HALF YEAR REPORT
31 DECEMBER 2017

QMS Media Limited | ABN 71 603 037 341

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 2017.

Previous corresponding period: For the six months ended 31 December 2016.

Results for announcement to the market

	Increase $'m	Change (%)	to $'m
Statutory revenue and other income from ordinary activities	20.1	25%	99.0
Statutory profit from ordinary activities after tax attributable to the members	1.2	17%	8.2
Statutory profit before tax from ordinary activities for the six month period attributable to members	2.5	25%	12.6

Dividends

On 25 August 2017, the Board recommended the payment of a final, fully franked dividend of 1.2 cents per share ($3,851,625) in respect of FY17 results. This dividend was paid on 6 October 2017.

On 15 February 2018, the Board recommended a payment of an interim, fully franked dividend of 1.0 cent per share ($3,250,701). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2017.

Commentary

Refer to the Directors' report contained within the half year report for commentary on the review of operations for the six month period.

Net tangible assets

	31 December 2017	31 December 2016
Net tangible assets per ordinary share[1]	0.93	7.47
Net assets per ordinary share[2]	0.63	0.61

[1] Derived by dividing the net assets less intangible assets over the total number of shares on issue. The net tangible assets per share reduced in comparison to the prior period as a result of individual site acquisitions and business combinations undertaken, whereby a significant percentage of the purchase price was allocated to intangible assets.

[2] Derived by dividing the net assets over the total number of shares on issue.

Change in business operations

During the six month period ended 31 December 2017, QMS Media Limited acquired interests in the following entities:

1. Digital Commons Limited ('Digital Commons'): On 30 November 2017, the Group acquired 60% of the share capital in Digital Commons, New Zealand's leading third party digital representation agency. The results are considered immaterial to the understanding of this report and have not been disclosed.
2. Digital Commons Australia Pty Limited ('Digital Commons Australia'): On 30 November 2017, the Group acquired 60% of the share capital in Digital Commons Australia. The results are considered immaterial to the understanding of this report and have not been disclosed.

These acquisitions broaden the Group's digital media channel and continue its strategic focus on connecting audiences through multiple touchpoints and customised content.

Audit qualification or review

This half year report was subject to a review by the Company's auditors and the review report is attached as part of this half year report.

Attachments

The half year report of QMS Media Limited and its controlled entities for the six month period ended 31 December 2017 is attached.

Signed:

WH Stevenson

Wayne Stevenson
Chairman

16 February 2018
Melbourne

QMS MEDIA LIMITED

ABN 71 603 037 341

HALF YEAR REPORT

31 DECEMBER 2017

Corporate directory

Directors	Wayne Stevenson	- Independent Non-Executive Chairman
	Anne Parsons	- Independent Non-Executive Director
	Robert Alexander	- Independent Non-Executive Director
	Barclay Nettlefold	- CEO and Executive Director
	David Edmonds	- Executive Director

Company Secretary

Malcolm Pearce

Principal registered office

QMS Media Limited
214 Park Street
South Melbourne, VIC, 3205

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

Directors' report

The Directors of QMS Media Limited (the '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 month period ended 31 December 2017.

Directors

The Directors of the Company during the financial period and up to the date of this report are:

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

Principal activities

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

Review of operations

The profit before tax for the six months ended 31 December 2017 was $12,598,000 (31 December 2016: $10,065,000). A description of the Group's operations, business model, material business risks, sources of funding, and review of the financial performance and position are detailed in the Operating Financial Review on pages 3 to 5.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the six month period ended 31 December 2017.

Auditor's independence declaration

The auditor's independence declaration is set out on page 20 and forms part of the Directors' report for the six month period ended 31 December 2017.

Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191* 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

16 February 2018
Melbourne

Review of operations

The financial information presented in this half year report has been prepared on a statutory basis in accordance with the measurement and recognition requirements of Australian Accounting Standards.

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 of the operating performance of the business. 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 the Group operates.

Review and commentary

The Group delivered strong operational and financial performance across all key financial metrics. Total statutory revenue and other income for the six month period ended 31 December 2017 was $99.0 million, representing growth of 25% in comparison to the six month period ended 31 December 2016. Growth was driven by a combination of expanded media inventory, uplift from the conversion of static sites to digital platforms which yield higher revenue and a full six months of earnings from the acquisition of QMS Sport Pty Ltd (formerly 'Out & About Marketing and Media Pty Ltd') which occurred in December 2016 (for the six month period ended 31 December 2016 only one month of earnings was consolidated into the results of the Group).

The Group increased its digital platform, with an additional 24 landmark digital billboards added to its existing media inventory during the six month period. At 31 December 2017, the Group had 99 landmark digital billboards and 3,805 small format digital screens operational across Australia and New Zealand (31 December 2016: 61 and 3,531). This digital growth has resulted in an upward revenue trajectory for the business, with digital revenue now contributing 76% of Australian media revenue and 66% of total media revenue (31 December 2016: 66% and 43%).

The QMS Sport business has continued the growth of its platform, with the successful renewal and expansion of a three year signage services agreement with Football Federation Australia (FFA). Under the terms of the agreement, QMS Sport will now provide all signage services to the FFA for all A-League, W-League, FFA Cup, Socceroos and Matildas home games under the control of the FFA. QMS Sport continues to provide strategic, innovative and seamless sporting solutions and the execution of this agreement has further cemented the Group's platform as a leading provider of national sporting programs.

During the period, the Group provided a loan to a global sports business that provides digital screens, software and technology to sporting codes and clubs. The funding was provided to enable expansion into complementary assets which is expected to provide the Group with further growth opportunities within the Sport business.

In August 2017, the Group was awarded the Canberra Airport Concession for the exclusive sales and marketing rights to all internal and external advertising assets. This represented two significant milestones for the Group; the geographical expansion into the Australian Capital Territory and an extension into the Australian airport media category.

Gross margin of 48.6% was consistent with the prior period of 49.0%. This is reflective of a change in the portfolio mix, with the higher margins generated from the growth in the digital platform offset by the QMS Sport business which has typically higher contract rights costs relative to other digital platforms.

Operating expenses were $33.2 million, compared with the prior corresponding period of $26.9 million. This increase reflects a full six months of operating expenses from the QMS Sport business and ongoing investment in systems and resources required to support the growth in the Group's business, with a continued focus on development and some system build out in operations and financial support capability. The growth in operating expenses was at a slower rate relative to revenue growth.

The increase in the depreciation and amortisation expenses was driven from the digital development program and the acquisition and development of new sites.

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

	Dec 2017 $'000	Dec 2016 $'000
Operating profit	**14,901**	**11,776**
Depreciation expense	4,222	2,782
Amortisation expense	4,102	2,758
Share of loss from associates	(744)	-
EBITDA	**22,481**	**17,316**
Costs associated with acquisitions	156	154
Restructuring and integration costs	65	394
Underlying EBITDA	**22,702**	**17,864**

Underlying EBITDA of $22.7 million for the six month period was significantly higher than the previous corresponding six month period of $17.9 million. This growth was attributable to the continued growth in the Australian and New Zealand businesses from digital development.

The share of loss from associates primarily relates to the Group's equity accounted investment in Live Docklands Pty Ltd. This entity was loss making for the period and therefore the carrying amount of this investment has been reduced to nil.

Acquisitions

On 30 November 2017, the Group acquired a 60% shareholding in both Digital Commons Limited ('Digital Commons') and Digital Commons Australia Pty Ltd ('Digital Commons Australia'), a leading third party digital representation agency.

These acquisitions broaden the Group's digital media channel and continue its strategic focus on connecting audiences through multiple touchpoints and customised content.

Digital Commons and Digital Commons Australia operate in both New Zealand and Australia and act as the Group's primary sales channel partner for automated products, having been instrumental in the development of the Group's digital transaction platform.

Funding

The Group's operations during the six month period were funded from cash generated from operating activities, the issue of a senior unsecured note and the utilisation of the Group's loan facility.

On 14 November 2017, the Group executed a senior unsecured note to eligible professional and sophisticated investors. A total of $70.0 million, 5 year senior unsecured notes were issued, at a fixed coupon of 7.00% per annum. There was strong investor demand for the transaction, demonstrating confidence in the Group's performance and growth strategy, which led to the transaction being upsized from $50.0 million to $70.0 million. The transaction diversifies the Group's debt funding sources, provides additional tenor to the Group's debt maturity profile and provides further flexibility to fund future growth.

The banking facilities available to the Group are $93.4 million, which includes a $6.0 million bank guarantee facility.

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 six month period in all key formats in which the Group operates. A sustained downturn in the structural level of advertising expenditure or a shift in the allocation of advertising expenditure to other formats (e.g. transit, retail) or other mediums (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 the roll out of billboards in accordance with planned timetables will negatively impact upon expected future revenues;
- The Group views digital conversion as a key driver of revenue growth and margin. As both the Group and its competitors continue to further expand their digital network, there is a risk of saturation of the digital screen market, which may consequently lead to yield compression.

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.

Contents

Statement of profit or loss and other comprehensive income

For the six month period ended 31 December 2017

	Note	Dec 2017 $'000	Dec 2016 $'000
Revenue and other income	4	99,027	78,968
Cost of sales		(50,923)	(40,264)
Gross profit		**48,104**	**38,704**
Advertising and marketing expenses		(568)	(952)
Consultancy fees		(596)	(513)
Employee benefits expense		(17,292)	(13,992)
Legal and professional fees		(315)	(412)
Costs associated with acquisitions		(156)	(154)
Office costs		(1,786)	(1,572)
Restructuring and integration costs		(65)	(394)
Other expenses		(4,101)	(3,399)
Depreciation expense	9	(4,222)	(2,782)
Amortisation expense	10	(4,102)	(2,758)
Operating profit		**14,901**	**11,776**
Finance income	5	640	56
Finance costs	5	(2,199)	(1,767)
Net finance costs	5	**(1,559)**	**(1,711)**
Share of loss from associates		(744)	-
Profit before tax		**12,598**	**10,065**
Income tax expense	6	(4,255)	(2,584)
Profit after tax		**8,343**	**7,481**
Profit attributable to:			
Owners of the Company		8,202	6,994
Non-controlling interests		141	487
		8,343	**7,481**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve		(3,047)	563
Effective portion of change in fair value of cash flow hedge, net of tax		17	-
Change in fair value of available-for-sale financial asset		18	-
Total comprehensive income, net of tax		**5,331**	**8,044**
Total comprehensive income attributable to:			
Owners of the Company		5,190	7,557
Non-controlling interests		141	487
Total comprehensive income		**5,331**	**8,044**
Earnings per share			
Basic earnings per share (cents)		2.5	2.3
Diluted earnings per share (cents)		2.5	2.3

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes on pages 11 to 18.

Statement of financial position

As at 31 December 2017

	Note	Dec 2017 $'000	June 2017 $'000
Assets			
Cash and cash equivalents		25,248	11,375
Trade and other receivables	*7*	31,705	30,629
Inventories		729	723
Other current assets	*8*	24,092	12,461
Total current assets		**81,774**	**55,188**
Property, plant and equipment	*9*	85,997	79,832
Other non-current assets		1,271	-
Investments		1,029	1,656
Deferred tax assets		5,508	5,556
Intangible assets and goodwill	*10*	201,177	187,838
Total non-current assets		**294,982**	**274,882**
Total assets		**376,756**	**330,070**
Liabilities			
Trade and other payables		17,596	15,316
Deferred revenue		3,986	5,102
Current tax liabilities		8,749	5,355
Loans and borrowings	*11*	1,211	1,165
Deferred and contingent consideration	*12*	2,245	7,917
Provisions		2,341	2,270
Other liabilities		9,444	9,361
Total current liabilities		**45,572**	**46,486**
Deferred and contingent consideration	*12*	9,139	7,517
Loans and borrowings	*11*	98,796	55,994
Other non-current liabilities		2,026	2,057
Provisions		8,488	7,431
Deferred tax liabilities		8,548	8,745
Total non-current liabilities		**126,997**	**81,744**
Total liabilities		**172,569**	**128,230**
Net assets		**204,187**	**201,840**
Equity			
Share capital	*13(a)*	186,757	183,637
Reserves		(5,026)	(2,262)
Retained earnings		21,972	17,622
Total equity attributable to equity holders of the Company		**203,703**	**198,997**
Non-controlling interests	*13(b)*	484	2,843
Total equity		**204,187**	**201,840**

The statement of financial position is to be read in conjunction with the notes on pages 11 to 18.

Statement of changes in equity

For the six month period ended 31 December 2017

	Share capital $'000	Translation reserve $'000	Available-for-sale reserve $'000	Cash flow hedge reserve $'000	Share based payments reserve $'000	Merger reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017	183,637	1,870	5	(131)	480	(4,486)	17,622	198,997	2,843	201,840
Profit after tax	-	-	-	-	-	-	8,202	8,202	141	8,343
Other comprehensive income										
Foreign currency translation differences	-	(3,047)	-	-	-	-	-	(3,047)	-	(3,047)
Effective portion of changes in fair value of cash flow hedge	-	-	-	24	-	-	-	24	-	24
Deferred tax on cash flow hedge	-	-	-	(7)	-	-	-	(7)	-	(7)
Change in fair value of available-for-sale asset	-	-	18	-	-	-	-	18	-	18
Total comprehensive income	-	(3,047)	18	17	-	-	8,202	5,190	141	5,331
Transactions with owners of the Company										
Contributions and distributions										
Share issue costs	(504)	-	-	-	-	-	-	(504)	-	(504)
Deferred tax benefit	(228)	-	-	-	-	-	-	(228)	-	(228)
Dividend Reinvestment Plan	3,852	-	-	-	-	-	(3,852)	-	-	-
Equity settled share-based payments	-	-	-	-	248	-	-	248	-	248
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Total contributions and distributions	3,120	-	-	-	248	-	(3,852)	(484)	(2,500)	(2,984)
Balance at 31 December 2017	**186,757**	**(1,177)**	**23**	**(114)**	**728**	**(4,486)**	**21,972**	**203,703**	**484**	**204,187**

For the six month period ended 31 December 2016

	Share capital $'000	Translation reserve $'000	Available-for-sale reserve $'000	Cash flow hedge reserve $'000	Share based payments reserve $'000	Merger reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2016	164,902	2,447	-	-	-	(4,486)	8,574	171,437	(177)	171,260
Profit after tax	-	-	-	-	-	-	6,994	6,994	487	7,481
Other comprehensive income										
Foreign currency translation differences	-	563	-	-	-	-	-	563	-	563
Total comprehensive income	-	563	-	-	-	-	6,994	7,557	487	8,044
Transactions with owners of the Company										
Contributions and distributions										
Issue of ordinary shares	20,000	-	-	-	-	-	-	20,000	-	20,000
Share issue costs	(751)	-	-	-	-	-	-	(751)	-	(751)
Deferred tax benefit	(220)	-	-	-	-	-	-	(220)	-	(220)
Dividends paid	-	-	-	-	-	-	(4,529)	(4,529)	-	(4,529)
Elwood non-controlling interest	-	-	-	-	-	-	-	-	2,500	2,500
Total contributions and distributions	19,029	-	-	-	-	-	(4,529)	14,500	2,500	17,000
Balance at 31 December 2016	**183,931**	**3,010**	**-**	**-**	**-**	**(4,486)**	**11,039**	**193,494**	**2,810**	**196,304**

The statement of changes in equity is to be read in conjunction with the notes on pages 11 to 18.

Statement of cash flows

For the six month period ended 31 December 2017

	Dec 2017 $'000	Dec 2016 $'000
Cash flows from operating activities		
Cash receipts from customers	103,193	85,467
Cash paid to suppliers and employees	(87,470)	(69,445)
Interest paid	(1,508)	(834)
Income taxes paid	(979)	(1,091)
Net cash from operating activities	**13,236**	**14,097**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(1,010)	(2,392)
Payments of acquisition costs	(156)	(154)
Acquisition of investments	(100)	(1,120)
Acquisition of property, plant and equipment	(11,037)	(12,794)
Deferred consideration payments made	(7,683)	(6,265)
Acquisition of intangible assets	(14,310)	(15,026)
Net cash used in investing activities	**(34,296)**	**(37,751)**
Cash flows from financing activities		
Proceeds from issue of share capital	-	20,000
Transaction costs related to issue of shares	(504)	(751)
Payment of loans to third party	(6,863)	-
Payment of related party loans	-	(10)
Payment to associates	(129)	(1,380)
Dividend paid	-	(4,529)
Net proceeds of borrowings	42,848	19,918
Net cash from financing activities	**35,352**	**33,248**
Net increase in cash and cash equivalents	**14,292**	**9,594**
Cash and cash equivalents at 1 July	11,375	12,642
Effect of movements in exchange rates on cash held	(419)	65
Cash and cash equivalents at 31 December	**25,248**	**22,301**

The statement of cash flows is to be read in conjunction with the notes on pages 11 to 18.

Notes to the half year report

1. Reporting entity

QMS Media Limited (the “Company”) is a Company domiciled in Australia. This half year report as at and for the six month period ended 31 December 2017 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, street furniture, sport and transit media 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*, 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 report as at and for the year ended 30 June 2017.

The accounting policies adopted in the preparation of this half year report are consistent with those applied and disclosed in the annual report for the year ended 30 June 2017, unless otherwise stated.

This half year report was authorised for issue by the Company’s Board of Directors on 16 February 2018.

(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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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 report as at and for the year ended 30 June 2017.

(c) New standards and interpretations

The Group has adopted all of the relevant new, revised, or amended Accounting Standards and interpretations issued by the AASB that are mandatory for the current reporting period.

A number of new standards and amendments to standards are effective for annual reporting periods beginning on or after 1 July 2017 (unless otherwise stated), and have not been applied in preparing this half year report.

Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

AASB 15 Revenue from Contracts with Customers

AASB 15 (effective on or after 1 January 2017) introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in timing of revenue recognition, treatment of contract costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

Based on the current assessment performed by management, the impact of this standard may cause minor changes to the timing and amount of revenue recorded in relation to variable consideration. However, this is not expected to have a material impact on the Group’s results.

AASB 16 Leases

Effective from 1 January 2019, and applicable to the Group at 30 June 2020, AASB 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. As a result, most leases will be brought onto the balance sheet with the aim of providing greater visibility and transparency to the balance sheet. The definition of what is a lease will become a key area of judgement with leases brought on balance sheet, with service contracts remaining off balance sheet.

The Group has a large portfolio of leases and therefore AASB 16 is expected to significantly change the presentation of the balance sheet, with an increase in both reported assets and liabilities. There will also be changes in the accounting over the life of the lease, with the recognition of a front-loaded pattern of expenses for most leases required, even when constant annual rentals are made. The Group is currently assessing the various transition options available and assessing the impact on the Group’s financial performance and financial position.

AASB 9 Financial Instruments (December 2010) (includes financial assets and financial liability requirements)

In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139, except in respect of the fair value option and certain derivatives linked to unquoted equity instruments.

The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9.

AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset.

Guidance on hedge accounting continues to apply as long as hedge accounting provisions in AASB 2013-9 are not applied.

An assessment of the potential impact of this standard was performed. Based on this assessment, it was determined that the impact will not be material to the Group’s results, financial position or disclosures.

3. Operating segments

The Group operates in one market segment being Out-of-Home advertising. Segment information reported to the Board of Directors, which 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 2017 $'000	Dec 2016 $'000
Sale of media, print production and other services	98,733	78,852
Other income	294	116
	99,027	**78,968**

5. Net finance costs

	Dec 2017 $'000	Dec 2016 $'000
Interest income	640	56
Finance income	**640**	**56**
Interest expense	(1,549)	(975)
Discount unwind on deferred and contingent consideration and loans	(561)	(156)
Borrowing costs written off	-	(557)
Borrowing costs amortisation	(89)	(79)
Finance costs	**(2,199)**	**(1,767)**
Net finance costs recognised in profit or loss	**(1,559)**	**(1,711)**

6. Income taxes

Reconciliation of effective tax rate:

	Dec 2017 $'000	Dec 2016 $'000
Profit before tax	12,598	10,065
Prima facie income tax expense at 30%	3,779	3,020
Add/(less) tax effect of:		
Non-deductible expenses	897	499
Non-assessable income	(6)	(142)
Utilisation of previously unrecognised tax losses	(315)	(253)
Recognition of previously unrecognised tax losses	(88)	-
Deductible expenses in equity	-	(220)
Difference in tax and accounting cost base	109	28
Difference in overseas tax rates	(74)	(110)
Over provided in prior year	(114)	(248)
Other	67	10
Tax expense	**4,255**	**2,584**
Effective tax rate	34%	26%

7. Trade and other receivables

	Dec 2017 $'000	June 2017 $'000
Trade and other receivables	32,002	30,864
Less: Provision for doubtful debts	(297)	(235)
	31,705	**30,629**

8. Other assets

	Dec 2017 $'000	June 2017 $'000
Loan receivable from third parties	8,901	1,902
Prepayments	3,952	2,543
Deposits	3,636	1,099
Accrued income	3,033	564
Sundry receivables	2,645	3,858
Loans receivable from associates	989	882
Other	936	556
Security deposits	-	1,057
	24,092	**12,461**

Included within the loan receivable from third parties is a $8,764,844 loan to a global sports business that provides digital screens, software and technology to sporting codes and clubs. The loan is secured against certain key assets of the business and may convert into a controlling equity interest if certain conditions are met.

Included within deposits at 31 December 2017 is a deposit paid for $3,000,000 to acquire additional billboard sites. At 31 December 2017, these sites have not been commissioned. Once the sites are commissioned, this deposit will be reclassified to a site lease intangible asset.

9. Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Under con-struction $'000	Total $'000
Cost					
Balance at 1 July 2017	5,902	79,473	1,255	2,997	89,627
Acquisitions through business combinations	-	3	-	-	3
Additions	-	6,155	14	5,031	11,200
Transfers	-	3,147	-	(3,147)	-
Effect of movements in exchange rates	-	(950)	(10)	(26)	(986)
Disposals	-	(96)	-	(56)	(152)
Balance at 31 December 2017	**5,902**	**87,732**	**1,259**	**4,799**	**99,692**
Accumulated depreciation					
Balance at 1 July 2017	(143)	(9,331)	(321)	-	(9,795)
Depreciation	(52)	(4,027)	(143)	-	(4,222)
Effect of movements in exchange rates	-	263	3	-	266
Disposals	-	56	-	-	56
Balance at 31 December 2017	**(195)**	**(13,039)**	**(461)**	**-**	**(13,695)**
Carrying amounts					
at 31 December 2017	**5,707**	**74,693**	**798**	**4,799**	**85,997**
at 30 June 2017	5,759	70,142	934	2,997	79,832

10. Intangible assets and goodwill

	Note	Goodwill $'000	Site Leases $'000	Development Costs $'000	Other $'000	Total $'000
Cost						
Balance at 1 July 2017		117,135	77,442	-	3,244	197,821
Acquisitions through business combinations		2,124	-	-	-	2,124
Additions		-	9,962	166	4,038	14,166
Provisional acquisition adjustments	*14*	3,361	-	-	-	3,361
Effect of movements in exchange rates		(1,562)	(804)	(1)	(60)	(2,427)
Balance at 31 December 2017		**121,058**	**86,600**	**165**	**7,222**	**215,045**
Accumulated amortisation						
Balance at 1 July 2017		-	(9,511)	-	(472)	(9,983)
Amortisation		-	(3,762)	-	(340)	(4,102)
Effect of movements in exchange rates		-	191	-	26	217
Balance at 31 December 2017		**-**	**(13,082)**	**-**	**(786)**	**(13,868)**
Carrying amounts						
at 31 December 2017		**121,058**	**73,518**	**165**	**6,436**	**201,777**
at 30 June 2017		117,135	67,931	-	2,772	187,838

There was no recorded impairment for the six month period ended 31 December 2017 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 six month 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.

11. Loans and borrowings

	Dec 2017 $'000	June 2017 $'000
Current liabilities		
Bank loans and borrowings	463	346
Finance lease liabilities	748	819
	1,211	**1,165**
Non-current liabilities		
Bank loans and borrowings	29,717	55,207
Finance lease liabilities	407	787
Corporate Bond	70,000	-
Unamortised borrowing costs	(1,328)	-
	98,796	**55,994**
Total	**100,007**	**57,159**

On 14 November 2017, the Group executed a senior unsecured note to eligible professional and sophisticated investors. A total of $70.0 million, 5 year senior unsecured notes were issued, at a fixed coupon of 7.00% per annum.

12. Deferred and contingent consideration

	Dec 2017 $'000 Carrying amount $'000	June 2017 $'000 Carrying amount $'000
Current deferred and contingent consideration		
Rapid Media Pty Ltd	1,000	-
TOM Assets 2 Pty Ltd	725	-
Apex Outdoor Pty Ltd	170	170
Canberra Airport	150	-
Shout Outdoor Pty Ltd	100	1,100
Vail Media Pty Ltd	100	600
Drive by Developments Pty Ltd	-	2,000
Australian Billboard Company Pty Ltd	-	1,987
Total Outdoor Media Pty Ltd	-	1,181
Skyline Digital Pty Ltd	-	879
	2,245	**7,917**
Non-current deferred and contingent consideration		
QMS Sport Pty Ltd (formerly Out & About Marketing and Media Pty Ltd)	6,632	6,175
Apex Outdoor Pty Ltd	1,178	1,342
Digital Commons Limited and Digital Commons Australia Pty Ltd	1,025	-
TOM Assets 2 Pty Ltd	304	-
	9,139	**7,517**
Total deferred and contingent consideration	**11,384**	**15,434**

Consideration payable to Apex Outdoor, Shout Outdoor, TOM Assets 2, Vail Media and Rapid Media relate to payments for site leases and related permits. The remaining deferred and contingent consideration relates to the acquisitions of subsidiaries.

13. Equity

(a) Share capital

	No. of ordinary shares '000	Value $'000
On issue at 1 July 2017	320,969	183,637
Dividend Reinvestment Plan (DRP)	4,101	3,852
Share issue costs	-	(504)
Deferred tax expense	-	(228)
On issue at 31 December 2017	**325,070**	**186,757**

(b) Non-controlling interests (NCI)

	Dec 2017 $'000
Balance at 1 July 2017	2,843
Share of operating profit after income tax	141
Acquisition of non-controlling interest	(2,500)
Balance at 31 December 2017	**484**

During the six month period, the Group acquired the remaining 49% shareholding in Elwood Outdoor Advertising Pty Ltd ('Elwood') by exercising its call option. 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 call option was previously treated as a non-controlling interest which was external to the Group.

14. Acquisitions of subsidiaries

Finalisation of December 2016 QMS Sport Pty Ltd ('QMS Sport') (formerly 'Out & About Marketing & Media Pty Ltd') acquisition 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 QMS Sport acquisition completed in December 2016 have been finalised during the six month period ended 31 December 2017.

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 goodwill provisional balance recognised in the statement of financial position as follows:

	Dec 2017 Final $'000	June 2017 Provisional $'000
Goodwill	21,057	17,696

Other acquisitions

The PPA adjustments for the Octopus Property Pty Ltd acquisition completed on 22 July 2016 was finalised in the six months ended 31 December 2017. There were no changes to the balances disclosed in the 30 June 2017 annual report.

The Total Outdoor Media and Vail Media acquisitions undertaken in the year ended 30 June 2017 are still within their twelve month acquisition accounting window and therefore these balances remain provisional. There has been no change to the acquisition accounting in the six months ended 31 December 2017.

The acquisition of Digital Commons and Digital Commons Australia completed in the six months ended 31 December 2017 remains provisional.

15. Commitments

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 2017, two sites were unpermitted. 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 $4,138,000.

Under the Vail acquisition agreement, a permit to convert one site from a static to a digital site has not been obtained at 31 December 2017. The Group does not have a contractual liability until this permit is obtained. If a permit is obtained, the Group is liable to pay $1,000,000.

Under the Total Outdoor Media Pty Ltd acquisition agreement, there is one site whereby the conditions required to be fulfilled before the Group has a contractual liability have not yet been fulfilled. If these conditions are satisfied, the Group will be liable to pay $700,000.

16. Subsequent events

On 23 January 2018, the Group announced changes to the structure of its senior executive team, with the appointment of divisional leaders of its Australian and New Zealand businesses. John O'Neill, previously the Chief Sales Officer, was appointed the role of CEO of QMS Australia. Wayne Chapman, previously CEO of the Group's New Zealand media business, was appointed the role of CEO of QMS New Zealand.

On 15 February 2018, the Board recommended a payment of an interim, fully franked dividend of 1.0 cent per share ($3,250,701). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2017.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial six month 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.

Directors' Declaration

31 December 2017

In the opinion of the Directors of QMS Media Limited:

1. the Half Year Report and Notes set out on pages 7 to 18 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 2017 and of its performance, for the six month period 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

16 February 2018
Melbourne

Auditor’s Independence Declaration

31 December 2017

KPMG

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 of QMS Media Limited for the half-year ended 31 December 2017 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

16 February 2018

Independent auditor's review report to the members of QMS Media Limited

31 December 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 2017 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 2017
- 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.

Independent auditor's review report to the members of QMS Media Limited

31 December 2017

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*
- 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 2017 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.

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

KPMG

KPMG

Maria Trinci

Maria Trinci

Partner

Melbourne, Australia

16 February 2018