

ASX Release

23 February 2022

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 2022 financial year for Yellow Brick Road Holdings (**YBR** or the **Company**).

We take this opportunity to outline key takeaways of the results and the strategic imperatives being pursued in the short term.

Summary of Key Metrics

Sales & Distribution	31-Dec-21	31-Dec-20	% Movement
New Settled Loans (\$'000)	10,780	6,297	71.2%
Underlying Loan Book (\$'m)	55,336	51,717	7.0%
Profit & Loss (\$'000)	31-Dec-21	31-Dec-20	% Movement
Revenue	144,557	89,922	60.8%
Cash Profit before tax (excluding trail PV)	1,057	3,389	-68.8%
Underlying EBITDA	467	980	-52.3%
NPAT	(377)	231	N/A
Balance Sheet (\$'000)	31-Dec-21	30-Jun-21	% Movement
Cash at Bank	11,021	12,506	-11.9%
NPV of Underlying Loan Book	39,338	40,773	-3.5%
Borrowings	(2,613)	(3,300)	20.8%

Key Takeaways

- New settled loans growth exceeded internal forecasts and system growth.
 - Strong growth occurred across all states including NSW (81%) and VIC (66%).
 - A disproportionate share of business is sourced from NSW & VIC (90%) with second half recruitment activities aligned to continue the expansion in these states but also to focus on where we are under-represented.
- The main distribution channels experienced strong growth in 1H 2022 versus the previous corresponding period.
 - VOW (wholesale aggregation) grew by 76% and Yellow Brick Road (Retail broking) by 61%.

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- On this point, whilst it is pleasing to see the strength of VOW, this lower margin business represents 89% of total distribution. Refer below for steps to address this impact on margin improvement, under “Strategic Imperatives” heading below.
- Underlying loan book grew by 7% to \$55.3bn. Once again, the lower margin VOW channel has the largest proportion of the total book (84%).
- Valuation of the loan book (reflecting NPV of future trail receivables and payables) reduced by \$1.4m to \$39.3m over the 6-month period. The amount of \$1.4m is treated as an expense to the business. Abnormally high run-off rates, especially in higher margin loans have impacted the valuation. We believe the high run-off in rates is due to a continuation of a very competitive home loan refinancing market with historical low interest rates, cash back offers and extensive marketing of those rates. In addition, consumers are taking advantage of the lower rates and repaying their mortgages down at a faster rate (as indicated recently by APRA). It is expected that run-off rates will revert to normality over 2022 with the start of interest rate increases and tightening of credit. We are seeing early signs already of less refinance applications in 2022.
- Operating expenses increased by \$2.1m to \$10.9m. We call out 3 points on this:
 - “Business as Usual” expenses increased through a combination of post “now permitted” COVID activities including broker events, marketing spend and travel costs.
 - Staff expenses increased through additional headcount.
 - In relation to staff costs, this is a deliberate decision to add headcount to drive the “Strategic Imperatives” including the launch of the Y Home Loans digital channel, YBR Retail distribution growth and the continued investment in the Resi Wholesale Funding securitisation lending program. Refer below for further details of these initiatives.
- Cash at bank is a healthy \$11.0m. The balance would have been substantially higher when considering the use of cash for the 6 month period:
 - \$3.0m purchase of Class C notes in the Resi Wholesale Funding (‘RWF’) securitisation lending program which attracts a coupon rate of 10% pa;
 - Repayment of \$687,000 in borrowings; and
 - Strategic expense decisions mentioned above.

Strategic Imperatives

Our strategic priorities are focused on gross revenue and growing margins, reducing loan book run-off, and hence protecting the Trail NPV asset, significantly increasing the YBR franchise footprint, and the transformation to a digital and data driven organisation.

Build YBR Retail Distribution (objective to increase margin)

- It was difficult to attract brokers to join the YBR franchise during Covid but we now have a healthy pipeline of prospects in place
- Changes have been made to the franchise model as we move to a post Covid position including removing restrictions on franchisees having prominent shop fronts and this change was done after a detailed market review
- A senior recruitment executive has been head hunted and appointed to focus 100% on franchise recruitment with the supporting sales team expanded.

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- The rebranding to Yellow Brick Road Home Loans continues with increased TVC advertising and a ramp up in PR activities.
- The objective here is to address gross revenue split by increasing the revenue generated by YBR franchisees

Resi Wholesale Funding Investment (objective to increase margin)

- We are now seeing success with this securitisation business which is evident in the recent ASX announcement of the increased debt facility to \$450m. The loan book has grown strongly to reach \$227m by the end of January 2022.
- Headcount has been increased to build up internal underwriting teams to support the program. Investments are being made in IT systems and infrastructure to improve productivity as volumes grow.
- We would like to note that this program is in response to the reduction in broker commission margins where in future, YBR participates is a greater proportion of the overall lending value chain.

Y Home Loans (digital transformation)

As previously advised, we have soft launched Y Home Loans, the platform to enable customers to apply for home loans digitally via yhomeloans.com.au.

We believe that the best mortgage distribution model is online mortgage business working alongside the 2 market facing mortgage businesses being the YBR franchise and the VOW aggregation model.

We note that YHomeLoans is much more than an online digital broker website.

- We have developed an App that will be launched in March which we believe has market leading capabilities including:
 - Mirroring the capabilities of the YHomeLoans website when enquiring and applying for a home loan
 - The ability to nudge and notify borrowers to contact our brokers as this app contains content by appointment and by notification to anyone who downloads it on their smart device. That data can be used to create high quality leads or nudge customers to contact us
- Through our digital marketing team, we have commenced to build customer behavioural data learnings by borrower type associated with tracking visits, location, time spent, articles read and interactions. This will enable us to understand what the digital footprint of a borrower looks like well before a loan is applied for. Our market is right for our entry with this new financial technology.

Overall, the YBR Group has had a strong 6 months encompassing everything mentioned above and is expected to continue over the remainder of the financial year.

We welcome you to join us for an online forum to run through the results and strategic direction in further detail. Invites will be shortly sent to shareholders with a Webcast link to the forum.

Kind regards

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

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 2021
 Previous period: For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	54.1% to	153,538
Revenue from contracts with customers from continuing operations	up	60.8% to	144,557
Loss from ordinary activities after tax attributable to the owners of Yellow Brick Road Holdings Limited	down	263.2% to	(377)
Underlying EBITDA from continuing operations	down	52.3% to	467
Cash profit before tax	down	68.8% to	1,057
Loss for the half-year attributable to the owners of Yellow Brick Road Holdings Limited	down	263.2% to	(377)

Dividends

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

Comments

The statutory loss for the consolidated entity after providing for income tax amounted to \$377,000 (31 December 2020: profit of \$231,000).

The cash profit before tax (excluding the impact of the present value of expected future net trail commissions) for the consolidated entity was \$1,057,000 (31 December 2020: \$3,389,000).

The half-year result has been impacted by a net loss of \$1,509,000 (31 December 2020: net loss of \$3,105,000) relating to the present value of future net trail commissions, which has been driven by a combination of market factors and lower margins on new settlements. The cash profit before tax is calculated as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(Loss)/profit before tax	(452)	284
Add: Loss on revaluation of net present value of trail commissions	1,626	1,028
Add: (Gain)/loss on other movements in net present value of trail commissions	(117)	2,077
Cash profit before tax (excluding net present value of trail commissions)	<u>1,057</u>	<u>3,389</u>

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

The earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations, adjusted for non-operating items ('Underlying EBITDA'), was a profit of \$467,000 (31 December 2020: profit of \$980,000). This is calculated as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(Loss)/profit after income tax	(377)	231
Add: Depreciation and amortisation*	133	122
Add: Interest expense**	120	122
Add: Income tax (benefit)/expense	(75)	53
EBITDA	(199)	528
Less: Gain on disposal of general insurance business	-	(130)
Add: Loss after income tax expense from discontinued operations	-	5
Add: Non-recurring legal expenses	232	161
Add: Share of net loss from joint venture	434	416
Underlying EBITDA from continuing operations	467	980

* Excludes depreciation on right-of-use assets

** Excludes discount unwind on trail commission payments and interest on lease liabilities

Underlying EBITDA, EBITDA and cash profit are financial measures which are not prescribed by the Australian Accounting Standards and represent profit under Australian Accounting Standards adjusted for specific items and other non-operating items. The directors consider Underlying EBITDA, EBITDA and cash profit to represent the core earnings measures of the consolidated entity.

Key features of the consolidated entity's result were:

- Statutory revenue from continuing operations increased by 60.8% to \$144,557,000 (31 December 2020: \$89,922,000)
- Receipts from customers (inclusive of GST) increased by 33.1% to \$130,342,000 (31 December 2020: \$97,910,000)
- Operating expenses increased by \$2.1 million to \$10,877,000 (31 December 2020: \$8,753,000). A significant proportion of the increase in operating expenses relate to the strategic decisions to increase investment to enhance key business areas such as rebranding, distribution expansion and the securitisation lending program.
- Cash balances decreased by \$1.5 million to \$11,021,000 (30 June 2021: \$12,506,000). The decrease includes a \$3.0 million payment for the purchase of Class C Notes in Resi Wholesale Funding ('RWF') securitisation lending program.
- Net cash after borrowings decreased by \$0.8 million to \$8,408,000 (30 June 2021: \$9,206,000)
- Borrowings reduced by \$0.7 million to \$2,613,000 (30 June 2021: \$3,300,000)
- Net tangible assets per ordinary security decreased by 5.0% to 12.90 cents (31 December 2020: 13.58 cents) (Refer to section 3 below)
- Settlements grew by 71.2% to \$10,780 million (31 December 2020: \$6,297 million)
- Underlying loan book size increased by 7.0% to \$55,336 million (30 June 2021: \$51,717 million)
- Net present value of underlying loan book decreased by 3.5% to \$39.34 million (30 June 2021: \$40.77 million)
- Net present value of underlying loan book per ordinary share is 12.1 cents (30 June 2021: 12.6 cents)

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

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

3. Net tangible assets

Net tangible assets per ordinary security has been calculated by excluding the net right-of-use assets and leases liabilities of (\$58,000) (31 December 2020: (\$147,000)).

In addition, the consolidated entity's 50% interest in the Resi Wholesale Funding joint venture (carrying value as at 31 December 2021 of \$1,120,000 (31 December 2020: \$9,000) in the consolidated entity's financial statements) is excluded from the above calculation. As at 31 December 2021, the consolidated entity's share of net tangible assets of Resi Wholesale Funding is \$8,204,000 (31 December 2020: \$8,197,000). The 50% share of the net tangible assets equates to 2.53 cents (31 December 2020: 2.53 cents) per share for the consolidated entity. This does not factor into account the future value of the current net interest margin (NIM) of Resi Wholesale Funding.

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	12.90	13.58
50% interest in Resi Wholesale Funding Joint Venture	2.53	2.53
Total net tangible assets per ordinary security including Resi Wholesale Funding Joint Venture	15.43	16.11

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to loss (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Resi Wholesale Funding Pty Limited*	50.00%	50.00%	(434)	(416)
<i>Group's aggregate share of associates and joint venture entities' loss (where material)</i>				
Loss from ordinary activities before income tax			(434)	(416)

* The consolidated entity's share of net tangible assets of Resi Wholesale Funding as at 31 December 2021 is \$8,204,000 (31 December 2020: \$8,197,000).

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Interim Financial Statements of Yellow Brick Road Holdings Limited for the half-year ended 31 December 2021 is attached.

11. Signed

As authorised by the Board of Directors



Signed _____

Date: 23 February 2022

Mark Bouris
Executive Chairman
Sydney

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Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Interim Financial Statements - 31 December 2021

Yellow Brick Road Holdings Limited

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31 December 2021

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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 23 February 2022. The directors have the power to amend and reissue the financial statements.

Yellow Brick Road Holdings Limited
Directors' report
31 December 2021

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 2021.

Directors

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

Mark Bouris - Chairman
Adrian Bouris
John George

Principal activities

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

Dividends

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

Review of operations

The statutory loss for the consolidated entity after providing for income tax amounted to \$377,000 (31 December 2020: profit of \$231,000).

The cash profit before tax (excluding the impact of the present value of expected future net trail commissions) for the consolidated entity was \$1,057,000 (31 December 2020: \$3,389,000).

The half-year result has been impacted by a net loss of \$1,509,000 (31 December 2020: net loss of \$3,105,000) relating to the present value of future net trail commissions, which has been driven by a combination of market factors and lower margins on new settlements. The cash profit before tax is calculated as follows:

	Consolidated	
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Cash profit before tax (excluding net present value of trail commissions)	<u>1,057</u>	<u>3,389</u>

Yellow Brick Road Holdings Limited
Directors' report
31 December 2021

The earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations, adjusted for non-operating items ('Underlying EBITDA'), was a profit of \$467,000 (31 December 2020: profit of \$980,000). This is calculated as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
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(Loss)/profit after income tax	(377)	231
Add: Depreciation and amortisation*	133	122
Add: Interest expense**	120	122
Add: Income tax (benefit)/expense	(75)	53
EBITDA	(199)	528
Less: Gain on disposal of general insurance business	-	(130)
Add: Loss after income tax expense from discontinued operations	-	5
Add: Non-recurring legal expenses	232	161
Add: Share of net loss from joint venture	434	416
Underlying EBITDA from continuing operations	467	980

* Excludes depreciation on right-of-use assets

** Excludes discount unwind on trail commission payments and interest on lease liabilities

Underlying EBITDA, EBITDA and cash profit are financial measures which are not prescribed by the Australian Accounting Standards and represent profit under Australian Accounting Standards adjusted for specific items and other non-operating items. The directors consider Underlying EBITDA, EBITDA and cash profit to represent the core earnings measures of the consolidated entity.

Key features of the consolidated entity's result were:

- Statutory revenue from continuing operations increased by 60.8% to \$144,557,000 (31 December 2020: \$89,922,000)
- Receipts from customers (inclusive of GST) increased by 33.1% to \$130,342,000 (31 December 2020: \$97,910,000)
- Operating expenses increased by \$2.1 million to \$10,877,000 (31 December 2020: \$8,753,000). A significant proportion of the increase in operating expenses relate to the strategic decisions to increase investment to enhance key business areas such as rebranding, distribution expansion and the securitisation lending program.
- Cash balances decreased by \$1.5 million to \$11,021,000 (30 June 2021: \$12,506,000). The decrease includes a \$3.0 million payment for the purchase of Class C Notes in Resi Wholesale Funding ('RWF') securitisation lending program.
- Net cash after borrowings decreased by \$0.8 million to \$8,408,000 (30 June 2021: \$9,206,000)
- Borrowings reduced by \$0.7 million to \$2,613,000 (30 June 2021: \$3,300,000)
- Net tangible assets per ordinary security decreased by 5.0% to 12.90 cents (31 December 2020: 13.58 cents)
- Settlements grew by 71.2% to \$10,780 million (31 December 2020: \$6,297 million)
- Underlying loan book size increased by 7.0% to \$55,336 million (30 June 2021: \$51,717 million)
- Net present value of underlying loan book decreased by 3.5% to \$39.34 million (30 June 2021: \$40.77 million)
- Net present value of underlying loan book per ordinary share is 12.1 cents (30 June 2021: 12.6 cents)

Significant changes in the state of affairs

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

Rounding of amounts

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

Auditor's independence declaration

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

Yellow Brick Road Holdings Limited
Directors' report
31 December 2021

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

23 February 2022
Sydney

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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 2021, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 23 February 2022

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue			
Revenue from contracts with customers from continuing operations	3	144,557	89,922
Share of losses of joint ventures accounted for using the equity method	9	(434)	(416)
Other income		28	608
Interest income		156	19
Discount unwind on trail commission		8,825	9,677
Total revenue and other gains		<u>153,132</u>	<u>99,810</u>
Expenses			
Commissions and consultancy expenses		(134,230)	(81,594)
Employee benefits expense		(6,115)	(4,718)
Depreciation and amortisation expense	4	(526)	(565)
Impairment of receivables		(44)	(35)
Occupancy expenses		(142)	(227)
Other expenses		(4,577)	(3,773)
Finance costs	4	(7,950)	(8,739)
Total expenses		<u>(153,584)</u>	<u>(99,651)</u>
(Loss)/profit from continuing operations		(452)	159
Net gain on disposal of general insurance business	5	-	130
(Loss)/profit before income tax benefit/(expense) from continuing operations		(452)	289
Income tax benefit/(expense)		75	(53)
(Loss)/profit after income tax benefit/(expense) from continuing operations		(377)	236
Loss after income tax expense from discontinued operations	5	-	(5)
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		(377)	231
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss)/income for the half-year attributable to the owners of Yellow Brick Road Holdings Limited		<u>(377)</u>	<u>231</u>
Total comprehensive (loss)/income for the half-year is attributable to:			
Continuing operations		(377)	236
Discontinued operations		-	(5)
		<u>(377)</u>	<u>231</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 2021

		Cents	Cents
Earnings per share for (loss)/profit from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	17	(0.12)	0.07
Diluted earnings per share	17	(0.12)	0.07
Earnings per share for loss from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	17	-	-
Diluted earnings per share	17	-	-
Earnings per share for (loss)/profit attributable to the owners of Yellow Brick Road Holdings Limited			
Basic earnings per share	17	(0.12)	0.07
Diluted earnings per share	17	(0.12)	0.07

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

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Yellow Brick Road Holdings Limited
Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		11,021	12,506
Trade and other receivables	6	22,550	20,823
Contract assets - trail commissions	7	78,207	72,089
Deposits		468	474
Prepayments		889	1,710
Total current assets		<u>113,135</u>	<u>107,602</u>
Non-current assets			
Contract assets - trail commissions	7	302,950	276,005
Loan receivable from Resi Wholesale Funding Warehouse Trust	8	3,000	-
Investments accounted for using the equity method	9	1,120	1,554
Right-of-use assets	10	3,350	203
Plant and equipment		161	132
Intangibles		238	218
Prepayments		1,635	1,245
Total non-current assets		<u>312,454</u>	<u>279,357</u>
Total assets		<u>425,589</u>	<u>386,959</u>
Liabilities			
Current liabilities			
Trade and other payables	11	97,036	88,484
Contract liabilities		2,392	1,948
Borrowings	12	950	1,163
Lease liabilities		688	157
Provisions		1,014	1,083
Total current liabilities		<u>102,080</u>	<u>92,835</u>
Non-current liabilities			
Trade and other payables	11	274,618	246,709
Contract liabilities		1,000	1,200
Borrowings	12	1,663	2,137
Lease liabilities		2,720	72
Deferred tax		280	355
Provisions		69	136
Total non-current liabilities		<u>280,350</u>	<u>250,609</u>
Total liabilities		<u>382,430</u>	<u>343,444</u>
Net assets		<u>43,159</u>	<u>43,515</u>
Equity			
Issued capital	13	112,470	112,450
Reserves		2,213	2,212
Accumulated losses		<u>(71,524)</u>	<u>(71,147)</u>
Total equity		<u>43,159</u>	<u>43,515</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 2021

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	112,457	2,206	(70,687)	43,976
Profit after income tax expense for the half-year	-	-	231	231
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	231	231
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	3	-	3
Share buy back	(7)	-	-	(7)
Balance at 31 December 2020	<u>112,450</u>	<u>2,209</u>	<u>(70,456)</u>	<u>44,203</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	112,450	2,212	(71,147)	43,515
Loss after income tax benefit for the half-year	-	-	(377)	(377)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(377)	(377)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	20	-	-	20
Share-based payments	-	1	-	1
Balance at 31 December 2021	<u>112,470</u>	<u>2,213</u>	<u>(71,524)</u>	<u>43,159</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 2021

	Consolidated	
Note	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	130,342	97,910
Payments to suppliers and employees (inclusive of GST)	<u>(127,855)</u>	<u>(98,441)</u>
	2,487	(531)
Interest received	43	18
Interest and other finance costs paid	<u>(179)</u>	<u>(144)</u>
Net cash from/(used in) operating activities	<u>2,351</u>	<u>(657)</u>
Cash flows from investing activities		
Payments for plant and equipment	(59)	(8)
Payments for intangibles	(121)	-
Proceeds from disposal of investments	-	2,500
Proceeds from disposal of business	5 479	629
Loans to Resi Wholesale Funding Warehouse Trust	8 <u>(3,000)</u>	<u>-</u>
Net cash (used in)/from investing activities	<u>(2,701)</u>	<u>3,121</u>
Cash flows from financing activities		
Repayment of borrowings	(687)	(1,000)
Repayment of lease liabilities	(448)	(581)
Payments for share buy-backs	<u>-</u>	<u>(7)</u>
Net cash used in financing activities	<u>(1,135)</u>	<u>(1,588)</u>
Net (decrease)/increase in cash and cash equivalents	(1,485)	876
Cash and cash equivalents at the beginning of the financial half-year	<u>12,506</u>	<u>11,327</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>11,021</u></u>	<u><u>12,203</u></u>

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

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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.

Comparatives

Comparatives have been realigned where necessary, to be consistent with current year presentation. There was no effect on profit, net assets or equity.

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

Geographical information

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

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 3. Revenue from contracts with customers

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000

From continuing operations

Lending	144,557	89,922
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The disaggregation of revenue from contracts with customers is as follows:

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000

Major product lines:

Mortgage broking services - origination commissions	64,441	37,334
Mortgage broking services - trailing commissions	74,063	47,078
Mortgage broking services - professional fees and services	4,838	3,745
Sponsorship revenue	808	1,480
Mortgage management fees	207	285
Service fees for Resi Wholesale Funding	200	-
Total revenue from contracts from continuing operations	<u>144,557</u>	<u>89,922</u>

From discontinued operations:

Investment and wealth management services	-	26
Life Insurance broking services - upfront	-	7
Life Insurance broking services - trail	-	24
General insurance services - upfront	-	(4)
General insurance services - renewal commission	-	(6)
Professional and service fees	-	2
Total revenue from contracts from discontinued operations (note 5)	<u>-</u>	<u>49</u>

<u>144,557</u>	<u>89,971</u>
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Geographical regions:

Australia under continued operations	144,557	89,922
Australia under discontinued operations (note 5)	-	49

<u>144,557</u>	<u>89,971</u>
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Timing of revenue recognition:

Services transferred at a point in time under continued operations	144,150	89,637
Services transferred over a period of time under continued operations	407	285
Services transferred at a point in time under discontinued operations (note 5)	<u>-</u>	<u>49</u>

<u>144,557</u>	<u>89,971</u>
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Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 4. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(Loss)/profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	3	1
Office equipment	29	20
Right-of-use assets	393	443
Total depreciation	<u>425</u>	<u>464</u>
<i>Amortisation</i>		
Software	101	101
Total depreciation and amortisation	<u>526</u>	<u>565</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	120	122
Interest and finance charges paid/payable on lease liabilities	59	22
Discount unwind on trail commission payments	7,771	8,595
Finance costs expensed	<u>7,950</u>	<u>8,739</u>
Marketing expenses	821	405
Consultancy expenses	777	717

Note 5. Discontinued operations

Description (prior period)

On 16 May 2019, the consolidated entity entered into a sale agreement and strategic alliance with Sequoia Financial Group Limited (ASX: SEQ) in relation to the head office operational and business functions that comprise its Yellow Brick Road Wealth Division. The total consideration for the sale was \$1,906,000, of which the company received \$468,000 by June 2020, and the final three instalments of \$479,000 each were received on October 2020, March 2021 and September 2021.

The consolidated entity entered into a sale agreement and strategic alliance with Steadfast Group Limited (ASX: SDF) in relation to the head office operational and business functions that comprise its general insurance business. The total consideration for the sale was \$150,000, of which the company received the full amount in August 2020. The net gain on disposal of the general insurance business amounting to \$130,000 (net of disposal costs) is included in profit or loss as at 30 June 2021.

Particulars of sale of General Insurance business:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Sale consideration	-	150
Costs directly associated with sale	-	(20)
Profit on sale	<u>-</u>	<u>130</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 5. Discontinued operations (continued)

Financial performance information

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Revenue		
Wealth management (note 3)	-	49
Expenses		
Commissions and consultancy expenses	-	(17)
Employee benefits expense	-	(5)
Other expenses	-	(32)
Total expenses	<u>-</u>	<u>(54)</u>
Loss before income tax expense	-	(5)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>-</u>	<u>(5)</u>

Cash flow information

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Net cash used in operating activities	<u>-</u>	<u>(101)</u>

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	1,031	1,087
Less: Allowance for expected credit losses	<u>(278)</u>	<u>(423)</u>
	753	664
Other receivables	260	754
Revenue accrual	<u>21,537</u>	<u>19,405</u>
	<u>21,797</u>	<u>20,159</u>
	<u>22,550</u>	<u>20,823</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 7. Contract assets - trail commissions

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
Contract assets	78,207	72,089
<i>Non-current assets</i>		
Contract assets	302,950	276,005
	<u>381,157</u>	<u>348,094</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 2021	30 Jun 2021
	\$'000	\$'000
Opening balance	348,094	372,368
Additions - new settlements	75,042	101,128
Run offs	(41,979)	(125,402)
Closing balance	<u>381,157</u>	<u>348,094</u>

Note 8. Loan receivable from Resi Wholesale Funding Warehouse Trust

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Loan receivables from Resi Wholesale Funding Warehouse Trust	<u>3,000</u>	<u>-</u>

In July 2021, the consolidated entity investment in \$3 million of Class C notes in the Resi Wholesale Funding Warehouse Trust No.1. The notes attract a coupon rate of 10% per annum.

Note 9. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investment in joint venture Resi Wholesale Funding	<u>1,120</u>	<u>1,554</u>

Reconciliation

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

Opening carrying amount	1,554	425
Additions	-	2,120
Loss after income tax	(434)	(991)
Closing carrying amount	<u>1,120</u>	<u>1,554</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 9. Investments accounted for using the equity method (continued)

The consolidated entity's 50% share of the net tangible assets of the joint venture is \$8,204,000 as at 31 December 2021 (30 June 2021: \$8,629,000) which is not reflected in the carrying value above.

Note 10. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	5,278	1,947
Less: Accumulated depreciation	(1,928)	(1,744)
	<u>3,350</u>	<u>203</u>

The consolidated entity leases land and buildings for its offices under agreements expiring between 1 to 5 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 2021	155	48	203
Additions	3,540	-	3,540
Depreciation expense	(385)	(8)	(393)
Balance at 31 December 2021	<u>3,310</u>	<u>40</u>	<u>3,350</u>

Note 11. Trade and other payables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	2,038	2,571
Trail commission payables	69,443	63,455
Accrued branch commissions	21,783	19,458
Accrued expenses	1,358	1,217
Clawback payables	320	159
Other payables	2,094	1,624
	<u>97,036</u>	<u>88,484</u>
<i>Non-current liabilities</i>		
Trade payables	2,049	2,533
Trail commission payables	272,376	243,866
Clawback payables	193	310
	<u>274,618</u>	<u>246,709</u>
	<u>371,654</u>	<u>335,193</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 12. Borrowings

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans	950	1,163
<i>Non-current liabilities</i>		
Bank loans	1,663	2,137
	<u>2,613</u>	<u>3,300</u>

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Bank loans	<u>4,613</u>	<u>5,300</u>

Assets pledged as security

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

Financing arrangements

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

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Total facilities		
Bank loans	4,613	5,300
Used at the reporting date		
Bank loans	2,613	3,300
Unused at the reporting date		
Bank loans	2,000	2,000

Note 13. Issued capital

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>324,563,266</u>	<u>324,277,552</u>	<u>112,470</u>	<u>112,450</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	324,277,552		112,450
Shares issued to employees	28 July 2021	<u>285,714</u>	\$0.07	<u>20</u>
Balance	31 December 2021	<u>324,563,266</u>		<u>112,470</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 14. Dividends

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

Note 15. Fair value measurement

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

Note 16. Contingent liabilities

The consolidated entity has provided bank guarantees as at 31 December 2021 of \$1,085,000 (30 June 2021: \$1,085,000).

There are outstanding legal actions between the company and its controlled entities and third parties as at 31 December 2021. The consolidated entity has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the consolidated entity, in addition to its costs incurred in connection with the actions, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered for by the insurance policies in place or of the amounts provided for.

Note 17. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Earnings per share for (loss)/profit from continuing operations</i>		
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>(377)</u>	<u>236</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,521,341	324,331,895
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>-</u>	<u>535,573</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,521,341</u>	<u>324,867,468</u>
	Cents	Cents
Basic earnings per share	(0.12)	0.07
Diluted earnings per share	(0.12)	0.07
	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>-</u>	<u>(5)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>324,521,341</u>	<u>324,331,895</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,521,341</u>	<u>324,331,895</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
31 December 2021

Note 17. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	-	-
Diluted earnings per share	-	-
	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Earnings per share for (loss)/profit</i>		
(Loss)/profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>(377)</u>	<u>231</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,521,341	324,331,895
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>-</u>	<u>535,573</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,521,341</u>	<u>324,867,468</u>
	Cents	Cents
Basic earnings per share	(0.12)	0.07
Diluted earnings per share	(0.12)	0.07

92,307 performance rights over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the half-year ended 31 December 2021. These rights could potentially dilute basic earnings per share in the future.

Note 18. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, given the recent broad ranging impact of the Omicron variant, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. Management continues to monitor the situation both locally and internationally.

The consolidated entity's 50% owned joint venture, Resi Wholesale Funding Pty Limited has secured a limit increase and availability period extension in respect of the debt facility provided to the trustee of the Resi Wholesale Funding Warehouse Trust No.1. The availability period is extended to 21 February 2023 and the facility increased to \$450,000,000 respectively.

No other matter or circumstance has arisen since 31 December 2021 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 2021

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 2021 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

23 February 2022
Sydney

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Independent Auditor's Review 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 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Yellow Brick Road Holdings Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

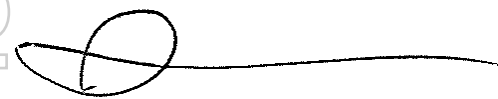
Auditor's responsibility

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 2021 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*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 23 February 2022

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