APPENDIX 4E
PRELIMINARY FINANCIAL REPORT
31 DECEMBER 2018

QMS Media Limited | ABN 71 603 037 341

Entity details

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

Reporting period

Reporting period ("current period"):	For the six month period ended 31 December 2018
Previous period:	For the year ended 30 June 2018

The Directors resolved to change the Group's financial year end date from 30 June to 31 December. Previously, the Group's financial year commenced on 1 July and ended on 30 June. The change has been made in order to align with industry standards, streamline the reporting across all entities and reflect the change in the composition of the Group, with greater future contribution from Sport which is a seasonal business.

The Group has made the change in financial year end in accordance with section 323D (2A) of the Corporations Act 2001 (Cth).

The Group confirms that:

- The Group's previous financial year ended on 30 June 2018;
- The Group will have a six month transitional financial period, commencing on 1 July 2018 and ending on 31 December 2018; and
- Thereafter, the Group will revert to a twelve month financial year, commencing on 1 January 2019.

Results for announcement to the market

		%		6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Statutory revenue from continuing operations	down	45%	to	79,353	143,468
Statutory profit from continuing operations after tax attributable to the members	down	60%	to	5,218	13,179
Net profit for the period attributable to members	down	59%	to	7,432	18,079

Dividends

Dividends paid during the period	Amount per share (cents)	Franked amount per share (cents)
Final dividend – year ended 30 June 2018 (paid 22 October 2018)	1.2	1.2

On 28 February 2019, the Board recommended the payment of a final, fully franked dividend of 1.0 cents per share ($3,259,853), franked to 100% in Australia based on tax paid at 30%. Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2018.

Net tangible assets

	Current period	Previous period
Net tangible assets per ordinary share (cents)[1]	(9.2)	(5.2)
Net assets per ordinary share (cents)[2]	67.2	64.9

Details of entities over which control has been gained

Entity	Date control gained	Impact on profit before tax ($'000)
Gomeeki Operations Pty Ltd	2 July 2018	247
QMS Sport Holdings Limited	24 August 2018	-
QMS Sport (Europe) Holdings Pty Ltd	29 August 2018	-
QMS Sport (US) Holdings Pty Ltd	29 August 2018	-

Details of associates and joint venture entities

Entity	Percentage of ownership interest held	
	31 December 2018	30 June 2018
Titan Media Group NZ Pty Ltd	50.00%	50.00%
City On Limited	40.00%	40.00%
Stadium Graphics Limited	40.00%	40.00%
Rugby Services Limited	26.67%	26.67%

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

[2] Derived by dividing net assets over the total number of shares on issue 325,985,262 (30 June 2018: 325,791,305).

Earnings per share

	Current period	Previous period
Continuing operations		
Basic earnings per share (cents)	1.5	3.8
Diluted earnings per share (cents)	1.5	3.8
Discontinuing operations		
Basic earnings per share (cents)	0.8	1.8
Diluted earnings per share (cents)	0.8	1.8
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	325,865,496	323,215,993
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	325,865,496	323,971,789

Operating and Financial Review

The Directors are pleased to present the Operating and Financial Review for QMS Media Limited and its controlled entities (collectively referred to as the 'Group') for the six month period ended 31 December 2018.

The Directors have elected to change the Group's financial year end date from 30 June to 31 December in order to:

- Align with industry standards;
- Streamline reporting across all entities; and
- Reflect the change in the composition of the Group, with a greater future contribution from Sport which is a seasonal business. Reporting on a calendar year will enable the full impact of the sporting season to be realised in the full year results, instead of a 30 June financial year which would cover two different sporting seasons whereby different rights may be held.

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

The financial results for the six months period ended 31 December 2018 are not directly comparable with the year ended 30 June 2018.

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.

The following table details key financial information for the six month period ended 31 December 2018 in comparison to the year ended 30 June 2018 and six month period ended 31 December 2017, and forms the basis for the discussion in this Operating and Financial Review.

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000	6 month period ended 31 December 2017 $'000
Revenue and other income from continuing operations	79,353	143,468	68,494
Revenue and other income from discontinuing operations[1]	28,206	60,726	30,533
Revenue and other income	**107,559**	**204,194**	**99,027**
Cost of sales	(54,229)	(107,157)	(50,923)
Gross profit	**53,330**	**97,037**	**48,104**
Gross profit margin	*49.6%*	*47.5%*	*48.6%*
Operating expenses	(28,618)	(50,445)	(25,623)
EBITDA	**24,712**	**46,592**	**22,481**
EBITDA margin	*23.0%*	*22.8%*	*22.7%*
Non-underlying revenue	(4,328)	(1,635)	-
Non-underlying expenses	2,344	830	221
EBITDA - underlying	**22,728**	**45,787**	**22,702**
EBITDA margin - underlying	*21.1%*	*22.4%*	*22.9%*

[1] Discontinuing operations refers to QMS New Zealand.

Revenue

The Group delivered solid operational and financial performance across all key metrics. Total statutory revenue and other income for the six month period ended 31 December 2018 was $107.6m, representing growth of 9% in comparison to the six month period ended 31 December 2017. Headline growth was driven by strong performance in the Australia media business, partly offset by lower growth in New Zealand and seasonally lower Sport performance.

The Group continued to deliver strong gross margins reflective of the digital revenue growth across the quality asset portfolio in the core business.

Operating expenses were $28.6 million, compared with the previous corresponding six month period ended 31 December 2017 of $25.6 million. This reflects the investment in new talent, infrastructure and our data platform which lays the foundation for future growth.

The slight reduction in underlying EBITDA margin is reflective of the change in the composition of the Group, with the higher margins generated in the core business partially offset by the QMS Sport business which typically has higher contract rights costs relative to other digital platforms.

In December 2018, the Group announced a strategic realignment of its business to further position for future growth by creating three distinct business segments; QMS Australia, QMS New Zealand and QMS Sport. This segmentation provides greater transparency and enables users to understand the value of each segment and its contribution to the overall value of the portfolio.

Key financial information for each segment is provided in the table below for the six month period ended 31 December 2018.

	QMS Australia $'000	QMS Sport $'000	QMS New Zealand (discontinuing) $'000	Corporate costs $'000	Total $'000
Revenue	66,328	13,025	28,206	-	107,559
Underlying EBITDA	20,347	(286)	5,816	(3,149)	22,728

A summary of the operational performance for each segment is provided below.

QMS Australia

QMS Australia reported revenue of $66.3m and underlying EBITDA of $20.3m for the six month period ended 31 December 2018.

QMS Australia has an established portfolio of quality landmark digital billboards in key strategic markets. An additional 18 premium landmark digital billboards were added to this already extensive portfolio during the six months ended 31 December 2018. This increased the digital platform to 104 landmark digital billboards at 31 December 2018 (30 June 2018: 86).

This continued focus on expanding the premium portfolio of landmark digital billboards in strategic markets has driven further revenue growth for the business, with digital revenue contributing 79% of Australian media revenue and Australian media revenue continuing to grow ahead of the market.

During the period, QMS Australia secured two major strategic data partnerships; Neuro Insights and DSpark, to deliver unparalleled insights for advertisers into the power of its assets and the rich audiences they reach. These partnerships will further assist in propelling the business into its next growth phase.

QMS New Zealand ('QMS NZ')

QMS NZ reported revenue of $28.2m and underlying EBITDA of $5.8m for the six month period ended 31 December 2018. Softer market conditions were experienced in Q1 driven by a decline in business confidence. However, market conditions significantly improved in Q2 with positive momentum building into CY19.

In October 2018, QMS NZ entered into an exclusive long-term strategic partnership with iSEE Digital. This partnership provides additional coverage across Auckland with an additional 21 quality digital roadside billboards added to QMS NZ's existing portfolio.

This partnership with iSEE Digital and the acquisition of an additional 4 landmark digital billboards during the period, has increased QMS NZ's digital platform to 51 landmark digital billboards at 31 December 2018 (30 June 2018: 26). In addition, QMS NZ has expanded its Auckland Transport Commuter Network portfolio to 71 small format digital screens.

QMS Sport

QMS Sport reported revenue of $13.0m and underlying EBITDA of $(0.3)m for the six month period ended 31 December 2018.

In August 2018, the Group announced an agreement to acquire a 90% interest in TGI Systems Corporation ('TGI') and TGI Europe GmbH ('TGIE'), world leaders in the delivery of sports technology including high end LED signage, software management platforms and a range of unique fan engagement tools. These businesses represent top tier sporting organisations including UEFA Champions League, ICC Cricket World Cup, Major League Soccer (USA), Ligue National de Rugby (France), as well as the FC Barcelona, Manchester United, Liverpool and Juventus Football Clubs. This acquisition is in its final stages, pending notarisation in Germany and is expected to be consolidated in the Group's results in H1 CY19.

The QMS Sport technology and digital assets; Sportsmate, Gomeeki and Rpple will form part of and complement this international sport acquisition.

QMS Sport is a seasonal business which is weighted to the first half of the calendar year. Therefore, solid growth is expected in H1 CY19 reflective of the higher content available and the acquisition of TGI and TGIE.

Reconciliation of operating profit to EBITDA

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

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000	6 month period ended 31 December 2017 $'000
Operating profit, including share of profit from associates	**14,327**	**28,708**	**14,157**
Depreciation expense	4,511	8,292	4,222
Amortisation expense	5,874	9,592	4,102
EBITDA	**24,712**	**46,592**	**22,481**
Release of deferred and contingent consideration	(4,328)	(1,635)	-
Costs associated with acquisitions	1,578	459	156
Restructuring and integration costs	766	371	65
EBITDA - underlying	**22,728**	**45,787**	**22,702**

Underlying EBITDA for the six month period ended 31 December 2018 is consistent with the six month period ended 31 December 2017. The core business continued to generate strong growth. However, this was offset by softer New Zealand market conditions in Q1 and investment in Sport ahead of earnings. New Zealand market conditions improved in Q2 with strong momentum into CY19.

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

Non-underlying revenue relates to the release of contingent consideration associated with the acquisition of the remaining 20% shareholding in QMS Sport Pty Ltd.

Non-underlying expenses relate to acquisition, restructuring and integration costs incurred during the six month period ended 31 December 2018. The increase from previous periods was driven from the size and complexity of the proposed NZ merger transaction and the significant legal and financial fees incurred during the due diligence process.

Outdoor advertising market

The strength of the outdoor advertising market is fundamentally important to the Group's financial performance.

The Outdoor Media Association ('OMA') reported a ninth year of consecutive growth in the Out-of-Home advertising industry, with a 10.8% increase in net revenue year on year, taking the industry's net revenue in CY18 to an all-time high of $927.6 million, up from $837.1 million in CY17[1]. Out-of-Home audiences continue to expand at a time when other traditional media channel audiences are in decline, with technology enhancing the medium in ways that give it an edge over other media channels.

The Group is confident that the shift to increased advertising expenditure on outdoor advertising assets is structural rather than cyclical and the performance of the outdoor advertising market is expected to remain strong, reflecting the following:

- The ability of outdoor advertising to engage with consumers in a receptive form;
- Demand for digital assets that give advertisers the ability to communicate with consumers immediately and to adapt the message being communicated to account for the time of day, weather, demographic of viewer, events and other external factors; and
- The continued fragmentation of mainstream media.

Acquisitions

During the six month period, the Group continued to expand its existing sports technology and media rights business by acquiring the following investments:

- On 2 July 2018, the Group acquired a 51% shareholding in Gomeeki Operations Pty Ltd ('Gomeeki'), a leading mobile commerce company that provides mobile application solutions.
- On 16 August 2018, the Group acquired the remaining 67% shareholding in World Sports and Entertainment Holdings Pty Ltd and its controlled entities (collectively 'Sportsmate'). The Group now holds a 100% ownership in Sportsmate, a sports media company which creates and distributes applications focused on delivering sport scores to fans across the globe.
- On 30 August 2018, the Group announced an agreement to acquire a 90% interest in TGI Systems Corporation ('TGI') and TGI Europe GmbH ('TGIE'), world leaders in the delivery of sports technology including high end LED signage, software management platforms and a range of unique fan engagement tools. The acquisition is pending notarisation in Germany and is expected to be finalised in H1 CY19. The results of these businesses were not consolidated into the Group for the six month period ended 31 December 2018.

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[1] Source: OMA

Proposed merger

On 10 December 2018, the Group announced a proposed merger of its New Zealand out-of-home, digital media and production business with MediaWorks, New Zealand's leading independent radio, TV and digital business, pending Overseas Investment Office approval. The merger on completion, will establish the newly combined QMS NZ and MediaWorks as the largest multi-media advertising group in the country.

The Group will merge its New Zealand Out-of-Home, digital media and production businesses into MediaWorks and in return will receive a 40% shareholding in the expanded MediaWorks business. The Group will also receive loan repayments return of approximately $35.0 million (subject to the finalisation of financing terms), which will provide increased financial flexibility for the Group.

Transaction completion is subject to finance approval and other customary conditions (including Overseas Investment Office New Zealand) and is expected to complete in the second quarter of CY19.

Completion of this transaction will result in loss of control and therefore the New Zealand businesses have been classified as held for sale and also as discontinuing operations at 31 December 2018.

Funding

The Group's operations during the six month period were funded from cash generated from operating activities and the utilisation of the Group's loan facilities.

On 29 October 2018, the Group's facility agreement with the National Australia Bank was increased by an additional $20.0 million in order to fund the continued digital development rollout across Australia and New Zealand and to acquire the TGI and TGIE businesses. The total banking facilities now available to the Group are $113.4 million, which includes a $6.0 million bank guarantee facility.

On 21 December 2018, the Group extended the maturity date of this facility from 30 September 2019 to 31 March 2020. All other terms and conditions of the agreement remained the same.

As at 31 December 2018, the Group had $20.9 million in cash and cash equivalents. Based on current operational forecasts and expected market conditions, the Group expects to have sufficient funds to support its current activities.

The increase in net debt at 31 December 2018 is timing related and reflective of the significant capital invested in acquiring the international sport businesses ahead of consolidation.

On completion of the proposed merger of QMS NZ and MediaWorks, a loan repayment of approximately $35.0m, subject to final financing arrangements, is expected to be received which will reduce the net debt level. In addition, initiatives have been identified to reduce net debt which include the sale of non-core land and buildings.

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, online) 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 is continuing to expand its inventory of premium landmark billboards. Failure to execute the roll out of billboards in accordance with planned timetables could negatively impact expected future revenue.
- 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 networks, there is a risk of saturation of the digital screen market which may consequently lead to yield compression.
- The inability to secure content rights, operational contracts and/or LED equipment sales could negatively impact the future revenue in QMS Sport.
- As the Group increases its geographical footprint across the globe, it may be exposed to additional risk due to operating in different economic, regulatory and political environments, in addition to foreign currency risk.
- There has been consolidation in the Australian market which will increase competition in the Out-of-Home advertising market and could 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.

Statement of profit or loss and other comprehensive income

For the six month period ended 31 December 2018

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Continuing operations			
Revenue and other income	1	79,353	143,468
Cost of sales		(38,180)	(70,966)
Gross profit		**41,173**	**72,502**
Advertising and marketing expenses		(501)	(723)
Consultancy fees		(935)	(981)
Employee benefits expense		(12,887)	(26,188)
Legal and professional fees		(575)	(432)
Costs associated with acquisitions		(1,537)	(413)
Office expenses		(1,549)	(2,558)
Restructuring and integration costs		(736)	(371)
Other expenses		(3,486)	(5,207)
Depreciation expense	3	(3,751)	(6,760)
Amortisation expense	4	(5,164)	(7,941)
Operating profit		**10,052**	**20,928**
Finance income	2	1,688	2,249
Finance costs	2	(4,352)	(5,698)
Net finance costs	2	**(2,664)**	**(3,449)**
Share of loss from associates		-	(763)
Profit before tax		**7,388**	**16,716**
Income tax expense		(2,404)	(3,668)
Profit from continuing operations		**4,984**	**13,048**
Discontinuing operations			
Profit from discontinuing operations, net of tax	7	2,575	5,334
Profit for the period		**7,559**	**18,382**
Profit after tax attributable to:			
Owners of the Company		7,432	18,079
Non-controlling interests		127	303
		7,559	**18,382**

[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

Statement of profit or loss and other comprehensive income (continued)

For the six month period ended 31 December 2018

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		4,474	(1,609)
Effective portion of changes in fair value of cash flow hedge, net of tax		(55)	20
Change in fair value of financial asset		-	20
Total comprehensive income, net of tax		**11,978**	**16,813**
Total comprehensive income attributable to:			
Owners of the Company		11,851	16,510
Non-controlling interests		127	303
Total comprehensive income for the period		**11,978**	**16,813**
Earnings per share			
Continuing operations			
Basic earnings per share (cents)		1.5	3.8
Diluted earnings per share (cents)		1.5	3.8
Discontinuing operations			
Basic earnings per share (cents)		0.8	1.8
Diluted earnings per share (cents)		0.8	1.8

[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

Statement of financial position

As at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018 $'000
Assets			
Cash and cash equivalents		16,238	22,654
Trade and other receivables		32,783	35,973
Inventories		723	819
Assets held for sale	6	80,852	8,109
Current tax assets		205	174
Other current assets		46,736	40,568
Total current assets		**177,537**	**108,297**
Property, plant and equipment	3	75,536	91,103
Other non-current assets		818	815
Deferred tax assets		6,210	6,259
Investments		87	91
Intangible assets and goodwill	4	203,899	228,532
Total non-current assets		**286,550**	**326,800**
Total assets		**464,087**	**435,097**
Liabilities			
Trade and other payables		20,322	18,856
Deferred revenue		3,840	6,948
Current tax liabilities		2,282	6,197
Loans and borrowings	5	590	1,327
Deferred and contingent consideration	8	2,620	14,621
Provisions		2,917	2,413
Other liabilities		7,533	13,600
Liabilities held for sale	6	14,294	780
Total current liabilities		**54,398**	**64,742**
Deferred and contingent consideration	8	4,895	7,976
Loans and borrowings	5	169,432	132,002
Other non-current liabilities		2,618	2,010
Provisions		8,291	9,075
Deferred tax liabilities		5,710	7,816
Total non-current liabilities		**190,946**	**158,879**
Total liabilities		**245,344**	**223,621**
Net assets		**218,743**	**211,476**
Equity			
Share capital		187,195	187,233
Reserves		(641)	(5,001)
Retained earnings		31,865	28,598
Total equity attributable to equity holders of the Company		**218,419**	**210,830**
Non-controlling interests		324	646
Total equity		**218,743**	**211,476**

Statement of changes in equity

For the six month period ended 31 December 2018

	Share capital	Translation reserve	Other reserve	Cash flow hedge reserve	Share based payments reserve	Merger reserve	Retained earnings	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	**187,233**	**261**	**25**	**(111)**	**922**	**(6,098)**	**28,598**	**210,830**	**646**	**211,476**
Adoption of AASB 9	-	-	-	-	-	-	(256)	(256)	-	(256)
Restated Balance at 1 July 2018	**187,233**	**261**	**25**	**(111)**	**922**	**(6,098)**	**28,342**	**210,574**	**646**	**211,220**
Profit after tax	-	-	-	-	-	-	7,432	7,432	127	7,559
Other comprehensive income										
Foreign currency translation differences	-	4,474	-	-	-	-	-	4,474	-	4,474
Effective portion of changes in fair value of cash flow hedge	-	-	-	(79)	-	-	-	(79)	-	(79)
Deferred tax on cash flow hedge	-	-	-	24	-	-	-	24	-	24
Total comprehensive income	-	4,474	-	(55)	-	-	7,432	11,851	127	11,978
Transactions with owners of the Company										
Contributions and distributions										
Share issue costs	(6)	-	-	-	-	-	-	(6)	-	(6)
Deferred tax benefit	(220)	-	-	-	-	-	-	(220)	-	(220)
Dividend Reinvestment Plan	188	-	-	-	-	-	(188)	-	-	-
Dividends paid	-	-	-	-	-	-	(3,721)	(3,721)	-	(3,721)
Equity-settled share-based payments	-	-	-	-	(59)	-	-	(59)	-	(59)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	(449)	(449)
Total contributions and distributions	(38)	-	-	-	(59)	-	(3,909)	(4,006)	(449)	(4,455)
Balance at 31 December 2018	**187,195**	**4,735**	**25**	**(166)**	**863**	**(6,098)**	**31,865**	**218,419**	**324**	**218,743**
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	-	-	-	-	-	-	18,079	18,079	303	18,382
Other comprehensive income										
Foreign currency translation differences	-	(1,609)	-	-	-	-	-	(1,609)	-	(1,609)
Effective portion of changes in fair value of cash flow hedge	-	-	-	29	-	-	-	29	-	29
Deferred tax on cash flow hedge	-	-	-	(9)	-	-	-	(9)	-	(9)
Change in fair value of available-for-sale asset	-	-	20	-	-	-	-	20	-	20
Total comprehensive income	-	(1,609)	20	20	-	-	18,079	16,510	303	16,813
Transactions with owners of the Company										
Contributions and distributions										
Share issue costs	(517)	-	-	-	-	-	-	(517)	-	(517)
Deferred tax benefit	(440)	-	-	-	-	-	-	(440)	-	(440)
Dividend Reinvestment Plan	4,553	-	-	-	-	-	(4,553)	-	-	-
Dividends paid	-	-	-	-	-	-	(2,550)	(2,550)	-	(2,550)
Equity-settled share-based payments	-	-	-	-	442	-	-	442	-	442
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	(1,612)	-	(1,612)	(2,500)	(4,112)
Total contributions and distributions	3,596	-	-	-	442	(1,612)	(7,103)	(4,677)	(2,500)	(7,177)
Balance at 30 June 2018	**187,233**	**261**	**25**	**(111)**	**922**	**(6,098)**	**28,598**	**210,830**	**646**	**211,476**

Statement of cash flows

For the six month period ended 31 December 2018

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Continuing operations		
Cash flows from operating activities		
Cash receipts from customers	74,819	147,557
Cash paid to suppliers and employees	(61,851)	(121,238)
Interest paid	(4,136)	(5,046)
Income taxes paid	(6,253)	(4,698)
Net cash from operating activities	**2,579**	**16,575**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	262	(2,156)
Payments of acquisition costs	(1,537)	(413)
Acquisition of property, plant and equipment	(5,759)	(12,752)
Acquisition of intangible assets	(11,036)	(31,655)
Deferred consideration payments	(12,510)	(9,521)
Net cash used in investing activities	**(30,580)**	**(56,497)**
Cash flows from financing activities		
Transaction costs related to issue of shares	(6)	(517)
Payment of loans to third party	(7,106)	(22,837)
Dividend paid	(3,721)	(2,550)
Payment to/(receipt) from associates	(47)	71
Receipt of borrowings (net)	37,901	75,311
Net cash from financing activities	**27,021**	**49,478**
Net increase/(decrease) in cash and cash equivalents	**(980)**	**9,556**
Cash and cash equivalents at 1 July 2018	16,986	7,623
Effect of movements in exchange rates on cash held	232	(193)
Cash and cash equivalents at 31 December 2018 / 30 June 2018	**16,238**	**16,986**
Discontinuing operations		
Cash and cash equivalents at 1 July 2018	5,668	3,752
Net increase/(decrease) in cash and cash equivalents	(1,009)	1,916
Cash and cash equivalents at 31 December 2018	**4,659**	**5,668**
Total cash and cash equivalents at 31 December 2018 / 30 June 2018	**20,897**	**22,654**

[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

Notes to the Financial Statements

1. Revenue and other income

(a) Revenue streams

The Group generates revenue primarily from Out-of-Home advertising and media services, over a portfolio of owned and represented digital and static billboards, street furniture, sport and transit assets. Other sources of revenue include the release of contingent consideration from business acquisitions.

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Revenue from contracts with customers		73,848	141,479
Other income			
Release of contingent consideration		4,328	1,635
Other income		1,177	354
Total revenue and other income from continuing operations		**79,353**	**143,468**
Discontinuing operations	7	28,206	60,726
Total revenue and other income		**107,559**	**204,194**

(b) Disaggregation of revenue from contracts with customers

The Group revenue from contracts with customers is disaggregated by major product:

	Reportable segments				Reportable segments			
	QMS Australia	QMS Sport	QMS New Zealand	Total	QMS Australia	QMS Sport	QMS New Zealand	Total
	6 month period ended 31 December 2018				12 month period ended 30 June 2018 (restated[1])			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Major products								
Out-of-Home media advertising	49,357	13,025	-	62,382	91,144	28,386	-	119,530
Print production	12,124	-	-	12,124	22,252	-	-	22,252
Revenue from contracts with customers	**61,481**	**13,025**	**-**	**74,506**	**113,396**	**28,386**	**-**	**141,782**
Other income	4,847	-	-	4,847	1,686	-	-	1,686
Total revenue and other income from continuing operations	**66,328**	**13,025**	**-**	**79,353**	**115,082**	**28,386**	**-**	**143,468**
Discontinuing operations	-	-	28,206	28,206	-	-	60,726	60,726
Total revenue and other income	**66,328**	**13,025**	**28,206**	**107,559**	**115,082**	**28,386**	**60,726**	**204,194**

[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

2. Net finance costs

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Interest income		1,688	2,249
Finance income		**1,688**	**2,249**
Interest expense		(3,587)	(4,120)
Discount unwind on deferred and contingent consideration and loans		(558)	(1,304)
Borrowing costs amortisation		(207)	(274)
Finance costs		**(4,352)**	**(5,698)**
Net finance costs from continuing operations		**(2,664)**	**(3,449)**
Discontinuing operations	*7*	(798)	(1,524)
Total net finance costs		**(3,462)**	**(4,973)**

Accounting policy for finance costs

Interest income is recognised when earned using the effective interest method.

Financing costs are recognised as expenses in the period in which they are incurred. Financing costs include finance lease charges, discount unwind on future payment obligations, amortisation on short-term and long-term borrowings and ancillary costs incurred in connection with arrangement of borrowings.

[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

3. Property, plant and equipment

(a) Reconciliation of carrying amount

		Land and buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Under construction $'000	Total $'000
Cost						
Balance at 1 July 2018		5,902	98,254	1,314	3,271	108,741
Acquisitions through business combinations		-	6	3	-	9
Additions		-	6,399	13	2,570	8,982
Transfers		-	1,956	-	(1,956)	-
Effect of movements in exchange rates		-	1,104	11	49	1,164
Disposals		-	(149)	-	-	(149)
Reclassification from assets held for sale		-	28	-	-	28
Reclassification to assets held for sale	*6*	-	(26,678)	(270)	(1,332)	(28,280)
Balance at 31 December 2018		**5,902**	**80,920**	**1,071**	**2,602**	**90,495**
Accumulated depreciation						
Balance at 1 July 2018		(246)	(16,780)	(612)	-	(17,638)
Depreciation from continuing operations		(52)	(3,563)	(136)	-	(3,751)
Depreciation from discontinuing operations	*7*	-	(750)	(10)	-	(760)
Effect of movements in exchange rates		-	(340)	(3)	-	(343)
Disposals		-	256	-	-	256
Reclassification to assets held for sale	*6*	-	7,182	95	-	7,277
Balance at 31 December 2018		**(298)**	**(13,995)**	**(666)**	**-**	**(14,959)**
Carrying amounts at 31 December 2018		**5,604**	**66,925**	**405**	**2,602**	**75,536**

(b) Leased plant and machinery

The Company leases production and printing equipment under a number of finance leases which are recorded in the statement of financial position.

As at 31 December 2018, the net carrying amount of secured leased equipment was $1,799,000 (30 June 2018: $2,413,000).

(c) Property, plant and equipment under construction

As new static and digital billboard sites are developed, the costs to construct (including permits, physical structures and LED panels) are capitalised. Structures are depreciated when installed and ready for use.

(d) Capitalised salary costs

Certain salary costs in relation to the Commercial and Development team that are directly responsible for bringing the assets into a condition necessary for use, are capitalised as part of the cost of property, plant and equipment.

Accounting policy for property, plant and equipment

Plant and equipment are measured on the historical cost basis and therefore carried at historical cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

3. Property, plant and equipment (continued)

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use.

The expected useful lives are as follows:

Digital structures	20 years
Digital billboard screens	12 years
Digital sport LED screens	10 years
Static billboards	20 years
Machinery and equipment	12 years
Office equipment	4-5 years
Leasehold improvements	10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

4. Intangible assets and goodwill

(a) Reconciliation of carrying amount

	Note	Goodwill $'000	Site Leases $'000	Other $'000	Total $'000
Cost					
Balance 1 July 2018		121,095	117,088	9,722	247,905
Acquisitions through business combinations		984	-	-	984
Additions		-	12,793	4,599	17,392
Effect of movements in exchange rates		1,429	821	100	2,350
Disposals		-	(17)	(343)	(360)
Reclassification from assets held for sale		6,399	-	-	6,399
Reclassification to assets held for sale	*6*	(34,524)	(12,884)	(2,927)	(50,335)
Balance at 31 December 2018		**95,383**	**117,801**	**11,151**	**224,335**
Accumulated amortisation					
Balance 1 July 2018		-	(17,481)	(1,892)	(19,373)
Amortisation from continuing operations		-	(4,089)	(1,075)	(5,164)
Amortisation from discontinued operation	*7*	-	(578)	(132)	(710)
Effect of movements in exchange rates		-	(380)	(36)	(416)
Reclassification to assets held for sale	*6*	-	4,263	964	5,227
Balance at 31 December 2018		**-**	**(18,265)**	**(2,171)**	**(20,436)**
Carrying amount at 31 December 2018		**95,383**	**99,536**	**8,980**	**203,899**

(b) Impairment testing

Following the strategic alignment of the Group's business and identification of three operating segments, there has been a reallocation of the Group's cash generating units ('CGU's') during the period. Three CGU's have been identified which are consistent with the Group's three operating segments. This represents the lowest level within the Group for which information is available and monitored for internal management purposes.

4. Intangible assets and goodwill (continued)

The carrying amounts of goodwill and indefinite life intangible assets (site leases) identified in each CGU are as follows:

	Goodwill 31 December 2018 $'000	Site Leases 31 December 2018 $'000	Goodwill 30 June 2018 $'000	Site Leases 30 June 2018 $'000
QMS Australia	67,035	99,536	86,426	87,521
QMS New Zealand	34,524[1]	8,621[1]	32,513	8,966
QMS Sport	28,348	-	2,156	3,120
	129,907	**108,157**	**121,095**	**99,607**

The carrying value of all CGUs are supported by their recoverable amount and accordingly no impairment has been recorded at 31 December 2018 (30 June 2018: Nil). The recoverable amount of the CGUs and associated goodwill and intangible assets were determined with reference to the value in use valuation approach.

The cash flow forecasts are based on the Board approved forecasts for the next twelve months with an EBITDA growth factor applied to the remaining five-year forecast period. After this time the forecast period is extrapolated into perpetuity with a rate consistent with the long-term average growth rate appropriate to each CGU.

The key assumptions adopted in the impairment model of each CGU are as follows:

	QMS Australia 31 December 2018	QMS New Zealand 31 December 2018	QMS Sport 31 December 2018	Australia 30 June 2018	New Zealand 30 June 2018	Other 30 June 2018
EBITDA growth rate	4.7% - 6.4%	3.7% - 5.4%	3.0%	4.7% - 6.4%	3.7% - 5.4%	2%
Terminal growth rate	3.0%	2.5%	3.0%	3.0%	2.5%	2.5%
Discount rate (post tax)	10.5%	11.0%	11.0%	10.5%	11.0%	11.5%

The above assumptions were determined using a combination of internal and external sources of information and represent managements best estimate of future trends in the media industry.

The EBITDA growth rates were determined with reference to external analyst reports, cross referenced with internal management data, and represent the expected growth rate for each year in the five-year forecast period. The growth rates are consistent with prior periods and have been driven from consecutive years of reported growth in the Out-of-Home and Sport industry.

[1] Balances relating to QMS New Zealand have been classified as held for sale at 31 December 2018.

4. Intangible assets and goodwill (continued)

Accounting policy for intangible assets and goodwill

(i) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of these cash-generating units represents the Group's investment in each business segment.

(ii) Other Intangibles

Other intangible assets represent the rights associated with acquired leases and the associated new business revenue streams. These other intangible assets are being amortised over the remaining term of the acquired leases (ranging from 8-20 years).

5. Loans and borrowings

	31 December 2018 $'000	30 June 2018 $'000
Current liabilities		
Bank loans and borrowings	190	428
Finance lease liabilities	400	899
	590	**1,327**
Non-current liabilities		
Bank loans and borrowings	100,200	62,600
Finance lease liabilities	322	634
Corporate Bond	70,000	70,000
Unamortised borrowing costs	(1,090)	(1,232)
	169,432	**132,002**
Total loans and borrowings	**170,022**	**133,329**

5. Loans and borrowings (continued)

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2018 Carrying amount $'000	30 June 2018 Carrying amount $'000
Borrowing					
Credit cards	AUD	-	2019	190	156
NAB facility	AUD	3.34% - 3.78%	2020	100,200	62,000
Corporate Bond	AUD	7.00%	2022	68,910	68,768
Kiwibank loans	NZD	6.15%	2021-2022	-*	872
Finance lease liabilities	AUD	4.54% - 6.00%	2019-2022	722	1,533
Total interest-bearing liabilities				**170,022**	**133,329**

* Classified as held for sale liabilities at 31 December 2018.

Accounting policy for borrowings

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

6. Assets and liabilities held for sale

On 10 December 2018, the Group announced a strategic merger of its New Zealand media, production and sport business with MediaWorks, subject to Overseas Investment Office approval. On completion, the Group will merge its New Zealand business into MediaWorks and in return the Group will receive a 40% shareholding in the expanded MediaWorks business.

Completion of this transaction will result in loss of control of the New Zealand business and accordingly these entities have been classified as held for sale at 31 December 2018.

At 30 June 2018, management committed to a plan to sell a majority shareholding in Sportsmate and Rpple and therefore these businesses were classified as held for sale at 30 June 2018. During the period, this strategy was re-assessed which has resulted in this disposal group no longer meeting the definition of held for sale. Therefore, this disposal group has been reclassified from held for sale to held for use at 31 December 2018.

6. Assets and liabilities held for sale (continued)

The major classes of assets and liabilities of operations classified as held for sale are as follows:

	31 December 2018 $'000	30 June 2018 $'000
Cash and cash equivalents	4,659	88
Trade and other receivables	8,237	390
Inventories	136	-
Other assets	908	41
Property, plant and equipment	21,003	28
Other non-current assets	40	-
Deferred tax assets	599	-
Investments	162	-
Intangible assets and goodwill	45,108	7,562
Total assets held for sale	**80,852**	**8,109**
Trade and other payables	6,507	222
Deferred revenue	119	200
Current tax liabilities	36	-
Loans and borrowings	1,210	-
Deferred and contingent consideration	423	-
Provisions	813	98
Other liabilities	2,193	260
Deferred tax liabilities	2,993	-
Total liabilities held for sale	**14,294**	**780**

Accounting policy for assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

7. Discontinuing operations

The QMS New Zealand businesses classified as held for sale at 31 December 2018 represent a major line of business, separate geographic area of operations and are part of a co-ordinated single plan for disposal. Accordingly, these businesses are classified as discontinuing operations and have been disclosed separately from continuing operations. In addition, the comparative period has been restated to reflect this classification.

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Revenue and other income	*1*	28,206	60,726
Cost of sales		(16,049)	(36,191)
Gross profit		**12,157**	**24,535**
Advertising and marketing expenses		(223)	(395)
Consultancy fees		(7)	(57)
Employee benefits expense		(4,641)	(8,029)
Legal and professional fees		(93)	(212)
Costs associated with acquisitions		(41)	(46)
Office expenses		(619)	(1,193)
Restructuring and integration costs		(30)	-
Other expenses		(860)	(2,877)
Depreciation expense	*3*	(760)	(1,532)
Amortisation expense	*4*	(710)	(1,651)
Operating profit		**4,173**	**8,543**
Finance income		168	260
Finance costs		(966)	(1,784)
Net finance costs	*2*	**(798)**	**(1,524)**
Share of profit from associates		102	-
Profit before tax		**3,477**	**7,019**
Income tax expense		(902)	(1,685)
Profit from discontinuing operations		**2,575**	**5,334**

Accounting policy for discontinuing operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represent a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operation, or, is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

8. Deferred and contingent consideration

	31 December 2018 Carrying amount $'000	30 June 2018 Carrying amount $'000
Current deferred and contingent consideration		
Vail Media Pty Ltd ('Vail')	1,797	-
Twenty Four Outdoor Australia Pty Ltd ('24 Outdoor')	350	-
Total Outdoor Media 2 Pty Ltd ('TOM')	304	669
Apex Outdoor Pty Ltd ('Apex')	169	1,024
Drive by Developments Pty Ltd	-	5,400
Victorian Rail Track Corporation	-	3,030
World Sports and Entertainment Holdings Pty Ltd ('Sportsmate')	-	2,998
Shout Outdoor Pty Ltd	-	1,500
Total current deferred and contingent consideration	**2,620**	**14,621**
Non-current deferred and contingent consideration		
QMS Sport Pty Ltd	2,000	5,916
Apex Outdoor Pty Ltd ('Apex')	1,331	1,373
Vail Media Pty Ltd ('Vail')	1,054	-
Digital Commons Australia Pty Ltd	351	312
Twenty Four Outdoor Australia Pty Ltd ('24 Outdoor')	159	-
Digital Commons Limited	-	375
Total non-current deferred and contingent consideration	**4,895**	**7,976**
Total deferred and contingent consideration	**7,515**	**22,597**

Consideration payable to Vail, Apex, 24 Outdoor and TOM relates to the acquisition of individual site leases.

The remaining deferred and contingent consideration relates to the acquisitions of subsidiaries.

9. Subsequent events

On 4 February 2019, the Board of Directors appointed Ian Rowden as an Independent Non-Executive Director. Ian brings a wealth of international knowledge and marketing expertise to the Board and his appointment is pivotal as the Group's sports strategy continues to expand its significant global footprint.

On 28 February 2019, the Board recommended the payment of a final, fully franked dividend of 1.0 cents per share ($3,259,853). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2018.

10. Other significant accounting policies

The principal accounting policies applied by Group are the same as those applied in the Group's annual report as at and for the year ended 30 June 2018. These policies have been consistently applied to all the periods presented, unless otherwise.

(a) Reporting entity

QMS Media Limited (the 'Company') is a Company domiciled in Australia. The Financial Statements of the Company as at and for the six month period ended 31 December 2018 comprise 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.

(b) Basis of accounting

(i) Statement of compliance

The preliminary final report of QMS Media Limited as at and for the six month period ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the 'Group').

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

The preliminary final report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards ('AASB's) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The preliminary final report complies with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB').

The preliminary final report has been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations associated with all financial liabilities as and when they fall due.

The preliminary final report was authorised for issue by the Board of Directors on 28 February 2019.

(ii) Basis of measurement

The preliminary final report is prepared on a historical cost basis, except for loans and receivables that are measured at amortised cost, derivative financial instruments that are measured at fair value and deferred and contingent consideration that are measured at fair value.

10. Other significant accounting policies (continued)

(iii) Change in financial year

The Directors have resolved to change the Group's financial year end date from 30 June to 31 December. Previously, the Group's financial year commenced on 1 July and ended on 30 June. The change has been made in order to streamline the reporting across all entities and to align with industry standards.

The Group has made the change in financial year end in accordance with section 323D (2A) of the *Corporations Act 2001 (Cth)*. The Group confirms that:

- The Group's previous financial year ended on 30 June 2018;
- The Group will have a six month transitional financial period, commencing on 1 July 2018 and ending on 31 December 2018; and,
- Thereafter, the Group will revert to a twelve-month financial year, commencing on 1 January 2019.

(c) Changes in significant accounting policies

The Group has initially applied AASB 15 and AASB 9 from 1 July 2018. Further details on these standards in addition to AASB 16 will be provided in the final Financial Report.

Signed:

Wayne Stevenson
Chairman

28 February 2019
Melbourne