

QMS Media Limited

Appendix 4E

Unaudited Preliminary final report

Entity details

Name of entity: QMS Media Limited

ABN: 71 603 037 341

Reporting period

Reporting period (“current period”): for the period 25th November 2014 to 30th June 2015.

Previous corresponding period: not applicable (“N/A”) – company was registered on 25th November 2014.

Results for announcement to the market

\$A million

	30th June 2015 Statutory \$	30th June 2015 Prospectus \$	Variance \$	Variance %
Statutory Revenue from ordinary activities	4.1	2.0	2.1	105.0%
Statutory Profit (Loss) after tax from ordinary activities attributable to the members	(4.9)	(4.2)	(0.7)	(16.7%)
Statutory Profit (Loss) before tax from ordinary activities for the period attributable to members	(5.6)	(4.7)	(0.9)	(19.1%)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Commentary

QMS Media Limited (“the Company”) was registered on 25th November 2014 and commenced operations on 17th March 2015. This review covers the period from registration to 30th June 2015.

The Company was established to aggregate a number of outdoor advertising assets. The details of the entities acquired are included below. The impact of the profit/(loss) of the entities has been included from the date of control of those entities to 30th June 2015.

The company issued a Prospectus on 10th June 2015 and on 29th June 2015, completed an Initial Public Offering on the Australian Securities Exchange and was listed from this date.

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The statutory loss for the period was \$4.9 million. This compares to a statutory loss for the period of \$4.2 million as forecast in the Prospectus. The key drivers of the variance are the accelerated acquisition of the QMS APAC group of companies by six days ahead of the assumption in the Prospectus. This contributed additional revenue for the period that was offset by the additional costs of sales, costs of the IPO, costs of entity acquisitions and associated depreciation and amortisation.

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Condensed consolidated statement of profit or loss and other comprehensive income for the period 25th November 2014 to 30th June 2015

	Notes	\$'000
Revenue		4,095
Cost of sales		<u>(1,585)</u>
Gross profit		2,510
Advertising and marketing expenses		(47)
Consultancy fees		(582)
Employee benefits expense		(648)
Legal and professional fees		(434)
IPO related expenses	3	(2,764)
Other expenses		(348)
Depreciation expense	4a	(72)
Amortisation expense	4b	(182)
Financing costs		(3,048)
Share of profit / (loss) from associates		<u>(22)</u>
Profit (Loss) before income tax expense		(5,637)
Income tax benefit		<u>743</u>
Profit/ (Loss) for the period		(4,894)
Net profit/(loss) attributable to non-controlling interests		50
Profit (Loss) attributable to members of the parent entity		<u>(4,844)</u>
Other Comprehensive loss for the period		
Foreign currency translation differences		(11)
Total comprehensive loss for the period attributable to member of the parent entity		<u>(4,855)</u>
Earnings per share		(0.33) cents

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Condensed consolidated statement of financial position as at 30th June 2015

	Notes	\$'000
CURRENT ASSETS		
Cash and cash equivalents	8	21,411
Trade and other receivables		9,934
Inventories		615
Other Current Assets		7,947
TOTAL CURRENT ASSETS		39,907
NON-CURRENT ASSETS		
Property, Plant & Equipment	5	18,961
Intangible Assets	6a	31,531
Goodwill	6b	61,927
Deferred Tax Assets		2,696
Other Non-Current Assets		703
TOTAL NON CURRENT ASSETS		115,818
TOTAL ASSETS		155,725
CURRENT LIABILITIES		
Trade and other payables		10,307
Financial liabilities		12
Deferred consideration	7a	13,376
Current tax liabilities		812
Other liabilities		4,676
Borrowings	8	3,111
Provisions		490
TOTAL CURRENT LIABILITIES		32,784
NON CURRENT LIABILITIES		
Deferred Tax Liabilities		915
Financial Liabilities		158
Deferred Consideration	7b	8,153
Provisions		2,720
TOTAL NON CURRENT LIABILITIES		11,946
TOTAL LIABILITIES		44,730
NET ASSETS		110,995
EQUITY		
Issued capital		115,900
Other reserves		(11)
Accumulated losses		(4,844)
Non-controlling interests		(50)
TOTAL EQUITY		110,995

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Condensed consolidated statement of cash flows for the period 25th November 2014 to 30th June 2015

	\$'000
Cash flows from operating activities	
Receipts from customers (inclusive of GST)	5,267
Payments to suppliers and employees (inclusive of GST)	(5,186)
Interest (paid)/received	(12)
Income tax (paid) / refunded	25
Net Cash from (used in) operating activities	94
Cash flows from investing activities	
Payments for acquisition of property, plant and equipment	(2,615)
Payment for acquisition of intangible assets	(2,538)
Payment for acquisition of subsidiaries, net of cash acquired	(65,083)
Payment of acquisition costs	(1,039)
Net Cash from (used in) investing activities	(71,275)
Cash flows from financing activities	
Proceeds from issue of shares	95,002
Payment of transaction costs related to IPO	(5,865)
Proceeds from convertible note	9,500
Repayment of borrowings	(2,936)
Repayment of related party borrowings	(3,098)
Net Cash from (used in) financing activities	92,603
Effects of exchange rate movements on cash and cash equivalents	(11)
Net increase (decrease) in cash and cash equivalents	21,411
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	21,411

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Statement of changes in equity

	\$'000	\$'000	\$'000	\$'000	\$'000
	Contributed equity	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total Equity
At inception					
Total comprehensive income for the period:					
Profit (Loss) for the period after income tax			(4,844)	(50)	(4,894)
Other comprehensive income:					
Exchange differences on translation of foreign operations		(11)			(11)
Total Comprehensive loss for the period		(11)	(4,844)	(50)	(4,905)
Transactions with owners, recorded directly in equity:					
Issue of ordinary shares	120,196				120,196
Share issue costs	(4,296)				(4,296)
Total transactions with owners	115,900				115,900
Balance as at 30 June 2015	115,900	(11)	(4,844)	(50)	110,995

Notes to the financial statements

1) Significant accounting policies

The accounting policies adopted in this report have been consistently applied by each entity in the consolidated group and are consistent with the accounting policies as disclosed in the Prospectus.

2) Basis of preparation

The unaudited preliminary final report of QMS Media Limited and subsidiaries for the year ended 30 June 2015 does not include all notes of the type that would normally be included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Group as a full financial report.

The unaudited preliminary final report has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards (AASB), which has been prepared on an accruals basis and is based on the historical cost convention. No comparative period exists and comparative financial information is therefore not provided.

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3) IPO related expenses

30-Jun-15
\$'000

ASX listing fees	82
Stamp duty	386
Cost of acquisitions	1,040
Legal, professional and other	1,256
Total IPO related expenses	2,764

4) Depreciation and amortisation

30-Jun-15
\$'000

(a) Depreciation Expense

Plant and equipment	64
Leasehold improvements	8
Total Depreciation	72

(b) Amortisation Expense

Site lease intangibles	143
Borrowing costs	39
Total Amortisation	182

5) Property, plant and equipment

30-Jun-15
\$'000

Plant and Equipment

Carrying value of plant and equipment	11,212
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Leasehold Improvements

Carrying value of leasehold improvements	2,174
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Land and Buildings

Carrying value of land and buildings	5,575
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Total Carrying Value of Property, Plant and Equipment	18,961
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6) Intangible assets and goodwill

	30-Jun-15 \$'000
(a) Site Lease Intangibles	
Carrying value of site lease intangibles	31,531
(b) Goodwill	
Carrying value of goodwill	61,927
Total Carrying Value of Intangible Assets and Goodwill	93,458

The site lease intangibles and goodwill balances are as a result of the acquisitions made in the FY2015 financial year. Under AASB 3 Business Combinations, QMS Media Limited has up to twelve months after acquisition date to identify and reliably estimate the fair values of the acquired asset and assumed liabilities. As a result, the above amounts are provisional.

7) Deferred/Contingent payments, put options and forward contracts

The company has entered acquisition agreements that contain deferred/contingent payments, put options and forward contracts that will be payable within the next 1-4 years. The current commitments included in the notes below are undiscounted. The noncurrent commitments greater than twelve months have been discounted.

(a) Current Deferred Consideration	
Drive By Media	10,626
Plexity	1,600
Paramount	1,150
Total Current Deferred Consideration	13,376
(b) Non-Current Deferred Consideration	
Plexity	2,900
BMG Australasia	1,552
Vail Media Book	2,781
Paramount	920
Total Non-Current Deferred Consideration	8,153

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8) Current Indebtedness

The components of the company's net indebtedness as at 30th June 2015

	\$'000
Cash and cash equivalents	21,411
Current financial liabilities	(12)
Current borrowings	(3,111)
Current deferred consideration	(13,376)
Total Current Indebtedness Note	4,912

The company has secured new banking facilities of \$10,010,000 effective 28th July 2015 as outlined in the Prospectus. Please refer to note 9 Subsequent events for more detail.

9) Subsequent events

On 28th July 2015, the company executed a facility agreement and associated security documents for new banking facilities with the Australia and New Zealand Banking Group Limited. The facility limit under the new banking facility is \$10,010,000 and is available for drawings in Australian dollars by way of cash advance, bank guarantee, equipment and asset financing and ancillary facilities. The maturity date of the facility is 31st October 2016. The facility agreement contains the usual security and financial covenants typical for facilities of this nature.

On 7th August 2015, Digital Outdoor Media (Vic) Pty Ltd, a 100% wholly owned subsidiary of the Company, completed the acquisition of certain out of home advertising sites in Victoria operated under the Drive By Media name for \$7.7 million.

On 26th August 2015, Ambient Advertising NZ Limited, a 75% owned subsidiary of the Company, signed a Media Services agreement with Auckland Transport to manage all the existing outdoor advertising assets of Auckland Transport.

Other than the matters mentioned above, no other matter or circumstance at the date of this report has arisen since 30 June 2015 that has significantly affected or may affect:

- (a) the operations of the Group;
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Net tangible assets

	Current Period	Previous corresponding period
Net tangible assets per ordinary share	0.06 cents	N/A
Net assets per ordinary share	0.44 cents	N/A

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Details of entities over which control has been gained

QMS Media Limited listed on the Australian Stock Exchange on 29th June 2015

Entity	Date control gained	Impact of profit(loss) after tax (A\$'000)
Digital Outdoor Media (Aust) Pty Ltd	18 th March 2015	(1,450)
Riverview Signage Pty Ltd atf Riverview Signage Trust	17 th March 2015	-
Riverview Signage Trust	17 th March 2015	209
Digital Outdoor Media (NSW) Pty Ltd	18 th March 2015	(30)
Digital Outdoor Media (QLD) Pty Ltd	18 th March 2015	16
Digital Outdoor Media (WA) Pty Ltd	18 th March 2015	-
Digital Outdoor Media (Vic) Pty Ltd	18 th March 2015	(7)
QMS Australia Pty Ltd	23 rd June 2015	12
QMS Rail Media Pty Ltd	23 rd June 2015	13
QMS NZ Holdings Limited	31 st March 2015	176
Ambient Advertising NZ Limited	2 nd April 2015	(17)
QMS NZ Retail Limited	10 th April 2015	-
Q Media Pty Ltd	23 rd June 2015	103
Omnigraphics Australia Pty Ltd	23 rd June 2015	63
Standout Media Pty Ltd	23 rd June 2015	24
MMTB Pty Ltd	23 rd June 2015	97
MMT Land Pty Ltd	23 rd June 2015	(1)
Paramount Outdoor Pty Ltd	23 rd June 2015	2
Plexity Holdings Pty Ltd	25 th June 2015	(1)
BMG Australasia Pty Ltd	25 th June 2015	(10)
QMS Insite Media Pte Ltd	23 rd June 2015	-
PT Insite Media	23 rd June 2015	(14)
QMS Australian Holdings Pty Ltd	10 th March 2015	-

Details of associates and joint venture entities

Entity	Date interest acquired	Impact of Profit (Loss) (A\$'000)
QMS Australia Pty Ltd	18 th March 2015	57
Titan Media Group NZ Pty Ltd	2 nd April 2015	(79)
The Digital Outdoor Group Pty Ltd	23 rd June 2015	-

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Results for the period

1) Revenue

Total revenue of \$ 4.1 million for the period compared to the estimated statutory revenue of \$2.0 million disclosed in the Prospectus. The key driver for this difference was the actual acquisition date for the QMS APAC entities was brought forward to 22nd June 2015, generating an additional six days trading in the FY2015 financial year. The results include a step-acquisition gain relating to QMS Australia Pty Ltd of \$0.7 million.

2) Expenses

Total expenses were \$9.7 million for the period compared to \$6.9 million disclosed in the Prospectus. The key drivers of this \$2.8 million variance were:

- Cost of sales
 - o Increase in cost of sales of \$0.5 million relating to the additional six days trading in the FY 2015 resulting from the brought forward acquisition date for the QMS APAC entities.
- Employee benefits expense
 - o Lower than the Prospectus forecast by \$0.2 million due to the delay in recruiting new employees.
- Depreciation and amortisation
 - o Depreciation and amortisation charge for the period was \$0.3 million compared to zero in the Prospectus forecast because the acquisition of the entities holding the depreciable plant and equipment and site lease intangibles was assumed to be on the 29th June 2015 in the Prospectus.
- IPO and costs of acquisition expenses
 - o IPO related costs were \$1.7 million for the period compared to \$1.2 million estimated in the Prospectus. The additional costs were in relation to legal fees, investigating accountants and corporate advisory costs associated with the preparation and lodgement of the Prospectus. Costs of acquisitions of \$1.1 million include legal, corporate advisory and stamp duty costs in relation to the acquisition of various entities during the IPO. In the Prospectus these costs were capitalised as part of the cost of the relevant assets, but have now been expensed in the profit and loss statement.

3) Tax expense

The negative tax expense reflects the net consolidated statutory tax loss generated during the period to 30th June 2015. The negative tax expense has been calculated, taking into consideration the relevant tax jurisdictions.

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Earnings per security

	Current period (cents)	Previous corresponding period (cents)
Basic earnings per share	(0.33)	NIL
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	14,896,572	NIL

Returns to Shareholders

Not applicable

Audit review

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