



YellowBrickRoad  
Home Loans

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# Challenging and Advancing the Future of Home Loans.

Annual Report **2022**





# Executive Chairman's Report

Dear Shareholders,

The year ended 30 June 2022 was a year of economic contrasts with the first three quarters experiencing a continuation of a strong property market and historical low interest rates. Market dynamics changed in May 2022 which saw the first increase in official rates since November 2010. The year continued to see significant refinance activity driven by strong competition, particularly in prime lending heightened by sizeable cash back inducements. Consumers continued to elect to use brokers to support their home loan needs with usage increasing from 59% of all home loans in FY21 to 68% in FY22.

The snapshot of the business highlights for the YBR Group in FY22 are:

1. The business experienced strong, above system growth in settlements which grew by 56.2% to \$21.0bn and the underlying loan book by 11.9% to \$57.9bn;
2. Gaining momentum with our self-funded mortgage products via the Resi Wholesale Funding joint venture. The portfolio has reached over \$325m by 31 August 2022 with volumes expected to accelerate due to the recent release of improved credit parameters;
3. The expansion of our product range by partnering with Advantedge Financial Services, a subsidiary of National Australia Bank. This has enabled YBR Group branded products to generate greater penetration into a very competitive prime lending sector;
4. The launch of the Y Home Loans digital fintech platform including its website and mobile app. In addition to providing educational content to property buyers, the datasets generated will enable us to understand borrower's behaviour well before they make the decision to buy. Y Home Loans represents an important milestone in our digital and data transformation.
5. Increased visibility of YBR in the marketplace. Television and radio advertising has been ramped up

to complement our successful digital advertising program. I have also led an increase in PR activities including regular appearances in mainstream TV shows and Sky News. These activities have been favourably received by our existing YBR Franchisees and assists in the recruitment of new brokers.

Our group has continued the trend over the past 3 years of generating positive cashflows from operating activities and also normalised profits when adding back Trail NPV and one-off items. The "normalised" net cash from operating activities has grown from a surplus of \$2.7m in FY20 to \$5.0m in FY21 and \$8.3m in FY22. The positive cashflows have enabled the Group to invest in strategic initiatives and to pay down debt.

As was the case in FY21, the net effect of a rampant refinancing market is that our own mortgage book was also refinanced in part as our brokers engage with customers to provide better outcomes. This contributed to an accounting adjustment in our net present value of the mortgage book of negative \$3.73m. This is a non-cash item.

In terms of major strategic group undertakings for 2023 ahead, we are focusing on 3 areas: YBR Group distribution growth; increasing margin through expansion of our own product suite and growth in YBR Retail and continuing the transformation into a digital and data driven business.

From a distribution growth perspective, we are seeking to increase our YBR franchise and Vow broker footprints from the current combined 1,200. The foundation has been built in FY22 through increased brand recognition, engagement of additional resources and an overhaul of our recruitment processes. Further investment will occur in 2023 in recruitment activities, enhancements to our lead-generation capabilities, improvements in services provided to brokers and the provision of increased diversification opportunities into Commercial and Equipment Finance lending. The extensive advertising and PR activities will continue

in 2023 to support the required growth. Because at the end of the day, the only way we can grow in revenue and volume is to increase our footprint of brokers on the ground. Growth in footprint is most sensitively affected by brand media presence, product range, commission structures, and head office support.

We will continue to invest in our own Resi products suite which are expected to provide improved margins over the medium term. A key pillar to support growth in this area will be the release by the end of 2022 of the Resi Credit Assessment Platform which through automation of credit decisioning, will more than double the productivity of the credit function and enable industry leading turnaround times. This application is expected to provide us with a competitive advantage as coverage includes near prime and alt doc loans in addition to the prime loan capabilities of digital based lenders. We will ramp up the product support provided to brokers, including releasing digital tools and education to boost penetration. Funding capabilities will be expanded to support the growth expectations of this business. This is a major market leading digital initiative for our group and is close to release.

We are pleased with the digital progression of the business during FY22 and see the opportunity for significant advancement in 2023. Y Home Loans will form an important additional part of this transformation enabling the capture of key audience insights and provide them with targeted

information and tools to support their property and home loan journeys. The entire business will focus on developing data capabilities to lead to more effective broker recruitment, increased conversion of customer enquiry to settlement and improved customer retention. In partnership with a data expert specialist, we are currently piloting a sophisticated retention framework which provides potential triggers for loans to be refinanced and opportunities for brokers to have meaningful discussions with customers. Again, we will be a market leader in this digital initiative around customer behaviour patterns.

We have aggressive growth targets for FY23 which will not be supported by a buoyant market to the same extent as we experienced in FY21. We have market leading capabilities and broker offerings to grow our share of the mortgage broking sector. As has been the case in prior years, we are very mindful of not overreaching in terms of costs. If a significant slowdown in the home loan market occurs following the extensive rate increases, we will moderate our costs accordingly. As far as available cash and cash facilities we are well positioned.

Regards,



**Mark Bouris**  
Executive Chairman



# Yellow Brick Road Holdings Limited

ABN 44 119 436 083

Annual Report – 30 June 2022



Yellow Brick Road Holdings Limited

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Yellow Brick Road Holdings Limited

Corporate directory  
30 June 2022

Directors	Mark Bouris (Chairman) Adrian Bouris John George
Joint Company secretaries	Andrew Symes Stephen McKenzie
Registered office and principal place of business	Level 11 1 Chifley Square Sydney NSW 2000 Head office telephone: 02 8226 8200
Share register	Computershare Investor Services Pty Limited Level 11 172 St George Terrace Perth WA 6000 Shareholders Enquiries: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Solicitors	Landerer & Company Level 31 133 Castlereagh Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Tower 1, 201 Sussex Street Sydney NSW 2000  Australia and New Zealand Banking Group Limited 833 Collins Street Docklands VIC 3008
Stock exchange listing	Yellow Brick Road Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: YBR)
Website	<a href="http://www.ybr.com.au">www.ybr.com.au</a>
Corporate Governance Statement	Yellow Brick Road Holdings Limited and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. Yellow Brick Road Holdings Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th Edition) published by the ASX Corporate Governance Council. Details of the corporate governance report is available on the consolidated entity website at <a href="https://www.ybr.com.au/investor-centre/corporate-governance-1">https://www.ybr.com.au/investor-centre/corporate-governance-1</a>

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

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 2022.

**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

**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 \$2,459,000 (30 June 2021: loss of \$460,000).

The profit before tax (excluding net present value of trail commissions) for the consolidated entity was \$1,188,000 (30 June 2021: \$4,791,000).

The FY22 result was boosted by the net revenues associated with the strong volumes generated by the business. Whilst not evident in the profit or loss, the increase in net cash from operating activities to \$3,968,000 (30 June 2021: \$874,000) supports this. There were 2 main areas which negatively impact the FY22 result.

Firstly, the level of operating expenses has increased with \$2,100,000 of the increase relating to spend on strategic initiatives including the Resi Wholesale Funding lending joint venture, the Y Home Loans digital broking business, YBR rebranding and distribution expansion. These strategic initiatives are expected to provide benefits over the medium term.

The second area is a net loss of \$3,734,000 (30 June 2021: net loss of \$5,225,000) related to the net present value of trail commissions, which has been driven by a combination of market factors and, in general, lower margins on new settlements. The lower margin reflects to a greater proportion of new business derived from the Vow wholesale aggregation business and high volume YBR franchisees which have higher levels of commission payaways. As was the case in FY21, interest rates have been at a record low. As a result, the level of refinances have been strong, which is reflected in increased run-off rates and an associated reduction in the net present value of trail commissions. The effect of this is shown below.

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before tax	(2,546)	(434)
Loss on revaluation of net present value of trail commissions	1,460	1,463
Loss on other movements in net present value of trail commissions	2,274	3,762
Net loss related to the net present value of trail commissions	3,734	5,225
Profit before tax (excluding net present value of trail commissions)	1,188	4,791

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

The earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations, adjusted for non-operating items ('Underlying EBITDA'), was a profit of \$1,002,000 (30 June 2021: profit of \$2,493,000). This is calculated as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(2,459)	(460)
Add: Depreciation and amortisation*	273	244
Add: Interest expense**	248	163
(Less)/add: Income tax (benefit)/expense	(87)	26
EBITDA	(2,025)	(27)
Less: Gain on disposal of general insurance business	-	(130)
Add: Loss on revaluation of underlying loan book	1,460	1,463
Add: Loss after income tax expense from discontinued operations	-	3
Add: Non-recurring legal expenses	318	593
Add: Non-recurring settlements in relation to the sold/discontinued business	480	-
Less: Service charges (equity-accounted) for Resi Wholesale Funding	(400)	(400)
Add: Share of net loss from joint venture	1,169	991
Underlying EBITDA from continuing operations	1,002	2,493

\* 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:

- Statutory revenue from continuing operations increased by 95.8% to \$287,921,000 (30 June 2021: \$147,042,000).
- Receipts from customers (inclusive of GST) increased by 28.4% to \$262,106,000 (30 June 2021: \$204,059,000).
- Operating expenses increased by \$4,403,000 to \$23,442,000 (30 June 2021: \$19,039,000). A significant proportion of the increase in operating expenses relate to the strategic decisions to increase investment to enhance key business areas such as rebranding, distribution expansion and the securitisation lending program.
- Net cash flows from operating activities increased by \$3,094,000 to \$3,968,000 (30 June 2021: \$874,000).
- Cash balances decreased by \$2,418,000 to \$10,088,000 (30 June 2021: \$12,506,000). The decrease includes a \$4,500,000 payment for the purchase of Class C Notes in Resi Wholesale Funding ('RWF') securitised lending program.
- Net cash after borrowings reduced by \$1,256,000 to \$7,950,000 (30 June 2021: \$9,206,000). When adding back the face value of the Class C notes held in the Resi Wholesale Funding Warehouse Trust No.1, net cash after borrowing would have increased by \$3,244,000.
- Borrowings reduced by \$1,162,000 to \$2,138,000 (30 June 2021: \$3,300,000).
- Net tangible assets per ordinary share increased by 0.42 cents to 12.46 cents (30 June 2021: 12.88 cents). When incorporating the consolidated entity's 50% interest in the Resi Wholesale Funding joint venture, the net tangible assets per ordinary share becomes 14.77 cents (30 June 2021: 15.54 cents).
- Settlements grew by 56.2% to \$21,004 million (30 June 2021: \$13,445 million).
- Underlying loan book size increased by 11.9% to \$57,896 million (30 June 2021: \$51,717 million).
- Net present value of underlying loan book decreased by 9.0% to \$37,110,000 (30 June 2021: \$40,773,000).
- Net present value of underlying loan book per ordinary share is 11.4 cents (30 June 2021: 12.6 cents).

**Significant changes in the state of affairs**

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

**Matters subsequent to the end of the financial year**

Subsequent to the balance date a notice of a potential claim has been received. We are unable to determine the merits or quantum of that claim. Therefore, no provision has been made.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

Other than as noted above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the consolidated entity and the expected results of operations will be detailed in the Annual Report to be released on 7 October 2022.

**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 impact lending volumes and the present value of trail commissions (through increased run-off rates). 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.

*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.

*Cyber risk*

Threats to information security are constantly evolving and techniques used to undertake cyber attacks increasing in sophistication. 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, or damage to its own and third parties' data and technology as well as continuing to invest to implement cyber controls commensurate to the threats required to be responded to.

*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 and Vow broker networks and continue to invest in the YBR brand which continues to be well regarded within lending market.

*COVID-19*

The consolidated entity continues to respond promptly and strategically to the ongoing and rapidly changing impact of COVID-19 related risks. The consolidated entity is equipped to quickly adapt to changing public health regulations and has developed better ways to continue operating in a COVID-safe manner.

*Privacy and data breach*

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 cloud infrastructure. The consolidated entity keeps its workforce appropriately trained and updated with privacy and data breach training and initiatives.

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*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 improve its WHS practices by using the existing safety culture across the business to continue to develop and train its workforce on WHS matters.

*Reliance on key personnel*

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.

*Regulatory compliance*

Represents 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.

**Environmental regulation**

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

**Information on directors**

Name:	Mark Bouris
Title:	Executive 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.

Other current directorships:	None
Former directorships	
(last 3 years):	None
Special responsibilities:	YBR appointed director of Resi Wholesale Funding Pty Limited.
Interests in shares:	54,987,219 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

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 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.

Other current directorships:	None
Former directorships	
(last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee. YBR appointed director and chairman of Resi Wholesale Funding Pty Limited.

Interests in shares:	3,155,400 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None



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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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	240,000 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

**Joint Company secretaries**

Andrew Symes was appointed as the Company Secretary for the YBR group of companies and its affiliates on 4 October 2021. Andrew brings a wealth of experience as a senior lawyer, with extensive expertise in corporate governance, risk and compliance in banking and financial services, including financial advice, product, distribution, superannuation, lending, mortgage broking and investment management. He has held senior legal and governance roles with various publicly listed companies.

Stephen McKenzie was appointed as the Co-Company Secretary for the YBR group of companies and its affiliates on 4 October 2021. Stephen is a member of the Institute 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.

The previous company secretary Sean Preece resigned on 4 October 2021.

**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 2022, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mark Bouris *	10	10	-	-
Adrian Bouris	9	10	6	6
John George	10	10	6	6
Owen Williams **	-	-	6	6

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

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- \* 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 Group.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the director and other key management personnel ('KMP') arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

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

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. Each KMP's key performance indicators ('KPI') are being set at the beginning of the year. The performance of the KMP are measured against these KPIs and are used to determine the base pay and bonus of the KMP. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of KMP compensation; and
- transparency.

The company does not have a dedicated Nomination and Remuneration Committee ('NRC'). The task of ensuring that the level of KMP remuneration is sufficient and reasonable and that its relationship to performance is clear is dealt with by the full Board. The performance of the consolidated entity depends on the quality of its KMP. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

This is achieved through adopting a remuneration structure that:

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

In accordance with best practice corporate governance, the structure of executive and non-executive directors' remuneration is separate.

***Non-executive directors' remuneration***

Non-executive directors' fees and payments are reviewed periodically. The Board relies on advice from independent remuneration consultants, from time to time, to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive share options or other incentives.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2014, where the shareholders approved an aggregate remuneration of \$300,000.

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*Executive remuneration*

The executive chairman's fees are determined independently to the fees of non-executive directors and are based on comparative roles in the external market. The executive chairman is not present at any discussions relating to determination of his own remuneration.

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

The KMP remuneration and reward framework has four components:

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

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed periodically, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

KMPs can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity.

Short-term incentives ('STI') are designed to align the profit of the consolidated entity and the targets of business units with the performance hurdles of executives. STI payments are granted to KMPs based on specific annual targets and KPIs being achieved.

*Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is linked to their divisional performance and the performance of the consolidated entity, if relevant. Refer to section 'Details of remuneration' for further information on the remuneration report.

*Use of remuneration consultants*

During the financial year ended 30 June 2022, the consolidated entity did not engage the services of independent remuneration experts.

*Voting and comments made at the company's 2021 Annual General Meeting ('AGM')*

At the 2021 AGM, 64.66% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021.

As more than 25% of the votes were cast against, this constituted a first strike for the purposes of the Act. The votes against included one shareholder who controls 64,083,211 shares which, if excluded, would have resulted in only 3.50% being against.

57,484,296 shares (being approximately 17.71% of the issued capital of the company) were excluded from voting on the remuneration report as they represent shares held by or related to KMP.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of KMP of the consolidated entity are set out in this section.

The KMP of the consolidated entity consisted of the following directors of Yellow Brick Road Holdings Limited:

- Mark Bouris - Executive Chairman
- Adrian Bouris - Non-Executive Director
- John George - Non-Executive Director

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And the following persons:

- Stephen McKenzie - Chief Financial Officer, Chief Operating Officer and Joint Company Secretary (appointed as Company Secretary on 4 October 2021)
- Andrew Symes - General Counsel and Joint Company Secretary (appointed on 4 October 2021)
- Sean Preece - Chief Risk Officer, Chief Customer Officer and Company Secretary (resigned on 4 October 2021)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2022</b>							
<i>Non-Executive Directors:</i>							
Adrian Bouris	75,000	-	-	-	-	-	75,000
John George	75,000	-	-	-	-	-	75,000
<i>Executive Directors:</i>							
Mark Bouris (Chairman)	1,125,000	-	-	-	-	-	1,125,000
<i>Other KMP:</i>							
Stephen McKenzie	368,500	-	16,350	27,500	10,053	-	422,403
Sean Preece	240,258	-	-	9,535	-	20,000	269,793
Andrew Symes *	225,000	25,000	15,832	25,000	6,029	-	296,861
	<u>2,108,758</u>	<u>25,000</u>	<u>32,182</u>	<u>62,035</u>	<u>16,082</u>	<u>20,000</u>	<u>2,264,057</u>

\* Includes remuneration from the date of becoming a KMP. The bonus payment was cash based and fully paid on 14 October 2021. The payment was Board approved and reflected the performance of the consolidated entity and individual performance measures.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus *	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2021</b>							
<i>Non-Executive Directors:</i>							
Adrian Bouris	75,000	-	-	-	-	-	75,000
John George	75,000	-	-	-	-	-	75,000
<i>Executive Directors:</i>							
Mark Bouris (Chairman)	1,125,000	-	-	-	-	-	1,125,000
<i>Other KMP:</i>							
Stephen McKenzie	302,821	40,000	4,168	22,942	1,378	-	371,309
Sean Preece	369,200	40,000	6,096	25,000	19,323	-	459,619
	<u>1,947,021</u>	<u>80,000</u>	<u>10,264</u>	<u>47,942</u>	<u>20,701</u>	<u>-</u>	<u>2,105,928</u>

\* The Other KMP bonus payments were cash based and fully paid on 14 October 2020. These were Board approved and reflected the performance of the consolidated entity and individual performance measures.



**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Adrian Bouris	100%	100%	-	-	-	-
John George	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Mark Bouris	80%	80%	20%	20%	-	-
<i>Other KMP:</i>						
Stephen McKenzie	100%	89%	-	11%	-	-
Sean Preece	93%	91%	-	9%	7%	-
Andrew Symes	92%	-	8%	-	-	-

**Service agreements**

KMP have no entitlement to termination payments in the event of removal for misconduct.

Non-executive directors do not execute service agreements on appointment to the Board.

The Executive Chairman, Mark Bouris, is engaged under a consultancy agreement between the company and Golden Wealth Holdings Pty Limited ('GWH'), a company controlled by Mark Bouris. The consultancy agreement was entered on 20 December 2019 for an indefinite period, comprising a minimum period of two years, with a 12 months notice period to terminate thereafter which has not been exercised by either party.

Under the agreement a maximum fee of \$1,125,000 per annum is payable, subject to an annual clawback of up to \$225,000 in the event of annual targets set by the company's board of directors not being met. The annual targets are focused on the business results of the consolidated entity, including the effectiveness of and value obtained in promoting the consolidated entity and the business from the social media platforms which are owned by The Mentor Platform Pty Limited and controlled by Mark Bouris. The Board resolved that annual targets were achieved in both FY21 and FY22, and that no clawback was triggered.

**Share-based compensation**

*Issue of shares*

On 28 July 2021, 285,714 shares were issued to Sean Preece for the services offered to the company at an issue price of \$0.07. The total consideration for this share issue was \$20,000.

*Options*

There were no options over ordinary shares granted to, or vested in, directors and other KMP as part of compensation during the year ended 30 June 2022.

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000
Revenue from ordinary activities	306,780	166,127	186,744	211,189	228,720
Profit/(loss) after income tax	(2,459)	(460)	5,957	(37,394)	(658)

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
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The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	0.09	0.09	0.07	0.07	0.09
Basic earnings per share (cents per share)	(0.76)	(0.14)	1.91	(13.20)	(0.23)
Diluted earnings per share (cents per share)	(0.76)	(0.14)	1.91	(13.18)	(0.23)
Net tangible assets per share (cents per share)	12.46	12.88	13.43	12.33	13.36

**Additional disclosures relating to KMP**

*Shareholding*

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mark Bouris	54,028,182	-	959,037	-	54,987,219
Adrian Bouris	3,155,400	-	-	-	3,155,400
John George	240,000	-	-	-	240,000
Sean Preece	52,356	285,714	-	-	338,070
	57,475,938	285,714	959,037	-	58,720,689

*Other transactions with KMP and their related parties*

During the financial year, payments for corporate finance services provided by BBB Capital Pty Limited (director-related entity of Adrian Bouris) of \$200,000 (30 June 2021: \$170,000) were made. The current trade payable balance as at 30 June 2022 was \$27,500 (30 June 2021: \$27,500). All transactions were made on normal commercial terms and conditions and at market rates.

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

**Performance rights**

Performance rights over unissued ordinary shares of Yellow Brick Road Holdings Limited issued at the date of this report are as follows:

Grant date	Expiry date	Number of performance rights
29 July 2015 *	30 November 2022	92,307

\* Performance rights granted to the former branch owners in Resi Mortgage Corporation ('RESI') business. These performance rights vest if the former RESI branch remains in the YBR branch network on the vesting date.

No person entitled to exercise the performance rights had or has any right by virtue of the performance rights to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of performance rights**

There were no ordinary shares of the company issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

**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.

**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.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Grant Thornton Audit Pty Ltd**

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

**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.

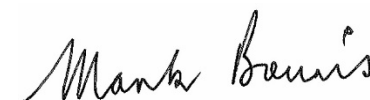
**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this report.

**Yellow Brick Road Holdings Limited**  
**Directors' report**  
**30 June 2022**

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

29 August 2022  
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 2022, 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 Audit Pty Ltd  
Chartered Accountants



M A Adam-Smith  
Partner – Audit & Assurance  
Sydney, 29 August 2022

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## Yellow Brick Road Holdings Limited Statement of profit or loss and other comprehensive income For the year ended 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
<b>Revenue</b>			
Revenue from contracts with customers from continuing operations		289,381	148,505
Loss on revaluation of underlying loan book		(1,460)	(1,463)
Revenue from continuing operations	5	287,921	147,042
Share of losses of joint ventures accounted for using the equity method	12	(1,169)	(991)
Other income		41	756
Interest income		340	27
Discount unwind on trail commission		18,519	18,998
Total revenue and other gains		305,652	165,832
<b>Expenses</b>			
Commissions and consultancy expenses		(266,801)	(129,396)
Employee benefits expense		(12,323)	(9,960)
Depreciation and amortisation expense	6	(1,060)	(1,060)
Impairment of receivables	9	(79)	(100)
Occupancy expenses		(316)	(224)
Other expenses		(10,724)	(8,755)
Finance costs	6	(16,895)	(16,898)
Total expenses		(308,198)	(166,393)
<b>Loss before income tax benefit/(expense) from continuing operations</b>		(2,546)	(561)
Income tax benefit/(expense)	7	87	(26)
Loss after income tax benefit/(expense) from continuing operations		(2,459)	(587)
Profit after income tax expense from discontinued operations		-	127
<b>Loss after income tax benefit/(expense) for the year attributable to the owners of Yellow Brick Road Holdings Limited</b>		(2,459)	(460)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to the owners of Yellow Brick Road Holdings Limited</b>		(2,459)	(460)
Total comprehensive loss for the year is attributable to:			
Continuing operations		(2,459)	(587)
Discontinued operations		-	127
		(2,459)	(460)

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

Yellow Brick Road Holdings Limited  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2022

		Cents	Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	34	(0.76)	(0.18)
Diluted earnings per share	34	(0.76)	(0.18)
<b>Earnings per share for profit from discontinued operations attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	34	-	0.04
Diluted earnings per share	34	-	0.04
<b>Earnings per share for loss attributable to the owners of Yellow Brick Road Holdings Limited</b>			
Basic earnings per share	34	(0.76)	(0.14)
Diluted earnings per share	34	(0.76)	(0.14)

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 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	10,088	12,506
Trade and other receivables	9	21,921	20,823
Contract assets - trail commissions	10	78,631	72,089
Deposits		449	474
Prepayments		1,789	1,710
Total current assets		112,878	107,602
<b>Non-current assets</b>			
Contract assets - trail commissions	10	335,034	276,005
Loan receivable from Resi Wholesale Funding Warehouse Trust No.1	11	4,500	-
Investments accounted for using the equity method	12	385	1,554
Right-of-use assets	13	2,974	203
Plant and equipment	14	133	132
Intangibles	15	361	218
Prepayments		1,595	1,245
Total non-current assets		344,982	279,357
<b>Total assets</b>		457,860	386,959
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	100,036	88,484
Contract liabilities	17	1,642	1,948
Borrowings	18	950	1,163
Lease liabilities	19	711	157
Provisions	20	1,219	1,083
Total current liabilities		104,558	92,835
<b>Non-current liabilities</b>			
Trade and other payables	16	307,525	246,709
Contract liabilities	17	800	1,200
Borrowings	18	1,188	2,137
Lease liabilities	19	2,377	72
Deferred tax	7	268	355
Provisions	20	66	136
Total non-current liabilities		312,224	250,609
<b>Total liabilities</b>		416,782	343,444
<b>Net assets</b>		41,078	43,515
<b>Equity</b>			
Issued capital	21	112,470	112,450
Reserves	22	2,214	2,212
Accumulated losses		(73,606)	(71,147)
<b>Total equity</b>		41,078	43,515

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 2022**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	112,457	2,206	(70,687)	43,976
Loss after income tax expense for the year	-	-	(460)	(460)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(460)	(460)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	-	6	-	6
Share buy-back (note 21)	(7)	-	-	(7)
Balance at 30 June 2021	<u>112,450</u>	<u>2,212</u>	<u>(71,147)</u>	<u>43,515</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2021	112,450	2,212	(71,147)	43,515
Loss after income tax benefit for the year	-	-	(2,459)	(2,459)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,459)	(2,459)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	20	-	-	20
Share-based payments (note 22)	-	2	-	2
Balance at 30 June 2022	<u>112,470</u>	<u>2,214</u>	<u>(73,606)</u>	<u>41,078</u>

**Yellow Brick Road Holdings Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

	<b>Note</b>	<b>Consolidated 2022 \$'000</b>	<b>2021 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		262,106	204,059
Payments to suppliers and employees (inclusive of GST)		<u>(257,885)</u>	<u>(202,916)</u>
		4,221	1,143
Interest received		118	26
Interest and other finance costs paid		<u>(371)</u>	<u>(295)</u>
Net cash from operating activities	33	<u>3,968</u>	<u>874</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of investments	12	-	(120)
Payments for plant and equipment	14	(65)	(49)
Payments for intangibles	15	(352)	-
Proceeds from disposal of investments		-	2,500
Proceeds from disposal of business		479	1,109
Loans to Resi Wholesale Funding Warehouse Trust No.1	11	<u>(4,500)</u>	<u>-</u>
Net cash (used in)/from investing activities		<u>(4,438)</u>	<u>3,440</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	33	(1,162)	(1,900)
Repayment of lease liabilities	33	(786)	(1,228)
Payments for share buy-back		<u>-</u>	<u>(7)</u>
Net cash used in financing activities		<u>(1,948)</u>	<u>(3,135)</u>
Net (decrease)/increase in cash and cash equivalents		(2,418)	1,179
Cash and cash equivalents at the beginning of the financial year		<u>12,506</u>	<u>11,327</u>
Cash and cash equivalents at the end of the financial year	8	<u>10,088</u>	<u>12,506</u>

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

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

**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 a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 11  
1 Chifley Square  
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2022. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New 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 a material impact on the consolidated entity.

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

**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 31.

**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 2022 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'.

**Note 2. Significant accounting policies (continued)**

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**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.



**Note 2. Significant accounting policies (continued)**

*Mortgage broking services - Trail 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.

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 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.

*Sponsorship revenue*

Sponsorship revenue represents contributions from lenders to market at YBR arranged events for its Brokers/Advisor 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.

*Other revenue*

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

*Interest*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**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. Significant accounting policies (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.

**Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of such a line of business or area of operations or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**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.

**Note 2. Significant accounting policies (continued)**

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 unconditional 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.

**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.

**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. Under the equity method, the share of the profits or losses of the joint venture are recognised in profit or loss and the share of the movements in equity are recognised in other comprehensive income. Gains and losses resulting from upstream and downstream transactions are recognised in the financial statements only to the extent of unrelated investors interests in the joint venture. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture less any impairment. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in the 'Impairment of non-financial assets' policy below. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

**Note 2. Significant accounting policies (continued)**

**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, other than those designated and effective as hedging instruments, 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 profit or loss, or 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.

*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 loans receivable from Resi Wholesale Funding Warehouse Trust No. 1 is classified in this category.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost, in addition to trade receivables, contract assets and loan commitments. The measurement of the loss allowance requires the use of forward-looking information and depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition.

The consolidated entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (i.e Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.



**Note 2. Significant accounting policies (continued)**

**Loan receivable from Resi Wholesale Funding Warehouse Trust No.1**

This represents a loan advanced to a related party, Resi Wholesale Funding Warehouse Trust No. 1, with a fixed interest margin over Bank Bill Swap Bid ('BBSY') rate and a fixed term, which is extendable subject to the renewal of warehouse facility.

The loan is classified as a financial asset at amortised cost, initially measured at fair value and subsequently measured at amortised cost.

The expected credit loss calculations are performed on the loan receivable from Resi Wholesale Funding Warehouse Trust No.1 at each reporting period (refer to note 11).

**Plant and equipment**

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	2 - 4 years
Office equipment	4 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**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 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**

*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**

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

**Note 2. Significant accounting policies (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit ('CGU') to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

**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.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the consolidated entity designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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

**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.

**Contract liabilities**

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

**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.

**Note 2. Significant accounting policies (continued)**

**Finance costs**

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

**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.

*Share-based payments*

Equity-settled share-based compensation benefits are provided to employees and suppliers.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

**Note 2. Significant accounting policies (continued)**

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

**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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**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.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Yellow Brick Road Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

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

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

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

**Note 2. Significant accounting policies (continued)**

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

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

**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 2022. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.

*AASB 2020-1 Classification of liabilities as current or non-current*

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2023, as extended by AASB 2020-6. Early adoption is permitted. This standard amends AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is conditional, the right only exists if, at the end of the reporting period, those conditions have been complied with. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

**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.

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

*Coronavirus ('COVID-19') pandemic*

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date. However, the ongoing COVID-19 pandemic may impact the estimation uncertainty due to the extent and duration of actions by governments, business and consumers to contain the spread of the virus.

*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.

	30 June 2022	30 June 2021
Weighted average loan life *	4.5 years	4.2 years
Discount rate per annum	between 4.3% and 12.5%	between 4.3% and 12.5%
Weighted percentage paid to YBR franchisees	77%	74%
Weighted percentage paid to Vow brokers	96%	95%

\* 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/decrease by 2.0% in the run-off rate would lead to a movement in the net assets of \$2.9 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 2.9 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.

*Revenue from the joint venture*

As a result of the consolidated entity's investment in Resi Wholesale Funding (joint venture), a corresponding contract liability was created. Unearned revenue from future services to be provided to the joint venture as a result of the consolidated entity's investment and the corresponding contract liability were initially recognised over a 5 year period. The period is re-assessed annually.



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

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in notes 9,10 and 11, are calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

*Impairment of non-financial assets other than goodwill*

The consolidated entity assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*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 3 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 36 months from the date of loan inception. The clawback period of 36 months is then divided into 4 tranches of 6 months each and the last 12 months comprising a single tranche. An internal rate of discharge is applied to each of the tranches. Currently the rates of discharge applied to the individual tranches are between 3% to 28.5% (FY 2021: between 2% - 32%). 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.

**Note 4. Operating segments**

*Identification of reportable operating segments*

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

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

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

*Geographical information*

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

*Major customers*

During the financial year ended 30 June 2022 the consolidated entity had four major customers that contributed \$149,922,000 to the total consolidated entity's revenue: \$44,751,000 (15.7%); \$43,210,000 (15.1%); \$36,934,000 (12.9%) and \$25,026,000 (8.8%). In FY21, four major customers contributed \$85,862,000: \$25,948,000 (17.7%); \$24,479,000 (16.7%); \$21,093,000 (14.4%) and \$14,343,000 (9.8%) respectively of the total consolidated entity's revenue.

**Note 5. Revenue from contracts with customers**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
Mortgage broking services and mortgage aggregation services	287,921	147,042
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Major product lines		
Mortgage broking services - origination commissions	125,244	85,141
Mortgage broking services - trail commissions	148,981	51,186
Mortgage broking services - professional services	10,158	7,736
Sponsorship revenue	2,830	2,196
Mortgage management charges	308	383
Service charges for Resi Wholesale Funding	400	400
Total revenue from contracts from continuing operations	287,921	147,042
Total revenue from contracts from discontinued operations	-	60
Geographical regions		
Australia under continuing operations	287,921	147,042
Australia under discontinued operations	-	60

**Note 5. Revenue from contracts with customers (continued)**

Timing of revenue recognition		
Services transferred at a point in time under continuing operations	287,213	146,259
Services transferred over time under continuing operations	708	783
	<u>287,921</u>	<u>147,042</u>
Services transferred at a point in time under discontinued operations	-	60

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	5	3
Office equipment	59	41
Right-of-use assets	<u>787</u>	<u>816</u>
Total depreciation	<u>851</u>	<u>860</u>
<i>Amortisation</i>		
Software	<u>209</u>	<u>200</u>
Total depreciation and amortisation	<u>1,060</u>	<u>1,060</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	248	163
Interest and finance charges paid/payable on lease liabilities	123	32
Discount unwind on trail commission payments	<u>16,524</u>	<u>16,703</u>
Finance costs expensed	<u>16,895</u>	<u>16,898</u>
Marketing expenses	<u>2,544</u>	<u>1,480</u>
Consultancy expenses	<u>1,463</u>	<u>1,418</u>
Performance rights expense	<u>2</u>	<u>6</u>
Defined contribution superannuation expense	<u>924</u>	<u>733</u>

**Note 7. Income tax**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	<u>(87)</u>	<u>26</u>
Aggregate income tax (benefit)/expense	<u>(87)</u>	<u>26</u>
Deferred tax included in income tax (benefit)/expense comprises: (Decrease)/increase in deferred tax liabilities	<u>(87)</u>	<u>26</u>
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
Loss before income tax benefit/(expense) from continuing operations	(2,546)	(561)
Profit before income tax expense from discontinued operations	<u>-</u>	<u>127</u>
	<u>(2,546)</u>	<u>(434)</u>
Tax at the statutory tax rate of 30%	(764)	(130)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	21	17
Share-based payments	7	2
Other adjustments	<u>649</u>	<u>137</u>
Income tax (benefit)/expense	<u>(87)</u>	<u>26</u>
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	(9,307)	(9,387)
Allowance for expected credit losses	(84)	(127)
Contract liabilities	(373)	(944)
Employee benefits	(385)	(360)
Clawback payables	(162)	(141)
Accrued expenses	(540)	(413)
Plant and equipment and intangibles	(158)	(547)
Net deferred trail income/commissions	11,133	12,232
Right-of-use assets and lease liabilities	(34)	(8)
Others	<u>178</u>	<u>50</u>
Deferred tax liability	<u>268</u>	<u>355</u>
Movements:		
Opening balance	355	329
(Credited)/charged to profit or loss	<u>(87)</u>	<u>26</u>
Closing balance	<u>268</u>	<u>355</u>

**Note 8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash at bank *	7,543	9,971
Term deposit	2,545	2,535
	<u>10,088</u>	<u>12,506</u>

\* None of the cash is restricted.

**Note 9. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Trade receivables	565	1,087
Revenue accrual	21,292	19,405
Less: Allowance for expected credit losses	(281)	(423)
	<u>21,576</u>	<u>20,069</u>
Other receivables	345	754
	<u>21,921</u>	<u>20,823</u>

**Allowance for expected credit losses**

The consolidated entity has recognised a loss of \$79,000 (30 June 2021: \$100,000 ) in respect of the expected credit losses for the year ended 30 June 2022.

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 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:

	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Consolidated</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not overdue	1%	1%	190	209	2	2
0 to 3 months overdue	1%	2%	27	385	-	7
3 to 6 months overdue	30%	37%	29	56	8	21
Over 6 months overdue	85%	90%	319	437	271	393
			<u>565</u>	<u>1,087</u>	<u>281</u>	<u>423</u>

**Note 9. 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	423	428
Additional provisions recognised	79	100
Receivables written off during the year as uncollectable	(221)	(105)
	<u>281</u>	<u>423</u>

**Note 10. Contract assets - trail commissions**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Contract assets	78,631	72,089
<i>Non-current assets</i>		
Contract assets	335,034	276,005
	<u>413,665</u>	<u>348,094</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	348,094	372,368
Additions - new settlements	146,829	101,128
Run-off	(81,258)	(125,402)
	<u>413,665</u>	<u>348,094</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 new 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.



**Note 11. Loan receivable from Resi Wholesale Funding Warehouse Trust No.1**

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Loan receivable from Resi Wholesale Funding Warehouse Trust No.1	4,500	-

The consolidated entity invested \$3,000,000 in July 2021 and an additional \$1,500,000 in May 2022 for Class C notes in the Resi Wholesale Funding Warehouse Trust No.1. The notes attract a fixed margin of 10% plus BBSY rate on \$3,000,000 of Class C notes and 12% per annum plus BBSY rate on \$1,500,000 of Class C notes. The notes are due in August 2023 but could be extended upon renewal of revolving warehouse facility of Resi Wholesale Funding Trust No.1.

Resi Wholesale Funding Pty Ltd and Resi Wholesale Funding Warehouse Trust No.1 have sufficient cash to repay this loan when it becomes due. Consequently, no expected credit losses have been recognised.

**Note 12. Investments accounted for using the equity method**

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investments accounted for using the equity method	385	1,554

*Reconciliation*

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

Opening carrying amount	1,554	425
Additions	-	2,120
Loss after income tax	(1,169)	(991)
Closing carrying amount	385	1,554

*Impairment testing*

There was an indicator of impairment in the Resi Wholesale Funding joint venture given the joint venture is in a loss position, which resulted in management carrying out impairment testing.

The recoverable amount of the consolidated entity's investment in joint venture has been determined by a value-in-use calculation using a discounted cash flow model, based on a five year projection period. The recoverable amount was greater than the carrying value and no impairment was required.

**Interests in joint ventures**

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	
		2022	2021
		%	%
Resi Wholesale Funding Pty Limited	Australia	50%	50%

**Note 12. Investments accounted for using the equity method (continued)**

*Summarised financial information for Resi Wholesale Funding*

	2022	2021
	\$'000	\$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	10,758	17,348
Trade and other receivables	425	115
Loans receivables	313,990	94,701
Other assets	4,401	2,842
Total assets	329,574	115,006
Trade and other payables	1,685	550
Other liabilities	312,889	97,119
Total liabilities	314,574	97,669
Net assets	15,000	17,337

*Summarised statement of profit or loss and other comprehensive income*

Revenue	22	9
Interest revenue	6,068	1,315
Expenses	(3,453)	(2,187)
Finance costs	(4,974)	(1,120)
Loss before income tax	(2,337)	(1,983)
Other comprehensive income	-	-
Total comprehensive loss	(2,337)	(1,983)

*Reconciliation of the consolidated entity's carrying amount*

Opening carrying amount	1,554	425
Share of loss after income tax	(1,169)	(991)
Additions during the year	-	2,120
Closing carrying amount	385	1,554

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	
	2022	2021
	\$'000	\$'000
50% share of net assets	7,500	8,668
Less: carrying amount	(385)	(1,554)
Net assets not recognised	7,115	7,114

*Contingent liabilities*

Contingent liabilities as at 30 June 2022 \$Nil (30 June 2021: \$Nil)

*Commitments*

Share of commitments but not recognised as liability as at 30 June 2022 \$Nil (30 June 2021: \$Nil).

**Note 13. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Right-of-use assets	5,296	1,947
Less: Accumulated depreciation	(2,322)	(1,744)
	<u>2,974</u>	<u>203</u>

The consolidated entity leases land and buildings for its offices under agreements expiring between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

*Reconciliations*

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

	Office premises \$'000	Others \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 July 2021	155	48	203
Additions	3,543	15	3,558
Depreciation expense	(766)	(21)	(787)
Balance at 30 June 2022	<u>2,932</u>	<u>42</u>	<u>2,974</u>

For other lease related disclosures, refer to the following:

- note 6 for details of depreciation on right-of-use assets and interest on lease liabilities;
- note 19 for lease liabilities at year end;
- note 24 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

**Note 14. Plant and equipment**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Leasehold improvements - at cost	1,341	1,341
Less: Accumulated depreciation	(1,153)	(1,148)
Less: Impairment	(184)	(184)
	<u>4</u>	<u>9</u>
Office equipment - at cost	2,770	2,705
Less: Accumulated depreciation	(2,305)	(2,246)
Less: Impairment	(336)	(336)
	<u>129</u>	<u>123</u>
	<u>133</u>	<u>132</u>

**Note 14. Plant and equipment (continued)**

*Reconciliations*

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

	Leasehold improvements \$'000	Office equipment \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 July 2020	4	123	127
Additions	8	41	49
Depreciation expense	(3)	(41)	(44)
Balance at 30 June 2021	9	123	132
Additions	-	65	65
Depreciation expense	(5)	(59)	(64)
Balance at 30 June 2022	<u>4</u>	<u>129</u>	<u>133</u>

**Note 15. Intangibles**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Customer relationships - at cost	8,472	8,472
Less: Accumulated amortisation	(4,522)	(4,522)
Less: Impairment	(3,950)	(3,950)
	<u>-</u>	<u>-</u>
Brands - at cost	2,139	2,139
Less: Accumulated amortisation	(1,100)	(1,100)
Less: Impairment	(1,039)	(1,039)
	<u>-</u>	<u>-</u>
Software - at cost	7,232	6,880
Less: Accumulated amortisation	(3,864)	(3,655)
Less: Impairment	(3,007)	(3,007)
	<u>361</u>	<u>218</u>
Other intangible assets - at cost	1,842	1,842
Less: Accumulated amortisation	(1,173)	(1,173)
Less: Impairment	(669)	(669)
	<u>-</u>	<u>-</u>
	<u>361</u>	<u>218</u>

**Note 15. Intangibles (continued)**

*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 2020	418
Amortisation expense	(200)
Balance at 30 June 2021	218
Additions	352
Amortisation expense	(209)
Balance at 30 June 2022	361

At 30 June 2022, an assessment was made on whether there was any indication that the impairment losses recognised in prior periods for the above assets, other than goodwill, no longer exist or may have decreased. No such indication exists and no reversal of the impairment losses were made.

**Note 16. Trade and other payables**

	Consolidated 2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Trade payables	2,496	2,571
Trail commission payables	70,822	63,455
Accrued branch commissions	21,609	19,458
Accrued expenses	1,761	1,217
Clawback payables	194	159
Other payables	3,154	1,624
	100,036	88,484
<i>Non-current liabilities</i>		
Trade payables	1,449	2,533
Trail commission payables	305,732	243,866
Clawback payables	344	310
	307,525	246,709
	407,561	335,193

**Note 16. Trade and other payables (continued)**

*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:

	Trail commission payables \$'000
Opening balance	307,321
Additions - new settlements	139,895
Run-off	(70,662)
Closing balance	376,554

Refer to note 24 for further information on financial instruments.

**Note 17. Contract liabilities**

	Consolidated 2022 \$'000	2021 \$'000
<i>Current liabilities</i>		
Sponsorship contract liabilities	1,242	1,548
Service charges for Resi Wholesale Funding contract liabilities	400	400
	1,642	1,948
<i>Non-current liabilities</i>		
Service charges for Resi Wholesale Funding contract liabilities	800	1,200
	2,442	3,148
<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	3,148	1,281
Sponsorship payments received in advance	2,521	2,463
Revenue for services received in advance	-	2,000
Transfer to revenue - included in the opening balance for sponsorship payments	(1,548)	(1,281)
Transfer to revenue - sponsorship revenue recognised during the year	(1,279)	(915)
Transfer to revenue - service charges to Resi Wholesale Funding recognised during the year	(400)	(400)
Closing balance	2,442	3,148

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.



**Note 17. Contract liabilities (continued)**

*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 \$2,442,000 as at 30 June 2022 (\$3,148,000 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 6 months	1,442	1,748
Within 12 months	200	200
After 12 months	800	1,200
	<u>2,442</u>	<u>3,148</u>

**Note 18. Borrowings**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Bank loans	<u>950</u>	<u>1,163</u>
<i>Non-current liabilities</i>		
Bank loans	<u>1,188</u>	<u>2,137</u>
	<u>2,138</u>	<u>3,300</u>

Refer to note 24 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities are as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	<u>4,138</u>	<u>5,300</u>

*Assets pledged as security*

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

**Note 18. Borrowings (continued)**

*Financing arrangements*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank loans	<u>4,138</u>	<u>5,300</u>
Used at the reporting date		
Bank loans	<u>2,138</u>	<u>3,300</u>
Unused at the reporting date		
Bank loans	<u>2,000</u>	<u>2,000</u>

**Note 19. Lease liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability	<u>711</u>	<u>157</u>
<i>Non-current liabilities</i>		
Lease liability	<u>2,377</u>	<u>72</u>
	<u>3,088</u>	<u>229</u>

Refer to note 24 for further information on the maturity analysis of lease liabilities.

**Note 20. Provisions**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Employee benefits	1,126	990
Client remediation provision	<u>93</u>	<u>93</u>
	<u>1,219</u>	<u>1,083</u>
<i>Non-current liabilities</i>		
Employee benefits	<u>66</u>	<u>136</u>
	<u>1,285</u>	<u>1,219</u>

*Employee benefits provision*

Employee benefits include annual leave and long service leave provisions.

**Note 20. Provisions (continued)**

*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 21. Issued capital**

	2022 Shares	Consolidated 2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	324,563,266	324,277,552	112,470	112,450

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	324,371,884		112,457
Share buy back	15 October 2020	(94,332)	\$0.08	(7)
Balance	30 June 2021	324,277,552		112,450
Shares issued to employees *	28 July 2021	285,714	\$0.07	20
Balance	30 June 2022	324,563,266		112,470

\* In the current financial year 285,714 shares were issued to KMP for the services offered to the company. The total consideration for this share issue was \$20,000.

*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 would look to raise capital when an opportunity to invest in a business or company, or in other growth initiatives, are seen as value adding.

The consolidated entity's approach to capital risk management remains unchanged from the 30 June 2021 Annual Report.

**Note 22. Reserves**

	Consolidated 2022 \$'000	2021 \$'000
Share-based payments reserve	2,109	2,107
Fair value reserve	105	105
	<u>2,214</u>	<u>2,212</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.

*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.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$'000	Fair value \$'000	Total \$'000
Balance at 1 July 2020	2,101	105	2,206
Performance rights net movement	6	-	6
Balance at 30 June 2021	2,107	105	2,212
Performance rights net movement	2	-	2
Balance at 30 June 2022	<u>2,109</u>	<u>105</u>	<u>2,214</u>

**Note 23. Dividends**

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

**Note 24. 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.

**Note 24. Financial instruments (continued)**

*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:

	2022		2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash and cash equivalents	0.01%	7,543	0.06%	9,971
Term deposits	0.56%	2,545	0.85%	2,535
Borrowings	6.87%	(2,138)	5.47%	(3,300)
Net exposure to cash flow interest rate risk		<u>7,950</u>		<u>9,206</u>

An official increase/(decrease) in interest rates of 100 (30 June 2021: 100) basis points would have a favourable/unfavourable effect on profit before tax of \$61,000 (30 June 2021: \$92,000) per annum and favourable/unfavourable effect on equity of \$43,000 (30 June 2021: \$64,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

**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 9, the calculation of expected credit losses has been revised as at 30 June 2022.

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, 53.82% (30 June 2021: 55.54%) 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.

**Note 24. Financial instruments (continued)**

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	
	2022 \$'000	2021 \$'000
Bank loans	<u>2,000</u>	<u>2,000</u>

*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.

	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
<b>Consolidated - 2022</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,496	1,449	-	-	3,945
Accrued branch commissions	-	21,609	-	-	-	21,609
Other payables	-	3,154	-	-	-	3,154
Trail commission payables	-	88,057	74,277	154,735	137,869	454,938
<i>Interest-bearing - variable</i>						
Bank loans	6.87%	950	950	238	-	2,138
<i>Interest-bearing - fixed rate</i>						
Lease liability	-	817	798	1,726	-	3,341
Total non-derivatives		<u>117,083</u>	<u>77,474</u>	<u>156,699</u>	<u>137,869</u>	<u>489,125</u>



**Note 24. Financial instruments (continued)**

	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
<b>Consolidated - 2021</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,571	2,533	-	-	5,104
Accrued branch commissions	-	19,458	-	-	-	19,458
Other payables	-	1,624	-	-	-	1,624
Trail commission payables	-	76,994	63,100	123,944	101,279	365,317
<i>Interest-bearing - variable</i>						
Bank loans	5.47%	1,163	950	1,187	-	3,300
<i>Interest-bearing - fixed rate</i>						
Lease liability	-	162	61	12	-	235
Total non-derivatives		101,972	66,644	125,143	101,279	395,038

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.

**Note 25. Fair value measurement**

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

There were no assets or liabilities accounted at fair value at 30 June 2022 and 30 June 2021.

**Note 26. 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,165,940	2,037,285
Post-employment benefits	62,035	47,942
Long-term benefits	16,082	20,701
Share-based payments	20,000	-
	<u>2,264,057</u>	<u>2,105,928</u>

**Note 27. 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, and unrelated firms:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	196,645	171,250
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Taxation services	37,680	42,766
	<u>234,325</u>	<u>214,016</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements for Exchange IQ Advisory Group Pty Ltd	2,750	3,500

**Note 28. Contingent liabilities**

The consolidated entity has provided bank guarantees as at 30 June 2022 of \$1,085,000 (30 June 2021: \$1,085,000).

There are outstanding legal actions between the company and its controlled entities and third parties as at 30 June 2022, as well as a further claim received subsequent to balance date, as set out in note 36. The consolidated entity has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the consolidated entity, in addition to its costs incurred in connection with the actions, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered for by the insurance policies in place or of the amounts provided for.

**Note 29. Commitments**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Advertising commitments *</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	13,697	13,697

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

**Note 30. Related party transactions**

*Parent entity*

Yellow Brick Road Holdings Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 32.

*Joint ventures*

Interests in joint ventures are set out in note 12.

**Note 30. Related party transactions (continued)**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Sale of goods and services:		
Sales to parties related to Resi Wholesale Funding Pty Ltd (a joint venture entity) for lending services	4,488,826	1,681,669
Sales to parties related to Resi Wholesale Funding Pty Ltd (a joint venture entity) for corporate administrative services	400,000	400,000
Other income:		
Interest income from loan to Resi Wholesale Funding Warehouse Trust No.1	324,964	-
Expensed during the year:		
Payment for consultancy services from Golden Wealth Holdings Pty Ltd (director-related entity of Mark Bouris) (a)	1,125,000	1,125,000
Purchases of services from Chifley Travel (director-related entity of Adrian Bouris) (b)	-	2,660
Purchases of services from BBB Capital Pty Ltd (director-related entity of Adrian Bouris) - Corporate finance services (c)	200,000	170,000
Purchases of advertising services from the Nine Entertainment Group (shareholder-related entity)	-	168,500

(a) Consulting services per consultancy service agreement.

(b) Travel and accommodation costs of \$Nil (30 June 2021: \$2,365) were booked through Chifley Travel and incurred service fees of \$Nil (30 June 2021: \$295).

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

**Note 30. Related party transactions (continued)**

*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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Sale of lending services receivables and other receivables from Resi Wholesale Funding Pty Ltd (a joint venture entity) (a)	573,842	198,328
Interest receivables from loan to Resi Wholesale Funding Warehouse Trust No. 1	222,134	-
Non-current receivables:		
Sale of lending services receivables from Resi Wholesale Funding Pty Ltd (a joint venture entity)	1,947,065	568,457
Non-current asset - Prepayments		
Prepayment to 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)	27,500	27,500
Marketing expense payable to Nine Entertainment Group	1,120,000	606,600
Contract liabilities for corporate administrative services to Resi Wholesale Funding Pty Ltd (d)	400,000	400,000
Non-current payables:		
Marketing expenses payable to Nine Entertainment Group (shareholder-related entity)	1,449,178	2,532,578
Contract liabilities for corporate administrative services to Resi Wholesale Funding Pty Ltd (d)	800,000	1,200,000

(a) \$9,447 (30 June 2021: \$15,255) 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 2021: \$Nil) was used during the year ended 30 June 2022, leaving an unused balance of non-current prepayment of \$1,244,852 (30 June 2021: \$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 corporate administrative services provided to Resi Wholesale Funding Pty Ltd. The consideration for this services has been received in the form of equity 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Non-current receivables:		
Loan receivable from Resi Wholesale Funding Warehouse Trust No.1	4,500,000	-

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 30. Related party transactions (continued)**

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

**Note 31. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	Parent	
	2022 \$'000	2021 \$'000
Loss after income tax	(588)	(727)
Total comprehensive loss	(588)	(727)

*Statement of financial position*

	Parent	
	2022 \$'000	2021 \$'000
Total current assets	69,928	75,381
Total assets	103,312	105,032
Total current liabilities	2,325	2,531
Total liabilities	6,046	7,200
Equity		
Issued capital	112,608	112,588
Share-based payments reserve	1,540	1,538
Accumulated losses	(16,882)	(16,294)
Total equity	97,266	97,832

*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 2022 and 30 June 2021 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 \$1,085,000 as at 30 June 2022 (30 June 2021: \$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 2022 and 30 June 2021.

*Commitments*

The parent entity has a bank borrowing of \$2,138,000 as at 30 June 2022 (30 June 2021: \$3,300,000) and advertising commitments as follows:

**Note 31. Parent entity information (continued)**

	Parent	
	2022 \$'000	2021 \$'000
Committed at the reporting date but not recognised as liabilities, payable:		
One to five years	13,697	13,697

*Significant accounting policies*

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.

**Note 32. 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	
		2022 %	2021 %
Yellow Brick Road Group Pty Ltd	Australia	100%	100%
Skasgard Pty Ltd	Australia	100%	100%
Loan Avenue Pty Ltd	Australia	100%	100%
Carithas Pty Ltd	Australia	100%	100%
Boreanaz Pty Ltd	Australia	100%	100%
Yellow Brick Road Investment Partners Pty Ltd	Australia	100%	100%
ExchangeIQ Advisory Group Pty Ltd	Australia	100%	100%
Yellow Brick Road Services Pty Ltd	Australia	100%	100%
Yellow Brick Road Accounting and Wealth Management Pty Ltd	Australia	100%	100%
Yellow Brick Road Financial Planners Pty Ltd	Australia	100%	100%
Yellow Brick Road Finance Pty Ltd	Australia	100%	100%
Yellow Brick Road Accounting and Taxation Services Pty Ltd	Australia	100%	100%
Yellow Brick Road Wealth Management Pty Ltd	Australia	100%	100%
Resi Mortgage Corporation Pty Limited	Australia	100%	100%
Vow Financial Holding Pty Limited	Australia	100%	100%
Vow Financial Group Pty Ltd	Australia	100%	100%
The Mortgage Professionals Pty Ltd	Australia	100%	100%
Vow Financial Pty Ltd	Australia	100%	100%
The Money Factory Pty Ltd	Australia	100%	100%
NBG Holdings Pty Ltd	Australia	100%	100%
Vow Wealth Management Pty Ltd	Australia	100%	100%
Ironbark Mortgage Solutions Pty Ltd	Australia	100%	100%
NBG Pty Ltd	Australia	100%	100%
FASA Pty Ltd	Australia	100%	100%
Australian Property Finance Pty Ltd	Australia	100%	100%
NBG Leasing Pty Ltd	Australia	100%	100%
Select Mortgage Finance Pty Ltd	Australia	100%	100%
Vow Financial Planning Pty Ltd	Australia	100%	100%
Loan Avenue Holdings Pty Ltd	Australia	100%	100%
Money Management Pty Ltd	Australia	100%	100%



**Note 33. Cash flow information**

*Reconciliation of loss after income tax to net cash from operating activities*

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax benefit/(expense) for the year	(2,459)	(460)
Adjustments for:		
Depreciation and amortisation	1,060	1,060
Share-based payments	(22)	(6)
Share of loss - joint ventures (Resi Wholesale Funding)	1,169	991
Net change on the present value of trail commissions	3,662	3,865
Gain on sale of general insurance business	-	(130)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,579)	(4,892)
Increase in prepayments	(429)	(750)
Increase in trade and other payables	1,955	2,938
(Decrease)/increase in deferred tax liabilities	(87)	26
Increase/(decrease) in employee benefits	85	(117)
Increase/(decrease) in other operating liabilities	613	(1,651)
Net cash from operating activities	<u>3,968</u>	<u>874</u>

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	<b>Bank loans</b>	<b>Lease liabilities</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2020	5,200	1,310	6,510
Net cash used in financing activities	(1,900)	(1,228)	(3,128)
Acquisition of leases	-	147	147
Balance at 30 June 2021	3,300	229	3,529
Net cash used in financing activities	(1,162)	(786)	(1,948)
Acquisition of leases	-	3,558	3,558
Other changes	-	87	87
Balance at 30 June 2022	<u>2,138</u>	<u>3,088</u>	<u>5,226</u>

**Note 34. Earnings per share**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>(2,459)</u>	<u>(587)</u>

**Note 34. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>324,542,131</u>	<u>324,304,947</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,542,131</u>	<u>324,304,947</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.76)	(0.18)
Diluted earnings per share	(0.76)	(0.18)
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>-</u>	<u>127</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	324,542,131	324,304,947
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>92,307</u>	<u>92,307</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,634,438</u>	<u>324,397,254</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	0.04
Diluted earnings per share	-	0.04
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Yellow Brick Road Holdings Limited	<u>(2,459)</u>	<u>(460)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>324,542,131</u>	<u>324,304,947</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,542,131</u>	<u>324,304,947</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.76)	(0.14)
Diluted earnings per share	(0.76)	(0.14)

**Yellow Brick Road Holdings Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 34. Earnings per share (continued)**

92,307 (2021: 92,037) performance rights over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2022. These rights could potentially dilute basic earnings per share in the future.

**Note 35. Share-based payments**

*Resi Mortgage Corporation ('RESI')*

During the year ended 30 June 2022 the amount expensed for RESI performance rights was \$2,000 (30 June 2021: \$6,000).

Set out below are details of the performance rights:

2022

Grant date	Expiry date	Fair value at granted date	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
29/07/2015	30/11/2022	\$0.18	92,307	-	-	-	92,307
			92,307	-	-	-	92,307

The above performance rights vest if the former RESI branch remains in YBR branch network on the vesting date.

The weighted average remaining contractual life of other performance rights issued, and outstanding at the end of the financial year was 0.42 years (30 June 2021: 1.42 years).

2021

Grant date	Expiry date	Fair value at granted date	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
29/07/2015	30/11/2019	\$0.21	92,307	-	-	(92,307)	-
29/07/2015	27/09/2020	\$0.18	168,268	-	-	(168,268)	-
29/07/2015	31/10/2020	\$0.18	144,230	-	-	(144,230)	-
29/07/2015	07/02/2021	\$0.18	38,461	-	-	(38,461)	-
29/07/2015	30/11/2022	\$0.18	92,307	-	-	-	92,307
			535,573	-	-	(443,266)	92,307

**Note 36. Events after the reporting period**

Subsequent to the balance date a notice of a potential claim has been received. We are unable to determine the merits or quantum of that claim. Therefore, no provision has been made.

Other than as noted above, no other matter or circumstance has arisen since 30 June 2022 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**  
**Shareholder information**  
**30 June 2022**

The shareholder information set out below was applicable as at 26 September 2022.

**Distribution of equitable securities**

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

	Number of holders of ordinary shares
1 - 1,000	233
1,001 - 5,000	423
5,001 - 10,000	224
10,001 - 100,000	439
100,001 and other	154
	1,473
Holding less than a marketable parcel	671

**Equity security holders**

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
ONE MANAGED INVT FUNDS LTD <1 A/C>	61,164,204	18.85
PINK PLATYPUS PTY LIMITED	49,592,858	15.28
GOLDEN WEALTH HOLDINGS PTY LTD	49,453,865	15.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,098,024	12.35
SANDINI PTY LTD <KARRATHA RIGGING UNIT A/C>	9,900,000	3.05
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	7,503,575	2.31
DMX CAPITAL PARTNERS LIMITED	5,240,839	1.61
B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	5,200,000	1.60
ELLISON (WA) PTY LIMITED	4,285,715	1.32
PROZMART PTY LTD <CHRISTIE FAMILY A/C>	3,517,858	1.08
MR GREGOR JAMES STEVENSON	3,332,491	1.03
MR ADRIAN JOHN BOURIS	3,130,400	0.96
V WASP PTY LIMITED <THE PETER JAMES S/BEN'S A/C>	2,946,429	0.91
MR DARREN JOHN WILLIAMS	2,342,276	0.72
DUAL CROWN PTY LTD <THE BOURIS SUPER FUND A/C>	2,317,995	0.71
R AND J MCCABE SUPERANNUATION FUND PTY LTD <R AND J MCCABE S/F A/C>	2,000,000	0.62
V M NOMINEES PTY LTD	2,000,000	0.62
CARRIER INTERNATIONAL PTY LTD <KUIPER FAMILY A/C>	1,930,951	0.59
NATIONAL NOMINEES LIMITED	1,901,234	0.59
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	1,872,583	0.58
	259,731,297	80.02

*Unquoted equity securities*

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Former RESI branch owners	Performance rights	92,307

**Substantial holders**

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
SANDON CAPITAL PTY LTD	64,083,211	19.74
GOLDEN WEALTH HOLDINGS PTY LTD	54,987,219	16.94
PINK PLATYPUS PTY LIMITED	49,592,858	15.28
MAGNETAR FINANCIAL LLC	40,000,000	12.32

**Voting rights**

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

*Ordinary shares*

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

*Options and performance rights*

No voting rights

There are no other classes of equity securities.

**Restricted securities**

There are no restricted securities on the reporting date.

**Yellow Brick Road Holdings Limited**  
**Directors' declaration**  
**30 June 2022**

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 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Mark Bouris  
Executive Chairman

29 August 2022  
Sydney



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# 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 2022, 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 a summary of significant accounting policies, 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 2022 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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## Key audit matter

## How our audit addressed the key audit matter

### Trail commissions (Note 2, Note 10 and Note 16)

At 30 June 2022, the Group recognised a contract asset representing the expected value of trail commissions receivables of \$413.67 million and corresponding trail commissions payable of \$376.55 million, representing the net present value of trail commissions payable by the Group.

The value of the trail commissions has been determined by management and the Board with reference to an external expert valuation based on underlying data and information provided by management.

This area is a key audit matter due to the size of the contract assets and trail commissions payable and the significant degree of judgement and estimation uncertainty associated with the calculations. Key areas of management judgement include the loan book run-off rates assumptions, the discount rate applied to loans settled in the current year, broker payout ratios, and the valuation methodology.

Management and the Board continued to challenge the assumptions and inputs in the valuation due to continued uncertainties resulting from changing current and future economic landscape with rising interest rates.

### Revenue from contracts with customers (Note 2, Note 5 and Note 9)

Revenue totalled \$287.92 million for the year ended 30 June 2022 and is the largest item in the consolidated statement of profit or loss and other comprehensive income.

Measuring the amount of revenue to recognise in the financial statements, including determining the appropriate timing of recognition, involves significant management judgement.

This area is a key audit matter given the significance of the balance, the volume of transactions and the complexity of revenue streams.

Our procedures included, amongst others:

- evaluating the qualification, expertise, and objectivity of management's external valuation expert to assess their professional competence and capabilities as they relate to the work undertaken;
- obtaining the external expert's valuation report and assessing findings, including evaluating the completeness and accuracy of loan data used in the valuation model by testing a sample of data back to external supporting documents such as funder commission statements and contracts with lenders and brokers;
- challenging the reasonableness of key assumptions and inputs applied in the valuation by comparing to historical internal information and industry available market data;
- assessing management's scenario analysis performed on the key assumptions;
- assessing the recoverability of trail commission contract assets, including the application of the impairment provisions to the amounts recognised; and
- considering the appropriateness and adequacy of the related disclosures in the financial statements.

Our procedures included, amongst others:

- assessing the revenue recognition policies for appropriateness and consistency with the prior year and applicable accounting standards;
- evaluating and performing a walkthrough of management's processes and internal controls regarding the recognition of revenue;
- agreeing a sample of recorded fees, sponsorship revenue and commission transactions to invoices and bank statements;
- agreeing revenue accrued at 30 June 2022 to subsequent receipts in bank statements; and
- considering the appropriateness and adequacy of the related disclosures in the financial statements.

## 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 2022, 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 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material 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: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 30 June 2022.

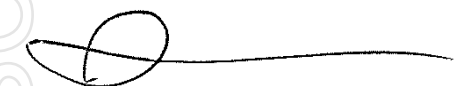
In our opinion, the remuneration report of Yellow Brick Road Holdings Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Adam-Smith  
Partner – Audit & Assurance

Sydney, 29 August 2022



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