



Lodged by the ASX Online

30 April 2013

The Manager Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

APPENDIX 4C: QUARTERLY COMMITMENTS REPORT

We attach the Company's Appendix 4C report for the three months ended 31 March 2013.

Receipts from the branch network grew by 32% in the quarter, the best quarter of receipts from the branch network since the company was established in 2007. The launch of the Empower Home Loan in November 2012 drove increased lending receipts as mortgage applications received in the months of November and December 2012 settled during the March 2013 quarter. Wealth Management receipts also grew strongly.

Total receipts from customers increased by 17% over the previous quarter which is positive given the traditional "slow down" in business activity normally experienced through this period. Operating cash outflows (excluding net underwriter and branch revenue share payments) were down which again demonstrates the scalability of the business model.

The Company's net operating cash outflow, excluding the impact of net underwriter payments or receipts, improved by 22% to \$1.21m (Q2 FY2013 was \$1.55m). The reported net operating cash outflow of \$1.71m includes \$0.50m in net payments to insurance underwriters on behalf of clients. Net premiums received on behalf of underwriters are passed through to underwriters and have zero impact on profit.

Quarterly Cash Flow Results

The cash balance as at 31 March 2013 is \$9.33m, a net decrease of \$1.94m since 31 December 2012.

Operating Cash Inflows

- Receipts from customers increased in the Q3 FY2013 quarter by 17% to \$4.79m (Q2 FY2013 \$4.09m).
- Branch generated receipts increased in the Q3 FY2013 quarter by 32% to \$3.51m (Q2 FY2013 \$2.66m) as a result of an increase in mortgage settlements and wealth revenue.
- Professional Services (non-Branch revenue) receipts decreased in the Q3 FY2013 quarter by 10% to \$1.28m (Q2 FY2013 \$1.43m). Professional Services receipts are traditionally lower in the March



quarter. In the Q3 FY2012 quarter (the prior comparable period) Professional Services receipts declined by 25% from Q2 FY2012 and subsequently increased by 27% in Q4 FY2012 quarter.

Operating Cash Outflows

Operating cash outflows, excluding net underwriter payments, increased by \$0.37m (6%) to \$6.00m (Q2 FY2013 \$5.63m). This is comprised of an increase in branch revenue share payments of \$0.72m and a decrease in other operating cash outflows of \$0.35m.

- Revenue share payments to branches increased in the Q3 FY2013 quarter by 38% to \$2.64m (Q2 FY2013 \$1.92m).
- Staff payments decreased in the Q3 FY2013 quarter by 10% to \$1.59m (Q2 FY2013 \$1.76m).
- Advertising & marketing payments in the Q3 FY2013 quarter of \$0.36m, were consistent with the previous quarter (Q2 FY2013 \$0.37m).
- Other working capital payments decreased in the Q3 FY2013 quarter by 11% to \$1.41m (Q2 FY2013 \$1.59m).

Net outflows to insurance underwriters in Q3 FY2013 were \$0.50m (Q2 FY2013 net inflow of \$0.29m). The company receives general insurance premiums from clients and remits these to underwriters between 60 and 90 days after receipt. The difference between premiums received and paid is recorded as an underwriter deficit or surplus. Net premiums received on behalf of underwriters are passed through to underwriters and have zero impact on profit. However the timing of underwriter receipts and payments causes fluctuations in the underwriter deficit or surplus from period to period. The Net outflow to underwriters for the 9 months to 31 March 2013 is \$0.06m.

Quarterly Commentary

The business engaged in a number of important initiatives during the quarter ending 31 March 2013:

1. Brand

- A major focus for the quarter was the preparation and filming of the Yellow Brick Road episode within The Celebrity Apprentice Australia Series 3, which was filmed in mid-February. This initiative provides an important platform for the Company to increase brand awareness and drive client activity to our branches. The series will include a specific episode for Yellow Brick Road which will feature an exciting new product initiative. A fully supported television advertising campaign will be executed in parallel with the series to maximise client lead generation.
- The business continued to see momentum from a number of advertising campaigns, including the Empower “Smash Your Home Loan” television commercials which ran both nationally and regionally during January and March, and a Smarter Money radio campaign, which ran on 2GB in Sydney during March.
- The business also launched a trial local area marketing campaign called “Cash Mob” which enables local branches to build long term relationships with the businesses and people in their area. The trial

was successfully completed by selected branches and was opened up to the entire network in late March.

2. Distribution

- At the end of the quarter, the Company had a total of 155 “signed” branch agreements on board with a significant number of quality prospects in the pipeline. The Company has seen a marked rise in inquiry from financial planning professionals, which is worth noting as the business moves progressively forward in the planning and advice space.
- The branch network continues to grow in its sophistication and competency with 131 Wealth Managers now able to provide various levels of advice. This number is up from 126 in the previous quarter and is expected to increase significantly in the next quarter.
- Training and professional development continues to be a major focus for the business, with the following authorities currently in place at the end of the quarter:
 - 27 authorities for Credit advice only
 - 45 authorities for Credit and General Advice (simple life insurance/savings)
 - 20 authorities for Personal Advice only
 - 39 authorities for Credit and Personal Advice

3. Product

- Yellow Brick Road’s mortgage book increased by 21% during the quarter and was estimated at \$1.5b at 31 March 2013. Applications and settlements have continued to flow strongly through the Empower Home Loan offer, enabling the business to achieve record loan settlements during the quarter reflecting a 40% increase on the previous quarter and almost double the quarter from the previous corresponding period (Q3 FY2012).
- During the quarter, the Company sharpened the Empower Home Loan range by extending the offer to all applicants who have an “approved” loan by 30 June 2013. The Company also improved the discounts on the ongoing variable rate by an additional 0.05 per cent.
- The Company announced the 12 month performance of the YBR Smarter Money Fund. Over the 12 months since its inception, the fund returned 7.7 per cent (after all fees) which was more than double the RBA’s cash rate, which averaged 3.5 per cent over the same period. At the end of the quarter, total Funds Under Management was \$50.1m.
- The Company has an exciting pipeline of product development initiatives including a number of banking product projects with Macquarie such as leasing, term deposits, cash management accounts and credit cards. The Company is also gearing itself up for a major product launch in the area of superannuation in late May 2013 to reinforce the diversity of offering available at Yellow Brick Road branches.



The Company is excited with the results flowing from the initiatives put in place in November 2012 around mortgages which has given the business a lift overall but we are equally excited by the upcoming activity planned for Q4 FY2013. We look forward to providing regular updates on our progress.

Kind Regards

A handwritten signature in black ink, appearing to read 'Matt Lawler'.

Matt Lawler
Chief Executive Officer
Yellow Brick Road Holdings Limited

A handwritten signature in blue ink, appearing to read 'Richard Shaw'.

Richard Shaw
Company Secretary
Yellow Brick Road Holding Limited

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Yellow Brick Road Holdings Limited

ABN

44 119 436 083

Quarter ended ("current quarter")

March 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	4,789	13,128
1.2 Payments for		
(a) staff costs	(1,590)	(5,346)
(b) advertising and marketing	(361)	(967)
(c) Transfer of business		
(d) leased assets		
(e) other working capital	(4,072)	(10,957)
(f) Net payment to insurance underwriters on behalf of clients (1)	(500)	(57)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	126	356
1.5 Interest and other costs of finance paid	(100)	(364)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(1,708)	(4,207)

- (1) The Company receives general insurance premiums from clients and remits these to underwriters between 60 and 90 days after receipt. The difference between premiums received and paid is recorded as an underwriter deficit or surplus. As a consequence of these timing differences, payments to underwriters in the period exceeded receipts from clients by \$500,000.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter \$A'000	Year to date (9 months) \$A'000
1.8	Net operating cash flows (carried forward)	(1,708)	(4,207)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		(13)
	(e) other non-current assets		
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) Intangible assets		
1.11	Loans to other entities	(76)	(316)
1.12	Loans repaid by other entities		
1.13	Other (provide details if material)		
	Net investing cash flows	(76)	(329)
1.14	Total operating and investing cash flows	(1,784)	(4,536)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.		7,000
	Cost of capital raising	(135)	(135)
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings	(17)	(120)
1.19	Dividends paid		
1.20	Other (provide details if material) (2)		(119)
	Net financing cash flows	(152)	6,626
	Net increase (decrease) in cash held	(1,936)	2,090
1.21	Cash at beginning of quarter/year to date	11,261	7,235
1.22	Exchange rate adjustments to item 1.20		
1.23	Cash at end of quarter	9,325	9,325

(2) Establishment costs of \$118,830 were paid in July 2012 relating to the re-finance of bank loans during June 2012.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	225
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Payments to related parties include:

- Directors' fees \$37,500
- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris, receives annual consultancy fees of \$750,000 (\$187,500 per quarter)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	5,439	5,439
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,190	1,645
4.2 Deposits at call	7,135	9,616
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	9,325	11,261

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Company Secretary)
Richard Shaw

Date: 30 April 2013

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.