HALF YEAR REPORT

30 JUNE 2019

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 month period ended 30 June 2019

Previous corresponding period: For the six month period ended 30 June 2018

Results for announcement to the market

		%		6 month period ended 30 June 2019	6 month period ended 30 June 2018
Statutory revenue from continuing operations	up	29%	to	100,764	77,921
Net profit for the period attributable to members	up	51%	to	14,907	9,873
Statutory profit from continuing operations after tax attributable to the members	down	10%	to	7,632	8,464

Due to the adoption of AASB 16 *Leases*, this measure is not comparable with prior period. Excluding the impact of AASB16, statutory profit from continuing operations after tax attributable to members is $9,847,000 (+16%).

Dividends

Dividends paid during the period	Amount per share (cents)	Franked amount per share (cents)
Final dividend – period ended 31 December 2018 (paid 24 April 2019)	1.0	1.0

On 23 August 2019, the Board recommended the payment of a final, fully franked dividend of 1.2 cents per share ($4,134,053), franked to 100% in Australia based on tax paid at 30%. Proposed dividends on ordinary shares are not recognised as a liability as at 30 June 2019.

The Group maintains a dividend reinvestment plan.

Commentary

Refer to the Directors' report contained within the half year report for commentary on the review of operations for the six month period ended 30 June 2019.

Net tangible assets

	Current period	Previous period
Net tangible assets per ordinary share (cents)[1]	(23.1)	(9.2)
Net assets per ordinary share (cents)[2]	65.0	67.2

[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 326,647,390 (31 December 2018: 325,985,262).

Details of entities over which control has been gained

Entity	Date control gained	Impact on profit before tax ($'000)
QMS NZ Outdoor Media Holdings Limited	11 February 2019	-
QMS NZ Outdoor Media Limited	11 February 2019	-
TGI Systems Corporation	1 March 2019	-
TGI Media Corporation	1 March 2019	1,993
TGI Europe GmbH	1 March 2019	6,672
Stella Vista International Limited	1 March 2019	803

Details of associates and joint venture entities

	Percentage of ownership interest held	
Entity	30 June 2019	31 December 2018
Titan Media Group NZ Pty Ltd	50.00%	50.00%
City On Limited	50.00%	50.00%
Stadium Graphics Limited	50.00%	50.00%
Rugby Services Limited	33.33%	33.33%

Audit 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 30 June 2019 is attached.

Signed:

Wayne Stevenson
Chairman

23 August 2019
Melbourne

QMS MEDIA LIMITED

ABN 71 603 037 341

HALF YEAR REPORT

30 JUNE 2019

Corporate directory

Directors

Wayne Stevenson	-	Independent Non-Executive Chairman
Anne Parsons	-	Independent Non-Executive Director
Robert Alexander	-	Independent Non-Executive Director
Ian Rowden	-	Independent Non-Executive Director (appointed 4 February 2019)
Barclay Nettlefold	-	CEO and Executive Director
David Edmonds	-	Executive Director (leave of absence 15 July 2019)

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

For the six month period ended 30 June 2019

The Directors of QMS Media Limited (the 'Company') present their report together with the financial report of the Company and its controlled entities (collectively referred to as the 'Group') for the six month period ended 30 June 2019. The information set out below is to be read in conjunction with the Operating and Financial Review which forms part of this Directors' report.

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
- Ian Rowden (appointed 4 February 2019)
- Barclay Nettlefold
- David Edmonds (leave of absence 15 July 2019)

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, in addition to LED system sales, LED rentals and game day operations.

Review of operations

A description of the Group's operating and financial results, acquisitions, proposed merger, funding activities and material business risks are detailed in the Operating and Financial Review on pages 4 to 9.

Shareholder Returns	6 month period ended 30 June 2019	6 month period ended 30 June 2018
Profit attributable to owners of the Company	$14,907,000	$9,873,000
Basic earnings per share (cents)	4.6	3.1
Diluted earnings per share (cents)	4.6	3.1
Dividend declared	$4,134,053	$3,250,701
Dividend per share (cents)	1.2	1.0

Significant changes in the state of affairs

During the six month period ended 30 June 2019, QMS Media Limited acquired interests in the following:

Entity	Interest acquired	Date interest acquired
QMS NZ Outdoor Media Holdings Limited	100%	11 February 2019
QMS NZ Outdoor Media Limited	100%	11 February 2019
TGI Systems Corporation	90%	1 March 2019
TGI Media Corporation	90%	1 March 2019
TGI Europe GmbH	90%	1 March 2019
Stella Vista International Limited	90%	1 March 2019
Transport Media Services Limited	25%	6 June 2019

There were no other significant changes in the state of affairs of the Group during the financial period, other than those detailed in the Operating and Financial Review.

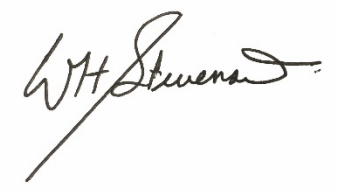
Auditor's independence declaration

The auditor's independence declaration is set out on page 32 and forms part of the Directors' report for the six month period ended 30 June 2019.

Rounding off

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

Signed in accordance with a resolution of the Directors.



Wayne Stevenson
Chairman

23 August 2019
Melbourne

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 30 June 2019.

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.

The table below details key financial information for the six month period ended 30 June 2019 in comparison to the six month period ended 30 June 2018 and forms the basis for the discussion in this Operating and Financial Review.

AASB 16 *Leases* was effective from 1 January 2019 and has been applied for the first time in the preparation of this half year report. Under the transition method chosen, comparative information has not been restated. Therefore, the current year results are not directly comparable to prior periods. As a result, the financial information discussed in this Operating and Financial Review is on a pre-AASB 16 basis.

	Post AASB 16 6 month period ended 30 June 2019 $'00	Pre AASB 16 6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 $'000
Revenue and other income from continuing operations	100,764	102,393	77,921
Revenue and other income from discontinuing operations	28,103	28,103	27,246
Revenue and other income	**128,867**	**130,496**	**105,167**
Cost of sales	(38,369)	(59,599)	(56,237)
Gross profit	**90,498**	**70,897**	**48,930**
Gross profit margin	*70.2%*	*54.3%*	*46.5%*
Operating expenses	(33,750)	(35,021)	(24,822)
EBITDA	**56,748**	**35,876**	**24,108**
EBITDA margin	*44.0%*	*27.5%*	*22.9%*
Non-underlying revenue	(1,791)	(3,421)	(1,635)
Non-underlying expenses	1,462	1,462	609
EBITDA - underlying	**56,419**	**33,917**	**23,082**
EBITDA margin - underlying	*43.8%*	*26.0%*	*21.9%*

Overview

The Group delivered strong operational and financial performance across all key metrics. Total statutory revenue and other income for the six month period ended 30 June 2019 was $130.5 million, representing growth of 24% in comparison to the six month period ended 30 June 2018. 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 earnings from the acquisition of TGI Systems Corporation and its wholly owned subsidiaries ('TGI').

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 $35.0 million, compared with the previous corresponding six month period ended 30 June 2018 of $24.8 million. This reflects the additional operating expenses incurred from the acquisition of TGI, in addition to the continued investment in new contract and sporting rights, talent, infrastructure and our data platform which will provide the foundation for future growth.

Total underlying EBITDA for the six month period ended 30 June 2019 was $33.9 million, representing growth of 47% in comparison to the six month period ended 30 June 2018. This strong result was attributable to the continued growth in the Australian and New Zealand businesses driven from digital development and the acquisition of TGI.

Key financial information for each segment is provided in the table below.

	6 month period ended 30 June 2019					
	QMS Australia $'000	QMS Sport $'000	QMS New Zealand (discontinuing) $'000	Corporate costs $'000	Inter-segment elimination $'000	Total $'000
Revenue (Post AASB 16)	62,818	39,693	28,103	-	(1,747)	128,867
Revenue (Pre AASB 16)	64,447	39,693	28,103	-	(1,747)	130,496
Underlying EBITDA (Post AASB 16)	34,801	15,611	10,129	(4,122)	-	56,419
Underlying EBITDA (Pre AASB 16)	21,618	11,400	5,021	(4,122)	-	33,917

	6 month period ended 30 June 2018					
	QMS Australia $'000	QMS Sport $'000	QMS New Zealand (discontinuing) $'000	Corporate costs $'000	Inter-segment elimination $'000	Total $'000
Revenue	59,810	18,111	27,246	-	-	105,167
Underlying EBITDA	18,649	3,251	4,134	(2,952)	-	23,082

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

QMS Australia

QMS Australia reported revenue of $62.8 million and underlying EBITDA of $21.6 million for the six month period ended 30 June 2019 (six month period ended 30 June 2018: revenue $59.8 million and underlying EBITDA of $18.6 million).

Our continued differentiated market strategy which focuses on quality and not volume, has continued to drive another period of growth reflective of the significant quality of the digital portfolio. Australian media revenue continues to grow ahead of the market with digital revenue contributing 81% of Australian media revenue.

An additional 9 premium landmark digital billboards were added to the already extensive portfolio in key strategic markets during the six month period ended 30 June 2019. This increased the digital platform to 113 landmark digital billboards at 30 June 2019 (31 December 2018: 104).

In March 2019, QMS Australia, in association with leaders in neuroscience research Neuro-Insight, released an industry-first study. This study proved that large format delivers 15 times greater neuro impact than small format, digital delivers 40% greater neuro impact than static and that not all sites are created equal, with each assuming their own unique personality. This study has been used to drive advertising effectiveness and has generated additional revenue as our strength in digital and technology continues to define our success.

The Out-of-Home industry continues to be a growth sector within the media landscape and our strong core business is well positioned for continued growth.

QMS New Zealand ('QMS NZ')

QMS NZ reported revenue of $28.1 million and underlying EBITDA of $5.0 million for the six month period ended 30 June 2019 (six month period ended 30 June 2018: revenue $27.2 million and underlying EBITDA of $4.1 million). Growth was driven by an extended digital footprint and expanded Auckland Transport Commuter Network.

QMS NZ generated revenue growth of 16%, consistent with market growth, in addition to achieving significant market share growth. This was partially offset by reduced static and bus media demand experienced in Q1.

An additional 3 landmark digital billboards were added during the period, which has increased QMS NZ's digital platform to 54 landmark digital billboards at 30 June 2019 (31 December 2018: 51). Digital revenue now contributes 63% of New Zealand media revenue.

In December 2018, a proposed merger of QMS NZ with MediaWorks was announced. Refer to 'proposed merger' section for further details.

QMS Sport

QMS Sport reported revenue of $39.6 million and underlying EBITDA of $11.4 million for the six month period ended 30 June 2019 (six month period ended 30 June 2018: revenue $18.1 million and underlying EBITDA of $3.3 million).

Growth was driven from the strategic acquisition of TGI Systems Corporation and its wholly owned subsidiaries (collectively 'TGI') and additional infrastructure and media rights secured in the existing Sport business.

The Group assumed operational control of TGI on 1 March 2019 and accordingly only four months of financial results have been consolidated into the Group for the six month period ended 30 June 2019.

TGI are 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.

These premium acquisitions complement the existing QMS Sport portfolio by providing additional scale and growth opportunities and further strengthen its position in key strategic international sports markets as the business continues to expand its geographic footprint, and simultaneously diversify revenue channels.

Since acquisition, TGI has delivered a number of significant contract wins, as the business continues to focus on bringing together major international sporting associations and clubs under one unified and powerful technology, infrastructure and digital media platform.

QMS Sport is a seasonal business which is weighted to the first half of the calendar year which reflects the higher game content available.

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 30 June 2019 $'000	6 month period ended 30 June 2018 $'000
Operating profit, including share of profit from associates	**32,940**	**14,548**
Depreciation expense on property, plant and equipment	4,609	4,070
Depreciation expense on right-of-use asset	13,755	-
Amortisation expense	5,444	5,490
EBITDA	**56,748**	**24,108**
Impact of AASB 16	(20,872)	-
Gain on sale of land and buildings	(2,979)	-
Release of deferred and contingent consideration	(372)	(1,635)
Other non-recurring income	(70)	-
Costs associated with acquisitions	1,166	303
Restructuring and integration costs	296	306
Underlying EBITDA (pre AASB 16)	**33,917**	**23,082**

Underlying EBITDA (pre AASB 16) for the six month period ended 30 June 2019 has significantly increased against the six month period ended 30 June 2018. This strong result was attributable to the acquisition of TGI and the continued growth in the Australian and New Zealand businesses.

Non-underlying expenses relate to acquisition, restructuring and integration costs incurred during the six month period ended 30 June 2019. The increase from previous periods was primarily driven by the size and complexity of the proposed NZ merger transaction and the significant legal and other 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 remains 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.

[1] Source: OMA

Acquisitions

During the six month period ended 30 June 2019, the Group continued to expand its existing sport technology business by acquiring a 90% shareholding in TGI Systems Corporation and its wholly owned subsidiaries; TGI Media Corporation, TGI Europe GmbH and Stella Vista International Limited (collectively referred to as 'TGI'). TGI are world leaders in the delivery of sport technology, including high end LED signage, software management platforms and a range of unique fan engagement tools. TGI has been consolidated into the Group's results from 1 March 2019.

On 6 June 2019, the Group acquired the remaining 25% shareholding in Transport Media Services Limited ('TMSL'). The Group now holds 100% ownership in TMSL.

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, subject to various conditions precedent. The merger on completion will establish the newly combined QMS NZ and MediaWorks as the largest multi-media advertising group in the country.

On 29 July 2019, the Group received consent from the Overseas Investment Office New Zealand to undertake the strategic merger. Transaction completion is expected to complete in Q3.

On completion, the Group will receive a 40% shareholding in the expanded MediaWorks business and a loan repayment of approximately $35.0 million, which will provide increased financial flexibility for the Group.

As completion of this transaction will result in loss of control of QMS New Zealand, the businesses associated with the merger have been classified as held for sale and also as discontinuing operations at 30 June 2019, consistent with the six month period ended 31 December 2018.

Funding

The Group's operations during the six month period ended 30 June 2019 were funded from cash generated from operating activities, proceeds from the sale of non-core land and buildings and the utilisation of the Group's loan facilities.

On 28 June 2019, the Group extended the maturity date of its facility agreement with the National Australia Bank from 31 March 2020 to 30 September 2020. All other terms and conditions of the agreement remained the same.

The total banking facilities available to the Group are $113.4 million, which includes a $6.0 million bank guarantee facility.

As at 30 June 2019, the Group had $19.8 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.

On completion of the proposed merger of QMS NZ and MediaWorks, proceeds of $35.0 million are expected to be received in Q3. These funds will be used to repay part of the Group's banking 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 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 generate LED system sales could negatively impact 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.

Contents

Statement of profit or loss and other comprehensive income

For the six month period ended 30 June 2019

	Note	6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 (restated[1]) $'000
Continuing operations			
Revenue and other income	1	100,764	77,921
Cost of sales		(26,471)	(40,272)
Gross profit		**74,293**	**37,649**
Advertising and marketing expenses		(1,472)	(375)
Consultancy fees		(1,000)	(412)
Employee benefits expense		(18,031)	(12,897)
Legal and professional fees		(486)	(248)
Office expenses		(1,029)	(1,346)
Costs associated with acquisitions		(1,142)	(303)
Restructuring and integration costs		(269)	(306)
Other expenses		(4,437)	(2,070)
Depreciation expense on property, plant and equipment	9	(4,609)	(3,384)
Depreciation expense on right-of-use asset	11	(13,755)	-
Amortisation expense	10	(5,444)	(4,652)
Operating profit		**22,619**	**11,656**
Finance income	3	1,181	1,610
Finance costs	3	(9,712)	(3,870)
Net finance costs	3	**(8,531)**	**(2,260)**
Share of loss from associates		-	(19)
Profit before tax		**14,088**	**9,377**
Income tax expense	4	(4,911)	(751)
Profit from continuing operations		**9,177**	**8,626**
Discontinuing operations			
Profit from discontinuing operations, net of tax	7	7,275	1,409
Profit for the period		**16,452**	**10,035**
Profit after tax attributable to:			
Owners of the Company		14,907	9,873
Non-controlling interests		1,545	162
		16,452	**10,035**

[1] The comparative six month period 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 30 June 2019

	6 month period ended 30 June 2019 $'000	6 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	(3,093)	1,438
Effective portion of changes in fair value of cash flow hedge, net of tax	(188)	5
Total comprehensive income, net of tax	**13,171**	**11,478**
Total comprehensive income attributable to:		
Owners of the Company	11,626	11,316
Non-controlling interests	1,545	162
Total comprehensive income for the period	**13,171**	**11,478**
Earnings per share		
Continuing operations		
Basic earnings per share (cents)	3.6	2.7
Diluted earnings per share (cents)	3.6	2.7
Discontinuing operations		
Basic earnings per share (cents)	1.0	0.4
Diluted earnings per share (cents)	1.0	0.4

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes on pages 16 to 30.

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

Statement of financial position

As at 30 June 2019

	Note	30 June 2019 $'000	31 December 2018 $'000
Assets			
Cash and cash equivalents		15,813	16,238
Trade and other receivables	*5*	41,880	32,783
Inventories		732	723
Assets held for sale	*6*	128,215	80,852
Current tax assets		28	205
Other current assets	*8*	19,227	46,736
Total current assets		**205,895**	**177,537**
Property, plant and equipment	*9*	93,000	75,536
Other non-current assets		822	817
Deferred tax assets		8,066	6,210
Right-of-use asset	*11*	150,037	-
Investments		1,842	87
Intangible assets and goodwill	*10*	242,125	203,899
Total non-current assets		**495,892**	**286,549**
Total assets		**701,787**	**464,086**
Liabilities			
Trade and other payables		28,574	20,256
Deferred revenue		8,575	3,840
Lease liability	*20*	32,576	-
Current tax liabilities		4,791	2,282
Loans and borrowings	*12*	179	590
Deferred and contingent consideration	*13*	7,637	2,620
Provisions		2,121	3,043
Other liabilities		30,052	7,472
Liabilities held for sale	*6*	57,052	14,294
Total current liabilities		**171,557**	**54,397**
Lease liability	*20*	130,537	-
Deferred and contingent consideration	*13*	2,728	4,895
Loans and borrowings	*12*	169,661	169,432
Other non-current liabilities		7,678	2,618
Provisions		1,398	8,291
Deferred tax liabilities		6,044	5,710
Total non-current liabilities		**318,046**	**190,946**
Total liabilities		**489,603**	**245,343**
Net assets		**212,184**	**218,743**
Equity			
Share capital	*14*	187,431	187,195
Reserves		(9,460)	(641)
Retained earnings		33,775	31,865
Total equity attributable to equity holders of the Company		**211,746**	**218,419**
Non-controlling interests		438	324
Total equity		**212,184**	**218,743**

The statement of financial position is to be read in conjunction with the notes on pages 16 to 30.

Statement of changes in equity

For the six month period ended 30 June 2019

	Share capital	Translation reserve	Other reserves	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 January 2019	**187,195**	**4,735**	**25**	**(166)**	**863**	**(6,098)**	**31,865**	**218,419**	**324**	**218,743**
Adoption of AASB 16	-	-	-	-	-	-	(9,738)	(9,738)	-	(9,738)
Restated balance at 1 January 2019	**187,195**	**4,735**	**25**	**(166)**	**863**	**(6,098)**	**22,127**	**208,681**	**324**	**209,005**
Profit after tax	-	-	-	-	-	-	14,907	14,907	1,545	16,452
Other comprehensive income										
Foreign currency translation differences	-	(3,093)	-	-	-	-	-	(3,093)	-	(3,093)
Effective portion of changes in fair value of cash flow hedge	-	-	-	(268)	-	-	-	(268)	-	(268)
Deferred tax on cash flow hedge	-	-	-	80	-	-	-	80	-	80
Total comprehensive income	-	(3,093)	-	(188)	-	-	14,907	11,626	1,545	13,171
Transactions with owners of the Company										
Contributions and distributions										
Share issue costs	(6)	-	-	-	-	-	-	(6)	-	(6)
Deferred tax benefit	(220)	-	-	-	-	-	-	(220)	-	(220)
Dividend Reinvestment Plan	462	-	-	-	-	-	(462)	-	-	-
Dividends paid	-	-	-	-	-	-	(2,797)	(2,797)	-	(2,797)
Equity-settled share-based payments	-	-	-	-	540	-	-	540	-	540
Acquisition of subsidiary with non-controlling interest	-	-	(6,078)	-	-	-	-	(6,078)	(1,431)	(7,509)
Total contributions and distributions	236	-	(6,078)	-	540	-	(3,259)	(8,561)	(1,431)	(9,992)
Balance at 30 June 2019	**187,431**	**1,642**	**(6,053)**	**(354)**	**1,403**	**(6,098)**	**33,775**	**211,746**	**438**	**212,184**

For the six month period ended 31 December 2018

	Share capital	Translation reserve	Other reserves	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**

The statement of changes in equity is to be read in conjunction with the notes on pages 16 to 30.

Statement of cash flows

For the six month period ended 30 June 2019

	6 month period ended 30 June 2019 $'000	6 month period ended 31 December 2018 $'000
Continuing operations		
Cash flows from operating activities		
Cash receipts from customers	95,390	74,809
Cash paid to suppliers and employees	(66,346)	(61,841)
Interest paid	(3,034)	(4,136)
Income taxes paid	(716)	(6,253)
Net cash from operating activities	**25,294**	**2,579**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	749	262
Payments of acquisition costs	(1,142)	(1,537)
Acquisition of property, plant and equipment	(9,161)	(5,759)
Acquisition of intangible assets	(7,449)	(11,036)
Deferred consideration payments	(1,964)	(12,510)
Net cash used in investing activities	**(18,967)**	**(30,580)**
Cash flows from financing activities		
Transaction costs related to issue of shares	(6)	(6)
Payment of loans to third party	(348)	(7,106)
Dividend paid	(2,797)	(3,721)
Payments to associates	(5)	(47)
Proceeds from sale of property, plant and equipment	8,893	-
Payment of lease liabilities	(12,457)	-
Receipt of borrowings (net)	(325)	37,901
Net cash from/(used in) financing activities	**(7,045)**	**27,021**
Net decrease in cash and cash equivalents	**(718)**	**(980)**
Cash and cash equivalents at 1 January 2019	16,238	16,986
Effect of movements in exchange rates on cash held	293	232
Cash and cash equivalents at 30 June 2019 / 31 December 2018	**15,813**	**16,238**
Discontinuing operations		
Cash and cash equivalents at 1 January 2019	4,659	5,668
Net decrease in cash and cash equivalents	(683)	(1,009)
Cash and cash equivalents at 30 June 2019 / 31 December 2018	**3,976**	**4,659**
Total cash and cash equivalents at 30 June 2019 / 31 December 2018	**19,789**	**20,897**

The statement of cash flows is to be read in conjunction with the notes on pages 16 to 30.

Notes to the half year report

1. Revenue and other income

(a) Revenue streams

The Group generates revenue primarily from the sale of Out-of-Home media advertising and print production over a portfolio of owned and represented digital and static billboards, street furniture, sport and transit assets. Other sources of income during the period included the release of contingent consideration from business acquisitions and a gain on sale of non-core land and buildings.

	Note	6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 (restated[1]) $'000
Revenue from contracts with customers		97,424	76,518
Other income			
Release of contingent consideration		129	1,333
Other income		3,211	70
Total revenue and other income from continuing operations		**100,764**	**77,921**
Discontinuing operations	7	28,103	27,246
Total revenue and other income		**128,867**	**105,167**

(b) Disaggregation of revenue from contracts with customers

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

	Reportable segments					Reportable segments				
	QMS Australia	QMS Sport	QMS New Zealand	Inter-segment elimination	Total	QMS Australia	QMS Sport	QMS New Zealand	Inter-segment elimination	Total
	6 month period ended 30 June 2019					6 month period ended 30 June 2018 (restated)				
	$'000	$,000	$'000	$'000		$'000	$'000	$'000	$'000	
Major products										
Out-of-Home media advertising	52,255	11,556	-	(1,747)	62,064	48,164	13,647	-	-	61,811
Print production	8,248	-	-	-	8,248	10,243	-	-	-	10,243
LED sales, LED rentals and game day operations	-	27,112	-	-	27,112	-	4,464	-	-	4,464
Revenue from contracts with customers	**60,503**	**38,668**	**-**	**(1,747)**	**97,424**	**58,407**	**18,111**	**-**	**-**	**76,518**
Other income	2,315	1,025	-	-	3,340	1,403	-	-	-	1,403
Total revenue and other income from continuing operations	**62,818**	**39,693**	**-**	**(1,747)**	**100,764**	**59,810**	**18,111**	**-**	**-**	**77,921**
Discontinuing operations	-	-	28,103	-	28,103	-	-	27,246	-	27,246
Total revenue and other income	**62,818**	**39,693**	**28,103**	**(1,747)**	**128,867**	**59,810**	**18,111**	**27,246**	**-**	**105,167**

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

2. Operating segments

Information regarding the results of each reportable segment is included below:

6 month period ended 30 June 2019	QMS Australia	QMS Sport	Corporate costs	Inter-segment elimination	Total continuing	QMS New Zealand (discontinuing)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	62,818	39,693	-	(1,747)	100,764	28,103	128,867
Underlying EBITDA	34,801	15,611	(4,122)	-	46,290	10,129	56,419
Depreciation expense on property, plant and equipment	(3,359)	(1,250)	-	-	(4,609)	-	(4,609)
Depreciation expense on right-of-use asset	(9,557)	(4,198)	-	-	(13,755)	-	(13,755)
Amortisation expense	(5,307)	(137)	-	-	(5,444)	-	(5,444)
Restructuring and integration costs	(269)	-	-	-	(269)	(27)	(296)
Costs associated with acquisitions	(1,119)	(23)	-	-	(1,142)	(24)	(1,166)
Release of contingent consideration	129	-	-	-	129	243	372
Gain on sale of land and buildings	1,419	-	-	-	1,419	-	1,419
Net finance costs	-	-	(8,531)	-	(8,531)	(2,146)	(10,677)
Profit/(loss) before tax	**16,738**	**10,003**	**(12,653)**	**-**	**14,088**	**8,175**	**22,263**

6 month period ended 30 June 2018 (restated[1])	QMS Australia	QMS Sport	Corporate costs	Inter-segment elimination	Total continuing	QMS New Zealand (discontinuing)	Total
	$'000	$'000	$'000		$'000	$'000	$'000
Revenue	59,810	18,111	-	-	77,921	27,246	105,167
Underlying EBITDA	18,649	3,251	(2,952)	-	18,948	4,134	23,082
Depreciation expense on property, plant and equipment	(2,996)	(388)	-	-	(3,384)	(686)	(4,070)
Amortisation expense	(4,617)	(35)	-	-	(4,652)	(838)	(5,490)
Restructuring and integration costs	(58)	(248)	-	-	(306)	-	(306)
Costs associated with acquisitions	(303)	-	-	-	(303)	-	(303)
Release of contingent consideration	1,333	-	-	-	1,333	302	1,635
Net finance costs	-	-	(2,260)	-	(2,260)	(1,155)	(3,415)
Profit/(loss) before tax	**12,008**	**2,580**	**(5,212)**	**-**	**9,376**	**1,757**	**11,133**

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

3. Net finance costs

	Note	6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 (restated[1]) $'000
Interest income		1,181	1,610
Finance income		**1,181**	**1,610**
Interest expense		(4,190)	(2,942)
Interest expense on lease liabilities		(5,153)	-
Discount unwind on deferred and contingent consideration and loans		(137)	(743)
Borrowing costs amortisation		(232)	(185)
Finance costs		**(9,712)**	**(3,870)**
Net finance costs from continuing operations		**(8,531)**	**(2,260)**
Discontinuing operations	*7*	(2,146)	(1,155)
Total net finance costs		**(10,677)**	**(3,415)**

4. Income taxes

	6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 (restated[1]) $'000
Profit before tax from continuing operations	14,088	9,377
Prima facie income tax expense at 30%	(4,226)	(2,813)
Non-deductible expenses	(1,233)	(1,431)
Non-assessable income	39	420
Deductible expense in equity	140	449
Difference in overseas tax rates	187	(99)
Utilisation of previously unrecognised tax losses	-	249
Recognition of carry forward tax losses	190	536
ACA tax base reset	85	1,491
Over provided in prior period	-	180
Other	(93)	267
Tax expense from continuing operations	**(4,911)**	**(751)**
Effective tax rate	35%	8%

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

5. Trade and other receivables

	30 June 2019 $'000	31 December 2018 $'000
Trade and other receivables	43,094	33,093
Less: Allowance for impairment of receivables	(1,214)	(310)
	41,880	**32,783**

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. On completion, 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 30 June 2019.

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

	30 June 2019 $'000	31 December 2018 $'000
Cash and cash equivalents	3,976	4,659
Trade and other receivables	9,098	8,237
Inventories	132	136
Current tax receivable	90	-
Other assets	964	908
Property, plant and equipment	23,018	21,003
Other non-current assets	42	40
Deferred tax assets	536	599
Right-of-use asset	42,223	-
Investments	1,471	162
Intangible assets and goodwill	45,665	45,108
Total assets held for sale	**128,215**	**80,852**
Trade and other payables	4,449	6,507
Deferred revenue	1,078	119
Lease liabilities	42,606	-
Current tax liabilities	-	36
Loans and borrowings	1,003	1,210
Deferred and contingent consideration	1,315	423
Provisions	867	1,003
Other liabilities	2,432	2,003
Deferred tax liabilities	3,302	2,993
Total liabilities held for sale	**57,052**	**14,294**

7. Discontinuing operations

The QMS New Zealand businesses classified as held for sale at 30 June 2019 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.

	Note	6 month period ended 30 June 2019 $'000	6 month period ended 30 June 2018 $'000
Revenue and other income	*1*	28,103	27,246
Cost of sales		(11,898)	(15,965)
Gross profit		**16,205**	**11,281**
Employee benefits expense		(4,533)	(4,028)
Advertising and marketing expenses		(233)	(175)
Legal and professional fees		(76)	(82)
Office expenses		(285)	(619)
Consultancy fees		(41)	(30)
Costs associated with acquisitions		(24)	-
Restructuring and integration costs		(27)	-
Other expenses		(819)	(1,912)
Depreciation expense on property, plant and equipment		-	(686)
Amortisation expense		-	(838)
Operating profit		**10,167**	**2,911**
Finance income		169	259
Finance costs		(2,315)	(1,414)
Net finance costs	*3*	**(2,146)**	**(1,155)**
Share of profit from associates		154	-
Profit before tax		**8,175**	**1,756**
Income tax expense		(900)	(347)
Profit from discontinuing operations		**7,275**	**1,409**

8. Other assets

	30 June 2019 $'000	31 December 2018 $'000
Prepayments	6,598	3,701
Accrued income	5,270	2,884
Sundry receivables	4,711	2,066
Loan receivable from third parties	1,376	37,892
Security deposits	236	9
Other	1,036	184
	19,227	**46,736**

Included within the loan receivable from third parties at 31 December 2018 were loans of $36,882,000 issued to TGI. A portion of these loans were converted to equity via a debt to equity swap on acquisition of TGI.

9. Property, plant and equipment

	Note	Land and buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Under construction $'000	Total $'000
Cost						
Balance at 1 January 2019		5,902	80,920	1,071	2,602	90,495
Acquisitions through business combinations	*15*	-	17,877	40	387	18,304
Additions		-	9,299	7	291	9,597
Transfers		-	395	-	(395)	-
Effect of movements in exchange rates		-	273	-	(4)	269
Disposals		(5,902)	(442)	-	-	(6,344)
Balance at 30 June 2019		**-**	**108,322**	**1,118**	**2,881**	**112,321**
Accumulated depreciation						
Balance at 1 January 2019		(298)	(13,995)	(666)	-	(14,959)
Depreciation		(34)	(4,439)	(136)	-	(4,609)
Effect of movements in exchange rates		-	(215)	-	-	(215)
Disposals		332	131	(1)	-	462
Balance at 30 June 2019		**-**	**(18,518)**	**(803)**	**-**	**(19,321)**
Carrying amounts at 30 June 2019		**-**	**89,804**	**315**	**2,881**	**93,000**
Carrying amounts at 31 December 2018		**5,604**	**66,925**	**405**	**2,602**	**75,536**

10. Intangible assets and goodwill

	Note	Goodwill $'000	Site Leases $'000	Other $'000	Total $'000
Cost					
Balance 1 January 2019		95,383	117,801	11,151	224,335
Acquisitions through business combinations	*15*	34,966	-	-	34,966
Provisional acquisition adjustments		81	-	-	81
Additions		-	6,375	2,274	8,649
Effect of movements in exchange rates		393	195	6	594
Disposals		(17)	(303)	-	(320)
Balance at 30 June 2019		**130,806**	**124,068**	**13,431**	**268,305**
Accumulated amortisation					
Balance 1 January 2019		-	(18,265)	(2,171)	(20,436)
Amortisation		-	(4,299)	(1,145)	(5,444)
Effect of movements in exchange rates		-	(300)	-	(300)
Balance at 30 June 2019		**-**	**(22,864)**	**(3,316)**	**(26,180)**
Carrying amount at 30 June 2019		**130,806**	**101,204**	**10,115**	**242,125**
Carrying amount at 31 December 2018		**95,383**	**99,536**	**8,980**	**203,899**

There are no indicators of impairment at 30 June 2019 and accordingly goodwill and intangible assets are not considered to be impaired.

11. Right-of-use asset

	Site leases $'000	Office leases $'000	Other leases $'000	Total $'000
Cost				
Balance at 1 January 2019	-	-	-	-
Adoption of AASB 16	126,619	4,598	6,432	137,649
Additions	16,485	3,481	6,193	26,159
Disposals	(16)	-	-	(16)
Balance at 30 June 2019	**143,088**	**8,079**	**12,625**	**163,792**
Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Depreciation on right-of-use asset	(8,937)	(755)	(4,063)	(13,755)
Disposals	-	-	-	-
Balance at 30 June 2019	**(8,937)**	**(755)**	**(4,063)**	**(13,755)**
Carrying amounts at 30 June 2019	**134,151**	**7,324**	**8,562**	**150,037**
Carrying amounts at 31 December 2018	**-**	**-**	**-**	**-**

The Group has adopted AASB 16 *Leases* from 1 January 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised a right-of-use asset representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Refer to note 20 for further details.

12. Loans and borrowings

	30 June 2019 $'000	31 December 2018 $'000
Current loans and borrowings		
Bank loans and borrowings	179	190
Finance lease liabilities	-	400
Total current loans and borrowings	**179**	**590**
Non-current loans and borrowings		
Bank loans and borrowings	100,600	100,200
Corporate Bond	70,000	70,000
Unamortised borrowing costs	(948)	(1,090)
Finance lease liabilities	9	322
Total non-current loans and borrowings	**169,661**	**169,432**
Total loans and borrowings	**169,840**	**170,022**

13. Deferred and contingent consideration

	30 June 2019 $'000	31 December 2018 $'000
Current deferred and contingent consideration		
Stella Vista acquisition	3,764	-
QMS Sport remaining 20% shareholding	2,000	-
Site acquisitions	1,873	2,620
Total current deferred and contingent consideration	**7,637**	**2,620**
Non-current deferred and contingent consideration		
Site acquisitions	2,481	2,544
Digital Commons put option	247	351
QMS Sport remaining 20% shareholding	-	2,000
Total non-current deferred and contingent consideration	**2,728**	**4,895**
Total deferred and contingent consideration	**10,365**	**7,515**

Site acquisitions relates to the acquisition of individual site leases. The remaining deferred and contingent consideration relates to the acquisitions of subsidiaries.

14. Equity

Share capital

	No. Ordinary Shares '000	Value $'000
On issue at 1 January 2019	325,985	187,195
Dividend Reinvestment Plan (DRP)	662	462
Share issue costs	-	(6)
Deferred tax expense	-	(220)
On issue at 30 June 2019	**326,647**	**187,431**

15. Business combinations

Acquisition of TGI Systems Corporation

On 1 March 2019, the Group obtained control over TGI Systems Corporation and its wholly owned subsidiaries; TGI Media Corporation, TGI Europe GmbH and Stella Vista International Limited (collectively referred to as 'TGI'). Subsequently, a 90% equity interest in TGI Systems Corporation was acquired via a debt to equity swap.

TGI specialise 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 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 business combination was determined to be achieved by contract. Accordingly, the Group transferred no consideration in exchange for control and obtained no equity interest on obtaining control. A non-controlling interest has been recorded up to date of share transfer. As no consideration was deemed to be transferred at the date of control, the Group has used the acquisition date fair value of its interest in TGI to determine the amount of goodwill.

The acquisition date fair value of TGI has been determined based on an EBITDA multiple applied to maintainable earnings. Maintainable earnings was determined with consideration to historical and forecast operating results, current contracts in place and future growth prospects. The EBITDA multiple was determined with reference to recent transactions of industry comparable companies.

The Group is in the process of obtaining an external valuation for TGI which may impact the provisional fair value assessment performed. Accordingly, assets acquired and liabilities assumed are measured on a provisional basis.

The Group has twelve months from acquisition date to finalise the purchase price accounting. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

15. Business combinations (continued)

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

	TGI Systems Corporation consolidated $'000
Cash and cash equivalents	749
Trade and other receivables	5,149
Other assets	6,396
Deferred tax assets	6,314
Investments	1,749
Goodwill	4,805
Property, plant and equipment	18,304
Trade and other payables	(12,526)
Deferred revenue	(7,700)
Other liabilities	(7,144)
Loans and borrowings	(50,707)
Total identifiable net liabilities acquired	**(34,611)**
Fair value of TGI at date of acquisition	46,257
Less debt	(50,707)
Equity value of TGI at date of acquisition	**(4,450)**
Add: identifiable net liabilities	34,611
Goodwill	**30,161**

The goodwill is attributable mainly to the skills and technical talent of the acquired entities' work force, and the synergies expected to be achieved from integrating each Company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

For the six month period ended 30 June 2019, TGI contributed $22,068,000 revenue and $9,468,000 net profit before tax to the results of the Group. If the acquisition had occurred on 1 January 2019, management estimates that the Group's consolidated revenue from continuing operations would have been $105,854,000 and the Group's consolidated profit before tax from continuing operations for the period would have been $12,488,000.

The Group incurred acquisition related costs for due diligence and legal advice. These expenses have been recognised in the costs associated with acquisitions line item in the statement of profit or loss and other comprehensive income.

16. Commitments

As at 30 June 2019, the Group is contracted to purchase property, plant and equipment for $2,401,000 (31 December 2018: $3,414,000).

17. Contingent liabilities

Manboom

Manboom Pty Ltd, Manboom Signage Partnership Pty Ltd and Miller Street Partners Pty Ltd (collectively the 'Manboom Group') have lodged a claim in the NSW Supreme Court against Q Media Pty Ltd and QMS APAC Ltd (referred to as 'Q Media') for alleged breaches by Q Media of obligations under a Cooperation Agreement dated 22 July 2014 by and between the Manboom Group and Q Media.

17.Contingent liabilities (continued)

The current status of the dispute is that the Manboom Group has issued pleadings and Q Media has filed its response to those pleadings (defence pleadings). Q Media lodged a cross claim on 24 August 2018 seeking damages from Manboom Group for breaches of the Cooperation Agreement.

Separately Manboom Signage Partnership Pty Ltd ('Manboom Signage') and QMS Media Limited ('QMS Media') are parties to a sales agency agreement dated 8 March 2017 (SAA). Manboom Signage has issued a notice of default in respect of the obligations of QMS Media under the SAA. Manboom Signage and QMS Media have mediated the dispute as required by the SAA. However, the mediation did not resolve the dispute. Since the mediation, no further action has been taken by Manboom Signage.

At this stage in proceedings, Manboom Group is claiming unspecified damages. Their pleadings state that particulars of damages claimed will be provided after discovery, which is likely to be completed in November prior to the directions hearing. Therefore, the Group is not in a position to comment on the potential quantum of the claim.

The Group considers that at this time it is not possible to reasonably estimate damages that might be payable to Manboom or the damages that might be recoverable from Manboom if the cross claim is successful.

Techfront

Techfront Australia Pty Ltd has lodged a claim in the NSW Supreme Court against QMS Media Limited and QMS Sport Pty Ltd (collectively referred to as 'QMS Sport') for alleged breaches by QMS Sport of obligations under a Services Agreement dated 31 January 2018 (amended by an addendum dated 28 November 2018) by and between Techfront Australia and QMS Sport.

QMS Sport anticipates filing its response to the Techfront Australia claim (defence pleadings), and a counterclaim, by the end of August 2019. The current status of the dispute is that the parties have agreed a timetable for interlocutory matters to take place with a directions hearing proposed in September 2019.

The claim is for damages from a lost opportunity for profits, to which QMS Sport will be filing a cross-claim. On the basis that damages are only partly specified and a cross-claim will be filed, the Group is not in a position to reasonably quantify any potential outflow.

Proposed merger

Associated with the proposed merger of QMS New Zealand and MediaWorks, are success based advisor fees that are dependent on the completion of the merger. If the merger is completed, the Group will be liable to pay an additional $2,524,000 in advisor fees.

TLA Worldwide (Aust) Pty Ltd and TLA – ESP Limited (UK) (collectively 'TLA') acquisition

During the period, the Group entered into an Exclusivity Agreement with TLA's ultimate parent for the potential acquisition of TLA, subject to a number of conditions. Under the Exclusivity Agreement, if the Shareholders Agreement was not executed on or before the end of the exclusivity period (8 August 2019), the Group would have been liable to pay $1,612,000.

A Shareholders Agreement for the acquisition of TLA was executed subsequent to year end on 8 August 2019 and therefore the Group is not liable to pay this amount. Refer to 'subsequent events' note for further details.

18.Subsequent events

On 9 August 2019, the Group announced that it had entered into agreements to acquire a 100% interest in TLA Worldwide (Aust) Pty Ltd and TLA – ESP Limited (UK) (collectively referred to as 'TLA') and in turn, Stride Sports Management Holdings Pty Ltd ('Stride'). TLA and Stride specialise in talent management, merchandising and sports marketing, providing the opportunity to integrate these complementary services into the existing QMS global sports platform. The transaction is subject to customary conditions precedent, including financing conditions and shareholder approval from the TLA parent company. The acquisitions have been funded in part via a private placement of fully paid ordinary shares in QMS Media Limited to institutional

18. Subsequent events (continued)

and sophisticated investors. The balance of the purchase price is intended to be funded via a short-term bank financing facility.

On 15 August 2019, the Group announced the successful completion of an institutional placement of QMS Media Limited shares. The Group received $15.0m from the issue of 17.9m fully paid ordinary shares at $0.84 per share. The funds received are intended to partly fund the acquisition of TLA and fund future growth initiatives for QMS Sport.

On 23 August 2019, the Board recommended a payment of an interim, fully franked dividend of 1.2 cents per share ($4,134,053). Proposed dividends on ordinary shares are not recognised as a liability as at 30 June 2019.

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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

19. 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 30 June 2019 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, in addition to LED system sales, LED rentals and game day operations.

20. 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 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 financial report as at and for the six month period ended 31 December 2018.

Except as described below in Note 20(c), 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 six month period ended 31 December 2018, unless otherwise stated. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

This half year report was authorised for issue by the Company's Board of Directors on 23 August 2019.

(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.

20.Basis of accounting (continued)

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 financial report for the half year ended 31 December 2018, except for the new significant judgements related to lessee accounting under AASB 16, which are described in Note 20(c).

(c) New standards and interpretations

The Group has adopted all 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 January 2020 (unless otherwise stated), and have not been applied in preparing this half year report. The Group does not plan to early adopt these standards.

The Group adopted AASB 16 *Leases* from 1 January 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised a right-of-use asset representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, comparative information presented for the six month period ended 30 June 2018 has not been restated (i.e. it is presented, as previously reported under AASB 117 and related interpretations). The details of the changes in accounting policies are disclosed below.

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. As a lessee

The Group leases many assets, including billboard sites, office premises and sporting rights. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use asset and lease liabilities for most leases i.e. these leases are on-balance sheet.

The Group has elected not to recognise right-of-use asset and lease liabilities for some leases of low-value assets (i.e. IT equipment) and some leases with short term tenure of less than twelve months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use asset and lease liabilities separately in the statement of financial position.

20.Basis of accounting (continued)

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and the right-of-use asset recognised.

Transition

Previously, the Group classified property leases, include site leases for billboards, as operating leases under AASB 117. On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

A right-of-use asset is recorded at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incrementation borrowing rate at the date of initial application.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use asset and liabilities for leases with less than twelve months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii. Impacts on financial statements

Impacts on transition

On transition to AASB 16, the Group recognised additional right-of-use asset and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019 $'000
Right-of-use asset	178,698
Lease liabilities	(193,861)
Retained earnings	15,163

20.Basis of accounting (continued)

The provision for straight line leasing of $7,002,000 recorded at 1 January 2019 is no longer required under AASB 16 and has been reclassified to retained earnings on transition.

	1 January 2019 $'000
Provision for straight line leasing	7,002
Retained earnings	(7,002)

A make good provision is recognised for the cost of restoration or removal in relation to site leases where there is a legal or constructive obligation. The provision is initially recorded when a reliable estimate can be determined and discounted to present value. As a result of the change in discount rates the impact on transition is:

	1 January 2019 $'000
Provision for make good	1,100
Retained earnings	(1,100)

A deferred tax asset in relation to the provision for straight line leasing and make good provision recorded at 1 January 2019 is no longer required and has been reclassified to retain earnings on transition.

	1 January 2019 $'000
Deferred tax asset	(2,677)
Retained earnings	2,677

Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $150,037,000 as a right-of-use asset and $163,113,000 of lease liabilities as at 30 June 2019.

In relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of an operating lease expense. During the six month period ended 30 June 2019, the Group recognised $13,755,000 of depreciation charges and $5,153,000 interest costs from these leases.

Directors' Declaration

30 June 2019

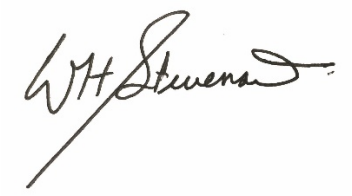
In the opinion of the Directors of QMS Media Limited:

1. the half year report and notes set out on pages 11 to 30 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2019 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

23 August 2019
Melbourne

Auditor's Independence Declaration

30 June 2019

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 30 June 2019 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

J. Carey.

Julie Carey

Partner

Melbourne

23 August 2019

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

30 June 2019

KPMG

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 30 June 2019 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 30 June 2019
- 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 20 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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.

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

30 June 2019

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 30 June 2019 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

J. Carey.

KPMG

Julie Carey

Partner

Melbourne

23 August 2019