



Appendix 4E

Unaudited Preliminary Final Report

30 June 2016

# QMS Media Limited

## Appendix 4E

### Entity details

Name of entity: QMS Media Limited and its controlled entities (referred to as the 'Group')  
ABN: 71 603 037 341

### Reporting period

Reporting period ("current period"): For the full year ended 30 June 2016.  
Previous corresponding period: For the period 25 November 2014 to 30 June 2015. The Company was registered on 25 November 2014 and commenced operations on the 17 March 2015.

### Results for announcement to the market

		%		2016 \$'000	2015 \$'000
Statutory revenue from ordinary activities	up	2,631	to	111,825	4,095
Statutory profit / (loss) from ordinary activities after tax attributable to the members	up	377	to	13,418	(4,844)
Net profit for the period attributable to members	up	377	to	13,418	(4,844)

### Dividends

On the 29th August 2016, the Board recommended the payment of a final, fully franked dividend of 1.5 cents per share (\$4,528,815). Proposed dividends on ordinary shares are not recognised as a liability as at 30 June 2016.

### Net tangible assets

	Current period	Previous corresponding period
Net tangible assets per ordinary share (cents) <sup>1</sup>	12.4	6.0

1. Derived by dividing net assets less intangible assets, over the total issued shares of 301,921,111 (2015: 251,600,846).

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### Details of entities over which control has been gained

Entity	Date control gained	Impact on profit / (loss) after tax \$'000
iSite Limited	1 December 2015	1,334
Omnigraphics Limited	11 December 2015	(124)
Australian Billboard Company Pty Ltd	29 January 2016	(302)

### Details of associates and joint venture entities

Entity	Percentage of ownership interest held	
	2016	2015
Titan Media Group NZ Pty Ltd	37.50%	37.50%
The Digital Outdoor Group Pty Ltd	50.00%	50.00%

### Earnings per security

	Current period	Previous corresponding period
Basic and diluted earnings/(loss) per share (cents)	4.80	(0.33)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted EPS	279,331,995	14,896,572

### Operating and Financial Review

The financial information presented in this unaudited preliminary final report has been prepared on a statutory basis in accordance with the measurement and recognition requirements of Australian Accounting Standards. The prior period statutory information is presented for the period 25<sup>th</sup> November 2014 to 30<sup>th</sup> June 2015.

For the purposes of the Operating and Financial Review and financial results presentation, comparisons have been made to the Pro forma 2015<sup>1</sup> results, which were disclosed in the 2015 investor presentation. The Company was not trading for the full comparative period and therefore the Pro forma 2015 Actual results provide a more meaningful comparison in assessing the financial performance of the Group.

In addition, certain non-IFRS measures, in particular underlying EBITDA, are used by Directors and management as measures of assessing the financial performance of the Group. The Directors consider these measures to be a better indicator of the underlying performance of the business and provide more meaningful comparisons with future performance. Underlying EBITDA is the primary measure of the operating performance of the business and is a common performance measure used in the industry in which QMS Media Limited operates.

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<sup>1</sup> Pro forma 2015 results represent the actual results of the acquired subsidiaries and assets from the IPO for the year ended 30 June 2015.

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The table below details key financial information for the year ended 30 June 2016, in comparison to the 2015 Pro forma results, which is the basis for the discussion in this Operating and Financial Review.

June year end	2016 Actual \$'000	2015 Pro forma \$'000
Revenue	111,825	59,639
Cost of sales	(53,053)	(35,264)
<b>Gross profit</b>	<b>58,772</b>	<b>24,375</b>
Gross profit margin	52.6%	40.9%
Operating expenses	(31,679)	(25,100)
<b>EBITDA</b>	<b>27,093</b>	<b>(725)</b>
EBITDA margin	24.2%	(1.2%)
Non-underlying revenue	(2,092)	-
Non-underlying expenses	1,797	5,444
<b>EBITDA - underlying</b>	<b>26,798</b>	<b>4,719</b>
EBITDA margin - underlying	24.0%	7.9%

### Revenue

Total statutory revenue for FY16 was \$111.8 million, compared to the FY15 Pro forma revenue of \$59.6 million, representing an 88% increase. Statutory revenue included \$2.1 million of deferred and contingent consideration relating to the June 2015 IPO acquisitions which was released during the period.

The key drivers for the significant increase in revenue were the expanded platform of high quality assets across the Group, uplift from the conversion of static sites to digital platforms which yield higher revenue and contribution from acquisitions. These drivers have partially been offset by the delayed ramp up of the Bali Airport and Auckland Transport concessions highlighted at the half year results.

There has been strong delivery on digital growth with digital revenue contributing 62% of Australian media revenue and 40% of total media revenue. At 30 June 2016, the Group had 45 landmark digital billboards and 132 small format digital billboards (FY15 Pro forma: 21 and nil).

The Group has strengthened its market coverage in Australia and is also in a leading position in New Zealand. The acquisition of iSite Limited in December 2015 has provided the opportunity to leverage the Group's digital development and marketing capability across iSite's high quality asset base in New Zealand. Since acquisition, 8 new digital landmark billboards became operational. iSite has been successfully integrated into the Group and is performing strongly with EBITDA ahead of acquisition guidance.

### Gross Margins

Gross margins improved from 41% to 53%, reflecting the increased contribution from digital sites and the group capturing previously outsourced print production margins internally.

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### Expenses

Cost of sales and operating expenses for FY16 were \$82.9 million, compared to FY15 Pro forma cost of sales and operating expenses of \$54.9 million (excluding non-underlying expenses). The increase of \$28.0 million relates to the growth in the Australian media business and contribution from the acquisitions undertaken during the year. It was represented by:

- Cost of sales increasing by \$17.7 million as a result of the increased revenue generated and
- Operating expenses increasing by \$10.3 million due to the investment in sales, development and operations infrastructure in order to support future growth.

The non-underlying expenses relate to acquisition, restructuring and integration costs incurred during the year.

### Reconciliation of operating profit to EBITDA

A reconciliation between operating profit as shown in the consolidated statement of profit or loss and other comprehensive income and underlying EBITDA is shown below:

	<b>\$'000</b>
<b>Operating profit</b>	19,149
Depreciation expense	3,978
Amortisation expense	3,966
<b>EBITDA</b>	27,093
Acquisition costs	688
Restructuring and integration costs	1,109
Release of deferred and contingent consideration	(2,092)
<b>Underlying EBITDA</b>	<b>26,798</b>

FY16 underlying EBITDA of \$26.8 million was significantly higher than the Pro forma FY15 underlying EBITDA of \$4.7 million. This is attributable to the growth in the media business, stronger gross margins and contributions from the acquisitions undertaken during the year.

### Acquisitions

During the year the Group has continued to expand its market presence within the outdoor advertising industry through strategic acquisitions. iSite Limited and Omnigraphics Limited were acquired in December 2015 and the acquisition of Australian Billboard Company Pty Ltd was completed on 29 January 2016. Refer to note 9 for further details.

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### Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Notes	2016 \$'000	2015* \$'000
Revenue	3	111,825	4,095
Cost of sales		(53,053)	(1,585)
<b>Gross profit</b>		58,772	2,510
Advertising and marketing expenses		(696)	(47)
Consultancy fees		(865)	(582)
Employee benefits expenses		(20,243)	(648)
Legal and professional fees		(901)	(434)
IPO related expenses		-	(1,724)
Costs associated with acquisitions		(688)	(1,040)
Office costs		(2,450)	(153)
Restructuring and integration costs		(1,109)	-
Other expenses		(4,727)	(219)
Depreciation expense		(3,978)	(70)
Amortisation expense		(3,966)	(182)
<b>Operating profit/(loss)</b>		19,149	(2,589)
Finance income		155	29
Finance costs		(1,068)	(3,077)
<b>Net finance costs</b>	4	(913)	(3,048)
<b>Profit/(loss) before tax</b>		18,236	(5,637)
Income tax (expense)/benefit		(4,945)	743
<b>Profit/(loss) after tax</b>		13,291	(4,894)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		13,418	(4,844)
Non-controlling interests		(127)	(50)
		13,291	(4,894)
<b>Other Comprehensive income/(loss)</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Foreign currency translation differences		2,459	(11)
<b>Total comprehensive income/(loss) net of tax</b>		15,750	(4,905)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		15,877	(4,855)
Non-controlling interests		(127)	(50)
<b>Total comprehensive income/(loss) for the period</b>		15,750	(4,905)
<b>Basic and diluted earnings/(loss) per share (cents)</b>		4.80	(0.33)

\*The Company was registered on 25 November 2014 and commenced operations on the 17 March 2015.

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### Consolidated statement of financial position

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents		12,642	21,411
Trade and other receivables		23,591	9,934
Inventories		622	616
Other current assets		9,874	7,947
<b>Total current assets</b>		<b>46,729</b>	<b>39,908</b>
Deferred tax assets		4,569	2,697
Property, plant and equipment	5	56,143	18,960
Other non-current assets		-	704
Intangible assets and goodwill	6	133,911	89,315
<b>Total non-current assets</b>		<b>194,623</b>	<b>111,676</b>
<b>Total assets</b>		<b>241,352</b>	<b>151,584</b>
<b>Liabilities</b>			
Trade and other payables		11,612	10,310
Deferred and contingent consideration	7	8,341	13,376
Loans and borrowings	8	3,666	3,282
Current tax liabilities		3,627	813
Provisions		1,168	504
Deferred revenue		2,852	594
Other liabilities		4,875	4,079
<b>Total current liabilities</b>		<b>36,141</b>	<b>32,958</b>
Deferred and contingent consideration	7	2,658	8,153
Loans and borrowings	8	14,177	-
Other non-current liabilities		1,887	-
Provisions		6,200	2,706
Deferred tax liabilities		9,028	915
<b>Total non-current liabilities</b>		<b>33,950</b>	<b>11,774</b>
<b>Total liabilities</b>		<b>70,091</b>	<b>44,732</b>
<b>Net assets</b>		<b>171,261</b>	<b>106,852</b>
<b>Equity</b>			
Share capital		164,902	116,243
Reserves		(2,038)	(4,497)
Retained earnings/(accumulated losses)		8,574	(4,844)
<b>Total equity attributable to equity holders of the Company</b>		<b>171,438</b>	<b>106,902</b>
Non-controlling interest		(177)	(50)
<b>Total equity</b>		<b>171,261</b>	<b>106,852</b>

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### Consolidated statement of cash flows

For the year ended 30 June 2016

	<b>2016</b>	<b>2015*</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	114,080	5,267
Cash paid to suppliers and employees	(89,716)	(2,489)
Interest paid	(371)	(12)
Income taxes paid	(2,173)	-
<b>Net cash from operating activities</b>	<b>21,820</b>	<b>2,766</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(47,991)	(68,255)
Payments of acquisition costs	(688)	(1,039)
Acquisition of property, plant and equipment	(26,306)	(991)
Deposits paid on intangible assets	-	(1,624)
Deferred consideration payments	(14,833)	-
Acquisition of site lease intangible assets	(3,090)	(2,538)
<b>Net cash used in investing activities</b>	<b>(92,908)</b>	<b>(74,447)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	50,693	95,003
Proceeds from issue of convertible notes	-	9,500
Transaction costs related to issue of shares	(2,170)	(5,365)
Receipt / (payment) of related party loans	262	(3,099)
Proceeds / (repayment) of borrowings (net)	13,197	(2,936)
<b>Net cash from financing activities</b>	<b>61,982</b>	<b>93,103</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(9,106)</b>	<b>21,422</b>
Cash and cash equivalents at 1 July	21,411	-
Effect of movements in exchange rates on cash held	337	(11)
<b>Cash and cash equivalents at 30 June</b>	<b>12,642</b>	<b>21,411</b>

\* The Company was registered on 25 November 2014 and commenced operations on the 17 March 2015.



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### Consolidated statement of changes in equity

For the year ended 30 June 2016

	Attributable to equity holders of the Company					Non-controlling interests \$'000	Total equity \$'000
	Share capital	Translation reserve	Merger reserve	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 July 2014	-	-	-	-	-	-	-
Profit/(loss) after tax	-	-	-	(4,844)	(4,844)	(50)	(4,894)
Other comprehensive income/(loss)	-	(11)	-	-	(11)	-	(11)
Total comprehensive income	-	(11)	-	(4,844)	(4,855)	(50)	(4,905)
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Issue of ordinary shares	120,196	-	-	-	120,196	-	120,196
Share issue costs, net of tax	(5,265)	-	-	-	(5,265)	-	(5,265)
Deferred tax expense	1,312	-	-	-	1,312	-	1,312
Total contributions and distributions	116,243	-	-	-	116,243	-	116,243
<b>Changes in ownership interests</b>							
Acquisition of subsidiary with common control	-	-	(4,486)	-	-	-	(4,486)
Total changes in ownership interests	-	-	(4,486)	-	-	-	(4,486)
<b>Balance at 30 June 2015</b>	<b>116,243</b>	<b>(11)</b>	<b>(4,486)</b>	<b>(4,844)</b>	<b>106,902</b>	<b>(50)</b>	<b>106,852</b>

	Attributable to equity holders of the Company					Non-controlling interests \$'000	Total equity \$'000
	Share capital	Translation reserve	Merger reserve	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 July 2015	116,243	(11)	(4,486)	(4,844)	106,902	(50)	106,852
Profit/(loss) after tax	-	-	-	13,418	13,418	(127)	13,291
Other comprehensive income/(loss)	-	2,459	-	-	2,459	-	2,459
Total comprehensive income	-	2,459	-	13,418	15,877	(127)	15,750
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Issue of ordinary shares	50,693	-	-	-	50,693	-	50,693
Share issue costs, net of tax	(2,170)	-	-	-	(2,170)	-	(2,170)
Deferred tax expense	136	-	-	-	136	-	136
Total contributions and distributions	48,659	-	-	-	48,659	-	48,659
<b>Balance at 30 June 2016</b>	<b>164,902</b>	<b>2,448</b>	<b>(4,486)</b>	<b>8,574</b>	<b>171,438</b>	<b>(177)</b>	<b>171,261</b>

### Notes to the financial statements

#### 1) Significant accounting policies

Except as described below, the accounting policies applied by Group are the same as those applied in the Group's annual report as at and for the period ended 30 June 2015.

##### **Tax consolidation regime**

The Company and its wholly-owned Australian controlled entities formed a tax consolidated Group at the close of business on 30 June 2016 and have implemented the tax consolidation legislation.

The deferred tax balances recognised by the parent entity and the Group in relation to wholly-owned entities joining the tax consolidated Group are initially measured and remeasured based on the carrying amounts of the assets and liabilities of those entities at the level of the tax consolidated Group and their tax values, as applicable under the tax consolidation legislation.

The Company, as the head entity in the tax consolidated Group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax (expense)/benefit.

The controlled entities in the tax consolidated Group account for their own deferred tax balances, except for those relating to tax losses.

#### 2) Basis of preparation

The Company was registered on 25 November 2014 and commenced operations on 17 March 2015.

The unaudited preliminary final report of QMS Media Limited as at and for the year ended 30 June 2016 comprises the Company and its controlled entities (together referred to as the 'Group').

The unaudited preliminary final report does not include all the information presented within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group.

The unaudited preliminary final report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards ('AASB's) adopted by the Australian Accounting Standards Board.

This unaudited preliminary final report is presented in Australian dollars and is prepared on a historical cost basis except for loans and receivables that are measured at amortised cost and deferred and contingent consideration that are stated at fair value.

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### 3) Revenue

	<b>2016</b>	<b>2015*</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of media and print production services	109,359	3,121
Release of deferred and contingent consideration	2,092	-
Gain on remaining interest acquired in associates	-	795
Other income	374	179
	<b>111,825</b>	<b>4,095</b>

### 4) Net finance costs

	<b>2016</b>	<b>2015*</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	155	29
<b>Finance income</b>	<b>155</b>	<b>29</b>
Interest expense	(525)	(11)
Discount unwind on deferred and contingent consideration and loans	(421)	(36)
Borrowing costs amortisation	(122)	-
Brokerage costs on convertible note	-	(530)
Conversion of convertible notes to equity	-	(2,500)
<b>Finance costs</b>	<b>(1,068)</b>	<b>(3,077)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(913)</b>	<b>(3,048)</b>

### 5) Property, plant and equipment

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land and buildings</b>	<b>5,504</b>	<b>5,574</b>
Carrying value of land and buildings	5,504	5,574
<b>Fixtures and fittings</b>	<b>539</b>	<b>66</b>
Carrying value of fixtures and fittings	539	66
<b>Plant and equipment</b>	<b>47,599</b>	<b>13,106</b>
Carrying value of plant and equipment	47,599	13,106
Assets under construction	2,501	214
<b>Total carrying value of property, plant and equipment</b>	<b>56,143</b>	<b>18,960</b>

\* The Company was registered on 25 November 2014 and commenced operations on the 17 March 2015.

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### 6) Intangible assets and goodwill

	2016 \$'000	2015 \$'000
<b>Site leases</b>	42,362	28,355
Carrying value of site leases	42,362	28,355
<b>Goodwill</b>	90,932	59,005
Carrying value of goodwill	90,932	59,005
<b>Other intangibles</b>	459	1,424
Carrying value of other intangibles	459	1,424
Development costs	158	531
<b>Total carrying value of intangible assets and goodwill</b>	<b>133,911</b>	<b>89,315</b>

The increase in goodwill and site lease intangible assets are due to the acquisitions of iSite Limited, Omnigraphics Limited and Australian Billboard Company Pty Ltd. Under AASB 3, *Business Combinations*, QMS Media Limited has up to twelve months from acquisition date to identify and reliably estimate the fair values of the acquired assets and assumed liabilities. As a result, these FY16 acquisition amounts are provisional.

### 7) Deferred and contingent consideration

	2016 Carrying amount \$'000	2015 Carrying amount \$'000
<b>Current deferred and contingent consideration</b>		
Drive by Media	-	10,626
Plexity Holdings	2,433	1,600
Paramount Outdoor	-	1,150
Australian Billboard Company Pty Ltd	3,000	-
Vail Media Book	2,043	-
Apex Outdoor	815	-
BMG Australasia	50	-
	8,341	13,376
<b>Non-current deferred and contingent consideration</b>		
Apex Outdoor	398	-
Australian Billboard Company Pty Ltd	1,828	-
Plexity Holdings	-	2,900
BMG Australasia	-	1,552
Vail Media Book	432	2,781
Paramount Outdoor	-	920
	2,658	8,153
<b>Total deferred and contingent consideration</b>	<b>10,999</b>	<b>21,529</b>

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### 8) Loans and borrowings

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Bank loans and borrowings	3,260	2,961
Finance lease liabilities	406	321
	<b>3,666</b>	<b>3,282</b>
<b>Non-current liabilities</b>		
Bank loans and borrowings	14,177	-
	<b>14,177</b>	<b>-</b>
<b>Total loans and borrowings</b>	<b>17,843</b>	<b>3,282</b>

On 24 February 2016, the Group executed an extension to its existing loan facility arrangements with ANZ. As a result, the Group's ANZ facility increased by \$29.2 million, which includes a \$4.0 million bank guarantee facility. The total ANZ facility now available to the group is \$39.2 million. The majority of the facility has a maturity date of three years, expiring on 24 February 2019.

### 9) Acquisition of subsidiaries

#### a) Australian Billboard Company Pty Ltd

On 29 January 2016, the Group acquired 51% of the shares in Australian Billboard Company Pty Ltd ("ABsee") from AK Portfolio Pty Ltd. ABsee operates the Gold Coast City Council's outdoor advertising concession for street furniture throughout the Gold Coast region. The agreement contains both put and call options, the terms of which are identical, to increase the shareholding in ABsee to 100% of issued capital.

The total aggregate consideration is \$11.8 million assuming all options are exercised and incentive payments are triggered. Initial consideration of \$2.6 million was paid, and subsequent incentive payments of \$4.2 million were made as the digital permits to convert existing static advertising panels to digital were delivered. If the remaining options are exercised, consideration of \$5.0 million is payable over three instalments up to July 2017. The fair value of the deferred consideration has been recorded as at 30 June 2016.

The acquisition secured over 700 street furniture panels located from Coolangatta to Paradise Point and inland to Robina. Aligning with the Group's digital growth strategy, this acquisition provides significant digital conversion opportunities with 50 of the street furniture panels already converted to digital at 30 June 2016.

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	<b>\$'000</b>
Cash	6,775
Deferred consideration	4,762
<b>Total consideration transferred</b>	<b>11,537</b>
Cash and cash equivalents	106
Trade and other receivables	567
Other assets	17
Property, plant and equipment	13,171
Trade and other payables	(771)
Provisions	(1,112)
Loan and borrowings	(2,040)
Other liabilities	(26)
<b>Total identifiable net assets acquired</b>	<b>9,912</b>
Consideration transferred	11,537
Less: Total identifiable net assets	(9,912)
<b>Goodwill</b>	<b>1,625</b>

The table above summarises the recognised amounts of assets acquired and liabilities assumed at acquisition date. The Group has 12 months from acquisition date to finalise the purchase price accounting and therefore these amounts are provisional.

Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the net assets acquired as a part of the business combination. The goodwill is attributable mainly to the skills and technical talent of the acquired work force, and the synergies expected to be achieved from integrating the Company into the Group's existing business. No goodwill recognised is expected to be deductible for tax purposes.

From the date of acquisition to 30 June 2016, ABsee contributed a loss before tax of \$0.3 million to the results of the Group.

### **b) iSite Limited**

On 1 December 2015, the Group acquired 100% of shares in iSite Limited ("iSite") from Infratil Limited for \$45.0 million. iSite is one of the two leading outdoor advertising businesses in the New Zealand market and the acquisition significantly expanded the Group's presence in New Zealand and provides opportunities to apply QMS Media's core capabilities to drive growth across an expanded platform of assets in New Zealand.

Initial cash consideration was paid in December 2015, with deferred consideration of \$7.9 million paid in January 2016.

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	<b>\$'000</b>
Cash	37,111
Deferred consideration	7,899
<b>Total consideration transferred</b>	<b>45,010</b>
Cash and cash equivalents	2,352
Trade and other receivables	4,822
Other assets	1,214
Property, plant and equipment	4,120
Intangible assets	3,195
Trade and other payables	(1,441)
Provisions	(3,225)
<b>Total identifiable net assets acquired</b>	<b>11,037</b>
Consideration transferred	45,010
Less: Total identifiable net assets	(11,037)
Less: Recognition of site lease intangible	(11,962)
Plus: Recognition of make good provision	203
<b>Goodwill</b>	<b>22,214</b>

The table above summarises the recognised assets acquired and liabilities assumed at acquisition date.

The site lease intangible assets have been fair valued using an excess earnings method. The fair value is determined based on discounting the incremental cash flows based on Earnings Before Interest and Tax directly attributable to the site, over the weighted average contractual life, to arrive at a net present value. The valuation involves a number of key assumptions including the risk-adjusted discount rate, growth rate of revenue, gross margin, the weighted average useful life and the overall underlying customer attrition rate. All these inputs are highly judgmental, with the customer attrition rate of 20% representing the most sensitive driver of the net present value.

The fair value of the site lease intangible assets has been determined on a provisional basis pending completion of a formal valuation. If new information obtained within one year from acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised. Accordingly, the provisional acquisition accounting has been updated at 30 June 2016 from the amounts initially recorded on acquisition.

Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the net assets acquired as a part of the business combination. The goodwill is attributable mainly to the skills and technical talent of the acquired work force, and the synergies expected to be achieved from integrating the Company into the Group's existing business. No goodwill recognised is expected to be deductible for tax purposes.

For the period ended 30 June 2016, iSite has contributed \$20.5 million revenue and \$1.3 million net profit before tax to the results of the Group. The Group incurred acquisition related costs for due diligence and legal advice. These expenses have been recognised in the costs associated with acquisitions line item in the consolidated statement of profit or loss and other comprehensive income.

# QMS Media Limited

## Appendix 4E

### c) Omnigraphics Limited (“Omnigraphics”)

On 11 December 2015, QMS NZ Holdings Limited, a 75% owned subsidiary of the Group, acquired 49% of the shares in Omnigraphics through a subscription agreement put in place by the existing shareholders for consideration of \$14,000. Omnigraphics is one of New Zealand’s leading large format digital printing companies and this acquisition is further expected to strengthen the Group’s presence in New Zealand.

For the period ended 30 June 2016, Omnigraphics has contributed loss before tax of \$0.1 million to the results of the Group.

### 10) Subsequent events

Effective on the close of business on 30 June 2016, the board resolved to form a tax consolidated group for the wholly owned Australian entities.

On the 29th August 2016, the Board recommended the payment of a final, fully franked dividend of 1.5 cents per share (\$4,528,815). Proposed dividends on ordinary shares are not recognised as a liability as at 30 June 2016.

Other than those matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the Group, in future financial periods.

### Audit qualification or review

This report is based on the Annual Financial Report which is in the process of being audited.

Signed:



**Wayne Stevenson**

Chairman

29 August 2016

Melbourne