



# HALF YEAR REPORT 31 DECEMBER 2016

QMS Media Limited | ABN 71 603 037 341

# QMS Media Limited

## Appendix 4D

### Entity details

Name of entity: QMS Media Limited  
ABN: 71 603 037 341

### Reporting period

Reporting period ("current period"): For the six months ended 31 December 2016.  
Previous corresponding period: For the six months ended 31 December 2015.

### Results for announcement to the market

	Increase \$'m	Change (%)	to \$'m
Statutory revenue and other income from ordinary activities	34.5	78%	79.0
Statutory profit from ordinary activities after tax attributable to the members	1.2	22%	7.0
Statutory profit before tax from ordinary activities for the period attributable to members	2.2	29%	9.6

### Dividends

During the period ended 31 December 2016, a fully franked dividend of 1.5 cents per share (\$4,528,815) was paid as previously announced in the 30 June 2016 Annual Report.

On 27 February 2017, the Board recommended a payment of an interim fully franked dividend of 0.8 cents per share (\$2,567,750). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2016.

### Commentary

Refer to the Directors' report contained within the half year report for commentary on the review of current period results.

### Net tangible assets

	31 December 2016	31 December 2015
Net tangible assets per ordinary share	45 cents	13 cents

### Change in business operations

During the period ended 31 December 2016, QMS Media Limited acquired interest in the following entities:

1. Out & About Marketing and Media Pty Ltd and its wholly owned subsidiary OAMM NZ Limited (collectively referred to as 'OAMM'): On 7 December 2016, the Group entered into a binding agreement to acquire an 80% stake in OAMM. The Group is deemed to control OAMM on 7 December 2016 in accordance with AASB 10 *Consolidated Financial Statements*. For the period ended 31 December 2016, OAMM contributed revenue of \$1,170,000 and net profit before tax of \$209,000 to the results of the Group.
2. City On Limited ('City On'): OAMM NZ Limited holds 50% of the share capital in City On. As a result of the OAMM acquisition on 7 December 2016, the Group has gained significant influence over City On and therefore meets the definition of an associate.
3. Octopus Property Pty Ltd ('Octopus'): On 22 July 2016, the Group acquired 100% of the share capital in Octopus. For the period ended 31 December 2016, Octopus contributed revenue of \$325,000 and net profit before tax of \$82,000 to the results of the Group.
4. Elwood Outdoor Advertising Pty Ltd ('Elwood'): On 1 July 2016, the Group acquired 51% of the shares in Elwood. Elwood was incorporated to facilitate a site acquisition. For the period ended 31 December 2016, Elwood contributed revenue of \$530,000 and net profit before tax of \$140,000 to the results of the Group.
5. Skyline Digital Pty Ltd ('Skyline'): On 4 July 2016, the Group acquired 100% of the shares in Skyline. Skyline was incorporated to facilitate various site acquisitions during the period. For the period ended 31 December 2016, Skyline contributed revenue of \$459,000 and net profit before tax of \$107,000 to the results of the Group.
6. Live Docklands Pty Ltd ('Live Docklands'): On 13 September 2016, the Group acquired 50% of the share capital in Live Docklands which holds the rights to several digital advertising assets within Melbourne's Etihad Stadium. This entity commenced trading late in the period. Therefore, the results are considered immaterial to the understanding of the report and have not been disclosed.
7. World Sports Entertainment Holdings ('Sportsmate'): On 18 August 2016, the Group acquired 20% of the share capital in Sportsmate, a leading Australian developer of sporting apps that connect fans with their favourite sports and clubs across a broad range of sporting codes. The Group has significant influence over Sportsmate and therefore meets the definition of an associate. Accordingly, Sportsmate is accounted for under the equity method. The results are considered immaterial to the understanding of the report and therefore have not been disclosed.

### Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the half year report.

### Attachments

The half year report of QMS Media Limited and its controlled entities for the period ended 31 December 2016 is attached.

Signed:



**Wayne Stevenson**

Chairman

27 February 2017, Melbourne

**QMS MEDIA LIMITED**

ABN 71 603 037 341

**HALF YEAR REPORT**

**31 DECEMBER 2016**

# QMS Media Limited

## Half Year Report

### Corporate directory

#### Directors

Wayne Stevenson - Independent Non-Executive Chairman

Barclay Nettlefold - CEO and Executive Director

David Edmonds - Executive Director

Anne Parsons - Independent Non-Executive Director

Robert Alexander - Independent Non-Executive Director

#### Company secretary

Malcolm Pearce (appointed 8 February 2017)

Anthony Carafa (resigned 8 February 2017)

#### Principal registered office

Dobbyn and Carafa

Chartered Accountants

Level 9, 636 St Kilda Road

Melbourne, VIC, 3004

#### Principal place of business

QMS Media Limited

214 Park Street

South Melbourne, VIC, 3205

#### Share register

Computershare Investor Services Pty Limited

452 Johnson Street

Abbotsford, VIC, 3067

Telephone 1300 850 505

#### Auditor

KPMG

Tower Two, Collins Square

727 Collins Street

Melbourne, VIC, 3008

#### Bankers

National Australia Bank Limited

#### Stock exchange listing

QMS Media Limited shares are listed on the Australian Securities Exchange (ASX code: QMS)

#### Website

<http://www.qmsmedia.com/>

# QMS Media Limited

## Half Year Report

### Directors' report

The Directors of QMS Media Limited ('Company') present their report, together with the half year report of the Company and its controlled entities (collectively referred to as the 'Group') for the six months ended 31 December 2016.

### Directors

The Directors of the Company at any time during or since the end of the financial period are:

- Wayne Stevenson (Chairman)
- Barclay Nettlefold
- David Edmonds
- Anne Parsons
- Robert Alexander

### Principal activities

The principal activities of the Group during the course of the financial period were the provision of Out-of-Home advertising and media services over a portfolio of owned and represented digital and static billboards throughout Australia and overseas.

### Review of operations

The profit before tax for the Group was \$10,065,000 (31 December 2015: \$7,312,000). A review of operations of the Group is set out on pages 3 and 4.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the six months ended 31 December 2016, other than the acquisition of Out & About Marketing and Media Pty Ltd ('OAMM'). This is discussed in further detail within the review of operations.

### Auditor's independence declaration

The auditor's independence declaration is set out on page 21 and forms part of the Directors' report for the six months ended 31 December 2016.

### Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Rounding Instrument, amounts in the half year report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.



**Wayne Stevenson**  
Chairman  
27 February 2017  
Melbourne

# QMS Media Limited

## Half Year Report

### Review of operations

#### Review and commentary

Total statutory revenue and other income for the period was \$79.0 million, representing growth of 78% against the prior corresponding six-month period ended 31 December 2015 (\$44.4 million). Growth was driven by a combination of expanded media inventory along with a full six months of earnings for the New Zealand acquisitions which occurred in December 2015 (for the six months ended 31 December 2015 only one month of earnings was consolidated into the results of the Group).

During the period, the Group added 16 landmark digital billboards to its existing media inventory and completed the acquisition of Out & About Marketing and Media Pty Ltd ('OAMM').

Gross profit of \$38.7 million for the period represented an increase of 71% against the prior corresponding period's gross profit of \$22.7 million. Gross margin for the period was 49%.

Operating expenses increased 74% over the prior corresponding six-month period reflecting acquisitions and ongoing investment in systems and resources required to support the growth in the Group's business, with a major focus on sales, development and some build out in operations and financial support capability.

The increase in the depreciation and amortisation expenses is driven from the digital development program, site acquisitions and business combinations.

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

	Dec 2016 \$'000	Dec 2015 \$'000
<b>Operating profit</b>	<b>11,776</b>	<b>7,706</b>
Depreciation expense	2,782	1,086
Amortisation expense	2,758	1,100
<b>EBITDA</b>	<b>17,316</b>	<b>9,892</b>
Costs associated with acquisitions	154	417
Restructuring and integration costs	394	395
<b>Underlying EBITDA</b>	<b>17,864</b>	<b>10,704</b>

Underlying EBITDA of \$17.9 million for the period was significantly higher than the previous corresponding period of \$10.7 million, with the significant increase attributed to a full six months' performance from the New Zealand acquisitions undertaken in December 2015 and growth in the Group's Australian media business.

#### Acquisitions

During the period, the Group continued to expand its market presence within the Out-of-Home advertising industry. As part of this expansion, a strategic acquisition into the sports digital outdoor media industry was made through the acquisition of OAMM.

OAMM is one of Australia's largest sports ground LED operators, providing a complete turnkey sports solution of high-profile, in-bowl and other advertising opportunities, including sports sponsorship, connected stadium Wi-Fi and digital rights across major stadia in key strategic markets in Australia and New Zealand.

# QMS Media Limited

## Half Year Report

The acquisition into the sports digital outdoor media industry will expand and enhance the Group's existing premium digital outdoor media portfolio across Australia and New Zealand by providing cross-selling opportunities for advertisers.

### Funding

The Group's operations during the period were funded from cash generated from operating activities, the utilisation of a loan facility and a private institutional placement of \$20.0 million.

On 9 September 2016, the Group executed a new facility agreement and associated security documents with National Australia Bank Limited ('NAB'), which replaced the existing Australia and New Zealand Banking Group Limited ('ANZ') facility. The terms of the NAB facility are more favourable to the Group. As a result, the Group's total facility has increased by \$16.8 million to \$57.9 million. The NAB facility provides for an additional step up in the facility of \$10.0 million based on the achievement of set financial targets at 31 December 2016. These financial targets have been achieved and the step up is available on lodgement of this report. The facility is available for drawings in Australian and New Zealand Dollars, is for general corporate purposes, and has a maturity date of 3 years, expiring on 9 September 2019. The facility agreement contains the usual security and financial covenants typical for facilities of this nature.

In December 2016, the Group undertook a \$20.0 million capital raise through a private institutional placement. These funds were used to complete the acquisition of OAMM, fund digital asset development and cover transaction costs.

As at 31 December 2016, the Group had cash and cash equivalents of \$22.3 million. Based on current operational forecasts and expected market conditions, the Group believes it has sufficient funds to support its current activities.

### Risks

The Group operates in a competitive marketplace and consequently faces a number of risks. The risks identified below are considered the more significant risks and are not an exhaustive list of all risks faced by the Group.

- The financial performance of the Group is heavily dependent on the strength of Out-of-Home advertising expenditure. The outdoor advertising industry has grown strongly during the period in all key markets in which the Group operates. A downturn in the general level of advertising expenditure or a shift in the allocation of advertising expenditure to other formats (e.g. television, print, radio) could negatively impact the Group's financial performance;
- The digital outdoor advertising sector is highly competitive and demand for digital advertising sites may raise market rents with a resulting adverse effect on the Group's gross margins;
- The Group is heavily reliant on its relationships with media agencies to sell the Out-of-Home advertising space that it owns and/or manages. Accordingly, the loss of these relationships or a significant change in the media landscape could adversely impact the Group's ability to generate revenues;
- The Group seeks to constantly expand its inventory of premium billboards. Failure to execute roll out of billboards in accordance with planned timetables will negatively impact upon expected future revenues;
- In December 2016, APN Outdoor Group Limited and oOh!media Limited announced a merger pending shareholder and Australian Competition and Consumer Commission approval. The impact of this transaction is unknown, however, if successful, could have a negative impact on competition, margin and market share within the Out-of-Home market.

# QMS Media Limited

## Half Year Report

The Board of Directors, together with the executive management team, is primarily responsible for managing risk. The Group constantly monitors risks to operations and financial performance and, where commercially viable, utilises risk mitigation tools and strategies.

# QMS Media Limited

## Half Year Report

### Contents

Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the half year report	11
Directors' declaration	21
Auditor's Independence Declaration	22
Independent Auditor's Review Report	23

# QMS Media Limited

## Half Year Report

### Statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

	Note	Dec 2016 \$'000	Dec 2015 \$'000
Revenue and other income	4	78,968	44,435
Cost of sales		(40,264)	(21,764)
<b>Gross profit</b>		<b>38,704</b>	<b>22,671</b>
Advertising and marketing expenses		(952)	(268)
Consultancy fees		(513)	(410)
Employee benefits expense		(13,992)	(8,212)
Legal and professional fees		(412)	(676)
Costs associated with acquisitions		(154)	(417)
Office costs		(1,572)	(938)
Restructuring and integration costs		(394)	(395)
Other expenses		(3,399)	(1,463)
Depreciation expense	10	(2,782)	(1,086)
Amortisation expense	11	(2,758)	(1,100)
<b>Operating profit</b>		<b>11,776</b>	<b>7,706</b>
Finance income	5	56	97
Finance costs	5	(1,767)	(491)
<b>Net finance costs</b>	5	<b>(1,711)</b>	<b>(394)</b>
<b>Profit before tax</b>		<b>10,065</b>	<b>7,312</b>
Income tax expense	6	(2,584)	(1,658)
<b>Profit after tax</b>		<b>7,481</b>	<b>5,654</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		6,994	5,754
Non-controlling interests		487	(100)
		<b>7,481</b>	<b>5,654</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Foreign currency translation differences		563	40
<b>Total comprehensive income net of tax</b>		<b>8,044</b>	<b>5,694</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		7,557	5,794
Non-controlling interests		487	(100)
<b>Total comprehensive income for the period</b>		<b>8,044</b>	<b>5,694</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)		2.3	2.2

The Notes on pages 11 to 20 are an integral part of this half year report.

# QMS Media Limited

## Half Year Report

### Statement of financial position

As at 31 December 2016

	Note	Dec 2016 \$'000	June 2016 \$'000
<b>Assets</b>			
Cash and cash equivalents		22,301	12,642
Trade and other receivables	7	28,446	23,591
Inventories		775	622
Other current assets	8	19,266	9,874
<b>Total current assets</b>		<b>70,788</b>	<b>46,729</b>
Deferred tax assets		4,024	4,569
Investments	9	1,127	-
Property, plant and equipment	10	67,006	56,143
Intangible assets and goodwill	11	172,336	133,911
<b>Total non-current assets</b>		<b>244,493</b>	<b>194,623</b>
<b>Total assets</b>		<b>315,281</b>	<b>241,352</b>
<b>Liabilities</b>			
Trade and other payables		14,029	11,612
Loans and borrowings	12	1,260	3,666
Deferred and contingent consideration	13	16,893	8,341
Current tax liabilities		5,327	3,627
Provisions		1,557	1,168
Deferred revenue		6,668	2,852
Other liabilities		9,798	4,876
<b>Total current liabilities</b>		<b>55,532</b>	<b>36,142</b>
Loans and borrowings	12	38,383	14,177
Deferred and contingent consideration	13	7,532	2,658
Other non-current liabilities		1,882	1,887
Provisions		7,138	6,200
Deferred tax liabilities		8,510	9,028
<b>Total non-current liabilities</b>		<b>63,445</b>	<b>33,950</b>
<b>Total liabilities</b>		<b>118,977</b>	<b>70,092</b>
<b>Net assets</b>		<b>196,304</b>	<b>171,260</b>
Equity			
Share capital	14a	183,931	164,902
Reserves		(1,476)	(2,039)
Retained earnings		11,039	8,574
<b>Total equity attributable to equity holders of the Company</b>		<b>193,494</b>	<b>171,437</b>
Non-controlling interest	14b	2,810	(177)
<b>Total equity</b>		<b>196,304</b>	<b>171,260</b>

The Notes on pages 11 to 20 are an integral part of this half year report.

# QMS Media Limited

## Half Year Report

### Statement of changes in equity

For the six months ended 31 December 2016

Attributable to equity holders of the Company							
Note	Share capital \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 July 2016</b>	<b>164,902</b>	<b>2,447</b>	<b>(4,486)</b>	<b>8,574</b>	<b>171,437</b>	<b>(177)</b>	<b>171,260</b>
Profit after tax	-	-	-	6,994	6,994	487	7,481
Other comprehensive income	-	563	-	-	563	-	563
<b>Total comprehensive income</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>6,994</b>	<b>7,557</b>	<b>487</b>	<b>8,044</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Issue of ordinary shares	14a	20,000	-	-	20,000	-	20,000
Share issue costs	14a	(751)	-	-	(751)	-	(751)
Deferred tax expense	14a	(220)	-	-	(220)	-	(220)
Dividends paid		-	-	(4,529)	(4,529)	-	(4,529)
Acquisition of non-controlling interest	14b	-	-	-	-	2,500	2,500
<b>Total contributions and distributions</b>		<b>19,029</b>	<b>-</b>	<b>(4,529)</b>	<b>14,500</b>	<b>2,500</b>	<b>17,000</b>
<b>Balance at 31 December 2016</b>		<b>183,931</b>	<b>3,010</b>	<b>(4,486)</b>	<b>11,039</b>	<b>2,810</b>	<b>196,304</b>

Attributable to equity holders of the Company							
Note	Share capital \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2015	116,243	(11)	(4,486)	(4,844)	106,902	(50)	106,852
Profit/(loss) after tax	-	-	-	5,754	5,754	(100)	5,654
Other comprehensive income/(loss)	-	40	-	-	40	-	40
<b>Total comprehensive income</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>5,754</b>	<b>5,794</b>	<b>(100)</b>	<b>5,694</b>
<b>Transactions with owners of the Company</b>							
<b>Contributions and distributions</b>							
Issue of ordinary shares	50,320	-	-	-	50,320	-	50,320
Share issue costs, net of tax	(2,062)	-	-	-	(2,062)	-	(2,062)
Deferred tax expense	418	-	-	-	418	-	418
<b>Total contributions and distributions</b>	<b>48,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,676</b>	<b>-</b>	<b>48,676</b>
<b>Balance at 31 December 2015</b>	<b>164,919</b>	<b>29</b>	<b>(4,486)</b>	<b>910</b>	<b>161,372</b>	<b>(150)</b>	<b>161,222</b>

The Notes on pages 11 to 20 are an integral part of this half year report.

# QMS Media Limited

## Half Year Report

### Statement of cash flows

For the six months ended 31 December 2016

	Note	Dec 2016 \$'000	Dec 2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		85,467	41,311
Cash paid to suppliers and employees		(69,445)	(39,398)
Interest paid		(834)	(92)
Income taxes paid		(1,091)	(224)
<b>Net cash from operating activities</b>		<b>14,097</b>	<b>1,597</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(2,392)	(34,759)
Payments of acquisition costs		(154)	(417)
Acquisition of investments	9	(1,120)	-
Acquisition of property, plant and equipment	10	(12,794)	(7,637)
Deferred consideration payments made		(6,265)	(9,026)
Acquisition of intangible assets		(15,026)	-
Deposit paid for option on acquisition of subsidiary		-	(1,100)
<b>Net cash used in investing activities</b>		<b>(37,751)</b>	<b>(52,939)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	14	20,000	50,320
Transaction costs related to issue of shares	14	(751)	(2,062)
Payment of related party loans		(10)	(550)
Payment to associates		(1,380)	-
Dividend paid		(4,529)	-
Receipt / (payment) of borrowings (net)		19,918	(2,961)
<b>Net cash from financing activities</b>		<b>33,248</b>	<b>44,747</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>9,594</b>	<b>(6,595)</b>
Cash and cash equivalents at 1 July		12,642	21,411
Effect of movements in exchange rates on cash held		65	130
<b>Cash and cash equivalents at 31 December</b>		<b>22,301</b>	<b>14,946</b>

The Notes on pages 11 to 20 are an integral part of this half year report.

# QMS Media Limited

## Half Year Report

### Notes to the Half Year Report

31 December 2016

#### 1) Reporting entity

QMS Media Limited (the “Company”) is a company domiciled in Australia. This half year report as at and for the six months ended 31 December 2016 comprises the Company and its controlled entities (collectively referred to as the “Group”).

The Company’s registered business address is 214 Park Street, South Melbourne, VIC, 3205.

The Group is a for-profit entity and is primarily involved in the provision of Out-of-Home advertising and media services over a portfolio of owned and represented digital and static billboards throughout Australia and overseas.

#### 2) Basis of accounting

##### (a) Statement of compliance

This half year report is a general purpose report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

This half year report does not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements as at and for the year ended 30 June 2016.

The accounting policies adopted in the preparation of this half year report are consistent with those applied and disclosed in the statutory financial report for the year ended 30 June 2016, unless otherwise stated.

This half year report was authorised for issue by the Company’s Board of Directors on 27 February 2017.

##### (b) Use of judgements and estimates

In preparing this half year report, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report as at and for the year ended 30 June 2016.

#### 3) Operating segments

The Group operates in one market segment being Out-of-Home advertising. Segment information reported to the Chief Executive Officer, who is considered the chief operating decision maker of the Group, is substantially similar to information provided in this half year report.

#### 4) Revenue and other income

	Dec 2016	Dec 2015
	\$'000	\$'000
Sale of media and print production services	78,852	44,424
Other income	116	11
	<b>78,968</b>	<b>44,435</b>

# QMS Media Limited

## Half Year Report

### 5) Net finance costs

	Dec 2016 \$'000	Dec 2015 \$'000
Interest income	56	97
<b>Finance income</b>	<b>56</b>	<b>97</b>
Interest expense	(975)	(188)
Discount unwind on deferred and contingent consideration and loans	(156)	(275)
Borrowing costs written off	(557)	-
Borrowing costs amortisation	(79)	(28)
<b>Finance costs</b>	<b>(1,767)</b>	<b>(491)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(1,711)</b>	<b>(394)</b>

Borrowing costs written off relate to capitalised costs incurred in executing the Group's previous multi year banking facility agreement with the Australia and New Zealand Banking Group Limited. As a result of the early execution of the new banking facility with more favourable terms with the National Australia Bank, capitalised costs associated with the previous facility of \$557,000 were written off in the current period.

### 6) Income taxes

Reconciliation of effective tax rate:

	Dec 2016 \$'000	Dec 2015 \$'000
Profit before tax	10,065	7,312
Prima facie income tax expense at 30%	3,020	2,194
Add/(less) tax effect of:		
Non-deductible expenses	499	600
Non-assessable income	(142)	(16)
Utilisation of previously unrecognised tax losses	(253)	(723)
Deductible expenses in equity	(220)	(220)
Difference in overseas tax rates	(110)	(16)
Difference in tax and accounting cost base	28	-
Over provided in prior years	(248)	-
Other	10	(161)
<b>Tax expense</b>	<b>2,584</b>	<b>1,658</b>
Effective tax rate	26%	23%

### 7) Trade and other receivables

	Dec 2016 \$'000	June 2016 \$'000
Trade and other receivables	28,879	23,750
Less: Provision for doubtful debts	(433)	(159)
	<b>28,446</b>	<b>23,591</b>

The increase in trade and other receivables is predominately due to the acquisition of OAMM.

# QMS Media Limited

## Half Year Report

### 8) Other assets

	<b>Dec 2016</b>	<b>June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	4,997	3,928
Options on acquisition	2,475	2,475
Deposits	2,465	1,467
Sundry receivables	5,885	1,100
Accrued income	1,585	-
Loans receivable from associates	1,506	-
Other	353	904
	<b>19,266</b>	<b>9,874</b>

The increase in the prepayments, sundry receivables and accrued income balances is driven from acquisitions and timing differences in billing cycles.

Included within deposits at 31 December 2016 is a deposit paid to Total Outdoor Media Pty Ltd ('TOM') for \$1,380,000. Subsequent to the half year reporting date, the Group executed an asset agreement with TOM to acquire up to 39 large format billboards. Refer to note 16 (Subsequent events) for further information.

A deposit of \$879,000 was paid to acquire an additional billboard site in Skyline Digital Pty Ltd ('Skyline'). At 31 December 2016, this site had not been commissioned. Once the site is commissioned, this deposit will be reclassified to a site lease intangible asset.

### 9) Investments

	<b>Dec 2016</b>	<b>June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
World Sports Entertainment Holdings ('Sportsmate Australia')	1,061	-
Available-for-sale financial asset	59	-
Other	7	-
	<b>1,127</b>	<b>-</b>

During the period ended 31 December 2016, the Group acquired 20% of the share capital in Sportsmate Australia, a leading Australian developer of sporting apps that connect fans with their favourite sports and clubs across a broad range of sporting codes. The Group has significant influence over Sportsmate and therefore meets the definition of an associate. Accordingly, Sportsmate is accounted for under the equity method.

# QMS Media Limited

## Half Year Report

### 10) Property, plant and equipment

	Note	Land & buildings \$'000	Plant & equipment \$'000	Fixtures & fittings \$'000	Under construction \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 July 2016		5,576	51,581	611	2,501	60,269
Acquisitions through business combinations	15	-	901	35	-	936
Additions		-	10,284	337	2,173	12,794
Effect of movements in exchange rates		-	123	1	-	124
Disposals		-	(1,055)	(15)	-	(1,070)
<b>Balance at 31 December 2016</b>		<b>5,576</b>	<b>61,834</b>	<b>969</b>	<b>4,674</b>	<b>73,053</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2016		(72)	(3,982)	(72)	-	(4,126)
Depreciation		(35)	(2,616)	(131)	-	(2,782)
Effect of movements in exchange rates		-	(35)	-	-	(35)
Disposals		-	890	6	-	896
<b>Balance at 31 December 2016</b>		<b>(107)</b>	<b>(5,743)</b>	<b>(197)</b>	<b>-</b>	<b>(6,047)</b>
<b>Carrying amounts</b>						
<b>at 31 December 2016</b>		<b>5,469</b>	<b>56,091</b>	<b>772</b>	<b>4,674</b>	<b>67,006</b>
at 30 June 2016		5,504	47,599	539	2,501	56,143

### 11) Intangible assets and goodwill

	Note	Goodwill \$'000	Site Leases \$'000	Development costs \$'000	Other \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 July 2016		90,932	46,326	158	684	138,100
Acquisitions through business combinations	15	18,967	716	-	3	19,686
Additions		-	19,080	-	1,913	20,993
Provisional acquisition adjustments		73	-	-	-	73
Effect of movements in exchange rates		304	170	-	7	481
<b>Balance at 31 December 2016</b>		<b>110,276</b>	<b>66,292</b>	<b>158</b>	<b>2,607</b>	<b>179,333</b>
<b>Accumulated amortisation</b>						
Balance at 1 July 2016		-	(3,964)	-	(225)	(4,189)
Amortisation		-	(2,676)	-	(82)	(2,758)
Effect of movements in exchange rates		-	(49)	-	(1)	(50)
<b>Balance at 31 December 2016</b>		<b>-</b>	<b>(6,689)</b>	<b>-</b>	<b>(308)</b>	<b>(6,997)</b>
<b>Carrying amounts</b>						
<b>at 31 December 2016</b>		<b>110,276</b>	<b>59,603</b>	<b>158</b>	<b>2,299</b>	<b>172,336</b>
at 30 June 2016		90,932	42,362	158	459	133,911

# QMS Media Limited

## Half Year Report

### 11) Intangible assets and goodwill (continued)

There was no recorded impairment for the period ended 31 December 2016 in relation to any recognised intangible assets or goodwill. Based on the Group's evaluation, there are no indicators of impairment, and accordingly goodwill and intangible assets are not considered to be impaired.

The balances above include the acquisitions made during the current period. The balances relating to these acquisitions are provisional. If new information is obtained within twelve months from acquisition date about facts and circumstances that existed at the date of acquisition, then the accounting for these acquisitions will be revised.

Due to the close proximity of the OAMM acquisition to the half year reporting date, a full assessment of the fair value of property, plant and equipment and identification and valuation of other intangible assets has not been performed. As a result, the residual between the book value of assets acquired and liabilities assumed and the purchase price consideration has been fully allocated to goodwill. On finalisation of the purchase price accounting, the goodwill balance is expected to reduce significantly.

### 12) Loans and borrowings

	Dec 2016 \$'000	June 2016 \$'000
<b>Current liabilities</b>		
Bank loans and borrowings	334	3,260
Finance lease liabilities	926	406
	<b>1,260</b>	<b>3,666</b>
<b>Non-current liabilities</b>		
Bank loans and borrowings	37,315	14,177
Finance lease liabilities	1,068	-
	<b>38,383</b>	<b>14,177</b>
<b>Total</b>	<b>39,643</b>	<b>17,843</b>

On 9 September 2016, the Group executed a new facility agreement and associated security documents with National Australia Bank Limited ('NAB'), which replaced the existing Australia and New Zealand Banking Group Limited facility. The terms of the NAB facility are more favourable to the Group. As a result, the Group's total facility has increased by \$16.8 million to \$57.9 million. The NAB provides for an additional step up in the facility of \$10.0 million based on the achievement of set financial targets at 31 December 2016. These financial targets have been achieved and the step up is available on lodgement of this report.

The facility is available for drawings in Australian and New Zealand Dollars, is for general corporate purposes, and has a maturity date of 3 years, expiring on 9 September 2019. The facility agreement contains the usual security and financial covenants typical for facilities of this nature.

# QMS Media Limited

## Half Year Report

### 13) Deferred and contingent consideration

	Dec 2016 \$'000	June 2016 \$'000
<b>Current deferred and contingent consideration</b>		
Out & About Marketing and Media Pty Ltd	8,000	-
Shout Outdoor Pty Ltd	4,150	-
Australian Billboard Company Pty Ltd	1,907	3,000
Vail Media Book	1,857	2,043
Skyline Digital Pty Ltd	879	-
Apex Outdoor	100	815
Plexity Holdings Pty Ltd	-	2,433
BMG Australasia Pty Ltd	-	50
	<b>16,893</b>	<b>8,341</b>
<b>Non-current deferred and contingent consideration</b>		
Out & About Marketing and Media Pty Ltd	6,175	-
Apex Outdoor	738	398
Vail Media Book	619	432
Australian Billboard Company Pty Ltd	-	1,828
	<b>7,532</b>	<b>2,658</b>
<b>Total deferred and contingent consideration</b>	<b>24,425</b>	<b>10,999</b>

Consideration for Apex Outdoor, Shout Outdoor and Skyline relate to payments for site leases and related permits. The remaining deferred and contingent consideration relates to the acquisitions of subsidiaries.

On 4 July 2016, the Group acquired 100% of the shares in Skyline Digital Pty Ltd ('Skyline'). At the date of acquisition, no inputs or processes existed and therefore the elements of a business combination under AASB 3 *Business Combinations* were not satisfied. Subsequent to acquisition, Skyline initiated a development plan for the construction of five sites which are classified as asset acquisitions. At 31 December 2016, two sites were unpermitted and one site was permitted but not commissioned. The Group does not have a contractual liability until a permit is obtained and the site is commissioned. If a permit is obtained for all sites and all sites are commissioned within one year of the permit date, the Group will be liable to pay \$5,017,000.

### 14) Equity

#### (a) Share capital

	No. of ordinary shares '000	Value \$'000
On issue at 1 July 2016	301,921	164,902
Issued for cash	19,048	20,000
Share issue costs	-	(751)
Deferred tax expense	-	(220)
<b>On issue at 31 December 2016</b>	<b>320,969</b>	<b>183,931</b>

During the period ended 31 December 2016, the Group completed the successful capital raise of \$20,000,000. As a result, an additional 19,047,619 ordinary shares were issued at \$1.05 per share.

# QMS Media Limited

## Half Year Report

### 14) Equity (continued)

#### (b) Non-Controlling Interests

	Dec 2016 \$'000
Balance at 1 July 2016	(177)
Share of operating profit for the period after income tax	487
Acquisition of non-controlling interest	2,500
<b>Balance at 31 December 2016</b>	<b>2,810</b>

During the period, the Group acquired a 51% shareholding in Elwood Outdoor Advertising Pty Ltd ('Elwood'). Elwood holds the rights to advertise through a landmark digital billboard which was constructed post acquisition. This acquisition did not contain all the required elements to meet the definition of a business combination under AASB 3 *Business Combinations* and accordingly has been treated as an asset acquisition. The Group has control over Elwood and accordingly it is consolidated into the Group's results. The Group holds a call option for \$2.5 million to acquire the remaining 49% shareholding. The call option has been treated as share capital for the non-controlling interest which is external to the Group.

### 15) Acquisitions of subsidiaries

#### a) Out & About Marketing and Media Pty Ltd ('OAMM')

On 7 December 2016, the Group entered into a binding agreement to acquire an 80% stake in OAMM for \$10.0m plus acquisition of \$1.25m in debt. The Group is deemed to control OAMM on 7 December 2016 in accordance with AASB 10 *Consolidated Financial Statements*.

OAMM is one of Australia's largest sports ground LED operators, providing a complete turnkey sports solution of high-profile, in-bowl and other advertising opportunities, including sports sponsorship, connected stadium Wi-Fi and digital rights across major stadia in key strategic markets in Australia and New Zealand.

The acquisition into the sports digital outdoor media industry will expand and enhance the Group's existing premium digital outdoor media portfolio across Australia and New Zealand by providing cross-selling opportunities for advertisers.

Initial cash consideration was paid in December 2016, with the majority of the deferred consideration paid in January 2017. The Group holds both a put and call option over the remaining 20% shareholding, which is exercisable in 3 years. The exercise price is based on a normalised EBITDA multiple based on the last twelve months of the option period. This contingent consideration has been measured at fair value at 31 December 2016.

Consistent with the Group's accounting policy, the Group has elected to adopt the anticipated acquisition method of accounting, whereby the contract is accounted for as if the put option has been exercised by the non-controlling shareholders. Accordingly, the non-controlling interest has been recognised as a liability. This liability has been measured as the present value of the exercise price of the option.

# QMS Media Limited

## Half Year Report

### 15) Acquisitions of subsidiaries (continued)

The table below summarises the recognised provisional amounts of assets acquired and liabilities assumed at acquisition date:

	Note	OAMM \$'000
Cash paid		2,000
Deferred consideration	13	8,000
Contingent consideration	13	6,175
<b>Total consideration</b>		<b>16,175</b>
Cash and cash equivalents		1,575
Trade and other receivables		6,190
Other assets		5,957
Property, plant and equipment	10	556
Intangible assets	11	1,623
Deferred tax asset		287
Trade and other payables		(6,444)
Provisions		(966)
Deferred revenue		(5,771)
Loans and borrowings		(3,050)
<b>Total identifiable net liabilities acquired</b>		<b>(43)</b>
Consideration		16,175
Plus: Total identifiable net liabilities		43
<b>Goodwill</b>	11	<b>16,218</b>

Due to the close proximity of this acquisition to the half year reporting date, the acquisition accounting is not yet complete and accordingly the assets acquired and liabilities assumed are measured on a provisional basis. The Group is in the process of completing the valuation on the fair value of the property, plant and equipment acquired (currently recorded at book value) and performing an assessment for the identification and valuation of other intangible assets. This is expected to significantly increase the value of property, plant and equipment and intangible assets, with a corresponding decrease in goodwill.

If new information obtained within twelve months from the 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.

Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the assets acquired and liabilities assumed as a part of the business combination. The goodwill is attributable mainly to the skills and technical talent of the acquired entities' work force, and the synergies expected to be achieved from integrating the Company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

For the period ended 31 December 2016, OAMM contributed \$1,170,000 revenue and \$209,000 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 statement of profit or loss and other comprehensive income.

# QMS Media Limited

## Half Year Report

### 15) Acquisitions of subsidiaries (continued)

#### b) Octopus Property Pty Ltd ('Octopus')

On 22 July 2016, the Group acquired 100% of the shares in Octopus for consideration of \$1,967,000. Octopus holds the rights to advertise through an operational landmark digital billboard, which adds to the Group's premium media portfolio of digital billboards.

The acquisition of Octopus has been treated as a business combination, in accordance with AASB 3 *Business Combinations*.

The table below summarises the recognised provisional amounts of assets acquired and liabilities assumed at acquisition date:

	Note	Octopus \$'000
Cash paid		1,967
<b>Total consideration</b>		<b>1,967</b>
Property, plant and equipment	10	380
Provisions		(43)
Deferred tax liability		(215)
<b>Total identifiable net assets acquired</b>		<b>122</b>
Consideration		1,967
Less: Total identifiable net assets		(122)
Less: Intangible site lease recognised	11	(716)
<b>Goodwill</b>	11	<b>1,129</b>

Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the assets acquired and liabilities assumed as a part of the business combination. The goodwill is attributable mainly due to the synergies expected to be achieved from integrating the Company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

For the period ended 31 December 2016, Octopus contributed \$325,000 revenue and \$82,000 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 statement of profit or loss and other comprehensive income.

# QMS Media Limited

## Half Year Report

### 15) Acquisitions of subsidiaries (continued)

#### c) Finalisation of December 2015 New Zealand acquisitions purchase price accounting ('PPA')

The Group has twelve months from acquisition date to finalise any PPA adjustments under AASB 3 *Business Combinations*. Therefore, the PPA adjustments for the acquisitions completed in December 2015 (iSite Limited and Omnigraphics Limited), as well as the acquisition of Australian Billboard Company Pty Ltd in January 2016, have been finalised during the period ended 31 December 2016.

In accordance with AASB 3, during the measurement period the Group has adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of assets and liabilities recognised as at that date.

The new information obtained has revised the intangible assets and goodwill provisional balances recognised in the statement of financial position as follows:

	<b>Dec 2016</b>	<b>June 2016</b>
	<b>Final</b>	<b>Provisional balance</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill	31,738	31,734
Site Lease intangibles	11,962	11,962

### 16) Subsequent events

On 6 February 2017, the Group executed an asset sale agreement with Total Outdoor Media Pty Ltd ('TOM') under which the Group will acquire up to 39 large format billboards throughout Victoria for an aggregate purchase price of up to \$14.5m. The assets will be acquired in tranches with final completion scheduled for no later than 31 December 2017.

On 27 February 2017, the Board recommended a payment of an interim, fully franked dividend of 0.8 cents per share (\$2,567,750). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2016.

Other than the 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.

# QMS Media Limited

## Half Year Report

### Directors' Declaration

31 December 2016

In the opinion of the Directors of QMS Media Limited:

1. the half year report and notes set out on pages 7 to 20 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Wayne Stevenson**  
Chairman

27 February 2017  
Melbourne

Auditor's Independence Declaration  
31 December 2016



Lead Auditor's Independence Declaration under  
Section 307C of the Corporations Act 2001

---

To the Directors of QMS Media Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

*Maria Trinci*

Maria Trinci

Partner

Melbourne, Australia

27 February 2017



## Independent Auditor's Review Report

To the shareholders of QMS Media Limited

### Report on the Half-year Financial Report

#### Conclusion

We have reviewed the accompanying Half-year Financial Report of QMS Media Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of QMS Media Limited is not in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises QMS Media Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

#### Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



**Auditor's responsibility for the review of the Half-year Financial Report**

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of QMS Media Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Maria Trinci

Partner

Melbourne, Australia

27 February 2017