

Yellow Brick Road Holdings Limited

ABN 44 119 436 083

**Directors' Report and Financial Statements - 30 June
2024**

Yellow Brick Road Holdings Limited

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Yellow Brick Road Holdings Limited

Directors' report

30 June 2024

The directors present their report, together with the financial statements, of 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 year ended 30 June 2024.

Directors

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

Mark Bouris - Chairman
Adrian Bouris
John George
Frank Ganis (appointed on 15 January 2024)

Principal activities

During the financial 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 year.

Review of operations

The statutory loss for the consolidated entity after providing for income tax amounted to \$78,000 (30 June 2023: loss of \$3,530,000). The profit before tax (excluding movement in net present value of trail commissions) for the consolidated entity was \$509,000 (30 June 2023: \$498,000).

The FY24 results have been affected by factors including:

- There was a \$365,000 reduction in operating expenses due to a cost review initiated in FY23. However, the cost savings would be greater if not for incurring \$420,000 in one-time costs related to delisting consolidated entities' shares from the Australian Stock Exchange, effective 27 November 2023, and \$337,000 group restructuring expenses, as well as \$618,000 in one-time costs for setting up a self-owned YBR branch.
- A subdued home loan market with volumes flat versus the previous corresponding period (as measured by the ABS and published via its Lending Indicators releases).
- The extent of refinancing activity remained high; however, moderated in current year from the record levels in Q1 FY24 by the end of the calendar year. Whilst this trend has flowed through a small reduction in run-off rates, these remain high versus what was experienced pre-covid.

The reduction in net present value losses from trail commission were driven by higher settlement and lower run off rate assumption.

The effect of this is shown in the table below:

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss before tax	(227)	(5,026)
Add: (Gain)/loss on revaluation of net present value of trail commissions	(977)	4,334
Add: Loss on other movements in net present value of trail commissions	1,713	1,190
Net loss related to the net present value of trail commissions	736	5,524
Profit before tax (excluding movement in net present value of trail commissions)	509	498

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The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to reflect the core earnings of the consolidated entity. Underlying EBITDA is not a financial measure prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items. The consolidated entity's reconciliation of its statutory net loss after tax for the current and previous year period to Underlying EBITDA is as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss after income tax	(78)	(3,530)
Add: Depreciation and amortisation*	358	141
Less: Interest income	(416)	(592)
Add: Interest expense**	279	313
Less: Income tax benefit	(149)	(1,496)
EBITDA	(6)	(5,164)
Add: Setup costs for Head Office branch	618	-
Add: Expenses in relation to the delisting and group restructure	757	78
Add: Legacy and discontinued business legal/settlement expenses	46	366
Less: Service charges (equity-accounted) for Resi Wholesale Funding	(400)	(400)
Add: Share of net loss from joint venture	-	630
Normalised EBITDA	1,015	(4,490)
Add: Net loss related to the net present value of trail commissions	736	5,524
Cash based normalised EBITDA	1,751	1,034

* Excludes depreciation on right-of-use assets

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

Key features of the consolidated entity's result were:

- Total revenue from contracts with customers (after net present value movements) increased by 62.3% to \$265,981,000 (30 June 2023: \$163,908,000). This growth was primarily driven by changes in net present value, which increased by \$88,176,000 to \$37,755,000 (30 June 2023: a loss of \$50,421,000). The revenue (before net present value movements) increased by modest 6.5% to \$228,226,000 (30 June 2023: \$214,329,000).
- Receipts from customers (inclusive of GST) increased by 5.2% to \$272,575,000 (30 June 2023: \$259,146,000).
- Operating expenses decreased by \$365,000 to \$24,261,000 (30 June 2023: 24,626,000). On a normalised basis, excluding one-off costs and expenses related to setting up the company's owned branch, the savings were approximately \$1.8 million. These savings resulted from significant cost-saving initiatives implemented by the company. The full impact of the restructuring is expected to be realised in FY25.
- Cash balances decreased by \$1,305,000 to \$6,754,000 (30 June 2023: \$8,059,000). This includes \$450,000 repayment of finance facility, \$549,000 loans to branch/broker network, \$602,000 for share buy-back offset by issue of \$194,000 in new shares, \$313,000 for development of software and purchase of plant and equipment and the net cash inflow from operating activities of \$1,263,000 (30 June 2023: cash outflow of \$1,323,000). The net cash flow from operating activities was impacted by payment of \$600,000 in prior year marketing commitments, \$618,000 setup costs for YBR owned branch and \$420,000 for delisting costs.
- Net cash after borrowings decreased by \$855,000 to \$6,016,000 (30 June 2023: \$6,871,000).
- Borrowings reduced by \$450,000 to \$738,000 (30 June 2023: \$1,188,000). The loan repayment of \$950,000 was offset by \$500,000 draw down of the facility. The additional funds have been used to provide finance to the broker network at an incremental interest margin.
- Net tangible assets per ordinary share increased by 0.10 cents to 11.20 cents (30 June 2023: 11.10 cents). When incorporating the consolidated entity's 50% interest in the Resi Wholesale Funding joint venture, the net tangible assets per ordinary share becomes 12.98 cents (30 June 2023: 13.03 cents).
- Settlements increased by 5.0% to \$20,411 million (30 June 2023: \$19,447 million).
- Underlying loan book size increased by 7.0% to \$66,379 million (30 June 2023: \$62,038 million).
- Net present value of underlying loan book decreased by 1.8% to \$31,258,000 (30 June 2023: \$31,844,000).
- Net present value of underlying loan book per ordinary share is 9.8 cents (30 June 2023: 9.8 cents).

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Significant changes in the state of affairs

On 24 October 2023, the consolidated entity passed a special resolution to delist its shares from the Australian Securities Exchange. On 27 November 2023, the quotation for consolidated entity's shares were removed from the Australian Securities Exchange.

On 15 January 2024, Frank Ganis has been appointed as a non-executive director of the consolidated entity.

On 28 February 2024, the company acquired 99.98% of the ordinary shares of YBR Mortgage Support Service Inc. located in Philippines.

On 30 June 2024, Vow Financial has been rebranded to Yellow Brick Road Aggregation, bringing together the aggregation and franchise businesses under the Yellow Brick Road Group brand.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to provide customers with lending choice through its retail and wholesale mortgage broking and lending businesses whilst extending reach in other areas in the market.

Further information about likely developments in the operations and the expected future results of those operations have not been included in this report because disclosure of the information would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

Business risks

Provided below are the principal risks and uncertainties associated with the consolidated entity that could adversely affect its financial performance and growth potential in future years.

Macroeconomic risks

The business is subject to macroeconomic, regulatory and legal conditions across the Australian lending market. These conditions impact interest rates, the property market and consumer confidence which influence lending volumes and the present value of trail commissions (through increased run-off rates). In periods of rising interest rates, financial pressures are placed on borrowers which increases the probability of loans going into arrears. This can impact the consolidated entity in two ways, either through the cessation of trail commissions for brokered loans (generally when the loan is greater than 90 days in arrears), or reduced earnings through the securitised lending business. To date, the consolidated entity has not experienced a significant increase in loans arrears. It is noted that group exposure to arrears risk is further mitigated as the obligation to remit trail commission payments to its brokers would be suspended whilst loans are in arrears.

Regulatory compliance presents the risk of failure to act in accordance with laws, regulations, industry standards and internal policies. The consolidated entity maintains sufficient internal controls to ensure continued compliance. From time to time, the company is exposed to a regulatory compliance breach of which appropriate remedial steps are undertaken on a timely basis with brokers and employees and (if relevant) third parties.

The business mitigates these risks through the monitoring of key risk indicators and market conditions as well as keeping abreast of regulatory changes.

Strategic risks

Strategic risk is the risk associated with the implementation of the consolidated entity's strategic objectives including the risk of failure to execute its strategy effectively or in a timely manner. The consolidated entity invests resources in the execution of initiatives that are aligned to its strategy, including programs focused on technology, digital and data assets, distribution expansion, margin improvements and improvements to risk and controls. There is a risk that these programs may not realise some or all of their anticipated benefits. The consolidated entity's response is to ensure appropriate project governance measures are in place for all major initiatives and to track associated benefits that are derived.

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Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. The consolidated entity takes a risk-based approach to the management of operational risk and obligations. This enables it to appropriately identify, assess, manage and escalate operational risk-related exposures.

The consolidated entity engaged in activities during the financial year to develop the skills and experience of potential successors as part of its succession planning initiatives, including retention interviews and staff development plans.

Cyber risk, privacy and data breach

Threats to information security are constantly evolving and techniques used to undertake cyber-attacks increasing in sophistication. The speed at which software vulnerabilities are identified and exploited is now exceeding the software vendor's ability to secure their products. Due to the significant volume of sensitive data managed by the consolidated entity, there is a risk that technology is inappropriately accessed, manipulated or damaged from cybersecurity threats or vulnerabilities. The consolidated entity proactively manages cyber risk to limit the likelihood of inappropriate access, manipulation, theft or damage to its own and third parties' data and technology as well as continuing to invest to enhance cyber controls commensurate to the threats required to be responded to.

The consolidated entity handles personal and sensitive information through its technology systems and networks. The consolidated entity uses select external suppliers to process and store confidential data, including the increased use of secure cloud infrastructure. The consolidated entity keeps its workforce, franchisees and licensees appropriately trained and updated with privacy and data breach training and initiatives, and continually tests staff capability through simulated cyber exercises.

Digital transformation

The consolidated entity continues to see the rapid change in technology and adoption of digital services through the ubiquitous access through cloud driven technologies. The growth of cloud automation and integration is driving an enhanced customer experience. The rise of generative AI is making the adoption and application of data driven intelligence the fastest growing technology space. This will significantly disrupt services and offerings into the future, with greater expectations on highly customised and personalised experiences driven by Machine learning and predictive analytics. Data continues to grow in value as a material asset.

Competitive market and changes to market trends

The consolidated entity operates in a highly competitive market with competition from mortgage broking organisations, established financial services providers and new market entrants including FinTechs. Strong competition increases pressure on margins and volumes of the business.

The consolidated entity's response is to invest in its own lending capabilities, increase the YBR retail branch, YBR Aggregation broker networks, YBR owned branch and to invest in the YBR brand which continues to be well regarded within the lending market.

Work, health and safety ('WHS')

The consolidated entity has a zero-risk tolerance for serious safety incidents. During the financial year, the consolidated entity continued to exhibit strong WHS practices across the business and continued to develop and train its workforce on WHS matters.

Environmental regulation

The consolidated entity has complied with all regulations applicable to the financial services sector industry. It is not required to report under any specific environmental legislation.

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Directors' report

30 June 2024

Information on directors

Name: Mark Bouris
Title: Executive Chairman
Qualifications: BCom (UNSW), MCom (UNSW), HonDBus (UNSW), Hon DLitt (UWS), FCA
Experience and expertise: Mark Bouris is the Executive Chairman of Yellow Brick Road and has extensive experience in the finance and property sectors. Mark is a board member of the Sydney Roosters. He is an Adjunct Professor at the UNSW Australia Business School and he sits on boards for the UNSW Business Advisory Council.
Special responsibilities: YBR appointed director of Resi Wholesale Funding Pty Limited.

Name: Adrian Bouris
Title: Non-Executive Director
Qualifications: BCom (UNSW), LLB (UNSW)
Experience and expertise: Adrian Bouris is a Non-Executive Director of Yellow Brick Road and has extensive experience in finance, investment banking and corporate and commercial law. He is currently a Principal and Managing Director of BBB Capital Pty Ltd, a boutique corporate advisory and investment company. Prior to founding BBB Capital Pty Ltd, Adrian was Managing Director of the Australian Investment Banking Division of ING Bank N.V. and was previously Director of SG Hambros Australia. He is also a Non-Executive Director of Surfing Australia and Momentum Markets Group.
Special responsibilities: Member of the Audit and Risk Committee.
YBR appointed director and chairman of Resi Wholesale Funding Pty Limited.

Name: John George
Title: Non-Executive Director
Qualifications: BCom (QUT), FCPA, FAIM, AICD, ACG (CS)
Experience and expertise: John George is a Non-Executive Director of Yellow Brick Road and has extensive experience in accounting, corporate strategy, governance, capital raising and investor relations. He is currently a Director of private consulting firm Standard Edge and previously held senior roles at ASIC and KPMG. He was CEO of an international insurance recovery firm with offices in North America, New Zealand and Australia and a former Non-Executive Director of Shine Lawyers and Gladstone Airport Corporation Limited. John was the Deputy President of The Governance Institute (Qld) and is currently a member of Public Companies Discussion Group. He holds advisory board roles with leading family offices in Australia.
Special responsibilities: Chairman of the Audit and Risk Committee

Name: Frank Ganis (appointed on 15 January 2024)
Title: Non-Executive Director
Qualifications: FAPI, GAICD
Experience and expertise: Frank Ganis is a Non-Executive Director of Yellow Brick Road and has over 40 years of career in Banking and Finance, retiring from full-time executive responsibilities in 2017 after 28 years at Macquarie Group, including 17 years as Executive Director. He is recognised as a pioneer and influential industry leader in Australia and has fulfilled a broad range of responsibilities which include Chair and Board roles, management and oversight of global businesses and a member of regulatory, risk and compliance committees. Frank remains active in financial services as a Chair and Non-Executive Director for various ASX and private companies, in addition to numerous advisory and consulting roles.
Special responsibilities: None

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Company secretary

Nicholas Bouris (appointed as Company Secretary for the YBR group of companies and its affiliates on 25 July 2024) has years of corporate and operational experience and holds undergraduate and post-graduate qualifications in finance, economics, information technology (IT), software development and mortgage broking. Nicholas has previously held senior roles for a number of ASX listed and private companies, in capital markets, media and technology. During his capital markets career, Nicholas worked on many primary and secondary market offerings, restructures and M&A transactions for Australian small, medium and large cap companies within the Bell Financial Group of companies. Whilst in the media industry, Nicholas produced multi-million dollar and nationally syndicated free-to-air television shows and podcasts for Seven West Media and Southern Cross Austereo. As a technology entrepreneur, Nicholas founded, capitalised and successfully exited a large-scale Real Estate SaaS business, jointly owned with REA Group and Momentum Media. Nicholas currently holds an executive role with YBR as its General Manager of Operations and is principally responsible for designing, implementing and managing scalable infrastructure to both support and enable the YBR broking network and lending businesses achieve revenue growth and profitability.

Stephen McKenzie (resigned on 24 July 2024) is a member of Chartered Accountants Australia and New Zealand, as well as possessing further qualification in Applied Finance and Investment and Mortgage Broking. He has extensive experience in leading teams across Operations, Customer Services, Finance and Risk Management, along with initiating and implementing strategies to grow the profitability of businesses including increasing customers, driving efficiency gains and improving product margins.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mark Bouris *	7	7	-	-
Adrian Bouris	7	7	5	7
John George	6	7	7	7
Frank Ganis	3	3	2	3
Owen Williams **	-	-	7	7

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

* Mark Bouris is not a member of the Audit and Risk Committee.

** Owen Williams, former director of the board has remained a member of the Audit and Risk Committee under a Consultancy Agreement with the consolidated entity.

Shares under option

There were no unissued ordinary shares of Yellow Brick Road Holdings Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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 immediately follows this report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Bouris
Executive Chairman

10 September 2024
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 audit of Yellow Brick Road Holdings Limited for the year ended 30 June 2024, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Tari Makanda

T Makanda
Partner – Audit & Assurance
Sydney, 10 September 2024

Yellow Brick Road Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$'000	\$'000
Revenue			
Revenue from contracts with customers (excluding trail PV movements)		228,226	214,329
Revenue from contracts with customers (trail PV movements)		36,778	(46,087)
Gain/(loss) on revaluation of net present value of trail commissions		977	(4,334)
Total revenue from contracts with customers	4	<u>265,981</u>	<u>163,908</u>
Other income		97	73
Interest income		416	592
Discount unwind on trail commission		20,942	21,365
Total revenue and other gains		<u>287,436</u>	<u>185,938</u>
Expenses			
Commissions expenses (excluding trail PV movements)	5	(204,189)	(189,053)
Commissions expenses (trail PV movements)	5	(38,491)	44,896
Employee benefits expense		(13,406)	(13,085)
Depreciation and amortisation expense	5	(1,164)	(957)
Recovery/(impairment) of receivables	8	4	(99)
Share of losses of joint ventures accounted for using the equity method		-	(630)
Other expenses		(10,859)	(11,442)
Finance costs	5	(19,558)	(20,594)
Total expenses		<u>(287,663)</u>	<u>(190,964)</u>
Loss before income tax benefit		(227)	(5,026)
Income tax benefit	6	149	1,496
Loss after income tax benefit for the year attributable to the owners of Yellow Brick Road Holdings Limited		(78)	(3,530)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Yellow Brick Road Holdings Limited		<u>(78)</u>	<u>(3,530)</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 financial position
As at 30 June 2024

	Note	Consolidated 2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	6,754	8,059
Trade and other receivables	8	22,523	21,423
Contract assets - trail commissions	9	85,611	81,205
Financial assets at fair value through profit or loss	10	1,500	-
Deposits		426	425
Prepayments		1,820	1,789
Total current assets		<u>118,634</u>	<u>112,901</u>
Non-current assets			
Trade and other receivables	8	888	135
Contract assets - trail commissions	9	315,074	281,902
Financial assets at fair value through profit or loss	10	50	1,500
Right-of-use assets	11	1,616	2,347
Plant and equipment		112	105
Intangibles	12	1,636	1,686
Prepayments		1,433	1,514
Deferred tax	6	1,377	1,228
Total non-current assets		<u>322,186</u>	<u>290,417</u>
Total assets		<u>440,820</u>	<u>403,318</u>
Liabilities			
Current liabilities			
Trade and other payables	13	105,700	100,774
Contract liabilities	14	1,456	1,534
Borrowings	15	738	950
Lease liabilities	16	1,404	793
Provisions	17	1,212	1,069
Total current liabilities		<u>110,510</u>	<u>105,120</u>
Non-current liabilities			
Trade and other payables	13	292,541	257,976
Contract liabilities	14	-	400
Borrowings	15	-	238
Lease liabilities	16	413	1,747
Provisions	17	133	128
Total non-current liabilities		<u>293,087</u>	<u>260,489</u>
Total liabilities		<u>403,597</u>	<u>365,609</u>
Net assets		<u>37,223</u>	<u>37,709</u>
Equity			
Issued capital	18	112,222	112,630
Reserves	19	2,215	2,215
Accumulated losses		<u>(77,214)</u>	<u>(77,136)</u>
Total equity		<u>37,223</u>	<u>37,709</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 year ended 30 June 2024

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	112,470	2,214	(73,606)	41,078
Loss after income tax benefit for the year	-	-	(3,530)	(3,530)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,530)	(3,530)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	160	-	-	160
Share-based payments (note 19)	-	1	-	1
Balance at 30 June 2023	<u>112,630</u>	<u>2,215</u>	<u>(77,136)</u>	<u>37,709</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	112,630	2,215	(77,136)	37,709
Loss after income tax benefit for the year	-	-	(78)	(78)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(78)	(78)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	194	-	-	194
Share buy back (note 18)	(602)	-	-	(602)
Balance at 30 June 2024	<u>112,222</u>	<u>2,215</u>	<u>(77,214)</u>	<u>37,223</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 year ended 30 June 2024

		Consolidated	
	Note	2024	2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		272,575	259,146
Payments to suppliers and employees (inclusive of GST)		<u>(271,558)</u>	<u>(260,198)</u>
		1,017	(1,052)
Interest received		611	155
Interest and other finance costs paid		<u>(365)</u>	<u>(426)</u>
Net cash from/(used in) operating activities	31	<u>1,263</u>	<u>(1,323)</u>
Cash flows from investing activities			
Payments for plant and equipment		(63)	(47)
Payments for intangibles	12	(250)	(1,392)
Payments for purchase of investments	10	(50)	-
Payments for investments accounted for using equity method		-	(245)
Loans advanced to Resi Wholesale Funding Warehouse Trust No.1		-	4,500
Loan advanced to Resi Wholesale Funding Pty Ltd	10	-	(1,500)
Loans to franchisees and licensees		<u>(549)</u>	<u>(335)</u>
Net cash (used in)/from investing activities		<u>(912)</u>	<u>981</u>
Cash flows from financing activities			
Proceeds from issue of shares	18	194	-
Payments for share buy-backs	18	(602)	-
Repayment of borrowings		(450)	(950)
Repayment of lease liabilities		<u>(798)</u>	<u>(737)</u>
Net cash used in financing activities		<u>(1,656)</u>	<u>(1,687)</u>
Net decrease in cash and cash equivalents		(1,305)	(2,029)
Cash and cash equivalents at the beginning of the financial year		<u>8,059</u>	<u>10,088</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>6,754</u></u>	<u><u>8,059</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
30 June 2024

Note 1. 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 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 an unlisted 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 10 September 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the consolidated entity are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial year.

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

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Note 2. Material accounting policy information (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Yellow Brick Road Holdings Limited ('company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Yellow Brick Road Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Joint ventures

A joint venture is an arrangement whereby the parties that have joint control and rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. The consolidated entity has estimated the cost of servicing the loan books which is detailed in note 3 'Critical accounting judgements, estimates and assumptions'.

Revenue is recognised either at a point in time or over the time, when (or as) the consolidated entity satisfies performance obligations by transferring the promised services to its customers.

Revenue includes the rendering of mortgage broking services and aggregation and management services.

Mortgage broking services - Origination commissions

Revenue in the form of a commission generated on origination of mortgages is recognised at a point in time on settlement of the loan net of expected clawbacks using the expected value method. Costs to introduce the loans are also recognised at inception of the loan.

Mortgage broking services - Trail PV commissions

At the time of loan settlement, trail commission revenue and the related contract assets are recognised at the estimated 'expected value' of the variable consideration being the present value of the expected future trail commissions to be received from the lending institution.

Note 2. Material accounting policy information (continued)

The expected value of variable consideration includes amounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when any uncertainties associated with the variable consideration are subsequently resolved. The consolidated entity has regard to constraining factors such as market volatility and possible change in run-off rates, absence of experience with certain customer or contract types, and likelihood of unfavourable changes to commission arrangements when determining variable consideration. Refer to note 3 - Mortgage trail commissions for further information.

An associated expense and payable to the franchisees and licensees is also recognised and measured at fair value being the present value of the expected future trail commission payable to licensees.

The contract assets and trail commission payable are calculated having regard also to a 'run-off' of clients that discharge or pay-down their loans resulting in trail commission no longer being receivable or payable. The asset is tested for impairment annually and is adjusted for any difference in the expected trail run-off and the actual run-off experienced.

Subsequent to initial recognition, the carrying amount of the contract asset and trail commission payable are adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows at the original effective interest rate. This results in a significant financing component recognised in profit or loss.

Mortgage broking services - Trail commissions

Cash received by the consolidated entity for the trail commission revenue for the reporting period is reported in this category. On receipt of cash, an adjustment is made to mortgage broking services - Trail PV commissions to reflect the cash collected during the period.

Mortgage management charges

Ongoing mortgage management charges from servicing the loan book portfolio are recognised as services provided over the course of the loan. The charges represent a separate service obligation that includes maintaining a dedicated post settlement customer service function.

Mortgage broking services - professional services

Professional services represent branch and broker charges for services offered by the consolidated entity. The revenue from these services are recognised at a point in time.

Service charges for Resi Wholesale Funding Pty Ltd

Service charges for Resi Wholesale Funding represents charges for administration services provided to the joint venture. The revenue from these service charges are recognised over time.

Sponsorship revenue

Sponsorship revenue represents contributions from lenders to market at YBR arranged events for its franchise and broker networks. The key services relate to compliance, training and education in the form of learning management systems, conferences and professional development workshops. This is recognised at a point in time when the events are held.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Material accounting policy information (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Yellow Brick Road Holdings Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'standalone taxpayer/separate taxpayer within a group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

A deferred tax benefit relating to previously unrecorded tax losses has been recognised to the extent they are expected to be utilised against the deferred tax liability acquired.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 2. Material accounting policy information (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30-90 days of recognition.

The consolidated entity makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The consolidated entity assesses impairment of trade receivables on a collective basis, as they possess shared credit risk characteristics, based on the days past due.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Revenue accrual

The revenue accrual relates to upfront and trail commission receivable, which the consolidated entity is entitled to at the end of the financial year. The cash from this revenue accrual is normally received in the subsequent month.

Contract assets

Contract assets are recognised when the consolidated entity has transferred services to the customer but where the consolidated entity is yet to establish an unconditional right to the consideration. Contract assets are treated as financial assets for impairment purposes.

Present value of trail commission receivable (Contract assets - trail commissions) is classified in this category.

Financial assets

Financial assets are recognised when the consolidated entity becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when substantially all the risks and rewards are transferred.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for any transaction costs. Subsequent measurement depends on classification.

Financial assets are classified into one of the following categories: amortised cost; fair value through profit or loss; or fair value through other comprehensive income.

The classification is determined by both: the consolidated entity's business model for managing the financial asset; and the contractual cash flow characteristics of the financial asset.

The consolidated entity does not have any financial assets categorised as fair value through other comprehensive income.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Note 2. Material accounting policy information (continued)

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost, using the effective interest method, if the assets meet the following conditions: they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Discounting is omitted where the effect of discounting is immaterial.

The consolidated entity's financial assets at amortised cost includes trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The consolidated entity's financial assets at fair value through profit or loss include the loan to Resi Wholesale Funding Pty Ltd.

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. The useful life of the lease assets is referenced in note 11.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangibles

Intangible assets acquired are initially recognised at cost and subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three and four years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Financial liabilities

Financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The consolidated entity's financial liabilities include borrowings, contract liabilities and trade and other payables.

Note 2. Material accounting policy information (continued)

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted except for trail commission payables which are discounted to its net present value. The amounts are unsecured and are usually paid within 30-90 days of recognition.

Clawback payables

This amount represents the net expected clawback payable on upfront commissions received by the consolidated entity from the funders after deducting the amount clawed back from the branches/brokers. Refer to note 3 for further information.

Contract liabilities

Contract liabilities represent cash or consideration received where the services to customers have not yet been performed.

The consolidated entity's contract liabilities comprise:

- Unearned sponsorship revenue received from lenders, intended for training the branch and broker network at YBR-arranged events; and
- Future administration services to be provided to Resi Wholesale Funding (joint venture) resulting from the consolidated entity's investment.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount and any consideration paid is recognised in profit or loss.

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.

Finance costs

Finance costs are expensed in the period in which they are incurred.

The consolidated entity's finance costs comprise:

- discount unwind on trail commission payments;
- interest expense on borrowings; and
- interest expense on lease liabilities.

Note 2. Material accounting policy information (continued)

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event; it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Note 2. Material accounting policy information (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Certain comparatives in the statement of profit or loss and other comprehensive income, the statement of financial position and notes to the financial statements have been reclassified, where necessary, to be consistent with current year presentation.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2024. The consolidated entity does not expect these amendments to have a material impact on the amounts recognised in prior periods or will affect the current or future periods. The main standards are listed below:

- AASB 18 Presentation and Disclosure in Financial Statements
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements
- AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability
- AASB 2014-10 Sale or contribution of assets between investor and its associate or joint venture

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, and what management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Determination of variable consideration - cost of servicing loan book

For loans where there is a continuing obligation to provide a customer service, the consolidated entity estimates the cost of servicing the existing loan book customers over the estimated life of the loans. The present value for the cost of servicing the loan book is netted off against the trail income receivable. In calculating the estimate, the consolidated entity considers the costs incurred in managing the portfolio. The loan run off assumption is the same as used in the present value of trail income receivable.

Mortgage trail commissions

The consolidated entity receives trail commissions from lenders (presented as contract assets) over the life of the loan based on the loan balance outstanding subject to the loan continuing to perform. The consolidated entity is obligated to make trail commission payments to franchisees and broker groups based on their loan book balance outstanding. Significant assumptions used in the valuation are listed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

	30 June 2024	30 June 2023
Weighted average loan life *	3.7 years	3.6 years
Discount rate per annum	between 4.3% and 12.5%	between 4.3% and 12.5%
Weighted percentage paid to YBR franchisees	78%	77%
Weighted percentage paid to YBR Aggregation brokers	96%	96%

* Average loan life is impacted by the future run-off rate. A reduction in the average loan life as a result of higher run-off would result in a lower net asset position. An increase of the run-off rate by 2% would lead to a reduction in contract assets by \$39.6 million and corresponding reduction in trade and other payables by \$37.2 million with net impact of reduction in net assets of \$2.6 million. A decrease of the run-off rate by 2% would lead to growth in contract assets by \$39.9 million and corresponding increase in trade and other payables by \$36.9 million with net impact of the growth in net assets of \$3.0 million.

Discount rates are locked in with each tranche of loans. Once set, for a given 12 month tranche of loans, the discount rate does not change. The derived discount rate is a combination of the risk free rate (measured by the yield on a five year Commonwealth Government Bond), default risk spread, run off risk spread and model risk.

Mortgage management charges

Revenue for ongoing mortgage management charges of 3.6 basis points has been estimated on a cost plus methodology. The fee is deducted from the trail commission received over the course of the loan.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Clawback

A clawback on the upfront commission received from funders is incurred when a loan is discharged within the first 2 years of a loan settling. The liability represents the net expected clawback payable on upfront commissions received by the consolidated entity from the funders. The key assumption is that the value of clawed-back commissions range between 25% and 100% of the upfront commissions on originated loan over a period of 0 to 24 months from the date of loan inception. The clawback is calculated based on historical trends and the application of a weighted average margin for each business unit. The key assumptions that underpin this liability estimation are reviewed annually.

Recognition of deferred tax assets and liabilities

The net deferred tax asset requires the consideration of realisation of carried forward tax losses of the consolidated entity. The extent to which net deferred tax assets can be recognised and set off against the deferred tax liability is based on an assessment of the probability of the consolidated entity's future taxable income against which the net deferred tax assets can be utilised.

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 4. Revenue from contracts with customers

	Consolidated	
	2024	2023
	\$'000	\$'000
Mortgage broking services and mortgage aggregation services	265,981	163,908

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Major product lines</i>		
Mortgage broking services - origination commissions	119,766	111,441
Mortgage broking services - trail commissions	94,069	88,089
Mortgage broking services - trail PV commissions *	37,755	(50,421)
Mortgage broking services - professional services	11,060	10,970
Sponsorship revenue	2,605	3,138
Mortgage management fees	326	291
Service charges for Resi Wholesale Funding	400	400
	<u>265,981</u>	<u>163,908</u>

Geographical regions

Australia	265,981	163,908
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Timing of revenue recognition

Services transferred at a point in time	265,255	163,217
Services transferred over time	726	691
	<u>265,981</u>	<u>163,908</u>

* This is a combination of revenue from trail PV commissions and loss on revaluation of trail PV commissions.

Note 5. Expenses

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Disaggregation of commission expenses</i>		
The disaggregation of expenses paid to branches and brokers is as follows:		
<i>Major product lines</i>		
Mortgage broking services - origination commissions	115,434	107,500
Mortgage broking services - trail commissions	86,391	78,999
Mortgage broking services - trail PV commissions	38,491	(44,896)
Mortgage broking services - professional services	2,364	2,554
	<u>242,680</u>	<u>144,157</u>
Total commission expenses	<u>242,680</u>	<u>144,157</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 5. Expenses (continued)

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	-	4
Office equipment	58	70
Right-of-use assets	806	816
Total depreciation	<u>864</u>	<u>890</u>
<i>Amortisation</i>		
Software	300	67
Total depreciation and amortisation	<u>1,164</u>	<u>957</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	279	313
Interest and finance charges paid/payable on lease liabilities	86	112
Discount unwind on trail commission payments	19,193	20,169
Finance costs expensed	<u>19,558</u>	<u>20,594</u>
Marketing expenses	2,537	2,895
Consultancy expenses	1,459	1,436
Defined contribution superannuation expense	<u>1,040</u>	<u>1,046</u>

Note 6. Income tax

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Income tax benefit</i>		
Deferred tax - origination and reversal of temporary differences	(149)	(1,496)
Aggregate income tax benefit	<u>(149)</u>	<u>(1,496)</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(149)	(1,496)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(227)	(5,026)
Tax at the statutory tax rate of 30%	(68)	(1,508)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	34	39
Share-based payments	-	48
Other adjustments	(115)	(75)
Income tax benefit	<u>(149)</u>	<u>(1,496)</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
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Note 6. Income tax (continued)

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	9,194	9,507
Allowance for expected credit losses	79	95
Contract liabilities	317	340
Employee benefits	408	361
Clawback payables	153	177
Accrued expenses	428	372
Plant and equipment and intangibles assets	75	86
Net deferred trail income/commissions	(9,377)	(9,553)
Right-of-use assets and lease liabilities	60	58
Others	40	(215)
	<u>1,377</u>	<u>1,228</u>
Deferred tax asset		
	<u>1,377</u>	<u>1,228</u>
Movements:		
Opening balance	1,228	(268)
Credited to profit or loss	149	1,496
	<u>1,377</u>	<u>1,228</u>
Closing balance		
	<u>1,377</u>	<u>1,228</u>

Note 7. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank *	5,426	5,059
Term deposit	1,328	3,000
	<u>6,754</u>	<u>8,059</u>

* None of the cash is restricted.

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Note 8. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	527	859
Revenue accrual	21,734	19,983
Less: Allowance for expected credit losses	(263)	(317)
	<u>21,998</u>	<u>20,525</u>
Other receivables	<u>525</u>	<u>898</u>
	<u>22,523</u>	<u>21,423</u>
<i>Non-current assets</i>		
Other receivables	<u>888</u>	<u>135</u>
	<u><u>23,411</u></u>	<u><u>21,558</u></u>

Allowance for expected credit losses

The consolidated entity has recognised a gain of \$4,000 (30 June 2023: loss of \$99,000) in respect of the expected credit losses for the year ended 30 June 2024.

The allowance for expected credit losses relates to trade debtors and not to losses associated with upfront or trail commissions receivable.

The expected credit loss from the revenue accrual and other receivables is not material as these are due from organisations that have reduced credit risks and the probability of default is extremely low. Consequently, no expected credit losses have been recognised.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	1.0%	0.5%	193	329	-	1
0 to 3 months overdue	3.0%	0.5%	2	25	1	-
3 to 6 months overdue	20.0%	10.0%	88	211	18	22
Over 6 months overdue	100.0%	100.0%	244	294	244	294
			<u>527</u>	<u>859</u>	<u>263</u>	<u>317</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
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Note 8. Trade and other receivables (continued)

The consolidated entity continues to monitor the collection of receivables and determine the value of receivable impairments. As a result, the calculation of expected credit losses has been revised and rates have been revised in each category.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Opening balance	317	281
Additional provisions recognised	(4)	99
Written-off	(50)	(63)
	<u>263</u>	<u>317</u>

Note 9. Contract assets - trail commissions

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Contract assets	<u>85,611</u>	<u>81,205</u>
<i>Non-current assets</i>		
Contract assets	<u>315,074</u>	<u>281,902</u>
	<u><u>400,685</u></u>	<u><u>363,107</u></u>

Reconciliation

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

Opening balance	363,107	413,665
Additions - new settlements	130,030	138,588
Run-off and impact due to changes in other PV assumptions	(92,452)	(189,146)
	<u>400,685</u>	<u>363,107</u>

Contract assets relate to future trail commission receivables due from a combination of Australian banks and non-bank lenders. The expected credit loss from the contract assets is not material as these are receivables from organisations that have reduced credit risks, and the probability of default is extremely low. Consequently, no expected credit losses have been recognised.

Contract assets are revalued using assumptions for the current financial year, including changes to the run-off rate, discount rate, and margin mix. Portfolio run-off includes normal payments, prepayments and discharges. Loan life and other assumptions used are detailed in note 3.

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Note 10. Financial assets at fair value through profit or loss

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Financial asset in Resi Wholesale Funding Pty Ltd *	1,500	-
<i>Non-current assets</i>		
Financial asset in Resi Wholesale Funding Pty Ltd *	-	1,500
Investments at fair value through profit or loss	50	-
	<u>50</u>	<u>1,500</u>
	<u>1,550</u>	<u>1,500</u>

* On 14 October 2022, the consolidated entity provided Resi Wholesale Funding Pty Ltd ('RWF') an interest free loan of \$1,500,000. The loan is not repayable until at least 22 months from drawdown. At the option of the consolidated entity, the loan may be converted into shares in RWF at a fixed price of \$1 per share ('conversion option').

On inception, the loan was measured at fair value. At the reporting date, the financial asset was subsequently remeasured at fair value of \$1,500,000. Refer to note 22 for further information.

Note 11. Right-of-use assets

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	3,873	3,920
Less: Accumulated depreciation	(2,257)	(1,573)
	<u>1,616</u>	<u>2,347</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 year are set out below:

Consolidated	Office premises \$'000	Others \$'000	Total \$'000
Balance at 1 July 2022	2,932	42	2,974
Additions	189	-	189
Depreciation expense	(793)	(23)	(816)
	<u>2,328</u>	<u>19</u>	<u>2,347</u>
Balance at 30 June 2023	2,328	19	2,347
Additions	5	70	75
Depreciation expense	(784)	(22)	(806)
	<u>1,549</u>	<u>67</u>	<u>1,616</u>
Balance at 30 June 2024	<u>1,549</u>	<u>67</u>	<u>1,616</u>

Yellow Brick Road Holdings Limited
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30 June 2024

Note 11. Right-of-use assets (continued)

For other lease related disclosures, refer to the following:

- note 5 for details of depreciation on right-of-use assets and interest on lease liabilities;
- note 16 for lease liabilities at year end;
- note 21 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 12. Intangibles

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Software - at cost *	1,994	2,546
Less: Accumulated amortisation	(358)	(860)
	1,636	1,686
	1,636	1,686

* Intangible asset totalling \$802,000 was removed from the at cost calculations due to full amortisation.

Reconciliations

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

Consolidated	Software \$'000
Balance at 1 July 2022	361
Additions	1,392
Amortisation expense	(67)
	1,686
Balance at 30 June 2023	1,686
Additions	250
Amortisation expense	(300)
	1,636
Balance at 30 June 2024	1,636

Yellow Brick Road Holdings Limited
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30 June 2024

Note 13. Trade and other payables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	1,277	2,965
Trail commission payables	78,479	73,719
Accrued branch commissions	21,936	20,256
Accrued expenses	1,012	1,059
Clawback payables	185	226
Other payables	2,811	2,549
	<u>105,700</u>	<u>100,774</u>
<i>Non-current liabilities</i>		
Trade payables	1,269	69
Trail commission payables	290,948	257,544
Clawback payables	324	363
	<u>292,541</u>	<u>257,976</u>
	<u><u>398,241</u></u>	<u><u>358,750</u></u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial year for trail commission payables are set out below:

	2024	2023
	\$'000	\$'000
Opening balance	331,263	376,554
Additions - new settlements	122,080	137,858
Run-off and impact due to changes in other PV assumptions	<u>(83,916)</u>	<u>(183,149)</u>
Closing balance	<u><u>369,427</u></u>	<u><u>331,263</u></u>

Refer to note 21 for further information on financial instruments.

Yellow Brick Road Holdings Limited
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30 June 2024

Note 14. Contract liabilities

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Sponsorship contract liabilities	1,056	1,134
Service charges for Resi Wholesale Funding contract liabilities	400	400
	<u>1,456</u>	<u>1,534</u>
<i>Non-current liabilities</i>		
Service charges for Resi Wholesale Funding contract liabilities	-	400
	<u>1,456</u>	<u>1,934</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,934	2,442
Sponsorship payments received in advance	2,527	3,038
Transfer to revenue - included in the opening balance for sponsorship payments	(1,134)	(1,242)
Transfer to revenue - sponsorship revenue recognised during the year	(1,471)	(1,904)
Transfer to revenue - service charges to Resi Wholesale Funding recognised during the year	(400)	(400)
Closing balance	<u>1,456</u>	<u>1,934</u>

The contract liabilities includes sponsorship payments from lenders which are recognised as revenue when associated events and activities are held and initial recognition of prepayment received for professional services that will be provided to the Resi Wholesale Funding (joint venture) over the period in which services are expected to be provided.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$1,456,000 as at 30 June 2024 (\$1,934,000 as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Within 6 months	1,256	1,334
Within 12 months	200	200
After 12 months	-	400
	<u>1,456</u>	<u>1,934</u>

Yellow Brick Road Holdings Limited
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Note 15. Borrowings

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans	738	950
<i>Non-current liabilities</i>		
Bank loans	-	238
	<u>738</u>	<u>1,188</u>

Bank borrowings are secured over assets owned by the consolidated entity. The maturity date of the bank loan is 30 September 2024. The consolidated entity has initiated renewal process for the finance facility. Interest payable on the loan is 4.0% p.a. fixed rate on the finance facility limits plus variable rate of 4.4% p.a. on amounts drawn.

Furthermore, the contractual terms of the loan include covenants that require repayment on demand of the loan if any of the below conditions are not met:

- EBITDA to Debt Service Ratio of the consolidated entity for 2H FY24 should not be less than 1.20:1.
- Cash held by the consolidated entity at all times during 2H FY24 should not be less than \$1,200,000.
- Net Value of Future Trail Commission Receivable to Total Debt of the consolidated entity for 2H FY24 should not be less than 3:1.
- If budgeted EBITDA is more than 90% of actual EBITDA, then the minimum cash held by the consolidated entity should not be less than \$2,000,000 at all times during FY24.

The consolidated entity has passed the covenants requirements throughout the financial year ending on 30 June 2024.

Total secured facilities

The total secured facilities are as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
Bank loans	<u>2,238</u>	<u>3,188</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	
	2024	2023
	\$'000	\$'000
Total facilities		
Bank loans	<u>2,238</u>	<u>3,188</u>
Used at the reporting date		
Bank loans	<u>738</u>	<u>1,188</u>
Unused at the reporting date		
Bank loans	<u>1,500</u>	<u>2,000</u>

Refer to note 21 for further information on financial instruments.

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 16. Lease liabilities

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	1,404	793
<i>Non-current liabilities</i>		
Lease liability	413	1,747
	<u>1,817</u>	<u>2,540</u>

Refer to note 21 for further information on the maturity analysis of lease liabilities.

Note 17. Provisions

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	1,119	976
Client remediation provision	93	93
	<u>1,212</u>	<u>1,069</u>
<i>Non-current liabilities</i>		
Employee benefits	133	128
	<u>1,345</u>	<u>1,197</u>

Client remediation provision

In prior periods, management identified that a number of investment and wealth management clients may not have received a Fee Disclosure Statement or a Renewal Notice within the time limits prescribed by the Corporations Act. The consolidated entity has raised a provision which is not material in nature, to cover instances of financial compensation. It is noted that investment and wealth management services are discontinued operations of the consolidated entity.

There is no movement in the client remediation provision during the financial year.

Note 18. Issued capital

	Consolidated			
	2024	2023	2024	2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	319,484,867	326,381,450	112,222	112,630
	<u>319,484,867</u>	<u>326,381,450</u>	<u>112,222</u>	<u>112,630</u>

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Note 18. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	324,563,266		112,470
Shares issued to employees *	19 October 2022	<u>1,818,184</u>	\$0.088	<u>160</u>
Balance	30 June 2023	326,381,450		112,630
Shares issued	October 2023	3,529,079	\$0.055	194
Share buy-back	October 2023	(3,596,979)	\$0.058	(206)
Share buy-back	November 2023	<u>(6,828,683)</u>	\$0.058	<u>(396)</u>
Balance	30 June 2024	<u><u>319,484,867</u></u>		<u><u>112,222</u></u>

* In the current financial year no (30 June 2023: 1,818,184) shares were issued to employees for the services offered to the company. The total consideration for this share issue was \$nil (30 June 2023: \$160,000).

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity's approach to capital risk management remains unchanged from the 30 June 2023 Annual Report.

Note 19. Reserves

	Consolidated	
	2024	2023
	\$'000	\$'000
Share-based payments reserve	2,110	2,110
Fair value reserve	<u>105</u>	<u>105</u>
	<u><u>2,215</u></u>	<u><u>2,215</u></u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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Note 19. Reserves (continued)

Fair value reserve

The reserve is used to recognise the value of the discount applied to non-current financial liabilities in order to recognise them at their fair value in the statement of financial position.

Note 20. Dividends

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

Note 21. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Market risk

Foreign currency risk

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

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

Interest rate risk arises from fluctuations in interest bearing financial assets or liabilities that the consolidated entity may have. The consolidated entity's main interest rate risk arises from its cash at bank and bank loans.

As at the reporting date, the consolidated entity had the following variable rate borrowings and cash and cash equivalents outstanding:

	2024		2023	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	3.40%	5,426	1.42%	5,059
Term deposits	4.63%	1,328	2.15%	3,000
Borrowings	4.35%	(738)	3.20%	(1,188)
Net exposure to cash flow interest rate risk		<u>6,016</u>		<u>6,871</u>

An official increase/(decrease) in interest rates of 100 (30 June 2023: 100) basis points would have a favourable/unfavourable effect on profit before tax of \$60,160 (30 June 2023: \$68,710) per annum and favourable/unfavourable effect on equity of \$42,100 (30 June 2023: \$48,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Note 21. Financial instruments (continued)

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 8, the calculation of expected credit losses has been revised as at 30 June 2024.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity. However, 58.67% (30 June 2023: 58.74%) of the value of trail commission receivable relates to loans provided by four financial institutions to customers of the consolidated entity. In the unlikely event that any of these APRA regulated financial institutions are subject to an insolvency event, the consolidated entity's obligation to remit future trail commission to its independent branch network would also be suspended pending future receipts, thereby mitigating the financial impact of any default to a point where it would have no material impact on the financial viability of consolidated entity.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2024	2023
	\$'000	\$'000
Bank loans	1,500	2,000

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Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,277	1,269	-	-	2,546
Accrued branch commissions	-	21,936	-	-	-	21,936
Other payables	-	2,811	-	-	-	2,811
Trail commission payables	-	96,924	78,551	180,196	93,542	449,213
<i>Interest-bearing - variable</i>						
Bank loans	4.35%	738	-	-	-	738
<i>Interest-bearing - fixed rate</i>						
Lease liability	-	900	883	105	-	1,888
Total non-derivatives		124,586	80,703	180,301	93,542	479,132

Consolidated - 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,965	69	-	-	3,034
Accrued branch commissions	-	20,256	-	-	-	20,256
Other payables	-	2,549	-	-	-	2,549
Trail commission payables	-	89,627	71,694	134,512	100,709	396,542
<i>Interest-bearing - variable</i>						
Bank loans	3.20%	950	238	-	-	1,188
<i>Interest-bearing - fixed rate</i>						
Lease liability	-	877	880	938	-	2,695
Total non-derivatives		117,224	72,881	135,450	100,709	426,264

Trail commission is based on expected maturity, not contracted maturity. Other maturities reflect contracted maturities. Comparatives have been updated to reflect the same methodology as the current year.

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

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Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
<i>Current assets</i>				
Financial assets at fair value through profit or loss (note 10)	-	-	1,500	1,500
<i>Non-current assets</i>				
Financial assets at fair value through profit or loss (note 10)	-	-	50	50
Total assets	<u>-</u>	<u>-</u>	<u>1,550</u>	<u>1,550</u>

The fair value of a financial asset is based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including credit risk.

Consolidated - 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
<i>Non-current assets:</i>				
Financial assets at fair value through profit or loss (note 10)	-	-	1,500	1,500
Total assets	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>

The fair value of a financial asset is based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including credit risk.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 22. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 3

The consolidated entity performs the valuations of convertible loan required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO and Audit and Risk committee. The main level 3 inputs used by the consolidated entity are derived and evaluated to be the discount rate for the financial asset using the 1 year bond yield.

Sensitivity analysis

The following table summarises the impact in loss after tax from changes in significant unobservable inputs used in Level 3 fair value measurements:

	Changes in assumptions	
	%	\$
Discount rate	+ 1%	1,226
	- 1%	(1,228)

Note 23. Key management personnel disclosures

Compensation

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

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	2,315,329	2,358,371
Post-employment benefits	78,696	85,204
Long-term benefits	11,275	5,133
Share-based payments	-	25,000
	<u>2,405,300</u>	<u>2,473,708</u>

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>196,483</u>	<u>217,000</u>
<i>Other services - Grant Thornton Australia Limited</i>		
Taxation services	<u>23,793</u>	<u>26,172</u>
	<u>220,276</u>	<u>243,172</u>

Note 25. Contingent liabilities

The consolidated entity has provided bank guarantees as at 30 June 2024 of \$761,000 (30 June 2023: \$1,085,000).

Note 25. Contingent liabilities (continued)

On 12 April 2024, the Supreme Court of New South Wales ruled on a case concerning the imposition of payroll tax on commissions paid to mortgage brokers. The court determined that payroll tax is applicable under specific conditions, with liability reduced by particular exemptions, including for those active broker businesses employing two or more persons or utilising external service providers relating to mortgage broking processes. Final orders for this case which were expected on 6 September 2024 have been delayed, with the possibility of subsequent appeals. Given the judgment's specificity and pending finalisation, the application of payroll tax to the consolidated entity remains uncertain. Management has initiated a program to identify and assess the payroll tax implications, if any, relating to those brokers who may not fall within the relevant exemptions. As this program is ongoing the existence or extent of any payroll tax liability for the consolidated entity cannot yet be determined or quantified.

Other than the above, no material claims have been received by the consolidated entity at the date of this report, and the Directors are of the opinion that no material losses will be incurred in respect of any contingent liabilities.

Note 26. Commitments

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Advertising commitments</i> *		
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	<u>13,697</u>	<u>13,697</u>

* This relates to committed marketing spend with Nine Entertainment Group.

Note 27. Related party transactions

Parent entity

Yellow Brick Road Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Joint ventures

Interests in joint ventures are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 27. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Sale of goods and services:		
Sales to parties related to Resi Wholesale Funding Pty Ltd (a joint venture entity) for lending services	2,245,482	2,566,559
Sales to parties related to Resi Wholesale Funding Pty Ltd (a joint venture entity) for corporate back office services	400,000	400,000
Interest income:		
Interest income from Resi Wholesale Funding Pty Ltd (a joint venture entity)	74,679	440,973
Expensed during the year:		
Purchases of consultancy services from Golden Wealth Holding Pty Ltd (director-related entity of Mark Bouris) (a)	1,125,000	1,125,000
Purchases of services from BBB Capital Pty Ltd (director-related entity of Adrian Bouris) - Corporate finance services (b)	303,236	420,000

(a) Consulting services per consultancy service agreement.

(b) BBB Capital, its team and advisors provided corporate finance services on significant projects and initiatives.

Receivables, prepayments, contract liabilities and payables with related parties

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

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Sale of lending services receivables and other receivables from Resi Wholesale Funding Pty Ltd (a joint venture entity) (a)	691,041	576,317
Interest receivables from Resi Wholesale Funding Pty Ltd (a joint venture entity)	427,085	619,201
Non-current receivables:		
Sale of lending services receivables from Resi Wholesale Funding Pty Ltd (a joint venture entity)	1,695,590	1,558,751
Non-current asset - Prepayments		
Prepayment from the Nine Entertainment Group (shareholder-related entity) (b)	1,244,852	1,244,852
Current payables:		
Corporate finance services payable to BBB Capital Pty Ltd (director-related entity of Adrian Bouris) (c)	6,265	-
Marketing expense payable to Nine Entertainment Group	-	1,800,000
Corporate back office services payable to Resi Wholesale Funding Pty Ltd (d)	400,000	400,000
Non-current payables:		
Marketing expense payable to Nine Entertainment Group	1,269,178	69,178
Corporate back office services payable to Resi Wholesale Funding Pty Ltd (d)	-	400,000

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 27. Related party transactions (continued)

- (a) \$19,291 (30 June 2023: \$4,126) relates to the expense reimbursement, which is paid by the consolidated entity on behalf of Resi Wholesale Funding Pty Ltd.
- (b) Nine Entertainment Group ('Nine') provided the consolidated entity \$6,490,000 in contra advertising in 2012 as part settlement for shares Nine acquired in the company. Advertising of \$Nil (30 June 2023: \$Nil) was used during the year ended 30 June 2021, leaving an unused balance of non-current prepayment of \$1,244,852 (30 June 2023: \$1,244,852). The consolidated entity does not expect to realise this asset within 12 months of reporting date and hence it has been classified as a non-current asset.
- (c) BBB Capital Pty Ltd, its team and advisors provided corporate finance services on significant projects and initiatives.
- (d) Represents the cost of back office support services provided to Resi Wholesale Funding Pty Ltd. The consideration for this services has been received in the form of equity investment in the joint venture.

Loans to/from related parties

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

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Loan receivable from Resi Wholesale Funding Pty Ltd	1,500,000	-
Non-current receivables:		
Loan receivable from Resi Wholesale Funding Pty Ltd	-	1,500,000

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except where stated otherwise.

As BBB Capital Pty Ltd is a director related entity, engagements with the consolidated entity are reviewed against similar providers fees and services and approved by the independent director prior to commencement.

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$'000	\$'000
Profit after income tax	652	1,584
Total comprehensive income	652	1,584

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 28. Parent entity information (continued)

Statement of financial position

	Parent	
	2024	2023
	\$'000	\$'000
Total current assets	71,619	71,582
Total assets	100,118	100,080
Total current liabilities	470	832
Total liabilities	470	1,070
Equity		
Issued capital	112,222	112,768
Share-based payments reserve	2,120	1,541
Accumulated losses	(14,694)	(15,299)
Total equity	<u>99,648</u>	<u>99,010</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023 other than the cross guarantees and security arrangements associated with the bank loan facilities.

Contingent liabilities

The parent entity has been provided with bank guarantees for the benefit of external parties of \$761,000 as at 30 June 2024 (30 June 2023: \$1,085,000).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Commitments

The parent entity has a bank borrowing of \$738,000 as at 30 June 2024 (30 June 2023: \$1,188,000) and advertising commitments as follows:

	Parent	
	2024	2023
	\$'000	\$'000
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	13,697	13,697

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries and joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 :

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Yellow Brick Road Group Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Finance Pty Ltd	Australia	100.00%	100.00%
ExchangeIQ Advisory Group Pty Ltd	Australia	100.00%	100.00%
YBR Services Pty Ltd	Australia	100.00%	100.00%
YBR Administration Services Pty Ltd	Australia	100.00%	100.00%
Yellow Brick Road Aggregation Pty Ltd (formerly known as Vow Financial Pty Ltd)	Australia	100.00%	100.00%
Vow Financial Group Pty Ltd	Australia	100.00%	100.00%
Vow Financial Holdings Pty Ltd	Australia	100.00%	100.00%
National Brokers Group Pty Ltd	Australia	100.00%	100.00%
The Money Factory Pty Ltd	Australia	100.00%	100.00%
The Mortgage Professionals Pty Ltd	Australia	100.00%	100.00%
Select Mortgage Finance Pty Ltd	Australia	100.00%	100.00%
Vow Wealth Management Pty Ltd	Australia	100.00%	100.00%
Ironbark Mortgage Solutions Pty Ltd	Australia	100.00%	100.00%
National Brokers Group Holdings Pty Ltd	Australia	100.00%	100.00%
National Brokers Group Leasing Pty Ltd	Australia	100.00%	100.00%
RESI Mortgage Corporation Pty Ltd	Australia	100.00%	100.00%
Loan Avenue Holdings Pty Ltd	Australia	100.00%	100.00%
ACN 124 553 206 Pty Ltd (formerly known as Yellow Brick Road Financial Planners Pty Ltd)	Australia	100.00%	100.00%
ACN 126 061 569 Pty Ltd (formerly known as Yellow Brick Road Investment Partners Pty Ltd)	Australia	100.00%	100.00%
ACN 128 650 037 Pty Ltd (formerly known as Yellow Brick Road Wealth Management Pty Ltd)	Australia	100.00%	100.00%
ACN 125 664 593 Pty Ltd (formerly known as Yellow Brick Road Accounting & Taxation Services Pty Ltd) (In Liquidation)	Australia	100.00%	100.00%
ACN 124 480 084 PTY LIMITED (formerly known as Yellow Brick Road Accounting and Wealth Management) (In Liquidation)	Australia	100.00%	100.00%
YBR Mortgage Support Services Inc *	Philippines	99.98%	-

* Established on 28 February 2024. The minority interest for the current year is deemed immaterial.

Note 30. Interests in joint ventures

There were no balances for investments accounted for using the equity method during the year (30 June 2023: \$Nil).

No dividends were distributed during the year by the joint venture (30 June 2023: \$Nil). There is no quoted price for the investments in the joint venture.

Interests in joint ventures is accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Resi Wholesale Funding Pty Limited	Australia	50%	50%

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 30. Interests in joint ventures (continued)

Resi Wholesale Funding Pty Ltd fully owns the residual income and capital units in Resi Wholesale Funding Warehouse Trust No.1. The below table contains information for Resi Wholesale Funding Pty Ltd and its fully consolidated interests of Resi Wholesale Funding Warehouse Trust No.1.

Summarised consolidated financial information for Resi Wholesale Funding

	2024	2023
	\$'000	\$'000
<i>Summarised statement of financial position</i>		
Current assets		
Cash and cash equivalents	7,159	23,652
Other current assets	1,616	1,603
Total current assets	<u>8,775</u>	<u>25,255</u>
Non-current assets		
Loans receivable	374,376	360,042
Other non-current assets	2,964	3,691
Total non-current assets	<u>377,340</u>	<u>363,733</u>
Total assets	<u>386,115</u>	<u>388,988</u>
Current liabilities		
Trade and other payables	5,757	6,441
Other current liabilities	260	257
Total current liabilities	<u>6,017</u>	<u>6,698</u>
Non-current liabilities		
Borrowings	368,470	369,500
Other non-current liabilities	298	227
Total non-current liabilities	<u>368,768</u>	<u>369,727</u>
Total liabilities	<u>374,785</u>	<u>376,425</u>
Net assets	<u>11,330</u>	<u>12,563</u>

Summarised statement of profit or loss and other comprehensive income

Revenue	271	249
Interest income	26,716	21,594
Expenses	(4,241)	(5,303)
Finance costs	<u>(24,305)</u>	<u>(18,977)</u>
Loss before income tax	(1,559)	(2,437)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(1,559)</u>	<u>(2,437)</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 30. Interests in joint ventures (continued)

The consolidated entity's 50% share of the net assets of the joint venture not reflected in the carrying value above, is as follows:

	Consolidated	
	2024	2023
	\$'000	\$'000
50% share of net assets	5,665	6,282
Less: carrying amount	-	-
Net assets not recognised	<u>5,665</u>	<u>6,282</u>

Contingent liabilities

Contingent liabilities as at 30 June 2024 \$Nil (30 June 2023: \$Nil)

Commitments

Share of commitments but not recognised as liability as at 30 June 2024 \$Nil (30 June 2023: \$Nil).

The financial statement for Resi Wholesale Funding Pty Ltd (Joint operations) are audited by Grant Thornton Audit Pty Ltd for the fees of \$79,000 (30 June 2023: \$96,850).

Note 31. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss after income tax benefit for the year	(78)	(3,530)
Adjustments for:		
Depreciation and amortisation	1,164	957
Share-based payments	-	1
Shares issued to employees	-	160
Share of loss - joint ventures (Resi Wholesale Funding)	-	630
Net change on the present value of trail commissions	586	5,266
Change in operating assets and liabilities:		
Increase/(decrease) in prepayments	50	83
Decrease/(increase) in trade and other receivables	(1,305)	699
Increase/(decrease) in trade and other payables	975	(3,360)
Decrease in deferred tax assets/liabilities	(149)	(1,496)
(Decrease)/increase in employee benefits	147	(81)
Decrease in other operating liabilities	(127)	(652)
Net cash from/(used in) operating activities	<u>1,263</u>	<u>(1,323)</u>

Yellow Brick Road Holdings Limited
Notes to the financial statements
30 June 2024

Note 31. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 July 2022	2,138	3,088	5,226
Net cash used in financing activities	(950)	(737)	(1,687)
Acquisition of leases	-	189	189
Balance at 30 June 2023	<u>1,188</u>	<u>2,540</u>	<u>3,728</u>
Net cash used in financing activities	(450)	(798)	(1,248)
Acquisition of leases	-	75	75
Balance at 30 June 2024	<u><u>738</u></u>	<u><u>1,817</u></u>	<u><u>2,555</u></u>

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Yellow Brick Road Holdings Limited	Body Corporate	Australia	-	Australia *
Yellow Brick Road Group Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Yellow Brick Road Finance Pty Ltd	Body Corporate	Australia	100.00%	Australia *
ExchangeIQ Advisory Group Pty Ltd	Body Corporate	Australia	100.00%	Australia *
YBR Services Pty Ltd	Body Corporate	Australia	100.00%	Australia *
YBR Administration Services Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Yellow Brick Road Aggregation Pty Ltd (formerly known as Vow Financial Pty Ltd)	Body Corporate	Australia	100.00%	Australia *
Vow Financial Group Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Vow Financial Holdings Pty Ltd	Body Corporate	Australia	100.00%	Australia *
National Brokers Group Pty Ltd	Body Corporate	Australia	100.00%	Australia *
The Money Factory Pty Ltd	Body Corporate	Australia	100.00%	Australia *
The Mortgage Professionals Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Select Mortgage Finance Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Vow Wealth Management Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Ironbark Mortgage Solutions Pty Ltd	Body Corporate	Australia	100.00%	Australia *
National Brokers Group Holdings Pty Ltd	Body Corporate	Australia	100.00%	Australia *
National Brokers Group Leasing Pty Ltd	Body Corporate	Australia	100.00%	Australia *
RESI Mortgage Corporation Pty Ltd	Body Corporate	Australia	100.00%	Australia *
Loan Avenue Holdings Pty Ltd	Body Corporate	Australia	100.00%	Australia *
ACN 124 553 206 Pty Ltd (formerly known as Yellow Brick Road Financial Planners Pty Ltd)	Body Corporate	Australia	100.00%	Australia *
ACN 126 061 569 Pty Ltd (formerly known as Yellow Brick Road Investment Partners Pty Ltd)	Body Corporate	Australia	100.00%	Australia *
ACN 128 650 037 Pty Ltd (formerly known as Yellow Brick Road Wealth Management Pty Ltd)	Body Corporate	Australia	100.00%	Australia *
ACN 125 664 593 Pty Ltd (formerly known as Yellow Brick Road Accounting & Taxation Services Pty Ltd) (In Liquidation)	Body Corporate	Australia	100.00%	Australia *
ACN 124 480 084 Pty Ltd (formerly known as Yellow Brick Road Accounting and Wealth Management) (In Liquidation)	Body Corporate	Australia	100.00%	Australia *
YBR Mortgage Support Services Inc	Body Corporate	Philippines	99.98%	Australia **

* Yellow Brick Road Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

** This company, being incorporated and carrying on business activities in the Philippines would be tax resident under the domestic tax laws of the Philippines. However, on the basis that it is also carrying on business in Australia and the entity's central management and control (being the location of the making of high-level decisions that set the company's general policies, and determine the direction of its operations and the type of transactions it will enter) is exercised by directors exclusively in Australia, the entity is also considered to be an Australian tax resident company under Australian tax law.

Yellow Brick Road Holdings Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Bouris
Executive Chairman

10 September 2024
Sydney

Independent Auditor's Report

To the Members of Yellow Brick Road Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the 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 30 June 2024, 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 year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton.

Grant Thornton Audit Pty Ltd
Chartered Accountants

Tari Makanda.

T Makanda
Partner – Audit & Assurance
Sydney, 10 September 2024