

LandMark White Limited

A.C.N. 102 320 329

Results for announcement to the market

ASX Preliminary Final Report

Appendix 4E

30 June 2018

Lodged with the ASX under Listing Rule 4.3A

ASX Announcement – LandMark White Limited – Full Year Results

Review of Operations

Financial Results

Highlights

- Revenues from owned businesses increased 72% to \$43.2M largely due to the acquisition of MVS.
- LMW Branded Revenues including franchised offices & joint venture businesses increased 49% to \$60.2M.
- Realised synergy savings from the acquisition of MVS Valuers (“MVS”) on 31 May 2017 are in excess of expectations.
- Statutory Services business contributed \$13.4M of revenue and represented approximately 2/3rds of the overall growth in revenue demonstrating the diversification away from reliance on mortgage valuations.
- Net Profit Before Tax increased 143% to \$5.8M reflecting the acquisition of MVS which delivered increased market share, diversification, higher grow margins and synergy savings.
- Fully franked final dividend of 2.0 cents resulting in the full year dividend increasing to 4.6 cents (4.5 cents for FY17).
- Basic and diluted earnings per share (EPS) rose 8.8% to 5.44 cents

Business Overview

The Board of LandMark White (LMW) announced a 72% increase in revenues and a 155% increase in net profit after tax on the back of the successful acquisition of MVS and delivery of synergy savings exceeding initial expectations. This has delivered an 8.8% increase in EPS.

As previously advised through FY18, the revenues and profits from our Statutory Services business line were below initial expectations. Effective 31 December 2017 the purchase price was reduced via the elimination of the deferred consideration and the carrying value of the associated intangible asset was written down to reflect the impairment (refer Note 6).

The results for the year demonstrate the successful integration of MVS and LMW continuing to build its market share.

The diversification of revenue sources to include statutory services and insurance valuations, in addition to our traditional mortgage valuations, will provide LMW with more stable revenues through the property cycles.

LMW delivered on expected synergy savings through FY18 and continues to invest in our people, infrastructure and software which will deliver further efficiencies in the future.

Cash at Bank

Throughout the year LMW continued to operate with strong cash balances. LMW had \$2.8M of available cash as at 30 June 2018.

Dividends

The Board has declared a final fully franked dividend of 2.0 cents per share payable on 19 September 2018. The total dividend FY18 is 4.6 cents per share which is 0.1 cents higher than for FY17 and represents a 10%+ annual return for shareholders (including franking credits and a share price of circa 60 cents).

LandMark White has maintained a consistent level of fully franked dividends since listing in 2003. With a significant surplus of franking credits, dividends should continue to be fully franked for the foreseeable future.

Outlook

LMW is well placed for further improvements in profitability for FY19 capitalising on the acquisition of MVS, synergistic savings, market share growth and expansion in the non-mortgage property services sector.

LandMark White Limited and Controlled Entities
ACN 102 320 329

Summary Results for the year ended 30 June 2018

The following is a summary of the financial results for the year ended 30 June 2018.

Results for announcement to the market

	Year ended 30 June 2018 \$000s	Year ended 30 June 2017 \$000s	Increase/ (Decrease) \$000s	% Change
Revenue				
Continuing operations	24,089	23,352	737	3.2%
Acquired business	19,068	1,716	17,352	1011.2%
	43,157	25,068	18,089	72.2%
Profit before tax				
Continuing operations	2,498	2,462	36	1.4%
Acquired business	3,309	212	3,097	1,461.0%
Acquisition costs expensed	-	(286)	286	-
	5,807	2,388	3,419	143.2%
Income tax expense	1,667	762	905	118.8%
Net Profit after tax from continuing operations	4,140	1,626	2,514	154.6%

Comparison of Half-Year Profits	Current Period \$000s	Previous Period \$000s
Consolidated net profit after tax attributable to members: reported for the 1 st Half yearly report	2,040	875
Consolidated net profit after tax attributable to members reported for the 2 nd Half year	2,100	751
Total	4,140	1,626

Dividends	Amount per security	Franked amount per security
Interim dividend	2.6 cents	2.6 cents
Final dividend	2.0 cents	2.0 cents

Dividend payment date	19 September 2018
Ex-dividend date	31 August 2018
Record date for determining entitlement to final dividend	3 September 2018

Annual Report and Annual General Meeting

LandMark White expects to send its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 8 October 2018.

LandMark White expects to hold its 2018 Annual General Meeting in Sydney on 8 November 2018.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 June 2018 \$000s	30 June 2017 \$000s
Revenue from rendering of services		43,157	25,068
Expenses from continuing operations			
Employment expenses		30,204	17,318
Report presentation expenses		1,800	1,200
Marketing expenses		413	355
Communication expenses		382	263
Insurance expenses		1,133	915
Administration expenses		424	625
Occupancy expenses		1,256	1,022
Depreciation and amortisation expenses		792	313
Impairment of intangible assets	6	8,700	-
Reversal of deferred consideration payable	6	(8,700)	-
Other expenses from ordinary activities		1,100	681
		37,504	22,692
Results from operating activities		5,653	2,376
Finance income		62	15
Finance expense		(14)	(3)
Share of net profit of associates accounted for using the equity method	7	106	-
Profit before tax		5,807	2,388
Income tax expense	4	(1,667)	(762)
Profit for the year attributable to owners of the parent		4,140	1,626
Total other comprehensive income (net of tax)		-	-
Total comprehensive income for the year attributable to owners of the parent		4,140	1,626
Basic earnings per share (cents per share)	2	5.44	5.00
Diluted earnings per share (cents per share)	2	5.44	5.00

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
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PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 \$000s	30 June 2017 \$000s
Current Assets			
Cash and cash equivalents		2,772	5,745
Term deposits		108	2,592
Trade and other receivables		5,306	5,294
Inventories		97	53
Other assets		556	650
Total Current Assets		8,839	14,334
Non-Current Assets			
Deferred tax assets		984	1,279
Term deposits		608	322
Property, plant & equipment		693	626
Intangible assets	5	28,220	36,991
Investments accounted for using the equity method	7	1,417	-
AFS financial assets	7	-	715
Total Non-Current Assets		31,922	39,933
Total Assets		40,761	54,267
Current Liabilities			
Trade and other payables		1,946	2,979
Borrowings		58	154
Deferred consideration	6	-	2,037
Current tax liabilities		110	1,367
Employee benefits		2,555	3,441
Provisions		-	60
Total Current Liabilities		4,669	10,038
Non-Current Liabilities			
Borrowings		61	114
Deferred tax liabilities		29	16
Deferred consideration	6	-	8,700
Employee benefits		205	286
Provisions		172	61
Total Non-Current Liabilities		467	9,177
Total Liabilities		5,136	19,215
Net Assets		35,625	35,052
Equity			
Contributed equity	8	33,893	33,773
Retained earnings		1,732	1,279
Reserves		-	-
Total Equity		35,625	35,052

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 June 2018 \$000s	30 June 2017 \$000s
Cash Flows from Operating Activities			
Receipts from customers		47,307	29,615
Payments to suppliers and employees		(42,825)	(24,211)
Interest received		62	15
Interest paid		(14)	(3)
Dividends received		125	72
(Increase) / decrease in security deposits		(302)	51
Income tax (paid)		(2,616)	(822)
Net cash flows provided by Operating Activities		1,737	4,717
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(346)	(140)
Purchase of intangible assets		(448)	(536)
Purchase of investments			
- Deferred consideration for controlled entity	6	(2,037)	(14,215)
- Acquisition of associated entity	7	(663)	-
Decrease / (increase) in surplus cash on term deposit		2,500	(2,500)
Net cash flows used in Investing Activities		(994)	(17,391)
Cash Flows from Financing Activities			
Shares issued		-	18,669
Repayment of borrowings		(149)	(7)
Dividends paid		(3,567)	(1,343)
Net cash flows used in Financing activities		(3,716)	17,319
Net (decrease) / increase in cash held		(2,973)	4,645
Cash at beginning of financial year		5,745	1,100
Cash at end of financial year		2,772	5,745

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
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PRELIMINARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF CHANGES IN EQUITY

	Share Capital \$000's	Share Option Reserve \$000's	Retained Earnings \$000's	Total Equity \$000's
<i>Consolidated</i>				
Balance at 1 July 2016	6,050	322	1,229	7,601
Total comprehensive income attributable to members of the parent entity	-	-	1,626	1,626
Shares issued	27,723	(507)	-	27,216
Net share-based compensation benefit	-	185	-	185
Dividends to shareholders	-	-	(1,576)	(1,576)
Balance at 30 June 2017	33,773	-	1,279	35,052
Balance at 1 July 2017	33,773	-	1,279	35,052
Total comprehensive income attributable to members of the parent entity	-	-	4,140	4,140
Shares issued	120	-	-	120
Dividends to shareholders	-	-	(3,687)	(3,687)
Balance at 30 June 2018	33,893	-	1,732	35,625

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. DIVIDENDS

Final dividend resolved to be paid	2.00 cents
Date the dividend is payable	19 September 2018
Ex-dividend date	31 August 2018
Record date	3 September 2018
Last date for receipt of election notice to participate in the DRP	Not eligible for DRP

	Current Year	Prior Year
Interim dividend	2.6 cents	2.25 cents
Final dividend	2.0 cents	2.25 cents
	4.6 cents	4.5 cents

Of the total dividends paid during the year \$120,000 was reinvested as part of the Company's Dividend Reinvestment Plan. This related to the FY17 final dividend, subsequent dividends have not been eligible for dividend reinvestment.

2. EARNINGS PER SHARE

	30 June 2018 ¢	30 June 2017 ¢
Basic earnings per share	5.44	5.00
Diluted earnings per share	5.44	5.00
Weighted average number of shares used in the		
- calculation of basic EPS	76,063,822	32,696,665
- calculation of diluted EPS	76,063,822	32,696,665

The amount used in the numerator in calculating basic and diluted EPS is the total comprehensive income attributable to owners of the parent reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. NET TANGIBLE ASSET BACKING

	30 June 2018	30 June 2017
Net tangible asset / (liability) backing per share	\$0.097	(\$0.026)

4. INCOME TAX

Income tax expense for the year consists of the following:

	30 June 2018 \$000s	30 June 2017 \$000s
Profit from continuing operations before tax	5,807	2,388
Prima facie income tax calculated at 30% on profit	1,742	716
Effect of non-deductible expenses	27	68
Effect of non-assessable share of profits of associate	(32)	-
Effect of fully franked dividends	(17)	(22)
	1,720	762
Adjustments for prior years	(53)	-
Net income tax expense	1,667	762

5. INTANGIBLE ASSETS

	30 June 2018 \$000s	30 June 2017 \$000s
Goodwill	17,205	32,405
Customer relationships	10,000	3,500
Computer software	973	1,044
Trademarks	42	42
	28,220	36,991
Movement in Goodwill		
Balance at 1 July	32,405	4,918
Acquisition of controlled entity	-	27,487
Adjustment to provisional amounts recognised on the acquisition of MVS National on 31 May 2017	(6,500)	-
Impairment charge	(8,700)	-
Balance at 30 June	17,205	32,405
Movement in customer relationships		
Balance at 1 July	3,500	-
Acquisition of controlled entity	-	3,500
Adjustment to provisional amounts recognised on the acquisition of MVS National on 31 May 2017	6,500	-
Balance at 30 June	10,000	3,500

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. ACQUISITION OF CONTROLLED ENTITY

LandMark White Limited acquired 100% of the interests in MVS on 31 May 2017. The acquisition was funded via a rights issue and placement of shares and the consideration comprised cash plus shares.

Details of the acquisition are as follows:

	Adjusted 31 Dec 2017 \$000s	Reported 30 Jun 2017 \$000s
Consideration		
Cash paid	16,000	16,000
Shares issued	7,300	7,300
	<u>23,300</u>	<u>23,300</u>
Additional amount payable based on cash position of MVS on completion	2,037	2,037
Deferred consideration payable in 2020 contingent upon performance of the acquired business between 1 January 2017 and 30 June 2020	-	8,700
	<u>25,337</u>	<u>34,037</u>
Assets acquired		
Cash & cash equivalents	1,785	1,785
Term deposits	203	203
Trade & other receivables	4,881	4,881
Other current assets	207	207
Deferred tax assets	401	401
Property, plant & equipment	256	256
Intangible assets – software	449	449
Intangible assets – customer relationships	10,000	3,500
Trade & other payables	(2,065)	(2,065)
Employee benefits	(1,371)	(1,371)
Current tax liability	(1,093)	(1,093)
Provisions	(328)	(328)
Borrowings	(275)	(275)
	<u>13,050</u>	<u>6,550</u>
Goodwill being the excess of the consideration over the net assets acquired	<u>12,287</u>	<u>27,487</u>
	<u>25,337</u>	<u>34,037</u>
Net cash outflow arising from acquisition		
Cash paid		16,000
Less cash balances acquired		<u>(1,785)</u>
		<u>14,215</u>

The deferred consideration of \$2,037,000 was paid to the vendors on 17 August 2017.

The reduction in goodwill comprises \$6,500,000 transferred to intangible assets – customer relationships plus \$8,700,000 transferred to the profit and loss account as an impairment charge (which was offset by a release of the deferred consideration no longer being payable).

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

7. ACQUISITION OF ASSOCIATED ENTITY

Effective 1 January 2018, LandMark White Limited acquired an additional 12.5% interest in the share capital of Forrest Street Pty Ltd (taking its investment to 25%) for cash consideration of \$662,875. Prior to this date, the investment was categorised as an available for sale financial asset.

	30 June 2018 \$'000	30 June 2017 \$'000
Investments accounted for using the equity method		
Carrying value as at 1 July	-	-
Transfer from AFS financial assets (12.5% holding)	715	-
Acquisition during the year (12.5% holding)	663	
Share of profits of associate	106	-
Dividends received during the year	(67)	-
Carrying value as at 30 June (25% holding)	<u>1,417</u>	<u>-</u>
AFS financial assets		
Carrying value as at 1 July	715	715
Transfer to investments accounted for using the equity method	(715)	-
Carrying value as at 30 June	<u>-</u>	<u>715</u>

8. CONTRIBUTED EQUITY

	30 June 2018 \$'000	30 June 2017 \$'000
Issued and paid-up capital		
76,109,944 (2017: 75,930,855) ordinary shares, fully paid	<u>33,893</u>	<u>33,773</u>
Movements during the period:		
Shares issued (proceeds net of costs of issue)	<u>120</u>	<u>27,723</u>

9. SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which affect the results contained in this financial report or the continuing operations of the Group.

10. COMPLIANCE STATEMENT

This report is based on financial statements to which the following applies:

<input type="checkbox"/>	The financial statements have been audited.	<input type="checkbox"/>	The financial statements have been subject to review.
<input checked="" type="checkbox"/>	The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/>	The financial statements have not yet been audited or reviewed.

The Company has a formally constituted Audit Committee.