

LandMark White Limited

A.C.N. 102 320 329

Results for announcement to the market

ASX Preliminary Final Report

Appendix 4E

30 June 2019

Lodged with the ASX under Listing Rule 4.3A

ASX Announcement – LandMark White Limited (“LMW”) – Full Year Results

Review of Operations

Financial Results

The financial results of the business were adversely impacted by the suspension from valuation panels operated by many of the LMW’s clients following the data disclosure incidents detected on 4 February 2019 and on 29 May 2019. This has resulted in a reduction in revenues of \$6-7M and a corresponding reduction in profits. Whilst LMW had insurance cover in place, this only covered a relatively small part of the losses incurred.

As a result of these incidents, LMW incurred significant response and remediation costs and has subsequently invested heavily in enhancing its IT platforms, hardware and software security as well as privacy and data policies, training and data recovery plans.

LMW is recovering from the second incident and expects to return to profitable trading from quarter two in FY2020.

In addition to the loss of revenue and resulting impact on profitability, LMW has booked impairment losses on its goodwill intangible assets due to the cash generating units supporting these assets now forecasting reduced cashflows.

Business Overview

Prior to the data incidents, LMW successfully completed the acquisition of the Taylor Byrne Holdings Pty Ltd group. This was in line with the strategy of diversification of revenue streams by broadening LMW’s geographical footprint across regional QLD and NSW and introducing rural property valuation clients to the group. The acquisition also allowed LMW to reduce its reliance on sub-contract valuers in performing its large national valuation contracts.

Cash at Bank

Despite the negative impact of the data disclosure incidents, LMW maintained positive cash balances through most of the financial year and closed with \$1.8M of available cash as at 30 June 2019.

Dividends

The board does not recommend a final dividend for the year ended 30 June 2019.

Outlook

LMW is looking to raise additional equity via a partially underwritten, non-renounceable, entitlement offer (note 9).

The net cashflow from this equity raising will enable the business to restructure its operations in line with an anticipated lower ongoing revenue base following the data disclosure incidents. This will enable the business to return to profitability and positive cashflows.

LandMark White Limited and Controlled Entities
ACN 102 320 329

Summary Results for the year ended 30 June 2019

The following is a summary of the financial results for the year ended 30 June 2019.

Results for announcement to the market

	Year ended 30 June 2019 \$000s	Year ended 30 June 2018 \$000s	Increase/ (Decrease) \$000s	% Change
Revenue				
Continuing operations	30,134	24,089	6,045	25.1%
Businesses acquired during the year	12,861	19,068	(6,207)	(32.6%)
	42,995	43,157	(162)	(0.4%)
Profit before tax				
Continuing operations	(3,365)	2,498	(5,863)	(234.7%)
Businesses acquired during the year	257	3,309	(3,052)	(92.2%)
Acquisition costs expensed	528	-	528	100.0%
Impairment of investment in associated entity	(753)	-	(753)	(100.0%)
Impairment of intangibles	(12,284)	-	(12,284)	(100.0%)
	(15,617)	5,807	(21,424)	(368.9%)
Income tax benefit / (expense)	469	(1,667)	2,136	128.1%
Net Profit after tax from continuing operations	(15,148)	4,140	(19,288)	(465.9%)

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	162	2,040
Consolidated net profit after tax attributable to members reported for the 2 nd Half year	(15,310)	2,100
Total	(15,148)	4,140

Dividends	Amount per security	Franked amount per security
Interim dividend	-	-
Final dividend	-	-

Dividend payment date n/a
Ex-dividend date n/a
Record date for determining entitlement to final dividend n/a

Annual Report and Annual General Meeting

LMW expects to send its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 7 October 2019.

LMW expects to hold its 2019 Annual General Meeting in Sydney on 7 November 2019.

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 2019

	Notes	30 June 2019 \$000s	30 June 2018 \$000s
Revenue from rendering of services		41,960	43,120
Other income		1,035	37
Total revenue		42,995	43,157
Expenses from continuing operations			
Employment expenses		33,376	30,204
Report presentation expenses		2,576	1,800
Marketing expenses		514	413
Communication expenses		663	382
Insurance expenses		1,716	1,133
Administration expenses		1,533	424
Occupancy expenses		2,053	1,256
Depreciation and amortisation expenses		808	792
Impairment of investment in associated entity		753	-
Impairment of intangible assets	5	12,284	8,700
Reversal of deferred consideration payable	5	-	(8,700)
Other expenses from ordinary activities		2,147	1,100
		58,423	37,504
Results from operating activities		(15,428)	5,653
Finance income		44	62
Finance expense		(204)	(14)
Share of net (loss) / profit of associates accounted for using the equity method	7	(29)	106
(Loss) / Profit before tax		(15,617)	5,807
Income tax benefit / (expense)	4	469	(1,667)
(Loss) / Profit for the year attributable to owners of the parent		(15,148)	4,140
Total other comprehensive income (net of tax)		-	-
Total comprehensive (loss) / income for the year attributable to owners of the parent		(15,148)	4,140
Basic earnings per share (cents per share)	2	(18.36)	5.44
Diluted earnings per share (cents per share)	2	(18.36)	5.44

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
ACN 102 320 329

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 \$000s	30 June 2018 \$000s
Current Assets			
Cash and cash equivalents		1,816	2,772
Term deposits		72	108
Trade and other receivables		3,832	5,306
Income tax receivable		480	-
Inventories		-	97
Other assets		1,019	556
Total Current Assets		7,219	8,839
Non-Current Assets			
Deferred tax assets		2,172	984
Term deposits		846	608
Property, plant & equipment		880	693
Intangible assets	5	25,173	28,220
Investments accounted for using the equity method	7	571	1,417
Total Non-Current Assets		29,642	31,922
Total Assets		36,861	40,761
Current Liabilities			
Trade and other payables		2,568	1,946
Borrowings		930	58
Current tax liabilities		46	110
Employee benefits		3,939	2,555
Total Current Liabilities		7,483	4,669
Non-Current Liabilities			
Borrowings		4,375	61
Deferred tax liabilities		7	29
Employee benefits		517	205
Provisions		192	172
Total Non-Current Liabilities		5,091	467
Total Liabilities		12,574	5,136
Net Assets		24,287	35,625
Equity			
Contributed equity	8	39,293	33,893
Retained earnings		(15,006)	1,732
Total Equity		24,287	35,625

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 2019

	Notes	30 June 2019 \$000s	30 June 2018 \$000s
Cash Flows from Operating Activities			
Receipts from customers		51,166	47,307
Payments to suppliers and employees		(50,309)	(42,825)
Interest received		44	62
Interest paid		(204)	(14)
Dividends received		64	125
Decrease / (increase) in security deposits		64	(302)
Income tax (paid)		(769)	(2,616)
Net cash flows provided by Operating Activities		56	1,737
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(260)	(346)
Purchase of intangible assets		(679)	(448)
Purchase of investments		-	(2,037)
- Deferred consideration for controlled entity		-	-
- Acquisition of controlled entity	6	(3,695)	(663)
- Acquisition of associated entity		-	-
- Acquisition of other unincorporated businesses		(42)	-
Decrease in surplus cash on term deposit		-	2,500
Net cash flows used in Investing Activities		(4,676)	(994)
Cash Flows from Financing Activities			
Shares issued		-	-
Borrowings received		7,152	-
Repayment of borrowings		(1,966)	(149)
Dividends paid		(1,522)	(3,567)
Net cash flows used in Financing activities		3,664	(3,716)
Net (decrease) / increase in cash held		(956)	(2,973)
Cash at beginning of financial year		2,772	5,745
Cash at end of financial year		1,816	2,772

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

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

PRELIMINARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019
STATEMENT OF CHANGES IN EQUITY

	Share Capital \$000's	Retained Earnings \$000's	Total Equity \$000's
<i>Consolidated</i>			
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
Balance at 1 July 2018	33,893	1,732	35,625
Change in accounting policy	-	(68)	(68)
Total comprehensive income attributable to members of the parent entity	-	(15,148)	(15,148)
Shares issued	5,400	-	5,400
Dividends to shareholders	-	(1,522)	(1,522)
Balance at 30 June 2019	39,293	(15,006)	24,287

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

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. DIVIDENDS

Final dividend resolved to be paid	-
Date the dividend is payable	n/a
Ex-dividend date	n/a
Record date	n/a
Last date for receipt of election notice to participate in the DRP	n/a

	Current Year	Prior Year
Interim dividend	-	2.6 cents
Final dividend	-	2.0 cents
	-	4.6 cents

FY18 dividends were not eligible for dividend reinvestment plan.

2. EARNINGS PER SHARE

	30 June 2019 ¢	30 June 2018 ¢
Basic earnings per share	(18.36)	5.44
Diluted earnings per share	(18.36)	5.44
Weighted average number of shares used in the		
- calculation of basic EPS	82,513,394	76,063,822
- calculation of diluted EPS	82,513,394	76,063,822

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.

3. NET TANGIBLE ASSET BACKING

	30 June 2019	30 June 2018
Net tangible (liability) / asset backing per share	(\$0.010)	\$0.097

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. **INCOME TAX**

Income tax (credit) / expense for the year consists of the following:

	30 June 2019 \$000s	30 June 2018 \$000s
(Loss) / Profit from continuing operations before tax	(15,617)	5,807
Prima facie income tax calculated at 30% on profit	(4,685)	1,742
Effect of non-deductible intangible impairment	3,685	-
Effect of non-deductible investment impairment	226	-
Effect of non-deductible expenses	210	27
Effect of non-deductible / non-assessable share of losses / (profits) of associate	8	(32)
Effect of fully franked dividends	-	(17)
	(556)	1,720
Adjustments for prior years	87	(53)
Net income tax (benefit) / expense	(469)	1,667

5. **INTANGIBLE ASSETS**

	30 June 2019 \$000s	30 June 2018 \$000s
Goodwill	13,884	17,205
Customer relationships	10,000	10,000
Computer software	1,247	973
Trademarks	42	42
	25,173	28,220
Movement in Goodwill		
Balance at 1 July	17,205	32,405
Acquisition of controlled entity (note 6)	8,921	-
Acquisition of other unincorporated businesses	42	-
Adjustment to provisional amounts recognised on the acquisition of MVS on 31 May 2017	-	(6,500)
Impairment charge	(12,284)	(8,700)
Balance at 30 June	13,884	17,205
Movement in customer relationships		
Balance at 1 July	10,000	3,500
Adjustment to provisional amounts recognised on the acquisition of MVS on 31 May 2017	-	6,500
Balance at 30 June	10,000	10,000

Impairment Charge

The impairment charge relates to the LMW Residential, LMW Commercial and Government Services cash generating units. There is no impairment of the LMW Regional cash generating unit which arose via the acquisition of Taylor Byrne Holdings Pty Ltd in October 2018 (refer note 6).

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6. ACQUISITION OF CONTROLLED ENTITY

On 15 October 2018 the parent entity acquired 100% of the issued share capital of Taylor Byrne (Holdings) Pty Ltd ("Taylor Byrne"). The terms of the sale and purchase agreement provided for the effective date of transfer of economic benefit to be 1 October 2018 and accordingly the completion balance sheet was prepared at 30 September 2018 and results consolidated from 1 October 2018.

Details of the acquisition are as follows:

	30 Jun 2019 \$'000s
Consideration	
Cash paid	7,385
Shares issued	5,150
	<u>12,535</u>
Assets acquired	
Cash & cash equivalents	3,690
Prepayments	159
Accounts receivable	2,448
Property, plant & equipment	413
Future income tax benefit	636
Term deposits	266
Accounts payable	(1,641)
Tax payable	(149)
Employee provisions	(2,208)
	<u>3,614</u>
Goodwill being the excess of the consideration over the net assets acquired	8,921
	<u>12,535</u>
Net cash outflow arising from acquisition	
Cash paid	7,385
Less cash balances acquired	(3,690)
	<u>3,695</u>

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2019 \$'000	30 June 2018 \$'000
Balance at 1 July	1,417	715
Additional investment	-	663
Share of net (loss) / profit of associates accounted for using the equity method	(29)	106
Dividends received	(64)	(67)
Impairment charge	(753)	-
Balance at 30 June	<u>571</u>	<u>1,417</u>

LANDMARK WHITE LIMITED AND CONTROLLED ENTITIES
ACN 102 320 329

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8. CONTRIBUTED EQUITY

	30 June 2019 \$'000	30 June 2018 \$'000
Issued and paid-up capital 85,134,111 (2018: 76,109,944) ordinary shares, fully paid	39,293	33,893
Movements during the period: Shares issued (proceeds net of costs of issue)	5,400	120

9. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the Company is undertaking a partially underwritten, non-renounceable rights issue with the aim of raising between \$3M and \$5.4M of additional equity which, if successful, will be used to restructure the Company, further invest in IT infrastructure and, if more than \$3M is raised, pay down debt.

10. GOING CONCERN

The Company has been the subject of two cyber incidents which resulted in a number of clients suspending utilisation of LMW's services with a resulting reduction in revenues and cashflows which prima facie may impact the ability of the Company to pay its debts as and when they fall due.

The directors have prepared the financial information contained within this report on a going concern basis for the following reasons:

- The Company was trading profitability prior to the cyber incidents.
- The cyber incidents were the result of criminal activity and are not ongoing. NSW Cyber Police are continuing their investigations.
- The Company has substantially enhanced its cyber security measures to limit the chance of recurrence.
- Whilst many mortgage lending clients temporarily suspended trading with the Company, they have either recommenced trading or are expected to recommence trading with the Company in the future.
- The Company has secured short term funding from its corporate banker which will allow it to trade through the period whilst its cashflows return.
- By the end of the current calendar year, the Company expects its revenues, profitability and operating cashflows to be at levels that allow it to provide appropriate returns to shareholders and therefore to continue to trade.
- The Company has commenced a capital raise that will allow it to restructure its business and continue profitable and cashflow positive trading into the future.
- The Company has prepared detailed cashflow forecasts through to June 2020 which confirm its ability to continue to pay its debts as and when they fall due.

The directors are satisfied that the going concern basis of preparation is appropriate and therefore the financial information does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

11. COMPLIANCE STATEMENT

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

☐

The financial statements have been audited.

☐

The financial statements have been subject to review.

☒

The financial statements are in the process of being audited or subject to review.

☐

The financial statements have not yet been audited or reviewed.

The Company has a formally constituted Audit Committee.