2011 financial year, from 32 licensees in June 2010 to 72 licensees in June 2011;
- The first Yellow Brick Road branded products - a home loan and term deposit – were launched; and
- Further specialist resources were recruited particularly in Financial Planning, where we are experiencing a growing demand for our services.

The financial results delivered in the 2011 financial year largely reflect the shift in the Company's focus from building the foundations of the business to investing in the business for growth.

The Company reported a loss of $2.6 million (including a "one-off" charge of $423,000), which was in line with our expectations, and followed significant investments in the business and one-off expenses associated with the Company's listing on the ASX.

The Company's revenue was up 36.3% on the 2010 financial year with positive contributions from all areas of the business. The 229% increase in revenue from the lending business is particularly noteworthy and this was complemented by the Wealth Management business, which showed it is building strong revenue momentum.

Our capital position improved substantially following the successful $12.5 million capital raising in May and the subsequent investment by Nine Entertainment Group for a 19.9% shareholding. The balance sheet strengthened during the year. Our cash position at 30 June 2011 was $13.7 million following the capital raising.

**Financial Year 2012 - Building on solid foundations and investing for growth**

The results achieved in 2011 laid solid foundations for the 2012 financial year. Our focus this financial year continues to be on investing in the business to deliver the growth targeted, creating future value for shareholders and achieving the Company's vision.

There are five key elements of our focus in 2012:

1. **Building the Yellow Brick Road brand as a trusted, independent and affordable provider of financial advice for every Australian.**

Yellow Brick Road is positioning itself as a provider of quality, trusted, independent and affordable advice, which is accessible to all Australians. By working with our strategic partner, the Nine Entertainment Group, Yellow Brick Road is embarking on an aggressive period of brand building to establish the Company as a competitive alternative to the current incumbents.

2. **Delivering quality advice at a local level through a growing branch network supported by a team of specialists.**

We are continuing the aggressive growth of our branch network in 2012 to create a national distribution footprint that supports our proposition to clients.

The branches are supported in the delivery of advice for their clients' more complex needs by a team of specialists including financial planners, general insurance brokers, accountants and tax advisers.

3. **Assembling a streamlined range of products and services that can support the implementation of advice.**

Our product strategy is to ensure our people have access to a wide range of products involving some of the best providers in the market. From time to time Yellow Brick Road will choose to manufacture or brand products in its name to create further choice, capture a niche opportunity or to improve competition.

4. **Establishing Yellow Brick Road as a key provider of advice to the small business segment of Australia, which has been under-serviced for some time.**

Yellow Brick Road will be a partner for the small business segment for advice and financial solutions.

Through the many specialists at Yellow Brick Road, we are providing valuable advice to small businesses on a range of financial matters and regard this as a prominent part of our ongoing services.

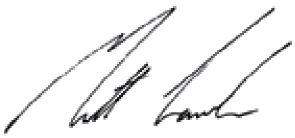
5. **A great environment for our people**

Of course, our most critical resource is our people, who are fully committed to the vision and growing the Company. In 2012, an important focus of mine will be on supporting these people whether they are in branches or working in head office, by ensuring they have a great working environment to be successful in their business and personal endeavours.

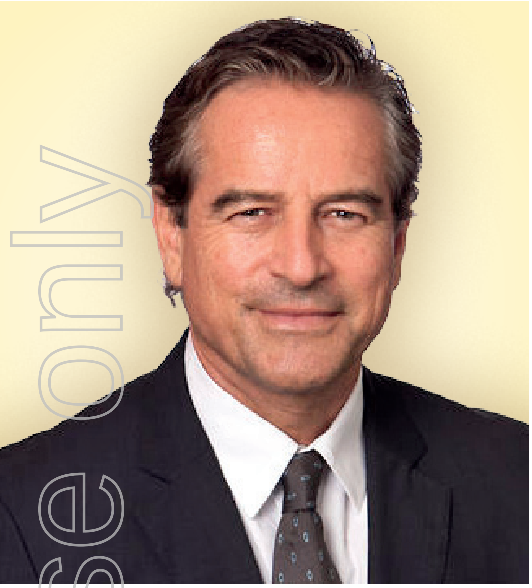
**In closing**

The 2011 financial year was a watershed year for Yellow Brick Road with many significant milestones reached, yet there is still so much to be achieved as outlined above. I am delighted to have joined Yellow Brick Road at such a significant time in the Company's history to drive the implementation of our business strategy. I look forward to reporting to shareholders on our progress.

Yours faithfully,



**Matt Lawler**
**Chief Executive Officer**
**Yellow Brick Road Holdings Limited**

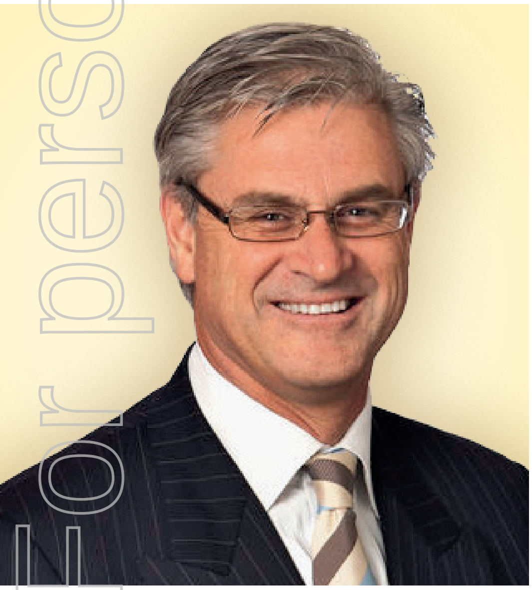


## MARK BOURIS
### Executive Chairman

**Qualifications:** BCom (UNSW), MCom, Adjunct Professor at the Australian School of Business

**Experience and expertise:** Mark is the Executive Chairman of Yellow Brick Road Wealth Management, a financial services company that offers comprehensive products and advice for home loans, financial planning, insurance, term deposits, accounting and tax through its national branch network. Mark has over 25 years experience in the finance and property sectors and was the founder of Wizard Home Loans, one of Australia's largest non-bank lenders. Under Mark's direction, Wizard grew to approximately 300 branches across Australia, New Zealand and India before the company was sold to General Electric in 2004. Mark is an Adjunct Professor for Banking & Finance and Business Law & Tax at University of New South Wales Australian School of Business and sits on the UNSW Australian School of Business Advisory Council Board. Mark is the author of Wealth Wizard and The Yellow Brick Road to Your Financial Security, and he writes a number of financial columns for some of Australia's most recognised publications. He's a board member of the Sydney Roosters and the host of Channel 9's The Apprentice Australia and Celebrity Apprentice Australia.

**Other current directorships:** Executive Chairman of TZ Limited (ASX:TZL), Chairman of Anteo Diagnostics Limited (ASX:ADO), Chairman of Serena Resources Limited and Board Member of the Sydney Roosters.

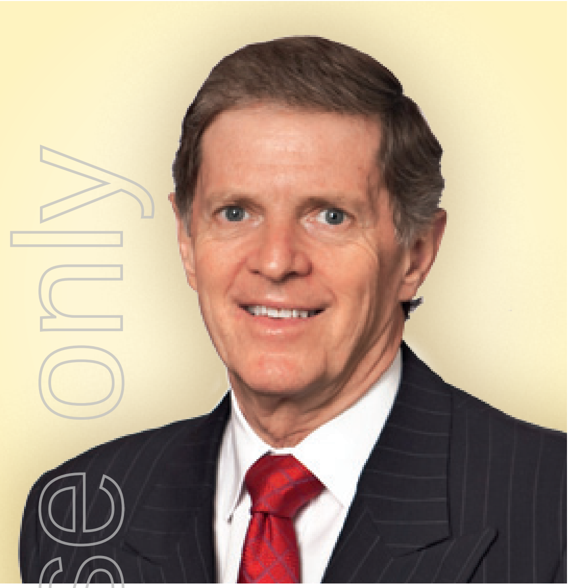


## ADRIAN BOURIS
### Non-Executive Director

**Qualifications:** BCom (UNSW), LLB (UNSW)

**Experience and expertise:** Adrian has over 25 years experience in investment banking and corporate and commercial law. He is presently a principal and managing director of BBB Capital Pty Limited, a boutique corporate advisory and investment company. Prior to founding BBB Capital Pty Limited, he was managing director of the Australian Investment Banking Division of ING Bank N.V, and was previously director of SG Hambros Australia. Adrian was also a Non-Executive Director of and corporate finance adviser to Wizard Home Loans prior to its sale to General Electric in 2004.

**Other current directorships:** Director of The Surfing Travel Company Holdings Pty Limited, Director of the Australian Financial Investment Group and Director of the Local Vocal Holdings Pty Limited.



## OWEN WILLIAMS
### Non-Executive Director

**Qualifications:** BEc, MTAX, MAICD

**Experience and expertise:** Owen has a 30 year background in investment management, finance and investment banking, including extended periods in senior finance roles with Bain & Company, Babcock and Brown and Societe Generale. In 2004 he entered consultancy and since been engaged in project management and financing undertakings including projects in gas chemicals, aviation and liquid natural gas industries.

**Other current directorships:** Director of Tasmanian Ports Corporation.

## DAVID COLEMAN
### Non-Executive Director

**Qualifications:** BA / LLB (UNSW)

**Experience and expertise:** David has substantial experience in the media industry. He has worked with PBL / Nine since 2005 and is currently the Head of Strategy and Digital for Nine Entertainment Co. and Managing Director of Nine Entertainment Co.'s investment fund, Nine Ventures.

**Other current directorships:** ninemsn Pty Ltd, Australian News Channel Pty Ltd, Freeview Ltd, Styletread Pty Ltd.

## SCOTT JONES
### Non-Executive Director

**Qualifications:** BCom, MAICD

**Experience and expertise:** Scott has extensive experience in fast moving consumer goods companies, previously holding sales management positions with Uncle Bens of Australia, a subsidiary of Mars Corporation and sales positions with Coca-Cola Amatil. He has extensive international management experience through his role as Director of Marketing for Curtin University's Sydney Campus and is currently employed in the position of Executive General Manager - Student Recruitment for Navitas. This role involves managing Navitas's off-shore Student Recruitment operations in India, China and Europe.

**Other current directorships:** None

*From left to right, top to bottom.*

## MATT LAWLER
### Chief Executive Officer

Matt brings over two decades of experience in the financial services industry to Yellow Brick Road, with a wealth of expertise in advice and distribution in banking and wealth management.

Matt is a passionate advocate for delivering quality financial advice for Australians, which is evident from the high professional standards that he has set throughout his executive career.

Matt's role at Yellow Brick Road is to grow a business that has quality, independent and affordable advice at the core of its offering. By growing the network of branches with local relationships and a community presence combined with the support of specialists in insurance, investments, superannuation and accounting, Matt's objective is to deliver the capability that supports Yellow Brick Road's vision.

Matt most recently held senior executive positions with NAB where he was responsible for reigniting NAB's participation in the mortgage broker market. Previously Matt held senior executive positions at MLC, which included leading a network of over 1,500 licensed Financial Planners. He has also served as a Director for the Financial Planning Association (FPA) and the Mortgage and Finance Association of Australia (MFAA).

## RICHARD SHAW
### Chief Financial Officer

Richard joined Yellow Brick Road in August 2010. He has over 20 years experience as a finance executive with particular focus on financial management of fast paced, growth orientated businesses. He is a certified practicing accountant and holds a Master of Business Administration from the University of Technology, Sydney.

Past experience has included roles as chief financial officer at OzEmail Internet, BlueFreeway Limited (following its takeover by Independent Print Media Group) and CommSecure Limited.

## BRYN NICHOLSON
### Chief Operating Officer

Bryn is a leading eCommerce and Operations specialist. He led the team which developed Wizard Home Loans' websites and online marketing for Australia, New Zealand and India between 2000 and 2008. Prior to Wizard Home Loans, Bryn spent six years at Westpac Banking Corporation in various eCommerce roles, including management of all online consumer sales processes between 1999 and 2000, development of the first Australian mortgage broker extranet (IntroducerNet), launched in 1998 and development of the first internet based home loan sales process used by Westpac, launched in 1997. Bryn's prior experience includes is as a consultant to Unisys New Zealand with a banking client focus which included long term engagement with ASB Bank and Trust Bank between 1989 and 1996. Bryn holds a Master of Philosophy (Hons) in Computer Science from Auckland University, New Zealand.

## BRAD SEYMOUR
### Head of Retail and Marketing

Brad joined Yellow Brick Road in early 2009 after 13 years with Wizard Home Loans.

Brad was a co-founder of Wizard Home Loans with Mark Bouris. From 1996 to 2009, he was responsible for the brand development, marketing and retail product platforms. Prior to that time Brad was a mortgage broker.

During his time at Wizard Home Loans, Brad created a brand profile that saw the business reach 92% prompted awareness in the crowded Australian financial services sector. Along with Mark Bouris, Brad was also instrumental in taking the Wizard Home Loans brand and distribution model to both New Zealand and India.

Post the sale of Wizard Home Loans to the General Electric group in 2004, Brad was engaged by the General Electric group to not only continue to manage the Wizard Home Loans brand but also actively consult on the GE Money brand both in Australia and globally.

## JAMES GARNSEY
### Head of Accounting and Tax

James joined Yellow Brick Road at the commencement of the business in July 2007, after the acquisition of his accounting practice. James was a partner in the chartered accounting firm Allworths between 2003 and 2007 and was responsible for the private wealth management and superannuation areas of the firm, specialising in self managed superannuation and the structuring of the affairs of medium to high earners and high net worth clients.

James has extensive experience in advising private clients on both domestic and international tax, investments and related issues. Prior to Allworths, James worked with Dawson & Partners between 1989 and 2003, where he became Sydney Managing Partner, during which time he advised on financial and taxation matters servicing wholesale and retail clients and being responsible for the management and administration of client investment portfolios and strategic and structural advice on estate planning, investment and risk products.

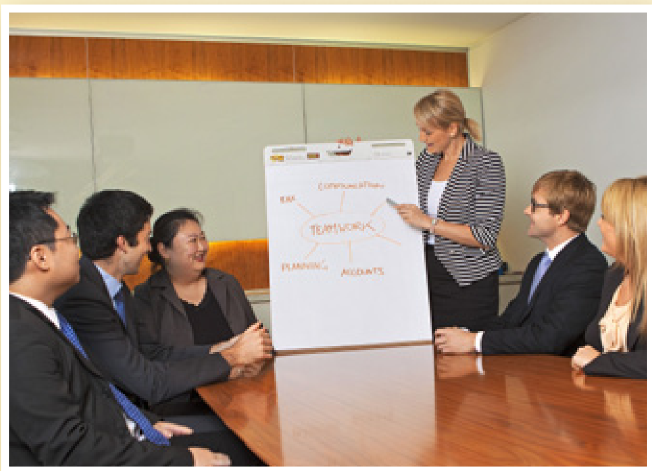
James is a chartered accountant and holds a Bachelor of Business from Charles Sturt University. He is a Specialist Adviser member of the Self Managed Superannuation Professionals' Association of Australia and a member of the Taxation Institute of Australia.

## Branch Productivity

Partnering with branches to increase efficiency and growth

## General Insurance

Supporting our branches to provide insurance solutions



## Accounting & Tax

Providing assistance for clients with diverse needs

## Financial Planning

Enabling our shopfronts to deliver quality financial advice


## Small Business

Working with branches to provide small business strategies

"An Australia-wide network of local shopfronts supported by teams of specialists"

## Marketing & Communications

Building the brand locally and nationally to drive customer acquisition

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 for the year ended 30 June 2011.

## 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 (appointed on 11 February 2011)
Scott Jones
Owen Williams (appointed on 11 February 2011)
Adrian Bouris (appointed on 11 February 2011)
David Coleman (appointed on 7 September 2011)
Farooq Khan (resigned on 18 March 2011)
Gabriel Chiappini (appointed on 22 December 2010 and resigned on 18 March 2011)
Lyndon Rowe (resigned on 22 December 2010)

## Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- investment and wealth management services
- general insurance services
- accounting services
- franchise branch mortgage broking services

## Dividends

There were no dividends paid by the parent entity during the current or previous financial years.

Prior to being acquired by the company, Yellow Brick Road Group Pty Limited paid dividends totalling $nil (2010: $260,518, nil franked) to holders of its ordinary shares.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to $2,599,000 (30 June 2010: profit of $945,000).

***Acquisition of Yellow Brick Road Group Pty Limited and its controlled entities***
On 27 May 2011 Yellow Brick Road Holdings Limited acquired 100% of the share capital of Yellow Brick Road Group Pty Limited and its controlled entities. The acquisition resulted in Yellow Brick Road Group Pty Limited original shareholders holding a majority share in Yellow Brick Road Holdings Limited (formerly known as ITS Capital Investments Limited).

The acquisition has been accounted for as a share-based payment and the principles of reverse acquisition have been applied. The consolidated results reflect a full year of Yellow Brick Road Group Pty Limited and its controlled entities plus Yellow Brick Road Holdings Limited and its controlled subsidiaries from 27 May 2011 to 30 June 2011. The comparative period results reflect Yellow Brick Road Group Pty Limited and its controlled entities only.

Further information on the review of operations, financial position and future strategies is detailed in the Chairman's letter and Chief Executive Officer's report attached as part of the Annual Report.

## Significant changes in the state of affairs

***Acquisition by ITS Capital Investments Limited of Yellow Brick Road Group Pty Limited and its controlled entities***
On 27 May 2011 ITS Capital Investments Limited, a listed Public Company, completed a successful takeover offer for Yellow Brick Road Group Pty Limited and its controlled entities. Refer to 'Review of operations' for further information on the acquisition.

***Change of name***
On 25 May 2011, ITS Capital Investments Limited changed its name to Yellow Brick Road Holdings Limited. The ASX code has subsequently been changed from ITS to YBR.

***Significant changes in share capital***
On 27 May 2011 31,250,000 ordinary shares were issued as a public offering raising $12,500,000. Also on 27 May 2011 84,129,500 ordinary shares with a fair value of $2,831,000 were issued to acquire Yellow Brick Road Group Pty Limited.

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

***Investment by Nine Entertainment Group***
On 8 August 2011, the company issued the following securities to a subsidiary of the Nine Entertainment Group, Pink Platypus Pty Limited:

- 32,450,000 ordinary class shares in the company at an issue price of 40 cents per share (constituting a 19.99% shareholding in the company); and
- 8,564,930 performance options to acquire up to a further 8,564,930 ordinary class shares in the company over a period of 5 years.

The shares are subject to a voluntary escrow period of one year from the date of issue, expiring on 8 September 2012. The shares and performance options were issued in accordance with the resolutions passed at the general meeting of the company's shareholders held on 7 September 2011.

The total consideration for the shares is $12,980,000, half of which ($6,490,000) was paid in cash. The balance of $6,490,000 will be satisfied by the provision by the Nine Entertainment Group of advertising over the next 5 years under the terms of a contra advertising agreement which the company and Nine Entertainment Co Pty Limited also entered into on 8 August 2011.

The company agreed to issue the performance options to Pink Platypus as a performance mechanism to motivate the Nine Entertainment Group to assist the company in deriving maximum value for the advertising and associated benefits to be provided under the advertising the Nine Entertainment Group is providing to the company in partial consideration for issuing the subscription shares.

No other matter or circumstance has arisen since 30 June 2011 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 and expected results of operations are detailed in the Chairman's letter and chief Executive Officer's report attached as part of the Annual Report.

## 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 Director and Chairman (appointed 11 February 2011) |
| **Qualifications:** | BCom (UNSW), MCom, Adjunct Professor at the Australian School of Business |
| **Experience and expertise:** | Mark is the Executive Chairman of Yellow Brick Road Wealth Management, a financial services company that offers comprehensive products and advice for home loans, financial planning, insurance, term deposits, accounting and tax through its national branch network. Mark has over 25 years experience in the finance and property sectors and was the founder of Wizard Home Loans, one of Australia's largest non-bank lenders. Under Mark's direction, Wizard grew to approximately 300 branches across Australia, New Zealand and India before the company was sold to General Electric in 2004.<br>Mark is an Adjunct Professor for Banking & Finance and Business Law & Tax at University of New South Wales Australian School of Business and sits on the UNSW Australian School of Business Advisory Council Board.<br>Mark is the author of Wealth Wizard and The Yellow Brick Road to Your Financial Security, and he writes a number of financial columns for some of Australia's most recognised publications. He's a board member of the Sydney Roosters and the host of Channel 9's The Apprentice Australia and Celebrity Apprentice Australia. |
| **Other current directorships:** | Executive Chairman of TZ Limited (ASX:TZL), Chairman of Anteo Diagnostics Limited (ASX:ADO), Chairman of Serena Resources Limited and Board Member of the Sydney Roosters. |
| **Former directorships (in the last 3 years):** | None |
| **Special responsibilities:** | None |
| **Interests in shares:** | 43,453,865 ordinary shares |
| **Interests in options:** | None |

| | |
|---|---|
| **Name:** | Scott Jones |
| **Title:** | Non-Executive Director |
| **Qualifications:** | BCom, MAICD |
| **Experience and expertise:** | Scott has extensive experience in fast moving consumer goods companies, previously holding sales management positions with Uncle Bens of Australia, a subsidiary of Mars Corporation and sales positions with Coca-Cola Amatil. He has extensive international management experience through his role as Director of Marketing for Curtin University's Sydney Campus and is currently employed in the position of Executive General Manager - Student Recruitment for Navitas. This role involves managing Navitas's off-shore Student Recruitment operations in India, China and Europe. |
| **Other current directorships:** | None |
| **Former directorships (in the last 3 years):** | None |
| **Special responsibilities:** | Member of the Audit Committee |
| **Interests in shares:** | 927,500 ordinary shares |
| **Interests in options:** | None |

| | |
|---|---|
| **Name:** | Owen Williams |
| **Title:** | Non-Executive Director (appointed 11 February 2011) |
| **Qualifications:** | BEc, MTAX, MAICD |
| **Experience and expertise:** | Owen has a 30 year background in investment management, finance and investment banking, including extended periods in senior finance roles with Bain & Company, Babcock and Brown and Societe Generale. In 2004 he entered consultancy and since been engaged in project management and financing undertakings including projects in gas chemicals, aviation and liquid natural gas industries. |
| **Other current directorships:** | Director of Tasmanian Ports Corporation from 2006 |
| **Former directorships (in the last 3 years):** | Director of the Hobart International Airport 2000-08 and Hobart Ports Corporation from 2003-06 |
| **Special responsibilities:** | Member of the Audit Committee |
| **Interests in shares:** | 978,250 ordinary shares |
| **Interests in options:** | None |

| | |
|---|---|
| **Name:** | Adrian Bouris |
| **Title:** | Non-Executive Director (appointed 11 February 2011) |
| **Qualifications:** | BCom (UNSW), LLB (UNSW) |
| **Experience and expertise:** | Adrian has over 25 years experience in investment banking and corporate and commercial law. He is presently a principal and managing director of BBB Capital Pty Limited, a boutique corporate advisory and investment company. Prior to founding BBB Capital Pty Limited, he was managing director of the Australian Investment Banking Division of ING Bank N.V, and was previously director of SG Hambros Australia. Adrian was also a Non-Executive Director of and corporate finance adviser to Wizard Home Loans prior to its sale to the General Electric Group in 2004. |
| **Other current directorships:** | None |
| **Former directorships (in the last 3 years):** | None |
| **Special responsibilities:** | Member of the Audit Committee |
| **Interests in shares:** | 3,130,400 ordinary shares |
| **Interests in options:** | None |

| | |
|---|---|
| **Name:** | David Coleman |
| **Title:** | Non-Executive Director (appointed 7 September 2011) |
| **Qualifications:** | DirectorBA / LLB (UNSW) |
| **Experience and expertise:** | David has substantial experience in the media industry. He has worked withPBL/Nine since 2005 and is currently the Head of Strategy andDigital for Nine Entertainment Co. and Managing Director of Nine Entertainment Co.'s investment fund, Nine Ventures. |
| **Other current directorships:** | None |
| **Former directorships (in the last 3 years):** | None |
| **Special responsibilities:** | None |
| **Interests in shares:** | None |
| **Interests in options:** | None |

| | |
|---|---|
| **Name:** | Farooq Khan |
| **Title:** | Non-Executive Director (resigned 18 March 2011) |
| **Qualifications:** | LLB, B.Juris (WA) |
| **Experience and expertise:** | Farooq is a qualified lawyer having previously practiced principally in the field of corporate law. He has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. He resigned during the year. |
| **Other current directorships:** | Not applicable as no longer a director |
| **Former directorships (in the last 3 years):** | Not applicable as no longer a director |
| **Special responsibilities:** | Not applicable as no longer a director |
| **Interests in shares:** | Not applicable as no longer a director |
| **Interests in options:** | Not applicable as no longer a director |

| | |
|---|---|
| **Name:** | Gabriel Chiappini |
| **Title:** | Company Secretary and Non-Executive Director (appointed on 22 December 2010 and resigned on 18 March 2011) |
| **Qualifications:** | BBus, AICD, CA |
| **Experience and expertise:** | Gabriel has worked in Chief Financial Officer and Company Secretarial roles in both local and international environments and also holds the position of Company Secretary with ASX listed and unlisted companies. Gabriel resigned during the year. |
| **Other current directorships:** | Not applicable as no longer a director |
| **Former directorships (in the last 3 years):** | Not applicable as no longer a director |
| **Special responsibilities:** | Not applicable as no longer a director |
| **Interests in shares:** | Not applicable as no longer a director |
| **Interests in options:** | Not applicable as no longer a director |

| | |
|---|---|
| **Name:** | Lyndon Rowe |
| **Title:** | Former Chairman (resigned on 22 December 2010) |
| **Qualifications:** | BEc (Hons) |
| **Experience and expertise:** | Lyndon has been Executive Chairman of the Western Australia Economic Regulation Authority (ERA) since March 2004. Prior to that, he was Chief Executive of the Chamber of Commerce and Industry of WA since 1990 and was a Director of Westscheme Pty Limited from 1986 until 2003. |
| **Other current directorships:** | Not applicable as no longer a director |
| **Former directorships (in the last 3 years):** | Not applicable as no longer a director |
| **Special responsibilities:** | Not applicable as no longer a director |
| **Interests in shares:** | Not applicable as no longer a director |
| **Interests in options:** | Not applicable as no longer a director |

'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 secretaries

Richard Shaw joined the company in August 2010. He is a certified practicing accountant and holds a Master of Business Administration from the University of Technology, Sydney. He has over 20 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.

Gabriel Chiappini is joint Company Secretary. Gabriel's details can be found in the 'information of directors' above.

## Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Mark Bouris | 2 | 2 | - | - |
| Scott Jones | 9 | 9 | 4 | 4 |
| Owen Williams | 2 | 2 | - | - |
| Adrian Bouris | 2 | 2 | - | - |
| Lyndon Rowe | 8 | 8 | 2 | 4 |
| Farooq Khan | 8 | 8 | 4 | 4 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

## Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

### *A Principles used to determine the nature and amount of remuneration*

The objective of the consolidated entity's and company'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 the market best practice for delivery of reward. The Board of Directors ('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 executive compensation
- transparency

The company does not have a dedicated Remuneration Committee but rather the task of ensuring that the level of director and executive 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 and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

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***Non-executive directors remuneration***

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually. The board relies on advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. 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 17 March 2011, where the shareholders approved an aggregate remuneration of $200,000.

***Executive remuneration***

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives 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 and adds additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives 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. There is no direct link to performance of the consolidated entity.

## *B Details of remuneration*

***Amounts of remuneration***

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Yellow Brick Road Holdings Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of Yellow Brick Road Holdings Limited and the following executives:

- Richard Shaw - CFO and Company Secretary
- Bryn Nicholson - Chief Operating Officer
- Brad Seymour - Head of Retail & Marketing
- James Garnsey - Head of Accounting & Tax
- David Carr - Principal of Accounting & Tax

| 2011 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Options $ | Total $ |
| Non-Executive Directors: | | | | | | | |
| Scott Jones [1] | 3,371 | - | - | 954 | - | - | 4,325 |
| Owen Williams | 3,936 | - | - | 389 | - | - | 4,325 |
| Adrian Bouris | 3,936 | - | - | 389 | - | - | 4,325 |
| Executive Directors: | | | | | | | |
| Mark Bouris (Chairman) | 400,680 | - | - | - | - | - | 400,680 |
| Other Key Management Personnel: | | | | | | | |
| Richard Shaw [2] | 218,186 | - | - | 12,212 | - | - | 230,398 |
| Bryn Nicholson * | 235,276 | 20,347 | - | 11,399 | - | - | 267,022 |
| Brad Seymour * | 254,500 | 23,000 | - | 15,525 | - | - | 293,025 |
| James Garnsey | 219,863 | - | - | 15,199 | - | - | 235,062 |
| David Carr | 350,000 | - | - | - | - | - | 350,000 |
| | 1,689,748 | 43,347 | - | 56,067 | - | - | 1,789,162 |

* Proportion of remuneration based on short term incentives is 10%. 100% of the bonus was vested during the financial year on meeting operating targets which included branch targets.

The table above represents remuneration paid by the consolidated entity consisting of Yellow Brick Road Group Pty Limited and its subsidiaries for the entire financial year and Yellow Brick Road Holdings Limited and its subsidiaries for the period from 27 May 2011 to 30 June 2011.

(1) Key management personnel of the consolidated entity from 27 May 2011
(2) Key management personnel of the consolidated entity from 29 July 2010

| 2010 | Short-term benefits | | | Post-employment benefits | | Share-based payments | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Bonus $ | Non-monetary $ | Super-annuation $ | Termination benefits $ | Options $ | Total $ |
| Other Key Management Personnel: | | | | | | | |
| James Garnsey | 216,276 | - | - | 19,464 | - | - | 235,740 |
| David Carr | 350,000 | - | - | - | - | - | 350,000 |
| Bryn Nicholson | 94,000 | - | - | - | - | - | 94,000 |
| | 660,276 | - | - | 19,464 | - | - | 679,740 |

The table above represents remuneration paid by Yellow Brick Road Group Pty Limited and its subsidiaries for the entire year to directors and key management personnel of the consolidated entity. In addition, Mark Bouris, Bryan Davis (resigned 15 June 2010) and Brad Seymour (appointed 21 June 2010) were key management personnel of the consolidated entity for the year to 30 June 2010, but received no remuneration.

In addition to the above two tables, the Corporations Act 2001 requires the remuneration of the directors and key executives of the company, prior to the combination with Yellow Brick Road Group Pty Limited to be disclosed. ITS Capital Investments Limited paid remuneration for the period 1 July 2010 to 26 May 2011 (2010: year to 30 June 2010), which is as follows:

Scott Jones : cash, salary and fees of $22,253, super of $1,771, total of $24,024. (2010: cash, salary and fees of $27,523, super of $2,477, total of $30,000)

Farooq Khan (1): cash, salary and fees of $19,680, super of $1,771, total of $21,451. (2010: cash, salary and fees of $7,523, super of $2,477, total of $30,000)

Lyndon Rowe (2): cash, salary and fees of $22,935, super of $2,064, total of $24,999. (2010: cash, salary and fees of $45,872, super of $4,128, options for $11,924, total of $61,924)

Dan Engles (3): $nil
(2010: cash, salary and fees of $157,919, non-monetary of $12,500, super of $14,212, total of $184,631).

Allan Hodder (4): $nil
(2010: cash, salary and fees of $41,840, super of $10,418, long service leave of $69,565, total of $121,823).

Gabriel Chiappini (5): $nil
(2010: cash, salary and fees of $47,363).

(1) Resigned on 18 March 2011
(2) Resigned on 22 December 2010
(3) Resigned on 17 May 2010
(4) Resigned on 23 October 2009
(5) Appointed on 22 December 2010 and resigned on 18 March 2011

## C Service agreements

Key management personnel 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 Yellow Brick Road Holdings Limited ('YBR') and Golden Wealth Holdings Pty Limited ('GWH'), a company controlled by Mark Bouris. The main terms of the consultancy agreement are:

(a) YBR engages GWH as an independent contractor to provide various consultancy services.

(b) GWH must procure that its representative (initially Mark Bouris) performs the services on behalf of GWH. A representative other than Mark Bouris can be appointed at any time if GWH nominates a person other than Mark Bouris and YBR agrees to the change in representative.

(c) the services to be performed are such services as requested by YBR as would be consistent with the services to be performed by the chairman of the consolidated entity.

(d) the term of the consultancy agreement expires on 30 June 2015.

(e) the representative is entitled to remain as the chairman of YBR and of any company in the consolidated entity.

(f) YBR shall not during the term appoint any person other than the representative as YBR's chairman.

(g) the consultancy fee is $750,000 per financial year. However, for the year ended 30 June 2013 and each subsequent financial year, the fee is halved, to $375,000, if for the immediately preceding financial year YBR achieves less than 80% of the relevant target for that year.

(h) the targets for the financial years ending 30 June 2012 to 30 June 2015 inclusive will be as reasonably determined by the YBR's board with Mark Bouris having no entitlement to vote at or attend any meeting of the YBR's board that decides the targets. The target for each financial year must be higher than the target for the previous year.

i) If YBR becomes a subsidiary of another company, and Mark Bouris becomes a director of and is paid director's fees by that holding company, the consultancy fee will be reduced by the amount of such director's fees.

(j) a claw back by GWH of any prior year's "halved" consultancy fee is payable in the years ending 30 June 2013 and there after if YBR achieves 80% or more of the target for the previous financial year. The claw back amount is equal to the difference (if any) between $750,000 and the aggregate of the consultancy fee paid and any directors fees paid to Mark Bouris by a holding company for that year. The net result would be that where 80% or more of the target has been achieved, there would be no reduction in the consultancy fee or any director's fees paid by the holding company to Mark Bouris.

(k) GWH grants YBR a royalty free sub-licence to use the Mark Bouris image in the promotion of its businesses on an exclusive basis but subject to the prior written consent of GWH in respect of each particular usage made of the image.

(l) if YBR terminates the consultancy for cause no termination fees are payable to GWH. If GWH terminates for cause YBR is required to pay the lesser of 12 months consultancy fees in lieu of notice or the balance of the consultancy fees payable on the remaining term of the agreement.

Cash bonuses for other Key Management Personnel: Service agreements of Brad Seymour and Bryn Nicholson provide for a bonus of, up to, 10% of their remuneration. The bonus is based on achievement of specific performance objectives during 2011. As at 30 June 2011 these bonuses have been accrued but not paid.

## D 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 2011.

***Options***

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2011.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011 are set out below:

| | **Number of options granted during the year** | | **Number of options vested during the year** | |
|---|---|---|---|---|
| Name | 2011 | 2010 | 2011 | 2010 |
| Lyndon Rowe | - | - | 66,667 | - |

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2011 are set out below:

| Name | **Value of options granted during the year $** | **Value of options exercised during the year $** | **Value of options lapsed during the year $** | **Remuneration consisting of options for the year %** |
|---|---|---|---|---|
| Lyndon Rowe | - | 16,000 | - | - |

***This concludes the remuneration report, which has been audited.***

## Shares under option

Unissued ordinary shares of Yellow Brick Road Holdings Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Number under option |
|---|---|---|
| 8 July 2011 * | 30 September 2017 | 8,564,930 |

* One fifth of the shares vest each year based on specific Brand Performance hurdles being achieved. Exercise price is the greater of $0.40 or 75% of the average yearly Volume-Weighted Average Price ('VWAP') since the year in which the relevant options vested.

## Shares issued on the exercise of options

The following ordinary shares of Yellow Brick Road Holdings Limited were issued during the year ended 30 June 2011 on the exercise of options granted:

| Date options granted | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 22 September 2008 | 30 September 2017 | $0.24 | 66,667 |

## 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 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

There were no non-audit services provided during the financial year by the auditor.

## Officers of the company who are former audit partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former audit partners of BDO Audit (WA) Pty Ltd.

## Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

## Auditor

BDO Audit (WA) 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
Executive Chairman

30 September 2011
Sydney

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2011

Board of Directors
Yellow Brick Holdings Limited
Level 11, 1 Chifley Square
SYDNEY NSW 2000

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF YELLOW BRICK ROAD HOLDINGS LIMITED**

As lead auditor of Yellow Brick Road Holdings Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Yellow Brick Road Holdings Limited and the entities it controlled during the period.

**Brad McVeigh**
Director

BDO

**BDO Audit (WA) Pty Ltd**
Perth, Western Australia

To ensure Yellow Brick Road Holdings Limited (the 'company') operates effectively and in the best interests of shareholders, having regard to the nature of the company's activities and its size, the board has adopted the revised Corporate Governance Principles and Recommendations (ASX CGPR's) 2nd Edition (as amended at 30 June 2010) issued by the ASX Corporate Governance Council, subject to the exceptions noted below

| Principles and Recommendations | Adoption Yes/No | If not, why not |
|---|---|---|
| **Principle 1 – Lay solid foundations for management and oversight** | | |
| Recommendation 1.1 - Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | Yes | |
| Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives. | Yes | |
| Recommendation 1.3 - Companies should provide the information indicated in the Guide to reporting on Principle 1. | Yes | |
| **Principle 2 – Structure the board to add value** | | |
| Recommendation 2.1 - A majority of the board should be independent directors. | No | Yes |
| Recommendation 2.2 - The chair should be an independent director. | No | Yes |
| Recommendation 2.3 - The roles of chair and chief executive officer should not be exercised by the same individual. | Yes | |
| Recommendation 2.4 - The board should establish a nomination committee. | No | Yes |
| Recommendation 2.5 - Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Yes | |
| Recommendation 2.6 - Companies should provide the information indicated in the Guide to reporting on Principle 2. | Yes | |
| **Principle 3 – Promote ethical and responsible decision-making** | | |
| Recommendation 3.1 - Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity;<br>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | |
| Recommendation 3.2 - Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. That policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. | Yes | |
| Recommendation 3.3 - Companies should disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy and progress towards achieving them. | Yes | |
| Recommendation 3.4 - Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | Yes | |

| Principles and Recommendations (continued) | Adoption Yes/No | If not, why not |
|---|---|---|
| Recommendation 3.5 - Companies should provide the information indicated in the Guide to Reporting on Principle 3. | Yes | |
| **Principle 4 – Safeguard integrity in financial reporting** | | |
| Recommendation 4.1 - The board should establish an audit committee. | Yes | |
| Recommendation 4.2 - The audit committee should be structured so that it:<br>• consists only of non-executive directors;<br>• consists of a majority of independent directors;<br>• is chaired by an independent chair, who is not chair of the board; and<br>• has at least three members. | No | Yes |
| Recommendation 4.3 - The audit committee should have a formal charter. | Yes | |
| Recommendation 4.4 - Companies should provide the information indicated in the Guide to Reporting on Principle 4. | Yes | |
| **Principle 5 – Make timely and balanced disclosure** | | |
| Recommendation 5.1 - Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes | |
| Recommendation 5.2 - Companies should provide the information indicated in the Guide to Reporting on Principle 5. | Yes | |
| **Principle 6 – Respect the rights of shareholders** | | |
| Recommendation 6.1 - Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes | |
| Recommendation 6.2 - Companies should provide the information indicated in the Guide to Reporting on Principle 6. | Yes | |
| **Principle 7 – Recognise and manage risk** | | |
| Recommendation 7.1 - Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | |
| Recommendation 7.2 - The board should require management to design and implement the risk management and internal control system to manage the company’s material business risks and report to it on whether those risks are being managed effectively.<br>The board should disclose that management has reported to it as to the effectiveness of the company’s management of its material business risks. | Yes | |
| Recommendation 7.3 - The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | |
| Recommendation 7.4 - Companies should provide the information indicated in the Guide to reporting on Principle 7. | Yes | |

## Principles and Recommendations (continued)

| | Adoption Yes/No | If not, why not |
|---|---|---|
| **Principle 8 – Remunerate fairly and responsibly** | | |
| Recommendation 8.1 - The board should establish a remuneration committee. | No | Yes |
| Recommendation 8.2 - The remuneration committee should be structured so that it:<br>• consists of a majority of independent directors<br>• is chaired by an independent director<br>• has at least three members | Yes | |
| Recommendation 8.3 - Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. | No | Yes |
| Recommendation 8.4 – Companies should provide the information indicated in the Guide to reporting on Principle 8. | | |

## Principle 1 – Lay solid foundations for management and oversight

The company has formalised the respective roles and responsibilities of the board and management in a Board Charter. A copy of the Board Charter is available in the Corporate Governance section of the company's public website www.ybr.com.au.

The company has established a formal process for evaluating the performance of senior executives which involves a performance and development review cycle where responsibilities and performance objectives are defined and regular feedback is provided through structured performance review meetings. The performance of all current senior executives has either been, or will be, reviewed in accordance with this process.

## Principle 2 – Structure the board to add value

The current board of directors, and their date of appointment in office, is as follows:

| | |
|---|---|
| Mark Bouris | 11 February 2011 |
| Scott Jones | 14 July 2007 |
| Owen Williams | 11 February 2011 |
| Adrian Bouris | 11 February 2011 |
| David Coleman | 7 September 2011 |

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed in the Directors' Report. The board believes that its current members provide the mix of skills and diversity required to allow the company to achieve its strategic goals and objectives.

The board has two independent directors and three non-independent directors. The majority of the board are therefore not independent. The names of the directors considered to be independent are:

Scott Jones

Owen Williams

The company's Chairman Mark Bouris, does not meet the independence criteria set out in the ASX CGPR's, however the roles of Chair and Chief Executive Officer have been separated in accordance with ASX CGPR 2.3.

Each director has the right to access all relevant information and, subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense. A copy of advice received by the director is made available to all other members of the board.

## Principle 2 – Structure the board to add value (continued)

A nomination committee has not been formed under recommendation 2.4. The board as a whole considers the composition of the board and appointment of new directors. The board identifies suitable candidates to fill vacancies as they arise.

A board performance evaluation program has been designed to evaluate the performance of the board as a whole, individual directors and board committees on an annual basis. All evaluations have regard to the collective nature of board work, the operation of governance processes established in our board charters and the attainment of any goals set by the board. Board evaluation is conducted at a number of levels using a combination of assessment questionnaires and face-to-face meetings.

Given that fact that the majority of the new board of the company was only appointed in February 2011, the board performance evaluation was not conducted during the relevant reporting.

The Board Charter, which includes the company's criteria for independence of directors, is available in the Corporate Governance section of the company's public website.

## Principle 3 – Promote ethical and responsible decision-making

The company has established a Code of Conduct which sets out the company's key values and how they should be applied within the workplace and in dealings with those outside of the company. A summary of the Code of Conduct is available in the Corporate Governance section of the company's public website.

The company has established a diversity policy having regard to the suggestions set out in the new ASX CGPR's. The diversity policy covers gender, age, ethnicity and cultural background. It includes a requirement that the board establish measurable objectives for achieving gender diversity, with progress in achieving these objectives assessed annually.

As at 30 June 2011 the company had the following proportions of women:

| | |
|---|---|
| On the board of directors | 0% |
| In senior management positions | 36% |
| In the whole organisation | 44% |

The company has established the following measurable objectives for achieving gender diversity and will report its progress towards achieving these objectives in its 2012 annual report.

1. Development and implementation of internal training programs designed to promote equal employment opportunity.
2. Development and implementation of internal policies and procedures designed to promote flexible work practices.
3. Review of current staff recruitment and selection procedures to optimise opportunities for diversity in our workplace.
4. Establishment of mentoring arrangements for female managers.

## Principle 4 – Safeguard integrity in financial reporting

The company has formed an Audit Committee consisting of three non-executive directors of whom two are independent as defined by the ASX Corporate Governance Council's Principles. The members of the Audit Committee are:

| | |
|---|---|
| Owen Williams | Chairman, independent director |
| Adrian Bouris | Non-executive director, non-independent director |
| Scott Jones | Non-executive director, independent director |

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## Principle 4 – Safeguard integrity in financial reporting (continued)

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed in the Directors' Report.

The Audit Committee formally reports to the board after each of its meetings. Details of the number of meetings of the Audit Committee during the 2011 financial year and attendance of member are set out in the Directors' Report.

The external audit firm partner responsible for the company audit attends meetings of the board and the Audit Committee by invitation.

The Audit Committee Charter, which includes information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is available in the Corporate Governance section of the company's public website.

## Principle 5 – Make timely and balanced disclosure

The company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and to ensure all investors have equal and timely access to material information concerning the company and that company announcements are factual and presented in a clear and balanced way.

A summary of the Continuous Disclosure Policy is available in the Corporate Governance section of the company's public website.

## Principle 6 – Respect the rights of shareholders

The board aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs.

Information is communicated to shareholders through the:

- Company website;
- ASX company announcements platform;
- Annual Report; and
- other correspondence regarding matters impacting on shareholders as required.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the company's strategy and goals.

The Shareholder Communications Policy, designed to promote effective communication with shareholders, is available in the Corporate Governance section of the company's public website.

## Principle 7 – Recognise and manage risk

The company has an established enterprise risk management program designed in accordance with the new International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

The company's enterprise risk management program addresses its material business risks. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The company is in the process of implementing the software through which material business risks are linked to mitigating controls. This software will give the company the ability to monitor the performance of its enterprise risk and compliance programs in real time. It also ensures transparency of data and ease of reporting to the board.

Management has provided to the board a report as to the overall effectiveness of the company's management of its material business risks during the 2011 financial year.

### Principle 7 – Recognise and manage risk (continued)

The board has received assurance from the CEO and CFO that in their views:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control; and
- the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

A summary of our risk management program is available in the Corporate Governance section of the company's public website.

### Principle 8 – Remunerate fairly and responsibly

The company's does not have a formal Remuneration Committee. The task of ensuring that the level of director and executive remuneration is sufficient and reasonable and that its relationship to performance is dealt with by the full board. Remuneration principals are detailed in the Remuneration Report contained within the Directors Report.

Senior executives and directors are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration packages, such as options.

## General information

The financial report covers Yellow Brick Road Holdings Limited as a consolidated entity consisting of Yellow Brick Road Holdings Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Yellow Brick Road Holdings Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2011. The directors have the power to amend and reissue the financial report.

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 4 | 11,313 | 8,302 |
| Other income | 5 | 289 | 1,281 |
| **Expenses** | | | |
| Commissions and consultancy expenses | | (3,580) | (1,417) |
| Employee benefits expense | | (6,103) | (4,584) |
| Depreciation and amortisation expense | 6 | (352) | (351) |
| Operating expenses | | (2,497) | (1,627) |
| Occupancy expenses | | (480) | (424) |
| Listing expenses | | (423) | - |
| Finance costs | 6 | (766) | (624) |
| **Profit/(loss) before income tax expense from continuing operations** | | (2,599) | 556 |
| Income tax expense | 7 | - | - |
| Profit/(loss) after income tax expense from continuing operations | | (2,599) | 556 |
| Profit after income tax expense from discontinued operations | 8 | - | 389 |
| **Profit/(loss) after income tax expense for the year attributable to the owners of Yellow Brick Road Holdings Limited** | 24 | (2,599) | 945 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Yellow Brick Road Holdings Limited** | | (2,599) | 945 |
| | | **Cents** | **Cents** |
| **Earnings per share from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited** | | | |
| Basic earnings per share | 36 | (2.937) | 1.180 |
| Diluted earnings per share | 36 | (2.937) | 1.180 |
| **Earnings per share from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited** | | | |
| Basic earnings per share | 36 | - | 0.826 |
| Diluted earnings per share | 36 | - | 0.826 |
| **Earnings per share for profit/(loss) attributable to the owners of Yellow Brick Road Holdings Limited** | | | |
| Basic earnings per share | 36 | (2.937) | 2.006 |
| Diluted earnings per share | 36 | (2.937) | 2.006 |

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 13,672 | 4,187 |
| Trade and other receivables | 10 | 2,664 | 3,033 |
| Other financial assets | 11 | 598 | - |
| Other | 12 | 833 | 138 |
| Total current assets | | 17,767 | 7,358 |
| **Non-current assets** | | | |
| Trade and other receivables | 13 | 1,625 | 370 |
| Property, plant and equipment | 14 | 937 | 1,227 |
| Intangibles | 15 | 10,812 | 10,843 |
| Total non-current assets | | 13,374 | 12,440 |
| **Total assets** | | 31,141 | 19,798 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 2,888 | 3,428 |
| Borrowings | 17 | 7,987 | 2,739 |
| Provisions | 18 | 463 | 257 |
| Total current liabilities | | 11,338 | 6,424 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | 551 | 7,850 |
| Provisions | 20 | 187 | 221 |
| Other | 21 | 1,455 | 516 |
| Total non-current liabilities | | 2,193 | 8,587 |
| **Total liabilities** | | 13,531 | 15,011 |
| **Net assets** | | 17,610 | 4,787 |
| **Equity** | | | |
| Contributed equity | 22 | 22,873 | 7,451 |
| Reserves | 23 | 234 | 234 |
| Accumulated losses | 24 | (5,497) | (2,898) |
| **Total equity** | | 17,610 | 4,787 |

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

| | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Balance at 1 July 2009 | 10 | 1,319 | (3,582) | 203 | (2,050) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Profit after income tax expense for the year | - | - | 945 | - | 945 |
| Total comprehensive income for the year | - | - | 945 | - | 945 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs | 7,441 | (1,306) | - | - | 6,135 |
| Share-based payments | - | 117 | - | - | 117 |
| Fair value reserve | - | 104 | - | - | 104 |
| Transactions with non-controlling interest | - | - | - | (203) | (203) |
| Dividends paid | - | - | (261) | - | (261) |
| Balance at 30 June 2010 | 7,451 | 234 | (2,898) | - | 4,787 |

| | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Balance at 1 July 2010 | 7,451 | 234 | (2,898) | - | 4,787 |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Loss after income tax expense for the year | - | - | (2,599) | - | (2,599) |
| Total comprehensive income for the year | - | - | (2,599) | - | (2,599) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs | 15,422 | - | - | - | 15,422 |
| Balance at 30 June 2011 | 22,873 | 234 | (5,497) | - | 17,610 |

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

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 11,273 | 9,232 |
| Payments to suppliers and employees (inclusive of GST) | | (13,633) | (8,759) |
| | | (2,360) | 473 |
| Interest received | | 295 | - |
| Interest and other finance costs paid | | (766) | (624) |
| Net cash used in operating activities | 35 | (2,831) | (151) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 14 | (42) | (11) |
| Payments for intangibles | 15 | (30) | - |
| Net cash on acquisition of ITS | | 2,440 | - |
| Payments for other financial assets | | (592) | - |
| Proceeds from sale of investments | | - | 235 |
| Net cash from investing activities | | 1,776 | 224 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 22 | 14,000 | 3,800 |
| Proceeds from other loans | | - | 656 |
| Share issue transaction costs | | (1,409) | - |
| Repayment of borrowings | | (1,351) | (450) |
| Repayment of other loans | | (403) | (400) |
| Repayment of lease liabilities | | (297) | (323) |
| Net cash from financing activities | | 10,540 | 3,283 |
| Net increase in cash and cash equivalents | | 9,485 | 3,356 |
| Cash and cash equivalents at the beginning of the financial year | | 4,187 | 831 |
| Cash and cash equivalents at the end of the financial year | 9 | 13,672 | 4,187 |

*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, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

***AASB 2 Share-based Payment Transactions - amendments for Group Cash-settled Share-based Payment Transactions***
The consolidated entity has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

***AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project***
The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;
AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;
AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;
AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent;
and AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

**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. 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.

## Note 1. Significant accounting policies (continued)

### 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 32.

### 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 2011 and the results of all subsidiaries and special purpose entities for the year then ended. Yellow Brick Road Holdings Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. 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.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

During the year, Yellow Brick Road Holdings Limited (formerly known as ITS Capital Investments Limited) acquired 100% of the share capital of Yellow Brick Road Group Pty Limited and its controlled entities. Yellow Brick Road Holdings Limited issued the consideration of shares of 84,129,500 to the original shareholders of Yellow Brick Road Group Pty Limited. The issue of shares resulted in Yellow Brick Road Group Pty Limited original shareholders holding a majority share in Yellow Brick Road Holdings Limited.

This transaction has been accounted as a share-based payment in accordance with AASB2 'Share-based payment' and the consolidated financial statements represent a continuation of the financial statements of Yellow Brick Road Group Pty Limited. The consolidation comparative numbers are related to Yellow Brick Road Group Pty Limited operations and not those of Yellow Brick Road Holdings Limited (formerly known as ITS Capital Investments Limited) operations. As a result, these comparatives will not compare to the consolidated financial results of ITS Capital Investments Limited published in prior financial reporting periods. Refer to 'Business Combination' accounting policy for further explanation of the accounting for this transaction.

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 and special purpose entities 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. Refer to the 'business combinations' accounting policy for further details. 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.

### 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.

## Note 1. Significant accounting policies (continued)

### Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

***Rendering of Services – Investment and wealth management services***
Revenue for the provision for investment and wealth management services, other than commissions, is recognised on an accruals basis in the period in which the financial service or advice is given.

***Rendering of Services – Accounting services***
Revenue from the provision of accounting services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

***Mortgage broking services - Origination commissions***
Revenue from origination of mortgages is comprised of commission paid at the time the loan is originated and a trailing commission which is paid over the life of the loan. Origination commissions received are recognised as revenue on settlement of the loan. Commissions may be "clawed back" by lenders at a later date as per their individual policies.

***Mortgage broking services - Trailing commissions***
On initial recognition at settlement, trailing commission revenue and the related receivable are recognised at fair value being the net present value of the expected future trailing commissions to be received. An associated expense and payable to the licensees are also recognised initially measured at fair value being the net present value of the expected future trailing commission payable to licensees.

Subsequent to initial recognition and measurement, both the trailing commission receivable and payable are measured at amortised cost. The carrying amounts of the receivable 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 adjustment to the carrying value is recognised in profit or loss.

***General insurance services***
Commissions received from underwriters, on the value of Insurance premiums written, are recognised as revenue when relevant insurance cover is established.

***Interest***
Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

***Other revenue***
Other revenue is recognised when received or when the right to receive payment is established.

### Note 1. Significant accounting policies (continued)

#### 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 changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 investments in subsidiaries, associates or interests in 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 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 entity's 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 from 27 May 2011 (previously Yellow Brick Road Group Pty Limited was the head entity of the tax consolidation group). 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.

#### 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 comprehensive income.

## Note 1. Significant accounting policies (continued)

### 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 provision for impairment. Trade receivables are generally due for settlement within 30 - 90 days.

Receivables related to trailing commissions are recognised in accordance with the ‘Revenue Recognition’ accounting policy.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or significant delay in collection are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

***Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

***Impairment of financial assets***
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal can not exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

## Note 1. Significant accounting policies (continued)

### Property, 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 property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 5-10 years |
| Office equipment | 4-10 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.

An item of property, 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 ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

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.

## Note 1. Significant accounting policies (continued)

### 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. 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 intangibles 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 combination, 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.

***Research and development***

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life between 5-8 years.

***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 4 years.

### 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 to sell 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 to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### 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 not discounted. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

### 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.

## Note 1. Significant accounting policies (continued)

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

- interest on finance leases

### 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

***Wages and salaries and annual leave***
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

***Long service leave***
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

***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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. The cost of equity-settled transactions are 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.

## Note 1. Significant accounting policies (continued)

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, it is treated as if it has 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 is treated as if they were a modification.

### Contributed equity

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.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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.

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 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.

## Note 1. Significant accounting policies (continued)

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.

***Acquisition of Yellow Brick Road Group Pty Limited and its controlled entities***
During the year, Yellow Brick Road Group Pty Limited's original shareholders obtained a majority share interest in Yellow Brick Road Holdings Limited (formerly known as ITS Capital Investments Limited) after the acquisition transaction.
This transaction did not meet the definition of a business combination in AASB 3 'Business Combinations'. The transaction has therefore been accounted for in the consolidated financial statements in accordance with AASB 2 'Share-based Payment' and has been accounted for as a continuation of the financial statements of Yellow Brick Road Group Pty Limited, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of Yellow Brick Road Holdings Limited. The deemed issue of shares is, in effect, a share-based payment transaction whereby Yellow Brick Road Group Pty Limited is deemed to have received the net assets of Yellow Brick Road Holdings Limited, together with the listing status of Yellow Brick Road Holdings Limited. The overall accounting effect is very similar to that of a reverse acquisition in AASB 3.

Because the consolidated financial statements represent a continuation of the financial statements of Yellow Brick Road Group Pty Limited, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB3 have been applied:

- fair value adjustments arising at acquisition were made to Yellow Brick Road Holdings Limited assets and liabilities, not those of Yellow Brick Road Group Pty Limited;
- the cost of the acquisition, and amount recognised as issued capital to affect the transaction, is based on the notional amount of shares that Yellow Brick Road Group Pty Limited would have needed to issue to acquire the same shareholding percentage in Yellow Brick Road Holdings Limited at the acquisition date;
- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of Yellow Brick Road Group Pty Limited;
- a shared-based payment transaction arises whereby Yellow Brick Road Group Pty Limited is deemed to have issued shares in exchange for the net assets of Yellow Brick Road Holdings Limited (together with the listing status of Yellow Brick Road Holdings Limited). The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit or loss as a listing expense;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of Yellow Brick Road Holdings Limited, including the equity instruments issued by Yellow Brick Road Holdings Limited to effect the acquisition;
- the results for the year ended 30 June 2011 comprise the consolidated results for the year of Yellow Brick Road Group Pty Limited together with the results of Yellow Brick Road Holdings Limited from 27 May 2011; and
- the comparative results represents the consolidated results of Yellow Brick Road Group Pty Limited only.

## Note 1. Significant accounting policies (continued)

### 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.

### Adoption of AASB 1 'First time adoption of Australian Accounting Standards'

The consolidated entity applied the exemptions available to it, in accordance with AASB 1. In particular, the consolidated entity had elected to not apply AASB 3 'Business Combinations' retrospectively to past business combinations that occurred before transition date, 1 July 2009.

There were no reconciling differences on adoption of AASB1.

### Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

## Note 1. Significant accounting policies (continued)

***AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9***

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

***AASB 10 Consolidated Financial Statements***

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

***AASB 11 Joint Arrangements***

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint Operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

***AASB 12 Disclosure of Interests in Other Entities***

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 January 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made by the consolidated entity in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

## Note 1. Significant accounting policies (continued)

***AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13***

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

***AASB 124 Related Party Disclosures (December 2009)***

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

***AASB 127 Separate Financial Statements (Revised)***
***AASB 128 Investments in Associates and Joint Ventures (Reissued)***

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

***AASB 2009-12 Amendments to Australian Accounting Standards***

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

***AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project***

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Statements'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

## Note 1. Significant accounting policies (continued)

***AASB 2010-5 Amendments to Australian Accounting Standards***
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

***AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets***
These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

***AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets***
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

***AASB 1054 Australian Additional Disclosures***
This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

***AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project***
The amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

## Note 1. Significant accounting policies (continued)

***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement***
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

***AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards***
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

***AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income***
The amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

## 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 within the next financial year are discussed below.

***Provision for impairment of receivables***
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position. Refer to note 10.

***Revenue recognition***
As disclosed in note 1, revenue from trailing commissions is initially recognised at fair value based on the future trailing commissions expected to be received and subsequently adjusted as necessary. The fair value is based on the estimated discounted cash flows expected to be received and reflects the expected life of the underlying loans and drop off rates.

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

***Goodwill and other indefinite life intangible assets***

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have 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. Refer to note 15.

***Impairment of non-financial assets other than goodwill and other indefinite life intangible assets***

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets 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 to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

***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. Refer to note 20.

***Estimation of lending trail commissions***

The consolidated entity recognises a receivable and payable for lending trail commissions at the inception of the lending contract where there is no further contractual obligation to provide a service. The asset and liability are measured as the expected future cash flows to be received or paid over the life of the loan allowing for a 'run off' of clients that discontinue their loan resulting in trail commissions no longer being receivable or payable. The asset is tested for impairment annually. The asset and liability are adjusted for any differences in the expected trail run off and the actual run off experienced. Historical experience, knowledge of the consolidated entity's client base and industry statistics have all been used to determine the appropriate level of assumed run off and the resulting net present value of lending trail commission balances receivable or payable. Key assumptions include a discount rate of 12.5% and a weighted average loan life of 3.6 years. Refer to notes 10, 13, 16 and 21.

***Acquisition accounting***

As discussed in note 1, Yellow Brick Road Group Pty Limited, obtained a majority share interest in Yellow Brick Road Holdings Limited. The fair value of the deemed shares issued to affect the acquisition involved significant judgement. Refer to note 37.

## Note 3. Operating segments

***Identification of reportable operating segments***

The consolidated entity has identified that there is one operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews various metrics for each business unit but not operating results which are only reviewed on a consolidated basis.

The information reported to the CODM is on at least a monthly basis.

## Note 3. Operating segments (continued)

***Types of products and services***

The consolidated entity provides investment and wealth management services, accounting services, franchise branch mortgage broking services and general insurance services. Refer to note 4 for information about revenue by service type.

***Geographical information***

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

***Major customers***

Revenue of $1,229,000 is derived from one major customer representing 11% of the total revenue from customers. There were no major customers in 2010.

## Note 4. Revenue

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| **From continuing operations** | | |
| ***Sales revenue*** | | |
| Investment and wealth management services | 1,859 | 1,622 |
| Accounting services | 4,422 | 4,560 |
| Franchise branch mortgage broking services | 3,786 | 1,152 |
| General insurance services | 926 | 889 |
| | 10,993 | 8,223 |
| ***Other revenue*** | | |
| Interest | 295 | - |
| Other revenue | 25 | 79 |
| | 320 | 79 |
| Revenue from continuing operations | 11,313 | 8,302 |

## Note 5. Other income

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Debt forgiveness | - | 1,252 |
| Other | 289 | 29 |
| Other income | 289 | 1,281 |

## Note 6. Expenses

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Profit/(loss) before income tax includes the following specific expenses: | | |
| ***Depreciation*** | | |
| Leasehold improvements | 97 | 96 |
| Office equipment | 235 | 246 |
| Total depreciation | 332 | 342 |
| ***Amortisation*** | | |
| Development | 10 | 9 |
| Software | 10 | - |
| Total amortisation | 20 | 9 |
| Total depreciation and amortisation | 352 | 351 |
| ***Superannuation contribution*** | | |
| Defined contribution superannuation expense | 424 | 310 |
| Rental expense relating to operating leases | 446 | 424 |
| ***Finance costs*** | | |
| Interest and finance charges paid/payable | 766 | 624 |
| ***Share-based payments expense*** | | |
| Share-based payments expense | - | 117 |
| ***Bad and doubtful debt*** | | |
| Bad and doubtful debt | 118 | 210 |

## Note 7. Income tax expense

| | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|
| ***Income tax expense*** | | |
| ***Current tax*** | | |
| Current tax | - | 33 |
| Aggregate income tax expense | - | 33 |
| Income tax expense is attributable to: | | |
| Profit from discontinued operations | - | 33 |
| Aggregate income tax expense | - | 33 |
| Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Profit/(loss) before income tax expense from continuing operations | (2,599) | 556 |
| Profit before income tax expense from discontinued operations | - | 422 |
| | (2,599) | 978 |
| Tax at the Australian tax rate of 30% | (780) | 293 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 14 | 9 |
| Share-based payments | 127 | 35 |
| Current year tax losses not recognised | (639) | 337 |
| Prior year tax losses not recognised now recouped | 639 | - |
| Prior year temporary differences not recognised now recognised | - | (304) |
| Income tax expense | - | 33 |
| ***Tax losses not recognised*** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 2,555 | 232 |
| Potential tax benefit @ 30% | 767 | 70 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

## Note 8. Discontinued operations

***Description***

On 23 April 2010 the consolidated entity sold its 57% interest in Yellow Brick Road Securities Pty Ltd.

***Financial performance information***

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Revenue | - | 3,196 |
| Interest income | - | 6 |
| Total revenue | - | 3,202 |
| Expenses | - | (2,915) |
| Total Expenses | - | (2,915) |
| Profit before income tax expense | - | 287 |
| Income tax expense | - | (33) |
| Profit after income tax expense | - | 254 |
| Gain on sale before income tax | - | 135 |
| Income tax expense | - | - |
| Gain on sale after income tax expense | - | 135 |
| Profit after income tax expense from discontinued operations | - | 389 |

***Cash flow information***

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Net cash from operating activities | - | 330 |
| Net cash from investing activities | - | 232 |
| Net cash used in financing activities | - | (28) |
| Net increase in cash and cash equivalents from discontinued operations | - | 534 |

## Note 8. Discontinued operations (continued)

***Carrying amounts of assets and liabilities***

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Cash and cash equivalents | - | 370 |
| Trade and other receivables | - | 18 |
| Property, plant and equipment | - | 4 |
| Total assets | - | 392 |
| Trade and other payables | - | 137 |
| Income tax | - | 36 |
| Total liabilities | - | 173 |
| Net assets | - | 219 |

***Details of the sale***

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Total sale consideration | - | 261 |
| Carrying amount of net assets sold | - | (219) |
| Less: Non-controlling interest | - | 93 |
| Gain on sale before income tax | - | 135 |
| Income tax expense | - | - |
| Gain on sale after income tax | - | 135 |

## Note 9. Current assets - cash and cash equivalents

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Cash at bank | 12,008 | 4,187 |
| Cash on deposit | 1,664 | - |
| | 13,672 | 4,187 |

## Note 10. Current assets - trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Trade receivables | 1,829 | 2,757 |
| Less: Provision for impairment of receivables | (343) | (225) |
| | 1,486 | 2,532 |
| Other receivables | 759 | 316 |
| Loan trail receivable | 419 | 185 |
| | 2,664 | 3,033 |

***Impairment of receivables***

The consolidated entity has recognised a loss of $118,000 (2010: $210,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2011.

The ageing of the impaired receivables recognised above are as follows:

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| 3 to 6 months overdue | 118 | - |
| Over 6 months overdue | 225 | 225 |
| | 343 | 225 |

Movements in the provision for impairment of receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Opening balance | 225 | 15 |
| Additional provisions recognised | 118 | 210 |
| Closing balance | 343 | 225 |

## Note 10. Current assets - trade and other receivables (continued)

***Past due but not impaired***

Customers with balances past due but without provision for impairment of receivables amount to $464,000 as at 30 June 2011 ($1,004,000 as at 30 June 2010). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| 1 month overdue | 214 | 273 |
| 2 months overdue | 134 | 197 |
| Over 2 months overdue | 116 | 534 |
| | 464 | 1,004 |

The above information relates to trade receivables. All other financial assets, both current and non-current, are neither past due nor impaired.

## Note 11. Current assets - other financial assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Deposits | 598 | - |

## Note 12. Current assets - other

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Accrued revenue | 17 | - |
| Prepayments | 734 | 112 |
| Security deposits | 20 | 26 |
| Other current assets | 62 | - |
| | 833 | 138 |

## Note 13. Non-current assets - Trade and other receivables

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Loan trail receivable | 1,625 | 370 |

## Note 14. Non-current assets - property, plant and equipment

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Leasehold improvements - at cost | 900 | 894 |
| Less: Accumulated depreciation | (370) | (273) |
| | 530 | 621 |
| Office equipment - at cost | 1,187 | 1,152 |
| Less: Accumulated depreciation | (780) | (546) |
| | 407 | 606 |
| | 937 | 1,227 |

***Reconciliations***

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

| | Leasehold improvements $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|
| **Consolidated** | | | |
| Balance at 1 July 2009 | 717 | 933 | 1,650 |
| Additions | - | 11 | 11 |
| Disposals | - | (92) | (92) |
| Depreciation expense | (96) | (246) | (342) |
| Balance at 30 June 2010 | 621 | 606 | 1,227 |
| Additions | 6 | 36 | 42 |
| Depreciation expense | (97) | (235) | (332) |
| Balance at 30 June 2011 | 530 | 407 | 937 |

***Property, plant and equipment secured under finance leases***

Refer to note 30 for detailed information on property, plant and equipment secured under finance leases.

## Note 15. Non-current assets - intangibles

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Goodwill - at cost | 10,578 | 10,578 |
| | 10,578 | 10,578 |
| Development - at cost | 211 | 198 |
| Less: Accumulated amortisation | (34) | (25) |
| | 177 | 173 |
| Software - at cost | 249 | 209 |
| Less: Accumulated amortisation | (192) | (117) |
| | 57 | 92 |
| | 10,812 | 10,843 |

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

| | Goodwill `$'000 | Development $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|
| **Consolidated** | | | | |
| Balance at 1 July 2009 | 10,578 | 182 | 92 | 10,852 |
| Amortisation expense | - | (9) | - | (9) |
| Balance at 30 June 2010 | 10,578 | 173 | 92 | 10,843 |
| Additions | - | 14 | 16 | 30 |
| Additions through business combinations | - | - | 4 | 4 |
| Transfers in/(out) | - | - | (45) | (45) |
| Amortisation expense | - | (10) | (10) | (20) |
| Balance at 30 June 2011 | 10,578 | 177 | 57 | 10,812 |

***Impairment testing for goodwill***
For the purpose of impairment testing, goodwill is allocated to the consolidated entity's operating divisions which represent the lowest level within the consolidated entity at which the goodwill is monitored for internal management purposes.

## Note 15. Non-current assets - intangibles (continued)

The goodwill was allocated to the following Cash Generating Units ('CGUs'):

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Accounting | 6,678 | 6,678 |
| General Insurance | 560 | 560 |
| Wealth Management | 3,340 | 3,340 |
| | 10,578 | 10,578 |

The impairment test was based on a value-in-use approach. The recoverable amount was determined to be higher than the carrying amount and therefore no impairment loss was recognised.

Value-in- use was determined by discounting the future cash flows generated from the continuing use of the CGUs and unless otherwise stated was based on the following key assumptions for all CGUs:

Cash flows were based on a 1 year projection, extrapolated for a further 4 years using conservative, steady growth rates, together with a terminal value. Key assumptions were:

***Accounting and General Insurance***
a) 12.5% (2010: 12.5%) pre-tax discount rate
b) 3% (2010: 3%) per annum projected growth rate
c) 3% (2010: 3%) per annum increase in operating costs and overheads.
d) 3% (2010: 3%) terminal growth rate

***Wealth Management***
a) 12.5% (2010: 12.5%) pre-tax discount rate
b) 3% (2010: 3%) per annum projected growth rate in legacy (high net worth clients)
c) 3% (2010: 3%) per annum increase in operating costs and overheads.
d) 3% (2010: 3%) terminal growth rate
e) New wealth management clients referred from the consolidated entity's branch network at a rate of 1 client every 2 months for each branch.

***Sensitivity analysis***
An increase of more than 2% in the pre-tax discount rate applied to the accounting CGU, with all other assumptions held constant would result in the carrying amount of the accounting CGU exceeding its recoverable amount by $273,000.

Management estimates that any other reasonable changes in the key assumptions would not have a significant impact on the value-in-use of intangible assets and goodwill that would require the assets to be impaired.

## Note 16. Current liabilities - trade and other payables

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Trade payables | 1,135 | 1,237 |
| Trail payable | 262 | 73 |
| Accrued expenses | 516 | 507 |
| Dividends payables | 261 | 261 |
| Other payables | 714 | 1,350 |
| | 2,888 | 3,428 |

Refer to note 26 for detailed information on financial instruments.

## Note 17. Current liabilities - borrowings

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Bank loans | 5,459 | 1,350 |
| Loans from shareholders | 2,244 | 1,093 |
| Lease liability | 284 | 296 |
| | 7,987 | 2,739 |

Refer to note 31 for related party transactions on loans to shareholders.

Refer to note 19 for further information on assets pledged as security and financing arrangements and note 26 for detailed information on financial instruments.

## Note 18. Current liabilities - provisions

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Employee benefits | 463 | 257 |

## Note 19. Non-current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Bank loans | - | 5,460 |
| Loans from shareholders | - | 1,554 |
| Lease liability | 551 | 836 |
| | 551 | 7,850 |

Refer to note 26 for detailed information on financial instruments.

***Total secured liabilities***

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Bank loans | 5,459 | 6,810 |
| Lease liability | 835 | 1,132 |
| | 6,294 | 7,942 |

***Assets pledged as security***

Bank loans and lease facilities provided by St George Bank are secured by a personal guarantee provided by Mark Bouris, limited to $12 million.

Leases also included $59,552 (2010: $117,900) provided by Capital Finance Australia Limited. These facilities are effectively secured as the rights to the leased assets recognised in the statement of financial position revert to the lessor in the event of default.

These St George facilities are also secured by fixed and floating charges over the assets and undertakings of the following consolidated entity company's:
Yellow Brick Road Group Pty Ltd
YBR Services Pty Ltd
Yellow Brick Road Financial Planners Pty Ltd
Yellow Brick Road Accounting and Wealth Management Pty Ltd
Yellow Brick Road Investment Partners Pty Ltd

The carrying amounts of assets pledged as security for the St George Bank facility were:

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Current and non-current assets | 32,906 | 32,739 |

## Note 19. Non-current liabilities - borrowings (continued)

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

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Total facilities | | |
| Bank loans | 5,459 | 6,810 |
| Used at the reporting date | | |
| Bank loans | 5,459 | 6,810 |
| Unused at the reporting date | | |
| Bank loans | - | - |

## Note 20. Non-current liabilities - provisions

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Employee benefits | 31 | 65 |
| Lease make good | 156 | 156 |
| | 187 | 221 |

***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.

## Note 21. Non-current liabilities - other

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Trail payable | 1,221 | 169 |
| Rent free accrual | 234 | 347 |
| | 1,455 | 516 |

## Note 22. Equity - contributed

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | Shares | Shares | $'000 | $'000 |
| Ordinary shares - fully paid | 130,283,666 | 14,187,500 | 22,873 | 7,451 |

## Note 22. Equity - contributed (continued)

***Movements in ordinary share capital***

| Details | Date | No of shares | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2009 | 14,187,500 | | 10 |
| Capital injection in YBR | | | | 7,441 |
| Balance | 30 June 2010 | 14,187,500 | | 7,451 |
| Share buy-back in ITS Capital Investments Limited ('ITS') now known as Yellow Brick Road Holdings Limited | 25 August 2010 | (100,000) | | - |
| Shares issued on options expired in ITS | 21 February 2011 | 66,666 | | - |
| Private placement in 'YBR' | 1 July 2010 | | | 1,500 |
| Capital raising through private placement and public offer by ITS | 27 May 2011 | 31,250,000 | $0.40 | 12,500 |
| Shares issued to effect the acquisition | 27 May 2011 | 84,129,500 | | 2,831 |
| Share issues costs | | | | (1,409) |
| Shares issue to Bell Potter Securities Limited in ITS | 27 May 2011 | 750,000 | | - |
| Balance | 30 June 2011 | 130,283,666 | | 22,873 |

***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.

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.

***Acquisition of Yellow Brick Road Group Pty Limited and its controlled entities***

On 27 May 2011 Yellow Brick Road Group Pty Limited's original shareholders obtained a majority share interest in Yellow Brick Road Holdings Limited (formerly known as ITS Capital Investments Limited) after the acquisition transaction. This transaction did not meet the definition of a business combination in AASB 3 'Business Combinations'. The acquisition was accounted for in the consolidated financial statements in accordance with AASB 2 'Share-based Payment', as a continuation of the financial statements of Yellow Brick Road Group Pty Limited, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of Yellow Brick Road Holdings Limited. The shares issued have been recorded at the fair value of the consideration received.

The consolidated financial statements and share capital represents the continuation of Yellow Brick Road Group Pty Limited. The number of shares on issue reflects those of Yellow Brick Road Holdings Limited.

***Options***

During the year there were nil (2010: 950,000) options over ordinary shares in issue.

## Note 22. Equity - contributed (continued)

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.

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 was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

## Note 23. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Share-based payments reserve | 129 | 129 |
| Fair value reserve | 105 | 105 |
| | 234 | 234 |

***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 of 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.

## Note 24. Equity - accumulated losses

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Accumulated losses at the beginning of the financial year | (2,898) | (3,582) |
| Profit/(loss) after income tax expense for the year | (2,599) | 945 |
| Dividends paid (note 25) | - | (261) |
| Accumulated losses at the end of the financial year | (5,497) | (2,898) |

## Note 25. Equity - dividends

There were no dividends paid by the parent entity during the current or previous financial years.

Prior to being acquired by the company, Yellow Brick Road Group Pty Limited paid dividends totalling $nil (2010: $260,518, nil franked) to holders of its ordinary shares.

## Note 26. 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, foreign and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('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. Finance reports to the Board on a monthly basis.

***Market risk***

***Foreign currency risk***
The consolidated entity is not exposed to significant foreign currency risk.

***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 financial instruments:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Weighted average interest rate %** | **Balance $'000** | **Weighted average interest rate %** | **Balance $'000** |
| **Consolidated** | | | | |
| Cash and cash equivalents | 4.20 | 13,672 | 0.42 | 4,187 |
| Bank loans | 7.36 | (5,459) | 6.40 | (6,810) |
| Net exposure to cash flow interest rate risk | | 8,213 | | (2,623) |

An official increase/decrease in interest rates of one (2010: one) percentage point would have favourable/adverse effect on profit before tax of $82,000 (2010: adverse/favourable $26,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

## Note 26. Financial instruments (continued)

***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 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 36% of the value trail commission receivable relates to loans provided by a single financial institution to Yellow Brick Road Customers. In the unlikely event that this APRA regulated financial institution was subject to an insolvency event Yellow Brick roads obligation to remit future trail commission to its independent branch network would also terminate, mitigating the financial impact of any default to a point where it would have no material impact on the financial viability of consolidated entity.

The consolidated entity has a concentration of credit risk in relation to its bank balances and deposits to a number of Australian Banks. The risk is mitigated due to the high credit rating of the banks and government backed guarantees.

***Liquidity risk***

Vigilant 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.

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.

***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.

| **Consolidated - 2011** | **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 | - | 1,135 | - | - | - | 1,135 |
| Other payables | - | 714 | - | - | - | 714 |
| Other loans | - | 1,844 | - | - | - | 1,844 |
| Trail payable | - | 262 | 1,221 | - | - | 1,483 |
| Dividends payables | - | 261 | - | - | - | 261 |
| ***Interest-bearing - fixed rate*** | | | | | | |
| Bank loans | 7.36 | 5,804 | - | - | - | 5,804 |
| Other loans | 6.74 | 400 | - | - | - | 400 |
| Lease liability | 10.40 | 387 | 605 | - | - | 992 |
| Total non-derivatives | | 10,807 | 1,826 | - | - | 12,633 |

## Note 26. Financial instruments (continued)

| Consolidated - 2010 | 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 | - | 1,237 | - | - | - | 1,237 |
| Other payables | - | 1,350 | - | - | - | 1,350 |
| Other loans | - | 693 | 1,554 | - | - | 2,247 |
| Trail payable | - | 73 | 169 | - | - | 242 |
| Dividends payables | - | 261 | - | - | - | 261 |
| ***Interest-bearing - fixed rate*** | | | | | | |
| Bank loans | 6.40 | 1,786 | 5,804 | - | - | 7,590 |
| Other loans | 6.74 | 427 | - | - | - | 427 |
| Lease liability | 9.40 | 409 | 992 | - | - | 1,401 |
| Total non-derivatives | | 6,236 | 8,519 | - | - | 14,755 |

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

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade 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 instruments.

## Note 27. Key management personnel disclosures

***Directors***

The following persons were directors of Yellow Brick Road Holdings Limited during the financial year:

| | |
|---|---|
| Mark Bouris (appointed on 11 February 2011) | Chairman |
| Scott Jones | Non-Executive Director |
| Owen Williams (appointed on 11 February 2011) | Non-Executive Director |
| Adrian Bouris (appointed on 11 February 2011) | Non-Executive Director |
| Farooq Khan (resigned on 18 March 2011) | Non-Executive Director |
| Gabriel Chiappini (appointed on 22 December 2010 and resigned on 18 March 2011) | Company Secretary and Non-Executive Director |
| Lyndon Rowe (resigned on 22 December 2010) | Former Chairman |

***Other key management personnel***

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

| | |
|---|---|
| Richard Shaw (appointed 29 July 2010) | CFO and Company Secretary |
| Bryn Nicholson | Chief Operating Officer |
| Brad Seymour | Head of Retail & Marketing |
| James Garnsey | Head of Accounting & Tax |
| David Carr | Principal of Accounting & Tax |

## Note 27. Key management personnel disclosures (continued)

***Compensation***

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Short-term employee benefits | 1,733,095 | 660,276 |
| Post-employment benefits | 56,067 | 19,464 |
| | 1,789,162 | 679,740 |

***Shareholding***

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| 2011 | 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 | - | - | 43,453,865 | - | 43,453,865 |
| Scott Jones | 600,000 | - | 327,500 | - | 927,500 |
| Owen Williams | - | - | 978,250 | - | 978,250 |
| Adrian Bouris | - | - | 3,130,400 | | 3,130,400 |
| Lyndon Rowe * | | - | 66,666 | (66,666) | - |
| Farooq Khan * | 1,375,000 | - | - | (1,375,000) | - |
| Gabriel Chiappini * | 10,000 | - | - | (10,000) | - |
| Dan Engles * | 850,000 | - | - | (850,000) | - |
| Alan Hodder * | 150,000 | - | - | (150,000) | - |
| David Carr | - | - | 250,000 | - | 250,000 |
| Brad Seymour | - | - | 1,034,932 | - | 1,034,932 |
| James Garnsey | - | - | 3,670,394 | - | 3,670,394 |
| Bryn Nicholson | - | - | 664,048 | - | 664,048 |
| Richard Shaw | - | - | 25,000 | - | 25,000 |
| | 2,985,000 | - | 53,601,055 | (2,451,666) | 54,134,389 |

* Disposals/other - represents no longer being a key management personnel, not necessary physical disposal of shareholding.

| 2010 | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Ordinary shares*** | | | | | |
| Farooq Khan | 1,375,000 | - | - | - | 1,375,000 |
| Scott Jones | 600,000 | - | - | - | 600,000 |
| Dan Engles | 850,000 | - | - | - | 850,000 |
| Alan Hodder | 150,000 | - | - | | 150,000 |
| Gabriel Chiappini | 10,000 | - | - | - | 10,000 |
| | 2,985,000 | - | - | - | 2,985,000 |

## Note 27. Key management personnel disclosures (continued)

***Option holding***

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| 2011 | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Options over ordinary shares*** | | | | | |
| Lyndon Rowe * | 200,000 | - | (66,667) | (133,333) | - |
| Dan Engles ** | 300,000 | - | - | (300,000) | - |
| Alan Hodder * | 350,000 | - | - | (350,000) | - |
| | 850,000 | - | (66,667) | (783,333) | - |

* other - represents no longer being a key management personnel, not necessary physical disposal of option holding.
** other - represents options cancelled.

| 2010 | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Options over ordinary shares*** | | | | | |
| Lyndon Rowe | 200,000 | - | - | - | 200,000 |
| Dan Engles | 300,000 | - | - | - | 300,000 |
| Alan Hodder | 350,000 | - | - | - | 350,000 |
| | 850,000 | - | - | - | 850,000 |

| 2010 | Vested and exercisable | Vested and unexercisable | Vested at the end of the year |
|---|---|---|---|
| ***Options over ordinary shares*** | | | |
| Lyndon Rowe | 133,333 | - | 133,333 |
| Dan Engles | 300,000 | - | 300,000 |
| Alan Hodder | 350,000 | - | 350,000 |
| | 783,333 | - | 783,333 |

***Related party transactions***

Related party transactions are set out in note 31.

## Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its related practices:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Audit services - BDO Audit (WA) Pty Ltd | | |
| Audit or review of the financial report | 93,000 | 68,000 |
| Audit services - unrelated practices | | |
| Audit or review of the financial report | 20,300 | 18,097 |

## Note 29. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2011 of $1,025,000 (2010: $1,025,000).

A claim received from a former employee of the consolidated entity who was employed as chief financial officer from July 2007 to 30 April 2009. The former employee has claimed $125,000 in unpaid employee entitlements and certain equity participation rights in Yellow Brick Road Group Pty Limited ('YBRG'), including rights to 2% of the equity of YBRG for which the employee claims he paid $400,000 to YBRG. YBRG, in a letter to the former employee's solicitors, has denied the claims made by the former employee. If the former employee does commence legal action against the consolidated entity, then any such action will be defended by the consolidated entity. The directors believe that the consolidated entity will be able to successfully defend any such claim and therefore no provision has been made.

A client of Yellow Brick Road Investment Services Pty Limited ('YBRIS'), formerly known as Calliva Wealth Pty Limited ('Calliva'), has advised YBRIS that they have incurred a tax penalty as a result of a transaction entered on the advice of an agent of Calliva prior to Calliva being acquired by the consolidated entity. The client has indicated their loss is up to $250,000. At this stage no formal claim has been received and the directors have been unable to adequately assess its merit. Furthermore the consolidated entity would seek compensation from other parties should the claim be successful and therefore no provision has been made.

## Note 30. Commitments for expenditure

| | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|
| ***Lease commitments - operating*** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 1,016 | 989 |
| One to five years | 2,244 | 3,261 |
| | 3,260 | 4,250 |
| ***Lease commitments – finance*** | | |
| Committed at the reporting date and recognised as liabilities, payable: | | |
| Within one year | 387 | 409 |
| One to five years | 604 | 992 |
| Total commitment | 991 | 1,401 |
| Less: Future finance charges | (156) | (269) |
| Net commitment recognised as liabilities | 835 | 1,132 |
| Representing: | | |
| Lease liability - current (note 17) | 284 | 296 |
| Lease liability - non-current (note 19) | 551 | 836 |
| | 835 | 1,132 |

Operating lease commitments includes contracted amounts for office accommodation under non-cancellable operating leases expiring within 3 to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for leasehold improvement and office equipment with written down values of $530,000 (2010: $621,000) and $407,000 (2010: $606,000) respectively, under finance leases expiring within 1 to 2 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

On 11 August 2011, the consolidated entity committed to spend in excess of $2.5 million during the financial year ending 30 June 2012 to promote the Yellow Brick Road Brand nationally.

## Note 31. Related party transactions

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

***Subsidiaries***
Interests in subsidiaries are set out in note 33.

***Key management personnel***
Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

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

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| Sale of goods and services: | | |
| Receipts from TZ Limited (director-related entity of Mark Bouris) - Accounting and secretarial services | 499,187 | 355,087 |
| Receipts from TZ Limited (director-related entity of Mark Bouris) - Insurance services | 7,500 | 7,500 |
| Receipts from TZ Limited (director-related entity of Mark Bouris) - Marketing services | 110,000 | - |
| Receipts from TZ Limited (director-related entity of Mark Bouris) - Administration services | 39,715 | - |
| Receipts from parties related to Mark Bouris for insurance services | 15,346 | 13,647 |
| Receipts from Golden Wealth Holdings (director-related entity of Mark Bouris) | - | 363,636 |
| Receipts from parties related to Adrian Bouris for insurance services | 1,319 | - |
| Payment for goods and services: | | |
| Payment for services from Chifley Travel (directors-related entity of Mark and Adrian Bouris) | 22,660 | 5,429 |
| Payment for services from BBB Capital Pty Limited (directors-related entity of Mark and Adrian Bouris) | 37,500 | 100,000 |
| Indemnity fee paid to Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris) | 40,019 | - |
| Payment for other expenses: | | |
| Interest paid to key management personnel (James Garnsey) | 26,964 | 26,964 |
| Debt forgiven by Golden Wealth Holdings (director-related entity of Mark Bouris) | - | 1,252,085 |

## Note 31. 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 | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| Current receivables: | | |
| Trade receivables from TZ Limited | | |
| (director-related entity of Mark Bouris) | 47,183 | 50,415 |
| Trade receivables from Mark Bouris for insurance services | 26,283 | 12,320 |
| Trade receivables from State Capital Property Ltd | | |
| (director-related entity of Mark Bouris) | 23,748 | - |
| Current payables: | | |
| Indemnity fee payable to Golden Wealth Holdings Pty Ltd | | |
| (director-related entity of Mark Bouris) | 400,680 | - |
| Trade payables to Mark Bouris | 40,919 | - |
| Trade payables to Chifley Travel | | |
| (directors-related entity of Mark and Adrian Bouris) | 11,768 | - |

Golden Wealth Holdings Indemnity fee: Mark Bouris has provided a guarantee to St George bank. Mr Bouris has guaranteed repayment of all amounts (up to $12 million) that are owing or that may become owing to St George by Yellow Brick Road Group Pty Ltd, YBR Services Pty Limited, Yellow Brick Road Financial Planners Pty Limited, Yellow Brick Road Wealth Management Pty Ltd and Yellow Brick Road Investment Partners. A fee of 2.5% per annum, of the secured amounts is payable to Golden Wealth Holdings, in consideration for the provision of Mr Bouris's personal guarantee.

***Loans to/from related parties***

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

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| Current borrowings: | | |
| Loan from Golden Wealth Holdings Pty Ltd | | |
| (director-related entity of Mark Bouris) | 1,650,945 | - |
| Loan from key management personnel (Mark Bouris) | 199,798 | - |
| Loan from key management personnel (James Garnsey) | 485,356 | - |
| Non-current borrowings: | | |
| Loan from Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris) | - | 1,658,600 |
| Loan from key management personnel (Mark Bouris) | - | 199,798 |
| Loan from key management personnel (James Garnsey) | - | 485,356 |

Loans from related parties are unsecured and at call. All loans are non-interest bearing except for $400,000 of the loan provided by James Garnsey which attract interest at 6.7% per annum.

## Note 31. Related party transactions (continued)

***Terms and conditions***

All transactions were made on normal commercial terms and conditions and at market rates. All balances were unsecured, unless otherwise stated.

## Note 32. Parent entity information

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

| ***Statement of comprehensive income*** | **Parent** | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Loss after income tax | (259) | (311) |
| Total comprehensive income | (259) | (313) |

| ***Statement of financial position*** | **Parent** | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Total current assets | 13,688 | 3,295 |
| Total assets | 13,708 | 3,659 |
| Total current liabilities | 109 | 826 |
| Total liabilities | 109 | 826 |
| Equity | | |
| Contributed equity | 17,749 | 6,735 |
| Reserves | 664 | 653 |
| Accumulated losses | (4,814) | (4,555) |
| Total equity | 13,599 | 2,833 |

***Contingent liabilities***

The parent entity had no contingent liabilities as at 30 June 2011 and 30 June 2010.

***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 are accounted for at cost, less any impairment.

## Note 33. 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:

| | | Equity holding | |
|---|---|---|---|
| | Country of | 2011 | 2010 |
| **Name of entity** | **incorporation** | **%** | **%** |
| Yellow Brick Road Group Pty Ltd | Australia | 100.00 | 100.00 |
| Skasgard Pty Ltd | Australia | 100.00 | - |
| Gessle Pty Ltd | Australia | 100.00 | - |
| Carithas Pty Ltd | Australia | 100.00 | - |
| Boreanaz Pty Ltd | Australia | 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 |
| 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 | - |

## Note 34. Events occurring after the reporting date

***Investment by Nine Entertainment Group***

On 8 August 2011, the company issued the following securities to a subsidiary of the Nine Entertainment Group, Pink Platypus Pty Limited:

- 32,450,000 ordinary class shares in the company at an issue price of 40 cents per share (constituting a 19.99% shareholding in the company); and
- 8,564,930 performance options to acquire up to a further 8,564,930 ordinary class shares in the company over a period of 5 years

The shares are subject to a voluntary escrow period of one year from the date of issue, expiring on 8 September 2012. The shares and performance options were issued in accordance with the resolutions passed at the general meeting of the company's shareholders held on 7 September 2011.

The total consideration for the shares is $12,980,000, half of which ($6,490,000) was paid in cash. The balance of $6,490,000 will be satisfied by the provision by the Nine Entertainment Group of advertising over the next 5 years under the terms of a contra advertising agreement which the company and Nine Entertainment Co Pty Limited also entered into on 8 August 2011.

The company agreed to issue the performance options to Pink Platypus as a performance mechanism to motivate the Nine Entertainment Group to assist the company in deriving maximum value for the advertising and associated benefits to be provided under the advertising the Nine Entertainment Group is providing to the company in partial consideration for issuing the subscription shares.

On 11 August 2011 the company secured media opportunities to promote the Yellow Brick Road Brand nationally. As a consequence the company committed to media expenditure in excess of $2.5 million during the 12 months ended 30 June 2012.

No other matter or circumstance has arisen since 30 June 2011 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.

## Note 35. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Profit/(loss) after income tax expense for the year | (2,599) | 945 |
| Adjustments for: | | |
| Depreciation and amortisation | 352 | 351 |
| Share-based payments | | 117 |
| Debt forgiveness | - | (1,252) |
| Other expenses - non-cash | 423 | - |
| Bad and doubtful debt provision | 118 | 210 |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (962) | (138) |
| Increase in other operating assets | (684) | - |
| Increase/(decrease) in trade and other payables | 349 | (390) |
| Increase in employee benefits | 172 | 6 |
| Net cash used in operating activities | (2,831) | (151) |

## Note 36. Earnings per share

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| ***Earnings per share from continuing operations*** | | |
| Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited | (2,599) | 556 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 88,497,250 | 47,106,088 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 88,497,250 | 47,106,088 |
| | **Cents** | **Cents** |
| Basic earnings per share | (2.94) | 1.18 |
| Diluted earnings per share | (2.94) | 1.18 |

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| ***Earnings per share from discontinued operations*** | | |
| Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited | - | 389 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | - | 47,106,088 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | - | 47,106,088 |
| | **Cents** | **Cents** |
| Basic earnings per share | - | 0.83 |
| Diluted earnings per share | - | 0.83 |

## Note 36. Earnings per share (continued)

| | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Earnings per share for profit/(loss)** | | |
| Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited | (2,599) | 945 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 88,497,250 | 47,106,088 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 88,497,250 | 47,106,088 |
| | **Cents** | **Cents** |
| Basic earnings per share | (2.94) | 2.01 |
| Diluted earnings per share | (2.94) | 2.01 |

## Note 37. Acquisition accounting and share-based payment expense

| | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|
| ***Share-based payment expense*** | | |
| Assets and liabilities acquired: | | |
| Cash and cash equivalent | 2,440 | - |
| Trade and others receivables | 59 | - |
| Other assets | 4 | - |
| Trade and others liabilities | (95) | - |
| | 2,408 | - |

The table above represent the assets and liabilities of Yellow Brick Road Holdings Limited (formally ITS Capital Investments Limited) that was acquired on its acquisition by Yellow Brick Road Group Pty Limited. Refer to note 1 'business combinations'.

The cost of the acquisition based on the notional amount of shares that Yellow Brick Road Group Pty Limited that needed to issue to affect the transaction, at fair value amounted to $2,831,000.

The difference between the fair value of $2,831,000 and the net assets acquired of $2,408,000, being $423,000 has been expensed as a share base payment cost in profit or loss.

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 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) of the Corporations Act 2001.

On behalf of the directors

Mark Bouris

Executive Chairman

30 September 2011

Sydney

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF YELLOW BRICK ROAD HOLDINGS LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Yellow Brick Road Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Yellow Brick Road Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

(a) the financial report of Yellow Brick Road Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2011. 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.

**Opinion**

In our opinion, the Remuneration Report of Yellow Brick Road Holdings Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

**Brad McVeigh**
Director

Perth, Western Australia
Dated this 30th day of September 2011

The shareholder information set out below was applicable as at 20 September 2011.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---|---|
| 1 to 1,000 | 44 |
| 1,001 to 5,000 | 154 |
| 5,001 to 10,000 | 61 |
| 10,001 to 100,000 | 263 |
| 100,001 and over | 80 |
| | 602 |
| Holding less than a marketable parcel | 47 |

**Equity security holders**

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---|---|---|
| GOLDEN WEALTH HOLDINGS PTY LTD | 43,453,865 | 26.70 |
| PINK PLATYPUS PTY LIMITED | 32,450,000 | 19.94 |
| YBR NOMINEES PTYLTD | 16,023,735 | 9.85 |
| GANNET CAPITAL PTY LTD | 7,137,000 | 4.39 |
| SANDINI PTY LTD | 5,163,000 | 3.17 |
| CITICORP NOMINEES PTY LIMITED | 3,746,633 | 2.30 |
| MR ADRIAN JOHN BOURIS | 3,130,400 | 1.92 |
| BLUE ONION CAPITAL PTY LTD | 3,097,800 | 1.90 |
| MR STEPHEN JAMES LAMBERT & RUTH LYNE LAMBERT | 2,803,250 | 1.72 |
| MRS LINDA SALA TENNA | 2,750,000 | 1.69 |
| REMJAY INVESTMENTS PTY LTD | 2,581,500 | 1.59 |
| TWYNAM AGRICULTURAL GROUP | 2,303,132 | 1.42 |
| HSBC CUSTODY NOMINEES | 2,095,284 | 1.29 |
| NATIONAL NOMINEES LIMITED | 1,600,000 | 0.98 |
| JP MORGAN NOMINEES AUSTRALIA LIMITED | 1,325,000 | 0.81 |
| MR BARRY HAYWARD | 1,250,000 | 0.77 |
| HOPERIDGE ENTERPRISE PTY LTD | 1,250,000 | 0.77 |
| IDA TAN | 1,173,900 | 0.72 |
| SERVICE ENTERPRISES PTY LTD | 978,250 | 0.60 |
| MR PETER DAVID WADE | 978,250 | 0.60 |
| | 135,290,999 | 83.13 |

## Shareholder Information (Continued)

***Unquoted equity securities***

There are no unquoted equity securities.

**Substantial holders**

Substantial holders in the company are set out below:

| | Number held | Ordinary shares % of total shares issued |
|---|---|---|
| GOLDEN WEALTH HOLDINGS PTY LTD | 43,453,865 | 26.70 |
| PINK PLATYPUS PTY LIMITED | 32,450,000 | 19.94 |
| YBR NOMINEES PTY LTD | 16,023,735 | 9.85 |

**Voting rights**

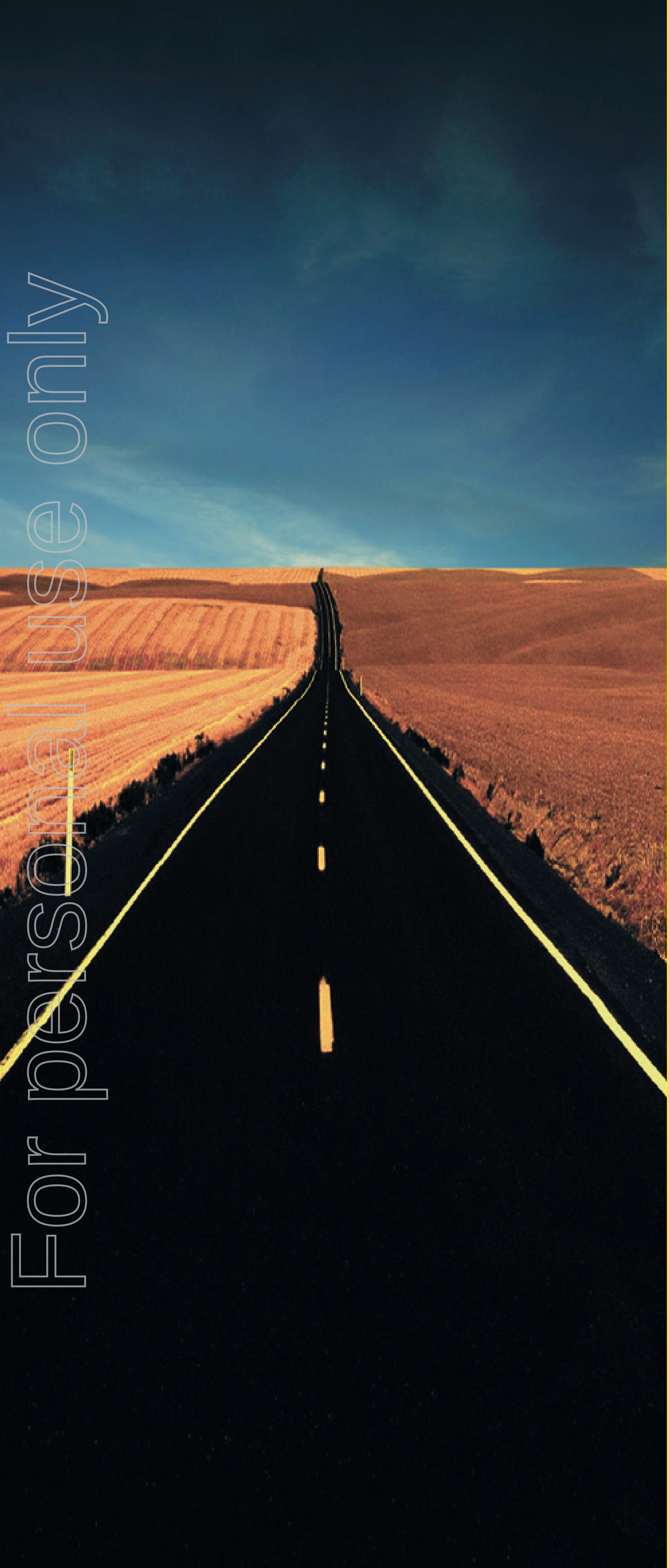
The voting rights attached to ordinary shares are set out below:

***Ordinary shares***

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.

There are no other classes of equity securities.

| | |
|---|---|
| **Directors** | Mark Bouris<br>Adrian Bouris<br>Owen Williams<br>David Coleman<br>Scott Jones |
| **Company secretaries** | Richard Shaw<br>Gabriel Chiappini |
| **Registered office** | Level 11<br>1 Chifley Square<br>Sydney NSW 2000<br>Head office telephone: 02 8226 8200 |
| **Principal place of business** | Level 11<br>1 Chifley Square<br>Sydney NSW 2000 |
| **Share register** | Computershare Investor Services Pty Limited<br>GPO Box 52<br>Melbourne VIC 8060<br>Shareholders Enquiries: 1300 850 505 |
| **Auditor** | BDO Audit (WA) Pty Ltd<br>38 Station Street<br>Subiaco WA 6008 |
| **Solicitors** | Landerer & Company<br>Level 31<br>133 Castlereagh Street<br>Sydney NSW 2000 |
| **Bankers** | St. George Bank<br>1 Chifley Square<br>Sydney NSW 2000 |
| **Stock exchange listing** | Yellow Brick Road Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: YBR) |
| **Website address** | www.ybr.com.au |





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