

ASX Release

21 February 2020

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

Today we released the ASX Appendix 4D Preliminary Interim Report and associated accounts for the first half of the 2020 financial year for Yellow Brick Road Holdings Limited (**YBR** or the **Company**). It shows a profit after tax of \$3,973,000 compared to a loss of \$34,150,000 in the corresponding period last year. It's fair to say that expense control strongly contributed to our pleasing result.

Underlying EBITDA for the period was a profit of \$238,000 compared to a loss of \$2,024,000 for the previous corresponding period. The strong turnaround in our operating performance reflects:

- simplification of our business model;
- an exceptional performance on cost containment while maintaining revenue levels in difficult trading conditions. It is particularly pleasing to announce a net profit for the past six months; and
- sale of non-core businesses (these sales are excluded from the Underlying EBITDA results).

Key financial results include:

- revenues from ordinary activities increased by 2% to \$86,126,000;
- net cash from operating activities of \$1,079,000 against a net outflow of \$366,000 in the prior period;
- operating expenses were tightly controlled. Underlying expenses decreased by circa 17% against the corresponding period last year. Expense savings were realised across the business with a focus on corporate costs; and
- sale of our 50% share in Smarter Money Investments (SMI) for \$7,500,000.

I am also pleased to advise that Cash at Bank now sits at \$9,333,000 compared to \$4,057,000 at 30 June 2019. Additionally, YBR expects to receive circa \$5,000,000 during the next eighteen months from monies owing on the sale of the SMI shareholding and the Wealth division.

Since 30 June 2019, YBR has reduced its bank borrowings by \$2,000,000.

We continue to grow our financial technology capabilities – data capture, machine learning, artificial intelligence and predictive analytics – which gives us a significant advantage over other

lenders. We collect and analyse data on customers so that we understand what borrowers are looking for before they contact a broker or a lender. We also have an extensive branch network and strong brand that is crucial in fulfilment of the loans process. The data driven enquiry is only valuable in so far as we can fulfil the process with our extensive footprint.

A little over a year ago, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry had just recommended major changes to mortgage broker remuneration which would have decimated broker income. We had only just fought off a takeover offer. We took a decision to write-down non-cash assets of \$33.95 million on the carrying value of the wealth management and lending businesses, and various other intangible assets.

It was a difficult time for the Company, but we had a clear strategy to simplify the business and focus on our core competency of mortgages. As a result, we undertook several significant transactions during the past half year. These included the following:

- YBR has agreed to establish a joint venture with an affiliate of international alternative asset manager, Magnetar Capital, to conduct a mortgage backed securities securitisation business. The securitisation business will be conducted by Resi Wholesale Funding Pty Ltd (**RWF**), which is to be owned 50 per cent by YBR and 50 per cent by the Magnetar affiliate. Magnetar will pay an aggregate A\$18 million for its share in RWF and will provide an additional initial A\$6million for future funding for C Class Notes for the residential mortgage backed securities warehouse facilities.
- The sale of YBR's 50 per cent interest in SMI to an entity associated with Coolabah Capital Investments Pty Ltd, the owner of the other 50 per cent equity interest in SMI. The total purchase price was \$7.5 million, of which \$5 million was paid on completion (12 July 2019) and a further \$2.5 million is due in two tranches within 18 months of that date.
- Sale of the Brightday business and related website and assets to Pearl Funds Management.
- At the end of December, YBR entered into a sale agreement and strategic alliance with the Sequoia Financial Group in relation to the YBR Wealth Division. The transaction involves the sale of YBR Wealth's share of the rights of recurring revenue streams derived from its wealth advice and life insurance distribution business, and the offer to YBR's current wealth advisers to become authorised under the AFSL of InterPrac Financial Planning Pty Ltd, a subsidiary of Sequoia. The maximum purchase price will be approximately \$2.5 million, to be paid in cash in four instalments over eighteen months, subject to certain conditions. Sequoia will act as the preferred referral partner of wealth advice and services for the YBR Group's 1,400 strong mortgage broker network.



We look forward to reaping the rewards of our efforts. YBR now has a much simpler balance sheet and clearer focus on its core business. Our total headcount has reduced 16 per cent and overheads are 17 per cent lower. We expect revenue to once again start increasing as confidence in the market continues to grow.

The current operating environment is more conducive to doing business. There is greater certainty around mortgage broker remuneration. While credit conditions are much tighter, meaning it is more difficult to get a loan, customers are increasingly relying on brokers to help them find and apply for a loan.

Our shareholder base is more diversified thanks to the joint venture with Magnetar and their investment into the YBR headstock.

We are working with our joint venture partner to create a purpose-built mortgage product, aimed at small businesses and the self-employed. We are on track to sell our first mortgage product in March 2020 and plan to expand our initial offering into other lending categories in due course.

YBR is now a financial technology company with a great brand and extensive branch network. We have invested heavily in our systems and data capability. Whereas other lenders begin capturing information about individual customers at the first point of contact, YBR can now leverage the digital assets of The Mentored platform and cutting edge technology to understand customer needs and demands before they speak to a broker. It is a significant advantage over other lenders.

The Mentored platform is a digital media community, devoted to helping small businesses and the self-employed and has access to a social media audience. It includes over 430,000 LinkedIn followers, 31,000 Facebook friends and 43,000 Instagram followers. The Mentored podcast series has been downloaded 5.8 million times.

The combination of The Mentored social profile, the level of trust in the YBR brand, our branch and broker network, and our cutting edge marketing technology allows us to create a 360 degree view of potential customers. Based on what we know, we can target communications to segments of the market such as first home buyers or investors even before they contact YBR. Importantly it enables us to find or build products that suit the customer.

The information we capture on customers is then provided to our branch network, giving our brokers better qualified leads. The brokers are in a position to offer customers loans in their best interest, quickly and efficiently.

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Our network of YBR franchisees and Vow independent brokers, aggregating approximately 1,400 business writers, is a critical part of loan application fulfilment. It is very difficult for most borrowers to fill out home loan documentation online and the YBR branch and Vow broker networks offer the specialised service customers want.

We have invested heavily in training our branch principals and staff to help customers find a loan in their best interest.

The simplification of our business, our investment in data capture and usage and our branch and broker networks, put YBR Group in a strong position when Open Banking commences on 1 July 2020. Easier access to data among lenders will help the loan process become better for more borrowers.

To recap, we have simplified our business to focus on mortgages. We have a strong branch and broker network providing personal service and a great brand. Our extensive data capabilities through our digital footprint allows us to understand what a customer wants before they contact a broker. We have a strong joint venture partner to help build a residential mortgage backed securities business, focused on individual borrowers, small businesses and the self-employed. We have supportive shareholders. We look forward to the next phase of growth for the YBR Group.

Kind regards

A handwritten signature in black ink that reads 'Mark Bouris'.

Mark Bouris
Executive Chairman

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

1. Company details

Name of entity:	Yellow Brick Road Holdings Limited
ABN:	44 119 436 083
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

			\$'000
Revenues from ordinary activities	up	2.0% to	86,126
Revenue from contracts with customers from continuing operations	up	3.4% to	82,311
Profit from ordinary activities after tax attributable to the owners of Yellow Brick Road Holdings Limited	up	111.6% to	3,973
Profit for the half-year attributable to the owners of Yellow Brick Road Holdings Limited	up	111.6% to	3,973

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$3,973,000 (31 December 2018: loss of \$34,150,000).

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

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding net gain on disposal of investments, impairment of non-financial assets, litigation settlement, share of net profit from joint venture (net of expenses) and the loss from discontinued operations for the consolidated entity ('Underlying EBITDA' for continuing operations) was \$238,000 (2018: Loss of \$2,024,000). This is calculated as follows:

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit/(loss) after income tax	3,973	(34,150)
Add: Depreciation and amortisation*	109	1,552
Add: Interest expense**	176	206
Less: Income tax (benefit)/expense	2,140	(3,398)
EBITDA	6,398	(35,790)
Add: Impairment of non-financial assets	-	28,858
Less: Net gain on disposal of investment	(6,952)	-
Less: Share of net profit from joint venture (net of expenses)	-	(772)
Add: Litigation settlement	550	-
Add: Loss after income tax expense from discontinued operations	242	5,680
Underlying EBITDA	238	(2,024)

* Excludes depreciation on right-of-use assets

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

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

Key features of Underlying EBITDA result were:

- Revenue from continuing operations increased by 3.4% to \$82,311,000 (31 Dec 2018: \$79,629,000)
- Underlying loan book size increased by 0.7% to \$49,748 million (30 Jun 2019: \$49,416 million)
- Net present value of loan book decreased by 2.3% to \$43.82 million (30 Jun 2019: \$44.87 million)
- Net present value of loan book per ordinary share is 13.5 cents (30 Jun 2019: 15.8 cents)

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	12.78	13.42

Net tangible assets per ordinary security has been calculated by including right-of-use assets of \$1,309,000 (previous period: Not applicable).

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Reporting entity's Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Smarter Money Investments Pty Ltd	-	50.00%	13	1,498
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			13	1,498

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') for the total sale consideration of \$7,500,000. Refer to note 9 for further information.

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Interim Financial Statements of Yellow Brick Road Holdings Limited for the half-year ended 31 December 2019 are attached.

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

7. Signed



Signed _____

Date: 21 February 2020

Mark Bouris
Executive Chairman
Sydney

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Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Interim Financial Statements - 31 December 2019

For personal use only

Yellow Brick Road Holdings Limited

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31 December 2019

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General information

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

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

Level 11
1 Chifley Square
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2020. The directors have the power to amend and reissue the financial statements.

Yellow Brick Road Holdings Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Yellow Brick Road Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Mark Bouris - Chairman
 Adrian Bouris
 John George

Principal activities

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$3,973,000 (31 December 2018: loss of \$34,150,000).

The previous period's loss included impairment of non-financial assets of \$33,947,000.

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

Earnings before interest expense, tax, depreciation and amortisation ('EBITDA') after excluding net gain on disposal of investments, impairment of non-financial assets, litigation settlement, share of net profit from joint venture (net of expenses) and the loss from discontinued operations for the consolidated entity ('Underlying EBITDA' for continuing operations) was \$238,000 (2018: Loss of \$2,024,000). This is calculated as follows:

	Consolidated	Consolidated
	31 Dec 2019	31 Dec 2018
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Add: Interest expense**	176	206
Less: Income tax (benefit)/expense	2,140	(3,398)
EBITDA	6,398	(35,790)
Add: Impairment of non-financial assets	-	28,858
Less: Net gain on disposal of investment	(6,952)	-
Less: Share of net profit from joint venture (net of expenses)	-	(772)
Add: Litigation settlement	550	-
Add: Loss after income tax expense from discontinued operations	242	5,680
Underlying EBITDA	<u>238</u>	<u>(2,024)</u>

* Excludes depreciation on right-of-use assets

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

Key features of Underlying EBITDA result were:

- Revenue from continuing operations increased by 3.4% to \$82,311,000 (31 Dec 2018: \$79,629,000)
- Underlying loan book size increased by 0.7% to \$49,748 million (30 Jun 2019: \$49,416 million)
- Net present value of loan book decreased by 2.3% to \$43.82 million (30 Jun 2019: \$44.87 million)
- Net present value of loan book per ordinary share is 13.5 cents (30 Jun 2019: 15.8 cents)

Yellow Brick Road Holdings Limited
Directors' report
31 December 2019

Significant changes in the state of affairs

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') for the total sale consideration of \$7,500,000. The investments were sold to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019.

On 27 December 2019, the consolidated entity entered into a sale agreement to sell its wealth business to Sequoia Financial Group Limited. The transaction is expected to be completed in early 2020 and any profit to be reflected in the second half of the financial year.

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



Mark Bouris
Executive Chairman

21 February 2020
Sydney

Auditor's Independence Declaration

To the Directors of Yellow Brick Road Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Yellow Brick Road Holdings Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera
Madeleine Mattera
Partner - Audit & Assurance

Sydney, 21 February 2020

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Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$'000	Consolidated 31 Dec 2018 \$'000
Revenue from contracts with customers from continuing operations	3	82,311	79,629
Share of profits of joint ventures accounted for using the equity method		13	1,498
Other income		41	6
Interest income		18	25
Discount unwind on trail commission		9,529	9,016
Total revenue and other gains		<u>91,912</u>	<u>90,174</u>
Expenses			
Commissions and consultancy expenses		(71,975)	(69,878)
Employee benefits expense		(5,596)	(6,870)
Depreciation and amortisation expense	4	(586)	(1,552)
Impairment of receivables		(180)	(98)
Occupancy expenses		(291)	(734)
Other expenses		(5,174)	(6,388)
Finance costs	4	(8,707)	(7,664)
Total expenses		<u>(92,509)</u>	<u>(93,184)</u>
Operating loss		(597)	(3,010)
Impairment of non-financial assets	4	-	(28,858)
Net gain on disposal of investment in joint ventures	9	6,952	-
Profit/(loss) before income tax benefit/(expense) from continuing operations		6,355	(31,868)
Income tax benefit/(expense)		(2,140)	3,398
Profit/(loss) after income tax benefit/(expense) from continuing operations		4,215	(28,470)
Loss after income tax benefit from discontinued operations	5	(242)	(5,680)
Profit/(loss) after income tax benefit/(expense) for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		3,973	(34,150)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments through other comprehensive income		-	(19)
Other comprehensive income for the half-year, net of tax		-	(19)
Total comprehensive income for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		<u>3,973</u>	<u>(34,169)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		4,215	(28,489)
Discontinued operations		(242)	(5,680)
		<u>3,973</u>	<u>(34,169)</u>

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

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$'000	Consolidated 31 Dec 2018 \$'000
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	21	1.414	(10.074)
Diluted earnings per share	21	1.412	(10.074)
Earnings per share for loss from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	21	(0.081)	(2.010)
Diluted earnings per share	21	(0.081)	(2.010)
Earnings per share for profit/(loss) attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	21	1.333	(12.084)
Diluted earnings per share	21	1.331	(12.084)

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

Yellow Brick Road Holdings Limited
Statement of financial position
As at 31 December 2019

		Consolidated
	Note	31 Dec 2019
		30 Jun 2019
		\$'000
		\$'000
Assets		
Current assets		
Cash and cash equivalents		9,333
Trade and other receivables	6	17,284
Contract assets - trail commissions	7	69,382
Deposits		473
Other assets	8	360
		<u>96,832</u>
Non-current assets classified as held for sale	9	-
Assets of disposal groups classified as held for sale	10	6,662
Total current assets		<u>103,494</u>
Non-current assets		
Trade and other receivables	6	500
Contract assets - trail commissions	7	298,746
Investments at fair value through profit or loss		50
Right-of-use assets	11	1,309
Plant and equipment		106
Intangibles		518
Deferred tax		495
Other assets	8	1,245
Total non-current assets		<u>302,969</u>
Total assets		<u>406,463</u>
Liabilities		
Current liabilities		
Trade and other payables	12	79,815
Contract liabilities	13	738
Borrowings	14	1,000
Lease liabilities	16	1,028
Provisions		2,544
		<u>85,125</u>
Liabilities directly associated with assets classified as held for sale	15	5,773
Total current liabilities		<u>90,898</u>
Non-current liabilities		
Trade and other payables	12	4,453
Borrowings	14	4,200
Lease liabilities	16	614
Provisions		392
Trail commissions payables		263,930
Total non-current liabilities		<u>273,589</u>
Total liabilities		<u>364,487</u>
Net assets		<u>41,976</u>
		<u>35,642</u>

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

Yellow Brick Road Holdings Limited
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$'000	\$'000
Equity			
Issued capital	17	112,449	110,109
Reserves		2,198	2,177
Accumulated losses		<u>(72,671)</u>	<u>(76,644)</u>
Total equity		<u><u>41,976</u></u>	<u><u>35,642</u></u>

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

Yellow Brick Road Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	109,963	2,422	(39,573)	72,812
Loss after income tax benefit for the half-year	-	-	(34,150)	(34,150)
Other comprehensive income for the half-year, net of tax	-	-	(19)	(19)
Total comprehensive income for the half-year	-	-	(34,169)	(34,169)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	146	-	-	146
Share-based payments	-	44	-	44
Transfer of gain on disposal of equity investments at fair value through other comprehensive income	-	(342)	342	-
Balance at 31 December 2018	<u>110,109</u>	<u>2,124</u>	<u>(73,400)</u>	<u>38,833</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	110,109	2,177	(76,644)	35,642
Profit after income tax expense for the half-year	-	-	3,973	3,973
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,973	3,973
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	2,340	-	-	2,340
Share-based payments	-	21	-	21
Balance at 31 December 2019	<u>112,449</u>	<u>2,198</u>	<u>(72,671)</u>	<u>41,976</u>

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

Yellow Brick Road Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2019

	31 Dec 2019	Consolidated 31 Dec 2018
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	96,133	98,811
Payments to suppliers and employees (inclusive of GST)	(94,848)	(98,937)
	1,285	(126)
Interest received	17	24
Interest and other finance costs paid	(223)	(264)
Net cash from/(used in) operating activities	1,079	(366)
Cash flows from investing activities		
Payments for plant and equipment	(101)	(22)
Payments for intangibles	-	(322)
Proceeds from disposal of business	-	200
Proceeds from disposal of investments	4,586	352
Net cash from investing activities	4,485	208
Cash flows from financing activities		
Proceeds from issue of shares	2,400	-
Share issue transaction costs	(144)	-
Repayment of borrowings	(2,000)	(551)
Repayment of lease liabilities	(544)	-
Net cash used in financing activities	(288)	(551)
Net increase/(decrease) in cash and cash equivalents	5,276	(709)
Cash and cash equivalents at the beginning of the financial half-year	4,057	5,415
Cash and cash equivalents at the end of the financial half-year	<u>9,333</u>	<u>4,706</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 \$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	2,293
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5.25% (AASB 16)	(107)
Derecognition of deferred rent benefit previously recognised under AASB 117	(400)
Right-of-use assets (AASB 16)	<u>1,786</u>
Lease liabilities - current (AASB 16)	(1,057)
Lease liabilities - non-current (AASB 16)	(1,129)
Derecognition of deferred rent benefit previously recognised	<u>400</u>
Impact on opening retained earnings as at 1 July 2019	<u><u>-</u></u>

Note 1. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity has identified that there were two operating segments during the previous period, but only the lending segment remained, as wealth management was classified as discontinued operations in May 2019. These segments are based on the internal reports that are reviewed and used by the executive management team and the Board (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing business performance and in determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

The CODM reviews various revenue and operating result metrics for each segment.

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

Types of products and services

The principal products and services provided by the segments are;

Lending	includes the rendering of mortgage broking services and aggregation and management services.
Wealth management	includes the rendering of investment and wealth management services and general insurance services. This segment has been discontinued at the end of the previous financial year 30 June 2019.

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

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 2. Operating segments (continued)

Geographical information

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

Operating segment information

	Continued operations	Discontinued operations	Other segments	Total
	Lending	Wealth management		
	\$'000	\$'000	\$'000	\$'000
Consolidated - 31 Dec 2019				
Revenue				
Sales to external customers from continuing operations	82,311	-	-	82,311
Sales to external customers from discontinued operations	-	3,797	-	3,797
Total sales revenue	82,311	3,797	-	86,108
Discount unwind on trail commission	9,529	-	-	9,529
Other revenue	15	-	3	18
Total revenue	91,855	3,797	3	95,655
Segment operating result from continuing operations	8,016	-	-	8,016
Segment operating result from discontinuing operations	-	(365)	-	(365)
Net gain on disposal of investments in joint ventures	-	-	6,952	6,952
Group expenditure	-	-	(8,626)	(8,626)
Profit from joint venture	-	-	13	13
Profit/(loss) before income tax expense	8,016	(365)	(1,661)	5,990
Income tax expense	-	-	-	(2,017)
Profit after income tax expense				3,973
Consolidated - 31 Dec 2018				
Revenue				
Sales to external customers from continuing operations	79,629	-	-	79,629
Sales to external customers from discontinued operations	-	4,764	-	4,764
Total sales revenue	79,629	4,764	-	84,393
Discount unwind on trail commission	9,016	-	-	9,016
Other revenue	22	1	3	26
Total revenue	88,667	4,765	3	93,435
Segment operating result from continuing operations	6,987	-	(9,038)	(2,051)
Segment operating result from discontinuing operations	-	(1,269)	-	(1,269)
Group expenditure	-	-	(2,457)	(2,457)
Profit from joint venture	-	-	1,498	1,498
Impairment of non-financial assets	(28,858)	(5,089)	-	(33,947)
Loss before income tax benefit	(21,871)	(6,358)	(9,997)	(38,226)
Income tax benefit	-	-	-	4,076
Loss after income tax benefit				(34,150)

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 3. Revenue from contracts with customers

Consolidated
31 Dec 2019 **31 Dec 2018**
\$'000 **\$'000**

From continuing operations

Lending	82,311	79,629
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The disaggregation of revenue from contracts with customers is as follows:

Consolidated
31 Dec 2019 **31 Dec 2018**
\$'000 **\$'000**

Major product lines:		
Mortgage broking services - origination commissions	32,393	36,408
Mortgage broking services - trailing commissions	44,831	38,088
Mortgage broking services - professional fees and services	3,856	4,043
Sponsorship revenue	1,033	865
Mortgage management fees	198	225
Total revenue from contracts from continuing operations	82,311	79,629

Investment and wealth management services	1,748	1,770
Life Insurance broking services - upfront	643	1,047
Life Insurance broking services - trail	865	1,076
General insurance services - upfront	87	122
General insurance services - renewal commission	361	463
Investment services	84	186
Professional and service fees	9	100
Total revenue from contracts from discontinued operations (note 5)	3,797	4,764

86,108 **84,393**

Geographical regions:		
Australia under continued operations	82,311	79,629
Australia under discontinued operations (note 5)	3,797	4,764

86,108 **84,393**

Timing of revenue recognition:		
Services transferred at a point in time under continued operations	82,113	78,763
Services transferred over a period of time under continued operations	198	866
Services transferred at a point in time under discontinued operations (note 5)	3,797	4,698
Services transferred over a period of time under discontinued operations (note 5)	-	66

86,108 **84,393**

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 4. Expenses

Consolidated
31 Dec 2019 31 Dec 2018
\$'000 \$'000

Profit/(loss) before income tax from continuing operations includes the following specific expenses:

Depreciation

Leasehold improvements	1	8
Office equipment	8	56
Right of use assets	477	-
Total depreciation	486	64

Amortisation

Customer relationships	-	546
Software	-	743
Other intangibles	100	199
Total amortisation	100	1,488

Total depreciation and amortisation

	586	1,552
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Impairment of non-financial assets

Leasehold improvements	-	184
Office equipment	-	336
Goodwill	-	19,648
Customer relationships	-	3,950
Brands	-	1,039
Software	-	3,032
Other intangible	-	669
Total impairment of non-financial assets	-	28,858

Finance costs

Interest and finance charges paid/payable on borrowings	176	206
Discount unwind on trail commission payments	8,484	7,458
Interest on right-of-use assets	47	-

Finance costs expensed

	8,707	7,664
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Marketing expenses

	1,124	1,959
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Consultancy expenses

	872	563
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Note 5. Discontinued operations

Description

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

The consolidated entity has entered into a sale agreement and strategic alliance with Sequoia Financial Group Limited (ASX: SEQ) in relation to the head office operational and business functions that comprise its Yellow Brick Road Wealth Division. Subject to conditions disclosed in the ASX announcement on 27 December 2019, the total purchase price will be approximately \$2.5million. The transaction is expected to be completed in 2020 and any profit to be reflected in the second half of the financial year.

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 5. Discontinued operations (continued)

Financial performance information

	31 Dec 2019	Consolidated 31 Dec 2018
	\$'000	\$'000
Wealth management	3,797	4,764
Interest income	-	1
Total revenue and other gains	<u>3,797</u>	<u>4,765</u>
Expenses		
Commissions and consultancy expenses	(2,845)	(3,732)
Employee benefits expense	(514)	(1,395)
Impairment of receivables	-	(9)
Other expenses	(803)	(837)
Finance costs	-	(61)
Total expenses	<u>(4,162)</u>	<u>(6,034)</u>
Loss before income tax expense	<u>(365)</u>	<u>(1,269)</u>
Impairment of non-financial assets	-	(5,089)
Income tax benefit	123	678
Loss after income tax benefit from discontinued operations	<u>(242)</u>	<u>(5,680)</u>

Cash flow information

	31 Dec 2019	Consolidated 31 Dec 2018
	\$'000	\$'000
Net cash used in operating activities	(568)	(1,466)
Net cash from investing activities	-	195
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	<u>(568)</u>	<u>(1,271)</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 6. Trade and other receivables

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	1,154	576
Less: Allowance for expected credit losses	(537)	(444)
	<u>617</u>	<u>132</u>
Other receivables	2,967	1,069
Revenue accrual	13,700	13,758
	<u>16,667</u>	<u>14,827</u>
	<u>17,284</u>	<u>14,959</u>
<i>Non-current assets</i>		
Other receivables	500	-
	<u>500</u>	<u>-</u>
	<u><u>17,784</u></u>	<u><u>14,959</u></u>

Note 7. Contract assets - trail commissions

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current assets</i>		
Contract assets	69,382	67,641
	<u>69,382</u>	<u>67,641</u>
<i>Non-current assets</i>		
Contract assets	298,746	291,595
	<u>298,746</u>	<u>291,595</u>
	<u><u>368,128</u></u>	<u><u>359,236</u></u>

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

	Consolidated 31 Dec 2019 \$'000
Opening balance	359,236
Additions - new settlements	44,191
Run offs	(35,299)
	<u>368,128</u>
Closing balance	<u><u>368,128</u></u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 8. Other assets

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	360	1,252
Other	-	20
	<u>360</u>	<u>1,272</u>
<i>Non-current assets</i>		
Prepayments	1,245	1,245
	<u>1,605</u>	<u>2,517</u>

Note 9. Non-current assets classified as held for sale

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current assets</i>		
Investment in joint ventures	-	1,024
	<u>-</u>	<u>1,024</u>

On 12 July 2019, the company sold its 50% equity interest in Smarter Money Investments Pty Ltd ('SMI') for the total sale consideration of \$7,500,000. The investments were sold to one of the shareholders in Coolabah Capital Investments Pty Ltd (CCI), the owner of the other 50% equity interest in SMI with effective date on 1 July 2019.

The purchase price of \$7,500,000 is payable in cash as follows:

- \$5,000,000 on completion ('12 July 2019');
- \$2,000,000 12 months after completion; and
- \$500,000 18 months after completion.

Net gain on disposal of SMI amounting to \$6,952,000 (net of disposal costs) is included in the statement of profit or loss.

Note 10. Assets of disposal groups classified as held for sale

Refer to note 5 discontinued operations for further details.

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	286	508
Contract assets - trail commissions	2,058	2,223
Prepayments	5	64
Non-current - contract assets - trail commissions	4,313	4,513
	<u>6,662</u>	<u>7,308</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 11. Right-of-use assets

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	1,786	-
Less: Accumulated depreciation	(477)	-
	<u>1,309</u>	<u>-</u>

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

Reconciliations

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

Consolidated	Office premises \$'000	Others \$'000	Total \$'000
Balance at 1 July 2019	-	-	-
Adoption of AASB 16 on 1 July 2019	1,728	58	1,786
Depreciation expense	(461)	(16)	(477)
Balance at 31 December 2019	<u>1,267</u>	<u>42</u>	<u>1,309</u>

Note 12. Trade and other payables

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	13,811	14,198
Trail commission payables	60,382	58,323
Accrued expenses	2,866	3,234
Other payables	2,756	3,043
	<u>79,815</u>	<u>78,798</u>
<i>Non-current liabilities</i>		
Trade payables	4,453	4,453
	<u>84,268</u>	<u>83,251</u>

Note 13. Contract liabilities

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	738	896
	<u>738</u>	<u>896</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 13. Contract liabilities (continued)

Reconciliation

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

	Consolidated 31 Dec 2019 \$'000
Opening balance	896
Payments received in advance	1,713
Transfer to revenue	<u>(1,871)</u>
Closing balance	<u><u>738</u></u>

Note 14. Borrowings

	31 Dec 2019 \$'000	Consolidated 30 Jun 2019 \$'000
<i>Current liabilities</i>		
Bank loans	<u>1,000</u>	<u>1,425</u>
<i>Non-current liabilities</i>		
Bank loans	<u>4,200</u>	<u>5,775</u>
	<u><u>5,200</u></u>	<u><u>7,200</u></u>

Assets pledged as security

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

The carrying amounts of assets pledged as security for borrowings are:

	31 Dec 2019 \$'000	Consolidated 30 Jun 2019 \$'000
Bank loans	5,200	7,200
Other loans	<u>500</u>	<u>500</u>
	<u><u>5,700</u></u>	<u><u>7,700</u></u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 14. Borrowings (continued)

Financing arrangements

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

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
Total facilities		
Bank loans	5,200	7,200
Other loans	500	500
	<u>5,700</u>	<u>7,700</u>
Used at the reporting date		
Bank loans	5,200	7,200
Other loans	-	-
	<u>5,200</u>	<u>7,200</u>
Unused at the reporting date		
Bank loans	-	-
Other loans	500	500
	<u>500</u>	<u>500</u>

Note 15. Liabilities directly associated with assets classified as held for sale

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Trade and other payables	294	506
Trail commissions payable	1,698	1,778
Underwriter payables	198	356
Provisions	133	149
Non-current - trail commissions payable	3,450	3,610
	<u>5,773</u>	<u>6,399</u>

Note 16. Lease liabilities

	31 Dec 2019	Consolidated 30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	1,028	-
<i>Non-current liabilities</i>		
Lease liability	614	-
	<u>1,642</u>	<u>-</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 16. Lease liabilities (continued)

Reconciliation

Reconciliation of lease liabilities at the beginning and end of financial half-year are set out below:

	Consolidated 31 Dec 2019 \$'000
Adoption of AASB 16 on 1 July 2019	2,186
Interest and other adjustments	47
Repayment of lease liabilities	<u>(591)</u>
Balance at 31 December 2019	<u><u>1,642</u></u>

Note 17. Issued capital

	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 \$'000	Consolidated 30 Jun 2019 \$'000
Ordinary shares - fully paid	<u>324,300,722</u>	<u>283,987,008</u>	<u>112,449</u>	<u>110,109</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	283,987,008		110,109
Shares issued to employees	5 July 2019	313,714	\$0.13	41
Shares issued	19 September 2019	14,000,000	\$0.06	840
Shares issued	20 November 2019	26,000,000	\$0.06	1,560
Shares transaction costs, net of tax		-	\$0.00	<u>(101)</u>
Balance	31 December 2019	<u><u>324,300,722</u></u>		<u><u>112,449</u></u>

Note 18. Dividends

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

Note 19. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 20. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2019 of \$1,085,000 (30 June 2019: \$1,104,000).

In the normal course of business, the consolidated entity may incur obligations or potential future liability arising from litigation. A contingent liability exists where there are instances of actual or likely potential legal proceedings. The accounting standards permit the consolidated entity not to disclose certain information where such disclosure may potentially prejudice the position of the consolidated entity.

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

Note 21. Earnings per share

	31 Dec 2019	Consolidated 31 Dec 2018
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited	4,215	(28,470)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	298,141,729	282,599,649
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	443,266	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	298,584,995	282,599,649
	Cents	Cents
Basic earnings per share	1.414	(10.074)
Diluted earnings per share	1.412	(10.074)
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	(242)	(5,680)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	298,141,729	282,599,649
Weighted average number of ordinary shares used in calculating diluted earnings per share	298,141,729	282,599,649
	Cents	Cents
Basic earnings per share	(0.081)	(2.010)
Diluted earnings per share	(0.081)	(2.010)

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2019

Note 21. Earnings per share (continued)

	31 Dec 2019	Consolidated 31 Dec 2018
	\$'000	\$'000
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>3,973</u>	<u>(34,150)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	298,141,729	282,599,649
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>443,266</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>298,584,995</u>	<u>282,599,649</u>
	Cents	Cents
Basic earnings per share	1.333	(12.084)
Diluted earnings per share	1.331	(12.084)

Note 22. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Yellow Brick Road Holdings Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mark Bouris
Executive Chairman

21 February 2020
Sydney

Independent Auditor's Report

To the Members of Yellow Brick Road Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Yellow Brick Road Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Yellow Brick Road Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yellow Brick Road Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Madeleine Mattera
Partner - Audit & Assurance

Sydney, 21 February 2020