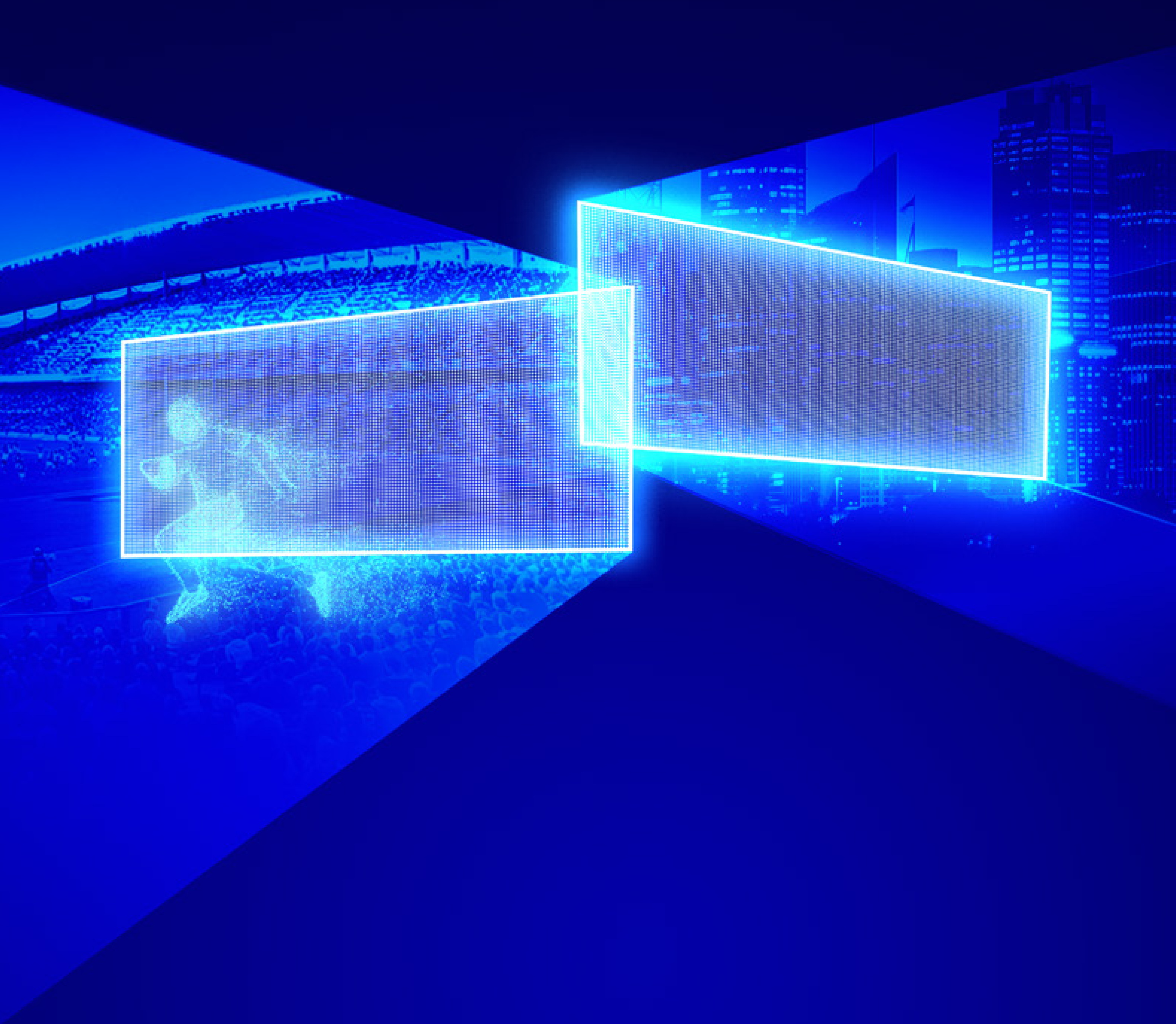

QMS MEDIA LIMITED

ANNUAL REPORT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

START

NEXT >

PREVIOUS <

END

PRINT

The Homebush, Sydney

CONTENTS

START
NEXT >
PREVIOUS <
END
PRINT
CONTENTS
LETTER FROM THE CHAIRMAN
CEO'S REPORT
OPERATING AND FINANCIAL REVIEW
INDEX TO THE DIRECTORS' REPORT
DIRECTORS' REPORT
CORPORATE GOVERNANCE STATEMENT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF CASH FLOWS
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
DIRECTORS' DECLARATION
INDEPENDENT AUDIT REPORT
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
ASX ADDITIONAL INFORMATION
CORPORATE DIRECTORY

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the QMS Media (QMS) Annual Report for the six-month period ended 31 December 2018. As recently announced, we have moved from a financial year reporting period, to a calendar year reporting period and this Annual Report relates to the transitional period as we change to the new financial year end.

Our relentless focus on developing and managing a portfolio of premium quality assets has continued to underpin the financial and operational performance across the business. Our significant investment in proprietary data and analytics provides us with a unique platform of dynamic audience insights to drive underlying performance.

The expansion of QMS Sport provides us with a unique growth opportunity. By leveraging best in class technology and innovation across the global sports media landscape and through our strategic pillars of quality and audience engagement, we are well positioned for ongoing future growth.

In New Zealand, we announced the strategic merger of our out-of-home and production businesses with MediaWorks, to create the largest multi-media group in New Zealand. A first in this market to realise the combined power of out-of-home, radio, TV and digital. This future view of the media industry is consistent with recent international trends that place additional significant value on the power of multi-media ownership.

At QMS, our three distinct business segments of QMS Australia, QMS NZ and QMS Sport sets us apart from the rest of the industry. They each have a strong value proposition, growth profile and scalability, enabling the Group to realise true value for shareholders. This segmented approach, allows greater understanding of the value of each segment and its contribution to the overall value of our portfolio.

OVERVIEW OF FINANCIAL RESULTS

The QMS Group acheived solid revenue growth during the period and remains on track to deliver on its previously announced 30 June 2019 financial year end guidance.

Net debt to underlying EBITDA increased during the six-month period, as we progressively invested in the international sports technology and digital media companies, TGI US and TGI Europe. This strategic investment in future sport revenue streams, strengthens our sports technology capabilities and competitive position in the highly fragmented international sports media market. The earning contribution from these businesses will be realised in CY19.

The Board has declared a dividend of 1.0 cents per share for the six month period ended 31 December 2018, representing a dividend pay-out ratio of 43% of NPAT, consistent with our policy to pay dividends of between 30% and 50% of NPAT. The Board continues to believe that this level of dividend payout is an appropriate balance between reinvestment for growth and shareholder reward.

Yarra Promenade, Melbourne

The Tonkin, Perth

OUR STRATEGIC FOCUS

QMS' recent business segmentation positions the Group for future growth opportunities and will provide our shareholders with greater transparency in regards to our operational and financial performance.

In Australia, we will maintain an absolute focus on the quality of our digital assets and delivery of excellence to advertisers. With a leading digital revenue contribution and an average digital lease tenure of 13 years, the business consistently outperforms the market.

The proposed merger with MediaWorks, will realise the combined power of outdoor, radio, TV and digital, as an unrivalled destination for brands in the New Zealand market.

And in QMS Sport, we plan to continue to consolidate major sporting rights and contracts, and advance the development of our virtual technology capabilities. These activities will further establish our sports business, as a leading global sports technology, infrastructure and digital media platform.

We remain convinced that successful execution of these strategies will deliver value across all three segments.

OUR PEOPLE

Whilst we are a digitally focused media company, our people and culture are of utmost importance and are at the heart of our business. Their passion, commitment, enthusiasm and unique client-centric focus are key distinguishing features of the QMS culture.

During the period, we continued to invest in our people through the extension of our professional development programme, which aims to develop our existing and future group of leaders and to provide all participants with a range of core skills that increase not only leadership capability but also skills that are critical for business success in the future.

The QMS team has developed a unique and distinctive reputation due in large part to their commitment and passion. I would like to thank them for their ongoing enthusiasm and dedication.

I would also like to thank my fellow directors for their ongoing hard work and commitment and take this opportunity to welcome Ian Rowden as 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.

BUILDING ON STRONG FOUNDATIONS

Delivering sustainable shareholder value remains a priority for our leadership team.

Our core business is well positioned to drive strong, consistent operational and financial performance. We have created strategic options in New Zealand and a new and growing Sports business. The Board is genuinely excited by the possibilities which are before us and the range of opportunities being created to generate long-term sustainable shareholder value.

Thank you for your ongoing support of QMS throughout the year.

Yours sincerely,

Wayne Stevenson
Chairman

CEO'S REPORT

The past six months has seen the business evolve to take advantage of new opportunities and ensure that we have the right structure in place for sustained long-term value creation.

This structure centres around our three clearly defined business segments of QMS Australia, QMS NZ and QMS Sport and we believe that there is **significant shareholder value to be pursued and delivered across all three segments.**

This segmentation enables us to:

- progress our strategic investments and provide greater transparency;
- deliver a digital-led strategy for our clients;
- actively manage our portfolio and realise its full potential; and
- further enhance our data and analytics capabilities across the organisation.

GROUP FINANCIAL PERFORMANCE

QMS' diversified quality portfolio continues to deliver solid revenue growth, for the six-month period ended 31 December 2018.

- Statutory Group revenue was $107.6 million, up 9%.
- Gross profit up 11% to $53.3 million.
- Gross profit margin of 49.5% compared to 48.6% pcp.
- Underlying EBITDA of $22.7 million.
- NPATA up 9% to $13.5 million.
- Dividend of 1.0 cents per share declared, representing a payout ratio of 43% of NPAT, and in line with our target range of between 30% to 50% of NPAT.

QMS has delivered another solid performance, demonstrating our ability to effectively manage changing sector dynamics to drive value and growth and to leverage our competitive advantage. Delivering on our strategic plan across our three business segments, underpinned by our quality digital portfolio and proprietary data and analytics platform, we continue to build an industry leading portfolio for growth.

QMS MEDIA GROUP SEGMENT REVIEW

QMS AUSTRALIA

- **Fastest growing outdoor media operator.**
- **Market leading digital revenue contribution.**
- **Strong approved digital pipeline.**
- **Average digital lease tenure of 13 years.**

QMS NEW ZEALAND

- **Realising the combined power of outdoor, radio, tv & digital.**
- **Unrivalled destination for advertisers to build brands and maximise reach.**
- **QMS Media is expected to have a 40% shareholding with Oaktree Capital holding 60% in the MediaWorks Group at completion.***

QMS SPORT

- **Leading digital sports media, infrastructure and operations business in Australia and key international sport markets.**
- **Access to more than 2,500 individual global sporting events.**

Note: *Subject to NZ OIO clearance (results expected in Q2 CY2019)

The Victoria, Melbourne

QMS AUSTRALIA

Outperforming the Market through Quality

Our core business, QMS Australia, has once again achieved leading digital revenue growth across its quality digital portfolio and our singular approach to quality over quantity continues to set us apart from our competitors.

QMS Australia reported strong earnings in a competitive market, with revenue of $66.3 million and underlying EBITDA of $20.3 million for the six-month period ending 31 December 2018. The business continues to thrive and grow its reputation in the market, characterised by its asset quality, strength of our sales team and deeper customer relationships.

We have demonstrated an ability to grow in a very dynamic and shifting environment, with media revenue up 12% for the period, compared to industry growth at 10%, and roadside billboard revenue growth of 13%.

Our leading digital media revenue is robust, significantly outperforming the industry metrics, with digital revenue comprising 79% of our Australian media revenue, compared to the industry average of 52%[1].

Digital will continue to drive opportunities for growth and long-term value creation for QMS Australia, with an additional 18 premium landmark digital billboards developed during the period, increasing the portfolio to 104, with a further 10 sites already permitted for CY19.

Our significant investment in our Datalab continues, with the commissioning of two major data partnerships.

1. Neuro Insights – a widely recognised and highly regarded neuro-marketing company, used to demonstrate advertising effectiveness across the broader advertising industry.

- Delivering a series of bespoke research studies to provide greater insight into the qualitative attributes of QMS' quality digital assets and the effectiveness of this portfolio for advertisers to drive return on investment.
- Presenting the true value of our quality portfolio to advertisers, and reinforcing that not all sites are created equal.

2. DSpark – the leading provider of mobility Intelligence Data in Australia and Singapore – using anonymised Optus mobile network data.

- Delivering unrivalled dynamic audience insights in relation to our digital portfolio by tapping into the actual movement patterns of Australians and international visitors.
- This unique platform uses one of the most robust and credible sample bases in the world, and along with Neuro, will help propel QMS Australia into its next phase of growth.

[1]OMA Industry Data.

Commuter Network, Auckland

QMS NZ

Positioning the business for growth

QMS NZ remains the leading out-of-home media group in New Zealand, delivering revenue of $28.2 million and underlying EBITDA of $5.8 million. Digital continues to drive opportunities for growth and long-term value creation in this market, with digital revenue now representing 59% of QMS NZ's total media revenue, up from 53% for the same time last year.

Our strategic digital footprint has increased significantly, with 51 landmark digital billboards throughout NZ, including 21 digital sites in Auckland, as part of the recent exclusive long-term strategic partnership with iSEE Digital. A further 7 sites have been permitted for development during CY19.

In December, the Group announced a key strategic development for QMS NZ with the proposed merger of QMS NZ and MediaWorks, to create a transformational multi-media provider across four platforms: out-of-home, radio, TV and digital. This transaction is subject to a number of conditions including financing and approval from New Zealand's Overseas Investment Office. Following completion, QMS will hold a 40% shareholding in the expanded MediaWorks and will receive a loan repayment of $35 million. This strategic opportunity will create a very powerful media combination and provides an unrivalled destination for advertisers to build brands and maximise audience reach.

Financial forecasts for the CY19 merged businesses, excluding revenue opportunities and cost synergies are:

- Revenue of NZD $335 to $340 million; and
- EBITDA of NZD $40 million plus.

Our focus now remains on successfully completing the merger and realising the full growth and potential that the combined capabilities will deliver for the Group.

QMS SPORT

Investing for growth

QMS Sport continues to expand through acquisitions and organic development, enjoying significant success in securing major Australian and international sporting rights and contracts during the period, now with over 2,500 individual events and content plays. The business is well placed to further consolidate sporting rights and contracts, and together with the development of our virtual technology capabilities will establish our sports business, as a leading global sports technology, infrastructure and digital media platform.

QMS Sport's revenue was $13.1 million, with an underlying EBITDA loss of $(0.3) million. This reflects the investment made in sport technology and rights during the period and ahead of revenue contribution. We have made significant investments in this business, which are expected to drive stronger revenue and earnings in CY19 and beyond.

We believe there is untapped potential in Sport. Its superior advertising appeal reaches millions of highly engaged and passionate sports fans and commands significant investment in sponsorship rights.

The power of the QMS Sport platform, means we are live and in the action no matter how fans consume sport. In stadium, on TV, or live streaming on mobile – we are there.

As the leading aggregator of sports media rights and digital LED infrastructure in Australasia, we believe that the global sports technology, infrastructure and digital media market is fragmented and ready for consolidation. Our international expansion opens up opportunities for global aggregation.

We will continue to seek local and international value accretive opportunities for organic development, with a focus on key strategic segments with complementary audiences.

Advancements in technology also presents unparalleled growth opportunities, and we are well placed to lead the way.

NRL, QMS Sport

POSITIONING FOR FUTURE GROWTH

Our three defined business segments, QMS Australia, QMS NZ and QMS Sport, **sets us apart and differentiates us as an attractive value proposition for future growth.**

QMS AUSTRALIA WILL LEAD WITH AN **ABSOLUTE FOCUS ON QUALITY DIGITAL ASSETS AND DELIVER EXCELLENCE** TO ADVERTISERS.

QMS NEW ZEALAND WILL BECOME PART OF THE LARGEST MULTI-MEDIA GROUP IN THE COUNTRY, PENDING COMPLETION OF THE MERGER AND WILL DELIVER AN **UNRIVALLED DESTINATION** FOR ADVERTISERS **TO BUILD BRANDS AND MAXIMISE REACH.**

QMS SPORT WILL EVOLVE TO BECOME A **GLOBAL SPORTS TECHNOLOGY, INFRASTRUCTURE AND DIGITAL MEDIA PLATFORM.**

The Bayside, Melbourne

A-League, QMS Sport

FUTURE FOCUS AND OUTLOOK

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

QMS NZ has experienced a positive start in CY19, and we believe that QMS Sport will be a significant contributor to overall Group performance, with strong committed forward revenues and a full contribution of revenue and earnings in CY19.

Our focus on quality will continue to deliver long-term revenue and earnings growth to further create sustainable shareholder value.

The Board provides CY19 EBITDA guidance of $60 million - $62 million.

Our combination of passion, people, strategy and quality assets will continue to drive our success in 2019, and I would like to thank all of our team for their ongoing support and commitment. We look forward to another exciting year ahead.

Yours sincerely,

Barclay Nettlefold
QMS Group CEO

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, which is impacted by the seasonality of the Sport 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.

As a result, financial results for the six month period ended 31 December 2018 are not directly comparable with the year ended 30 June 2018.

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.

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 twelve month period ended 30 June 2018 and the 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.

Overview

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 $107.6 million, representing growth of 9% in comparison to the six month period ended 31 December 2017. Headline growth was driven by strong performance in the Australian media business, partly offset by lower growth in New Zealand and seasonally lower performance in QMS Sport.

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 continued investment in new contracts and sporting rights, talent, infrastructure and our data platform which will provide 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 it for future growth by creating three distinct business segments; QMS Australia, QMS New Zealand and QMS Sport. This segmentation provides greater transparency and will enable greater understanding of 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 $66.3 million and underlying EBITDA of $20.3 million 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 $28.2 million and underlying EBITDA of $5.8 million 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.

On 10 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 $13.0 million and underlying EBITDA of $(0.3) million 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 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 now form part of this international sport platform as they provide complementary services to sports advertisers.

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 results from 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 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.

[1] Source: OMA

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 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.

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

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

On completion, the Group will receive a 40% shareholding in the expanded MediaWorks business. The Group will also receive a loan repayment of approximately $35.0 million (subject to the finalisation of financing terms), 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 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 $35.0 million, 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.

INDEX TO THE DIRECTORS' REPORT

START
NEXT >
PREVIOUS <
END
PRINT
CONTENTS
LETTER FROM THE CHAIRMAN
CEO'S REPORT
OPERATING AND FINANCIAL REVIEW
INDEX TO THE DIRECTORS' REPORT
DIRECTORS' REPORT
CORPORATE GOVERNANCE STATEMENT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF CASH FLOWS
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
DIRECTORS' DECLARATION
INDEPENDENT AUDIT REPORT
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
ASX ADDITIONAL INFORMATION
CORPORATE DIRECTORY

DIRECTORS' REPORT

For the six month period ended 31 December 2018

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 31 December 2018. The information set out below is to be read in conjunction with the Operating and Financial Review which forms part of this Directors' report.

1. Directors

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

- Wayne Stevenson – Independent Non-Executive Chairman
- Robert Alexander – Independent Non-Executive Director
- Anne Parsons – Independent Non-Executive Director
- Ian Rowden – Independent Non-Executive Director (appointed 4 February 2019)
- Barclay Nettlefold – Group Chief Executive Officer
- David Edmonds – Director Corporate and Legal

2. 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.

3. Results of operations

A description of the Group's operations, business model, material business risks, sources of funding, review of financial performance and position, and future prospects are detailed in the Operating and Financial Review on pages 12 to 16.

Shareholder Returns	6 month period ended 31 December 2018	12 month period ended 30 June 2018
Profit attributable to owners of the Company	$7,432,000	$18,079,000
Basic earnings per share (cents)	2.3	5.6
Diluted earnings per share (cents)	2.3	5.6
Dividend declared	$3,259,853	$7,160,197
Dividend per share (cents)	1.0	2.2

4. Dividends

On 31 August 2018, the Board recommended the payment of a final, fully franked dividend of 1.2 cents per share ($3,909,496). This dividend was paid on 22 October 2018.

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.

5. Significant changes in the state of affairs

During the six month period ended 31 December 2018, QMS Media Limited acquired interests in the following:

Entity	Interest acquired	Date interest acquired
Gomeeki Operations Pty Ltd	51%	2 July 2018
World Sports and Entertainment Holdings Pty Ltd (and its subsidiaries[1])	67%	16 August 2018

[1]Sportsmate Technologies Pty Ltd and World Sports and Entertainment Technologies Pty Ltd

On 10 December 2018, the Group announced a strategic merger of its New Zealand Out-of-Home, digital media and production business ('QMS NZ') with MediaWorks Ltd, New Zealand's leading independent radio, TV and digital business, subject to approval by New Zealand's Overseas Investment Office and certain finacing conditions. The merger on completion, will establish the newly combined QMS NZ and MediaWorks as the largest independent multi-media advertising group in the country. QMS NZ has been treated as held for sale and as a discontinuing operation at 31 December 2018.

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

6. Matters subsequent to the end of the financial year

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.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

7. Likely developments

There are no other circumstances or matters that the Directors' are aware of, that will significantly affect the operations and future results of the Group other than the developments that have been outlined in this report and the Operating and Financial Review.

8. Environmental regulation

The Group is subject to environmental laws and regulations, which vary depending on the jurisdiction of the location of operations. The Group has policies and procedures in place to ensure compliance with all environmental laws and regulations. The Directors are not aware of any material breaches of environmental regulations during the financial period.

9. Information on Directors

QMS BOARD OF DIRECTORS

Wayne Stevenson
Independent Non-Executive Chairman
Appointed to QMS Media Limited: 10 April 2015

Wayne is an experienced financial services executive with extensive finance, strategy and operational expertise across Australasian and International markets. Wayne has been involved in the finance industry for over 30 years, and has gained a wide range of experience, particularly with the ANZ Banking Group.

Current Independent Non-Executive Directorships
- OnePath Life Insurance Ltd
- OnePath General Insurance Ltd
- ANZ Lenders Mortgage Insurance Ltd
- Credit Union Australia Limited
- BigTinCan Holdings Pty Ltd

Qualifications
- Chartered Accountant
- Fellow of the Australian Institute of Company Directors
- Bachelor of Commerce (Accounting)

Special Responsibilities
- Chairman of the Remuneration, Nomination and Corporate Governance Committee

Robert Alexander
Independent Non-Executive Director
Appointed to QMS Media Limited: 10 April 2015

Robert is an experienced finance and operations executive who has over 30 years' experience working within the corporate sector. Robert has worked in global organisations in industries such as media, entertainment, professional services and the print industry, with considerable experience in mergers and acquisitions.

- Global CFO of Eye Corp Pty Ltd
- Global CFO of OPUS Group Limited
- Executive finance and operations experience with organisations including Universal Music and Hoyts Entertainment Ltd

Current Positions Held
- Advisory Board member Tablo.io
- Board member Cambodian Children's Fund (HK) Limited
- Global COO Cambodian Children's Fund
- NED Xenith IP Group Limited ('XIP')

Qualifications
- Chartered Accountant
- Bachelor of Commerce

Special Responsibilities
- Chairman of the Audit and Risk Management Committee

QMS BOARD OF DIRECTORS

Anne Parsons
Independent Non-Executive Director
Appointed to QMS Media Limited: 10 April 2015

Anne is a highly regarded advertising and media executive with over 30 years' experience gained in a wide variety of roles across the globe. She has worked in many media channels and has extensive experience in multi-channel solutions.

- Chairman of MediaCom Australia, and CEO for 6 years
- MD of Zenith Media Melbourne for 10 years
- Inductee in the Media Federation of Australia Hall of Fame

Current Positions Held
- Managing Partner of Cherry London

Qualifications
- Bachelor of Journalism and Business Psychology

Ian Rowden
Independent Non-Executive Director
Appointed to QMS Media Limited: 4 February 2019

Ian is an experienced advertising and media executive with over 30 years' international knowledge and marketing experience. Previously with Coca-Cola, The Callaway Golf Company, Wendy's International, Saatchi & Saatchi and The Virgin Group, Ian has worked in a variety of commercial, operational and marketing leadership roles across four continents.

- Inductee in The Advertising Hall of Achievement
- Former Director of Sydney FC

Current positions held:
- Board member Enero Group
- Board member Premier League Basketball (UK)
- Board member The Miami Ad School

Qualifications
- Bachelor of Commerce

QMS BOARD OF DIRECTORS

Barclay Nettlefold
Group Chief Executive Officer
Appointed to QMS Media Limited: 25 November 2014

Barclay is an experienced advertising and media executive with over 32 years' experience in the Asia Pacific region and has managed and developed various outdoor advertising businesses in this region.

- Co-Founder of Nettlefold Advertising
- Co-Founder of Eye Corp
- Founder of News Outdoor South East Asia, in partnership with News Corp
- Formed QMS APAC as a Joint Venture with Qatar Media

Qualifications

- Bachelor of Commerce (Accounting and Marketing)

David Edmonds
Director Corporate and Legal
Appointed to QMS Media Limited: 25 November 2014

David is a corporate finance lawyer, with significant experience in mergers and acquisitions, project financing and business development in Australia, Indonesia and Thailand. Previously with Minter Ellison and Blake Dawson Waldron (now Ashurst), David has worked in the outdoor advertising industry for over 10 years throughout the Asia Pacific region.

- Blake Dawson Waldron and then Minter Ellison affiliated firms in Indonesia
- Established Thailand office of Minter Ellison in Bangkok
- Regional COO and General Counsel for News Outdoor Group for Asia Pacific
- Led commercial strategy and negotiations for QMS APAC M&A team

Qualifications

- Bachelor of Law and Commerce (Hons)

10. Company Secretary

Malcolm Pearce was appointed to the position of Company Secretary effective 8 February 2017. Malcolm is the Chief Operations Officer of the Group and has over 20 years' industry experience across finance, commercial, governance and corporate matters in media, banking and resource industries.

11. Directors' Meetings

The number of Directors' meetings (including Board and Committee meetings) and the number of meetings attended by each Director during the financial period are detailed below.

Name of Director	Board Meeting		Audit and Risk Management Committee		Remuneration, Nomination and Corporate Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Wayne Stevenson	7	7	2	2	2	2
Robert Alexander	7	7	2	2	2	2
Anne Parsons	7	7	-	-	2	2
Barclay Nettlefold	7	7	-	-	-	-
David Edmonds	7	7	2	2	-	-

12. Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

13. Indemnification and insurance of officers and auditor

The Company has indemnified the Directors and officers of the Company for costs incurred, in their capacity as a Director or officer, for which they may be held personally liable, except where the liability arises out of conduct involving a lack of good faith.

During the financial period, the Company paid a premium to insure the Directors and officers of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability, the name of the insurer, the limit of liability and the premium paid for the policy.

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or related entity against a liability incurred by the auditor. During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

14. Non-audit services

During the financial period KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the financial period by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for non-audit services provided during the period are set out below.

Services other than audit and review of Financial Statements	6 months ended 31 December 2018 $	12 months ended 30 June 2018 $
Taxation, due diligence and other services	118,004	178,694
	118,004	**178,694**

15. Auditor's independence declaration

The auditor's independence declaration is set out on page 98 and forms part of the Directors' report for the six month period ended 31 December 2018.

16. Directors' interests

The relevant interest of each Director in the share capital of the Company as at the date of this report is as follows:

	Ordinary shares	Performance rights
Barclay Nettlefold	46,228,207	352,303
Wayne Stevenson	1,435,858	-
David Edmonds	1,062,500	179,727
Robert Alexander	25,800	-
Anne Parsons	-	-
Ian Rowden	-	-

The number of performance rights detailed above represents the total number of performance rights issued under the FY17 and FY18 long term incentive grants, assuming that the on-target vesting conditions are satisfied.

The performance rights granted to Executive Directors are conditional on approval by shareholders at the Company's Annual General Meeting.

A performance right is an entitlement to the value of a QMS Media Limited ordinary share, which the Board may determine to settle in shares and/or cash.

17. Rounding off

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191* and in accordance with the Rounding Instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

18. Remuneration report

Message from the Chairman and Chair of the Remuneration, Nomination and Corporate Governance Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present the QMS Media Limited Remuneration report for the six month period ended 31 December 2018.

The Board believes that an appropriately structured remuneration framework which links remuneration with the Group's business strategy and drivers, underpins a strong performance-based culture, assists in driving shareholder value and ensures alignment between executive remuneration and the delivery of sustainable shareholder returns.

The following key principles underpin the framework:

- Alignment of executive performance with creation of sustainable value for shareholders with an appropriate balance of short term and long term components;
- Motivation and retention of executives through an appropriate mix of fixed and variable (at risk) pay;
- Delivery of market competitive remuneration to assist in attracting and maintaining high calibre talent;
- Behaviour alignment consistent with the Group's values and culture; and
- Simple, clear and transparent processes and documentation which is easily understood by participants and stakeholders.

The Board regularly assesses the Group's remuneration arrangements in the context of the Group's size and complexity, market capitalisation and in recognition of drivers which are integral to the delivery of the Group's business strategy. This includes, but is not limited to, the success of the digital development roll-out program, pipeline for permitted sites, the success of integrating business acquisitions and the delivery of digital innovation plans.

The remuneration framework is designed to attract, motivate and retain appropriately qualified and experienced senior executives and comprises the following three elements:

- Fixed remuneration positioned at the median of listed organisations of a similar size and complexity;
- Short term incentives ('STI') designed to drive performance over a twelve-month period relative to pre-determined Key Performance Indicators linked to our strategy; and
- Long term incentives ('LTI') designed to recognise the creation of long term shareholder value.

Consistent with current market best practice, a substantial proportion of the remuneration of senior executives is at risk and is not payable if key pre-determined internal and market-based performance criteria are not satisfied.

During the period, an election was made to change the Group's financial year end date from 30 June to 31 December. Following this change, the formal performance assessment process which measures employee performance against pre-determined financial and non-financial criteria will move to a calendar year basis. Accordingly, short term and long term incentives will be also be awarded on a calendar year basis.

In order to ensure that employees are not disadvantaged from this change, the following has occurred:

- Short term incentives will continue to be assessed against the pre-determined criteria set for the year ended 30 June 2019 and will be awarded subject to divisional and individual performance. There will be a substitute period from 1 July 2019 to 31 December 2019 whereby short term incentives will be assessed and awarded against pre-determined performance criteria that will be set for this six month period. Effective from 1 January 2020, the short term incentives will be measured on a calendar year basis in line with the Group's new financial year end.
- No long term incentives were issued during the six month period ended 31 December 2018. However, when future grants are made, the intention is to grant individuals with an additional allocation to compensate for this six month period.

The past six months has seen the Group produce solid financial and operational outcomes across a range of activities including:

- Revenue growth of 9% and consistent EBITDA notwithstanding increased seasonality and continued investment;
- Successful rollout of large digital screens throughout Australia and New Zealand (134 at 31 December 2018);
- Strong pipeline of permitted sites for growth in CY19;
- Pending acquisition of the international sport businesses ('TGI' and 'TGIE');
- Identification and successful due diligence for the proposed merger of the QMS NZ business with MediaWorks;
- Success in securing additional media rights and contracts within QMS Sport to ensure the business is well positioned for growth in CY19;
- Delivery of digital innovation plans;
- Growth in revenue contribution from digital; and
- Performance against the Company's stated values and behaviours.

This could not have been achieved without a motivated, passionate and hard working team.

On behalf of the Board, I would like to thank all of our employees for their dedication and efforts in achieving a strong result for the period.

The Board recommends the Remuneration report to shareholders for approval at the 2019 Annual General Meeting. As part of its commitment to corporate governance best practice, the Board welcomes feedback from external stakeholders on its remuneration practices and disclosures.

Yours Sincerely,

Wayne Stevenson

Chairman and Chair of the Remuneration, Nomination and Corporate Governance Committee

QMS Media Limited

START
NEXT >
PREVIOUS <
END
PRINT

18. Remuneration Report – audited

1. Introduction

The Directors of QMS Media Limited present the Remuneration report for the Company and its controlled entities (collectively referred to as the 'Group') for the six month period ended 31 December 2018, in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

The Remuneration report outlines key elements and information on the remuneration framework for Non-Executive Directors, Executive Directors and other Key Management Personnel ('KMP'). KMP are identified as those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly. Under AASB 124 *Related Party Disclosures*, this is deemed to include Non-Executive Directors.

On 29 October 2018, the Group announced the resignation of Peter Cargin as Group Chief Financial Officer. Peter ceased to be KMP effective 30 November 2018. Effective 1 December 2018, Kate Solomon was appointed as Acting Group Chief Financial Officer and from this date met the definition of KMP.

The names and positions of the KMP are listed in the table below.

Non-Executive Directors	
Wayne Stevenson	Chairman and Independent Non-Executive Director
Robert Alexander	Independent Non-Executive Director
Anne Parsons	Independent Non-Executive Director
Executive KMP	
Barclay Nettlefold	Group Chief Executive Officer
David Edmonds	Director Corporate and Legal
Peter Cargin	Group Chief Financial Officer
Kate Solomon	Acting Group Chief Financial Officer
John O'Neill	CEO QMS Australia
Wayne Chapman	CEO QMS New Zealand

The Remuneration report is provided in the following format:

1. Introduction
2. Remuneration framework overview
3. Financial performance
4. Non-Executive Directors and Executive KMP remuneration
5. Remuneration governance

The Remuneration report has been prepared on a basis consistent with the Financial Statements and includes total remuneration details for the six month period ended 31 December 2018. This report refers to a range of non-IFRS financial information including EBITDA. The Directors consider these measures to be better indicators of the underlying performance of the business and will enable 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 QMS Media Limited operates.

2. Remuneration framework overview

The Group operates in a competitive market and therefore attracting and retaining talented individuals is at the core of its success. Accordingly, the Board believes that an appropriately structured remuneration strategy underpins a strong performance-based culture and assists in driving shareholder returns. The Company's remuneration strategy was developed with the assistance of specialist independent remuneration advisors, and is a clear, transparent and easily understood framework that is consistent with current market best practice.

Remuneration consists of a combination of Fixed Annual Remuneration ('FAR'), Short Term Incentives ('STI') and Long Term Incentives ('LTI'). This composition aligns with current market best practice, whereby a significant proportion of the remuneration of senior executives is 'at-risk' which means that it is not paid if pre-determined performance criteria are not met.

The LTI program is structured to ensure there is an appropriate balance between the achievement of short term objectives under the STI program and longer term goals so that senior executives continue to be motivated by long term growth in shareholder value.

Employees are remunerated on not only the overall Group achievement, but also values behaviours and specific divisional and individual performance hurdles that contribute to the Group achieving its strategy. This ensures that there is consistency and a common purpose driving the performance of individuals.

2.1 Remuneration components

Fixed Annual Remuneration ('FAR')

The terms of employment for senior executives contains a fixed annual remuneration component comprising:

- Base salary;
- Superannuation; and
- Car allowance where applicable.

Fixed remuneration is based on the responsibilities associated with, and the skills required to perform the role. Compensation levels for all senior executives is regularly benchmarked to industry peer companies and comparable sized companies median pay levels as well as taking into account the individual's historical performance and contribution to the Group. This process ensures that remuneration remains competitive with the market in which the Company operates for talent and reflects the skills, experience and performance of each individual.

Remuneration levels are reviewed annually as part of the formal performance assessment process, taking into account market movements, responsibilities and individual performance outcomes. There are no guaranteed fixed remuneration increases.

Superannuation is paid at the statutory rate of 9.5% for all employees.

Short Term Incentive ('STI')

The STI is an 'at-risk' cash component of a senior executive contract that is based on achieving pre-determined performance outcomes. Performance against the STI targets is assessed at the end of the financial period against both individual performance and business performance.

Individual performance is based on the achievement of certain key performance objectives which vary in respect of each individual. Employees are incentivised to achieve superior personal performance which is expected to directly or indirectly impact business performance.

Business performance is based on the achievement of certain financial and non-financial key performance indicators linked to the key value drivers of the Group. The primary financial KPI is the achievement of the Board approved underlying EBITDA budget. This criteria is set to align the Company's remuneration arrangements with the creation of shareholder value.

The on target STI entitlement calculated as a percentage of fixed annual remuneration is:

- CEO 40% of FAR
- Other KMP 15%-40% of FAR

Long Term Incentive ('LTI')

The Group has an Employee Incentive Plan which allows the issue of performance rights, or such other approved securities convertible into shares to eligible persons (including Executive Directors, subject to compliance with the ASX listing rules) as the Board approves from time to time. Details of this scheme are located on the Company website.

The LTI is an 'at-risk' equity based component of a senior executive contract that is linked to the Company's medium to long term performance. Participation in the LTI program is only offered to senior executives who are able to influence the creation of shareholder value and have a direct impact on the Company's performance.

The performance rights granted are based on two equally weighted tranches. The first tranche is based on an indexed Total Shareholder Return ('TSR') vesting condition and the second tranche is based on a Compound Average Growth Rate ('CAGR') Earnings per Share ('EPS') vesting condition.

The on target LTI entitlement calculated as a percentage of fixed annual remuneration is:

- CEO 40% of FAR
- Other KMP 15%-35% of FAR

The number of performance rights granted is calculated by taking the relevant executive's fixed annual remuneration and multiplying it by the relevant LTI entitlement percentage, and dividing this by the Company's ten day volume weighted average share price ('VWAP') following the release of the annual results. Performance rights are equally weighted between the two tranches.

Each performance right is an entitlement to the value of a QMS Media Limited ordinary share which the Board may determine to settle in shares and/or cash, on satisfaction of the relevant performance criteria over the three year vesting period. Grants are made annually and were previously effective from 1 July each year. As a result of the change in financial year end, grants will in future be effective from 1 January each year.

Shares allocated on the vesting performance rights are not subject to any restriction on the senior executives' rights to trade in those shares, other than any restrictions imposed by the Company's guidelines for dealing in securities. The performance rights granted to the Executive Directors are subject to approval by shareholders at the Company's Annual General Meeting.

The performance rights conditions are:

- 50% subject to a relative Total Shareholder Return ('TSR') hurdle measured against share price growth plus reinvestment of dividends; and
- 50% subject to CAGR EPS.

The Board is of the opinion that, collectively, TSR and EPS performance measures are correlated with senior executive performance over time and creates a better alignment between the senior executive's reward and shareholder interests.

Performance rights will be forfeited if the performance criteria are not satisfied or the employee resigns prior to the end of the vesting period. The Board however has the discretion to allow employees who resign to remain in the LTI program in the event that the employee satisfies the Good Leaver provisions of the Plan Rules.

TSR performance conditions

The Board considers TSR as an appropriate performance hurdle because it links a proportion of each senior executives remuneration to shareholder value and ensures that a benefit is only provided when there is a corresponding benefit to shareholders.

The TSR performance conditions in relation to each grant are:

Performance level	Group's TSR relative to comparative TSR index	% of rights to vest
Stretch	≥ 200%	100%
Between target and stretch	>150% and <200%	Pro rata >50% and <100%
Target	150%	50%
Between threshold and target	>100% and <150%	Pro rata >25% and <50%
Threshold	100%	25%
Below threshold	<100%	0%

The Board believe it is appropriate to have 50% of the performance rights vest if the TSR threshold is on target as it provides motivation for the relevant senior executives to drive a competitive financial outcome which aligns with shareholder interests.

The comparative index for the measure of TSR growth is the Small Industrials Index. The Board considers this index appropriate as it comprises companies of a similar size that are considered an alternative investment for investors.

EPS performance conditions

EPS is calculated on a statutory basis using the number of ordinary shares on issue at the effective date of the grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate compound EPS growth.

The EPS performance conditions in relation to each grant are:

Performance level	CAGR EPS	% of rights to vest
Stretch	≥ 18%	100%
Between target and stretch	>13% and <18%	Pro rata >50% and <100%
Target	13%	50%
Between threshold and target	>8% and <13%	Pro rata >25% and <50%
Threshold	8%	25%
Below threshold	<8%	0%

For testing purposes, the EPS hurdle is calculated with reference to audited financial statements, in order to ensure integrity, consistency and objectivity.

The CAGR EPS growth range reflects the Board's view of a reasonable long term target, taking into account the industry in which the Company competes, competitor performance, market share, operational performance and expected level of reinvestment of earnings in the business. The on target CAGR EPS hurdle is viewed as an attainable measure, whilst still remaining a stretch target to maximise performance and meet capital market expectations.

3. Financial performance

The Group delivered solid operational and financial performance across key metrics for the six month period ended 31 December 2018. A detailed review of the Group's performance is contained within the Operating and Financial Review.

A summary of the financial highlights for the six month period ended 31 December 2018 is provided in the table below. The corresponding period is the six month period ended 31 December 2017, in order to provide a more meaningful comparison of the Group's financial performance.

Financial Highlights	
Revenue	Up 9% to $107.6m
Underlying EBITDA	In line with previous corresponding period ($22.7m)
NPAT	Down 8% to 7.6m
NPATA[1]	Up 9% to $13.5m

For the current period, the Board determined that the achievement of revenue, underlying EBITDA and NPAT were the most relevant measures for assessing performance. However, other factors considered in the determination of STIs were linked to the achievement of KPIs across a range of activities including:

- Successful rollout of large digital screens throughout Australia and New Zealand (134 at 31 December 2018);
- Strong pipeline of permitted sites for growth in CY19;
- Pending acquisition of the international sport businesses ('TGI' and 'TGIE');
- Identification and successful due diligence for the proposed merger of the QMS NZ business with MediaWorks;
- Successful acquisition of additional media rights and contracts within QMS Sport to ensure the business is well positioned for growth in CY19;
- Delivery of digital innovation plans;
- Growth in revenue contribution from digital; and
- Performance against the Company's stated values and behaviours.

The above achievements were a solid result for the Group, enabling it to capitalise on the strong market leading momentum in the Out-of-Home advertising market.

4. Non-Executive Directors and Executive KMP remuneration

Details of the nature and amount of each major element of remuneration of each Non-Executive Director and Executive KMP of the Group for the six month period ended 31 December 2018 are:

	Short-term				Post-employment	Share based payment remuneration[4,5]	Total	Proportion of remuneration performance related
in dollars	Salary and fees[2]	STI cash bonus[3]	Termination benefit	Total	Superannuation benefits			
Non-Executive Directors								
Wayne Stevenson	72,000	-	-	72,000	6,840	-	78,840	0.0%
Robert Alexander	45,000	-	-	45,000	4,275	-	49,275	0.0%
Anne Parsons	42,500	-	-	42,500	4,038	-	46,538	0.0%
Sub-total Non-Executive Directors' remuneration	**159,500**	**-**	**-**	**159,500**	**15,153**	**-**	**174,653**	**0.0%**
Executive KMP								
Barclay Nettlefold	357,762	-	-	357,762	25,000	(7,622)	375,140	(2.0)%
David Edmonds	203,000	-	-	203,000	17,027	(3,942)	216,085	(1.8)%
Peter Cargin[6]	261,643	-	45,250	306,893	29,299	(4,641)	331,551	(1.4)%
Kate Solomon[7]	20,833	-	-	20,833	1,979	(888)	21,924	(4.1)%
John O'Neill	275,000	-	-	275,000	-	(8,288)	266,712	(3.1)%
Wayne Chapman	184,377	-	-	184,377	5,003	(486)	188,894	(0.3)%
Sub-total Executive KMP remuneration	**1,302,615**	**-**	**45,250**	**1,347,865**	**78,308**	**(25,867)**	**1,400,306**	**(1.8)%**
Total remuneration	**1,462,115**	**-**	**45,250**	**1,507,365**	**93,461**	**(25,867)**	**1,574,959**	**(1.6)%**

[1]Net profit after tax, before amortisation.
[2]Includes allowances.
[3]STI bonus in respect of the six month period ended 31 December 2018 performance.
[4]Fair value of performance rights granted in FY17 and FY18. Consistent with the expense recorded during the six month period ended 31 December 2018. Scheduled to vest on 30 June 2019 and 30 June 2020 respectively.
[5]The FY18 non-market performance rights were trued-up during the period to reflect the number of shares expected to vest at vesting date.
[6]Ceased to be KMP on 30 November 2018. Amounts detailed above represent remuneration until KMP classification ceased.
[7]Appointed KMP effective 1 December 2018. Amounts detailed above represent remuneration details from the date of KMP classification.

Details of the nature and amount of each major element of remuneration of each Non-Executive Director and Executive KMP of the Group for the year ended 30 June 2018 are:

	Short-term			Post-employment			
in dollars	Salary and fees[1]	STI cash bonus[2]	Total	Superannuation benefits	Share based payment remuneration[3]	Total	Proportion of remuneration performance related
Non-Executive Directors							
Wayne Stevenson	144,000	-	144,000	13,680	-	157,680	0.0%
Robert Alexander	90,000	-	90,000	8,550	-	98,550	0.0%
Anne Parsons	85,000	-	85,000	8,075	-	93,075	0.0%
Sub-total Non-Executive Directors' remuneration	**319,000**	**-**	**319,000**	**30,305**	**-**	**349,305**	**0.0%**
Executive KMP							
Barclay Nettlefold	617,081	225,394	842,475	59,923	57,350	959,748	29.5%
David Edmonds	404,980	116,719	521,699	37,860	29,362	588,921	24.8%
Peter Cargin	359,388	106,448	465,836	35,113	26,766	527,715	25.2%
John O'Neill[4]	220,839	91,333	312,172	-	20,514	332,686	33.6%
Wayne Chapman[4]	158,689	28,025	186,714	4,767	8,167	199,648	18.1%
Sub-total Executive KMP remuneration	**1,760,977**	**567,919**	**2,328,896**	**137,663**	**142,159**	**2,608,718**	**27.2%**
Total remuneration	**2,079,977**	**567,919**	**2,647,896**	**167,968**	**142,159**	**2,958,023**	**24.0%**

Fixed and variable remuneration

The Company's remuneration is structured to include a mix of fixed annual remuneration and variable remuneration through 'at risk' short term and long term components. The mix of these components varies for different levels of management.

The relative proportions of the fixed and variable pay components of the Executive KMP remuneration for the six month period ended 31 December 2018 are detailed in the table below. The STI and LTI components represents the on target component calculated on the base salary, excluding allowances and superannuation.

Executive KMP	Fixed remuneration	At risk - STI	At risk - LTI	Total performance based remuneration
Barclay Nettlefold	56%	22%	22%	44%
David Edmonds	62%	19%	19%	38%
Peter Cargin	62%	19%	19%	38%
Kate Solomon	76%	12%	12%	24%
John O'Neill	57%	23%	20%	43%
Wayne Chapman	67%	20%	13%	33%

Short Term Incentives

The short term incentives program will continue to be assessed on a financial year performance basis for the year ended 30 June 2019. Effective from 1 January 2020, the short term incentives will be measured on a calendar year basis in line with the Group's new financial year end.

[1] Includes allowances.
[2] STI bonus in respect of FY17 performance, accrued at 30 June 2017, paid in FY18.
[3] Fair value of performance rights granted in FY17 and FY18. Consistent with the expense recorded in FY18. Scheduled to vest on 30 June 2019 and 30 June 2020 respectively.
[4] Appointed KMP effective 23 January 2018. Amounts detailed above represent remuneration details from the date of KMP classification.

A summary of the payments issued to each Executive KMP in respect of the six month period ended 31 December 2018 are summarised below. There have been no payments made to Non-Executive Directors in order to preserve independence.

Executive KMP	Cash $	Super $	STI included in remuneration $	Percentage of STI payable	Percentage of STI forfeited
Barclay Nettlefold	-	-	-	0%	100%
David Edmonds	-	-	-	0%	100%
Peter Cargin*	-	-	-	0%	100%
Kate Solomon*	-	-	-	0%	100%
John O'Neill	-	-	-	0%	100%
Wayne Chapman	-	-	-	0%	100%

*Represents remuneration for the period of KMP classification.

Remuneration is based on the achievement of individual pre-determined performance criteria and the achievement of the Board approved divisional and Group EBITDA budgets.

Long Term Incentives

There were no equity grants issued to Executive KMP during the six month period ended 31 December 2018.

There have been no grants made to Non-Executive Directors in order to preserve independence.

Non-Executive Directors

The Board aims to set remuneration for Non-Executive Directors at a level that attracts and retains Non-Executive Directors of a high calibre and talent. Fees are set at levels which reflect the responsibilities and time commitment required from each Director to discharge their duties.

Remuneration for Non-Executive Directors is not linked to Group performance and is solely comprised of Directors' fees (including statutory superannuation), in order to maintain Director independence when making decisions about the future direction of the Group.

Total compensation for all Non-Executive Directors did not exceed $600,000, the cap approved by shareholders in September 2016 based on an external advisor's benchmarking fee data for Non-Executive Directors against the fees paid by a range of comparable companies.

The Directors' annual fee structure, including superannuation for the six month period ended 31 December 2018 was as follows:

	Chair Fee $	Member Fee $
Board	157,680*	87,600
Audit and Risk Management Committee	10,950	N/A
Remuneration, Nomination and Corporate Governance Committee	-	5,475

* The Chair is inclusive of Committee fees.

Non-Executive Directors do not receive performance related compensation and are not provided with retirement benefits apart from superannuation.

START
NEXT >
PREVIOUS <
END
PRINT

Shareholdings in the Group

The following table sets out the movement during the period in the number of ordinary shares in QMS Media Limited held directly, indirectly or beneficially, by each Director or KMP, including their related parties, as follows:

	Held at 1 July 2018	Acquired	Sold	Held at 31 December 2018
Non-Executive Directors				
Wayne Stevenson	1,420,756	15,102	-	1,435,858
Robert Alexander	-	25,800	-	25,800
Anne Parsons	-	-	-	-
Executive KMP				
Barclay Nettlefold	46,123,806	104,401	-	46,228,207
David Edmonds	1,062,500	-	-	1,062,500
Peter Cargin	184,616	-	-	N/A*
Kate Solomon	-	-	-	-
John O'Neill	4,961,846	-	-	4,961,846
Wayne Chapman	-	-	-	-

*Ceased to be classified as KMP during the period.

Contractual arrangements with Executive KMPs

Remuneration and terms of employment are specified in employee contracts. These contracts specify the fixed annual remuneration component comprising base salary, motor vehicle allowance and superannuation contributions, the STI component and participation in the Group's LTI program.

Details on the notice periods required to terminate these contracts and the termination payments provided under the employee contracts is detailed in the table below.

Executive KMP	Notice of termination	Termination payment
Barclay Nettlefold	24 Months	24 Months*
David Edmonds	12 Months	12 Months
Peter Cargin	Ceased to be KMP during the period.	
Kate Solomon	6 Months	6 Months
John O'Neill	12 Months	12 Months
Wayne Chapman	12 Months	12 Months

*Subject to shareholder approval.

All Executive KMP are employed on a full-time basis.

5. Remuneration Governance

Responsibility for remuneration

The Remuneration, Nomination and Corporate Governance Committee was established in 2015. Its charter is to support and advise the QMS Media Limited Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Group in relation to governance and oversight of the Group's remuneration and nomination policies and practices.

This enables the Group to attract and retain Directors and senior executives and appropriately align the interests of management to stakeholders.

The key responsibilities of the Committee in relation to setting remuneration are:

- Review and make recommendations regarding the general remuneration strategy for the Group;
- Review and make recommendations regarding changes in remuneration policy and practices, including the composition of and participation in, the short and long term incentive programs;
- Review and evaluate market practice and trends in remuneration matters;

- Review key financial and non-financial drivers used to set appropriate internal and market-based performance hurdles;
- Review and make recommendations to the Board regarding executive management remuneration; and
- At a minimum, annually review the composition of the short and long term incentive programs.

In order to maintain independence from management when making decisions affecting employee remuneration, particularly in respect of the Group Chief Executive Officer and senior executives, the Remuneration, Nomination and Corporate Governance Committee is comprised solely of Independent Non-Executive Directors.

Remuneration governance mechanisms

As part of the Board's commitment to align remuneration with Group performance, individual employee performance is assessed and measured on an annual basis against pre-determined performance criteria. The Company's performance review system involves employees completing an individual self-assessment and then their direct manager assessing their performance against each pre-determined criteria.

These written assessments form the basis of a performance review discussion between the employee and their direct manager.

The Board, through its Remuneration, Nomination and Corporate Governance Committee, agrees the objectives for the evaluation of the performance of the Group Chief Executive Officer and reviews the objectives of other senior executives. A review of the performance of the Group Chief Executive Officer against agreed objectives is led by the Chairman in consultation with the Board. The performance of all other senior executives is reviewed by the Group Chief Executive Officer and reported to and discussed by the Board.

Performance reviews take place at the end of the financial period and along with benchmarking data, form the basis for the STI and remuneration package recommendations for the following financial period.

External remuneration consultants

The Remuneration, Nomination and Corporate Governance Committee considers it important to seek external advice on an ongoing basis so as to enable it to remain fully informed about remuneration trends and market information for specific matters and policy and frameworks generally.

Prior to engaging a remuneration advisor, the Committee considers the scope of the engagement, the desired outcomes and any potential conflicts of interest to ensure the advisor is independent and free from undue influence by any member of KMP affected by the remuneration recommendation.

During the six month period ended 31 December 2018, an external remuneration advisor, Godfrey Remuneration Group Pty Limited, was engaged. This advisor assisted with the provision of relevant market information in relation to remuneration benchmarking.

The Committee is satisfied that all advice received from remuneration advisors has been given free of undue influence by senior executives.

This Directors' report is made in accordance with a resolution of the Directors:

Wayne Stevenson
Chairman

28 March 2019
Melbourne

The Rozelle, Sydney

CORPORATE GOVERNANCE STATEMENT

For the period ended 31 December 2018

Introduction

The Company's Board of Directors has the overall responsibility for corporate governance, including establishing the corporate governance framework. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the business and which are designed to promote the responsible management and conduct of the Company.

The Company has taken into account the guidelines published by the ASX Corporate Governance Council as well as its corporate governance principles and recommendations.

Various aspects of the Company's corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, refer to the Company's website at www.qmsmedia.com.

Board of Directors

The Board aims to build sustainable value for shareholders whilst protecting the assets and reputation of the Company. The Board has adopted a formal Charter which sets out the functions and responsibilities of the Board, its structure and governance requirements. Under the Board Charter, the overall functions of the Board are to:

i. Set the direction, goals and objectives of the Company;

ii. Monitor the implementation of policies, strategies and financial objectives and provide effective oversight of the Company;

iii. Review and monitor the principal risks of the Company, the system of internal controls and compliance, and adherence to regulatory and ethical standards;

iv. Approve and monitor processes that provide financial control and accountability and which ensure accurate and timely financial reporting, including approval of dividends, financial results, budgets and strategic plans, major capital expenditure, acquisitions and divestments;

v. Appoint and monitor the performance of Directors and officers of the Company; and

vi. Act as an effective interface with the Company's shareholders and other stakeholders.

To ensure that the Board is able to effectively fulfill its responsibilities, it has established guidelines for the nomination and selection of Directors and for the operations of the Board.

The responsibility for the operation and administration of the Company is delegated by the Board to senior management. The Board ensures that this team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the senior management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship, two specialist sub-committees have been established to focus on particular responsibilities and provide informed guidance and feedback to the Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee's role is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions.

Key responsibilities

The Audit and Risk Management Committee's key responsibilities and functions are to assist the Board in fulfilling its responsibilities to:

i. Oversee the financial reporting process, the system of internal controls relating to all matters affecting the Company's financial performance, the internal and external audit process, and the process for monitoring compliance with laws and regulations and the Company's Code of Conduct;

ii. Develop and ensure the effective implementation of appropriate ethical standards and management of the Company and the conduct of its business;

iii. Review and monitor the effectiveness of the Company's risk management strategies as well as the adequacy of the Company's insurance arrangements; and

iv. Review and oversee any related party transactions.

As set out in its Charter, the Audit and Risk Management Committee comprises at least three members, the majority of whom are independent Non-Executive Directors. The Chair of the Committee is an independent Director who is not the Chair of the Board.

Internal audit

The Audit and Risk Committee is responsible for overseeing processes to ensure there is an adequate internal control framework in place which is operating effectively.

The Group currently does not have an internal audit function, which the Board has determined is appropriate given the size of the Group and the nature of its business. Instead, senior management oversees the adequacy and effectiveness of the Group's risk management, internal controls and governance frameworks. This includes identifying key risks, developing policies and procedures to manage these risks, ensuring appropriate action is taken with respect to each identified risk and providing recommendations to improve the efficiency and effectiveness of processes in place.

Remuneration, Nomination and Corporate Governance Committee

The Remuneration, Nomination and Corporate Governance ('RNCG') Committee's role is to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company in relation to governance and oversight of the Company's remuneration and nomination policies and practices. This enables it to attract and retain Directors and senior management and appropriately align their interests with those of stakeholders.

Key responsibilities

The RNCG Committee's key responsibilities and functions are to ensure that:

i. Directors and senior management of the Company are remunerated fairly and appropriately;

ii. Remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders and rewarding the Company's executives and employees in order to secure the long term benefits of their services and loyalty;

iii. Human resources practice and policies are consistent with and complementary to the strategic direction and objectives of the Company;

iv. Board and Committee composition reflects appropriate skills, expertise and diversity;

v. Proper succession plans are in place for Directors and senior management; and

vi. Appropriate corporate governance policies are implemented and that Company performance against corporate governance policies is critically reviewed.

As set out in its Charter, the RNCG Committee comprises at least three members, all of whom are Independent Non-Executive Directors.

Committee Membership

Membership of Board Committees during the period and as at the date of this report is set out below:

	Remuneration, Nomination and Corporate Governance Committee	Audit and Risk Management Committee
Wayne Stevenson, Independent Non-Executive Chairman	Chair	Member
Barclay Nettlefold, Group Chief Executive Officer	-	-
Robert Alexander, Independent Non-Executive Director	Member	Chair
Anne Parsons, Independent Non-Executive Director	Member	Member*
Ian Rowden, Independent Non-Executive Director	-	-
David Edmonds, Director Corporate and Legal	-	Member*

*David Edmonds resigned from the Audit and Risk Management Committee effective 22 November 2018. On this date, Anne Parsons was appointed to the Audit and Risk Management Committee.

Each Director's relevant qualifications and experience are listed on pages 20 to 22 of this Annual Report.

Attendance at Committee Meetings

Refer to section 11 within the Directors' report for details regarding attendance at Committee meetings.

Powers delegated to management

The Board has delegated to the Group Chief Executive Officer authority and powers to manage the Group within levels of authority specified by the Board from time to time. The Group Chief Executive Officer may delegate aspects of his authority and power but remains accountable to the Board for the Group's performance and is required to report regularly to the Board on the progress being made by the Group.

The respective roles and responsibilities of the Board and management, including those matters expressly reserved to the Board and those delegated to management, are set out in the Board Charter and Delegation of Authority.

The Group Chief Executive Officer's role includes:

i. responsibility for the effective leadership of the management team;

ii. the development of strategic objectives for the business; and

iii. the day-to-day management of the Group's operations.

Independence of Directors

The Board Charter sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations. The Board considers an independent Director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship which could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of judgement.

The Board considers thresholds of materiality for the purpose of determining 'independence' on a case-by-case basis, having regard to both the quantitative and qualitative principles. The Board reviews the independence of each Director in light of interests disclosed to the Board on an ongoing basis. Refer to the Company's website for a specific definition of Director independence.

The Board considers that Wayne Stevenson, Robert Alexander, Anne Parsons and Ian Rowden are free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and are able to fulfil the role of an Independent Director for the purpose of the ASX Recommendations.

Barclay Nettlefold and David Edmonds are currently considered by the Board not to be independent. Barclay Nettlefold is currently the Group Chief Executive Officer and holds approximately 14.3% (30 June 2018: 14.2%) of the Company's shares. David Edmonds is employed by the Company in an executive capacity as Director Corporate and Legal.

Annual General Meeting

The Company's AGM will be held on 23 May 2019. The Company's external auditor, KPMG, has indicated that they will attend the AGM and will be available to answer questions from shareholders relevant to the audit of the financial report for the six month period ended 31 December 2018.

Key Governance Policies

The Group has adopted a number of key policies, full copies of which are available on the Company website.

Code of Conduct

The Board recognises the need to observe the highest standard of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct which is based on the Company's core values and the expectations of all of our stakeholders.

The Company is committed to maintaining ethical standards in the conduct of its business in order to:

i. Promote standards of responsibility and professional conduct of its Directors and employees;

ii. Promote a healthy, respectful and positive workplace environment; and

iii. Support our business reputation and corporate image in the wider community.

The Code applies to the Company and all of its subsidiaries. All employees are expected to understand the principles of the Code and uphold its values.

START
NEXT >
PREVIOUS <
END
PRINT

Continuous Disclosure Policy and Shareholder Communication Policy

Continuous Disclosure

The Company has adopted a set of procedures and guidelines to ensure that it complies with its continuous disclosure obligations in accordance with all applicable legal and regulatory requirements, including the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange (ASX).

The Continuous Disclosure Policy sets out procedures which are aimed at ensuring that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of price sensitive information. Continuous disclosure announcements are made to the ASX and are available on the Company website at www.qmsmedia.com.

Shareholder Communication

The Board's aim is to ensure that shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company.

The Company's Shareholder Communication Policy recognises that interaction with shareholders goes beyond its strict legal obligations and includes market briefings, annual reports, shareholder meetings, newsletters, and other shareholder communications, its website and media releases.

The Company's website contains relevant information for shareholders, including announcements lodged with the ASX by the Company, annual reports, press releases, key policies and terms of reference for the Board and its Committees and other material relevant to the Company's shareholders.

Diversity Policy

The Company is committed to an inclusive and diverse workplace and acknowledges the positive outcomes and benefits which can be achieved through embracing a diverse workforce.

The Company aims to ensure that:

i. Its culture at all levels supports all aspects of diversity, while maintaining a high-performance culture;
ii. Recruitment selection and promotion practices are appropriately structured to attract and consider a diverse range of candidates and avoid any conscious or unconscious bias;
iii. Its programs and processes are designed to develop a broader and more diverse pool of employees and support domestic responsibilities;
iv. Equality is at the forefront of conscious behaviors and action is taken against discriminatory behaviors; and
v. Objectives are set on an annual basis to improve diversity and measure such improvement.

Gender diversity

As at 31 December 2018, the proportion of women employed by the Group was as follows:

i.	Board of Directors	20% (30 June 2018: 20%)
ii.	Key Management Personnel (including Board of Directors)	22% (30 June 2018: 13%)
iii.	Senior Management	33% (30 June 2018: 38%)
iv.	Total Group Representation	39% (30 June 2018: 41%)

Securities Trading Policy

The Company has adopted a Securities Trading Policy for dealing in securities which: (i) prohibits types of conduct that would breach the *Corporations Act 2001*; and (ii) establishes a best practice procedure in relation to dealing in shares by Directors and employees.

The policy regulates dealings in securities to minimise the risk of transactions breaching, or potentially breaching, the prohibitions on insider trading contained in the *Corporations Act 2001* and aims to increase transparency with respect to dealings in securities in the Company.

Compliance with Corporate Governance Principles

In June 2018, the ASX Corporate Governance Council released the proposed 4th edition of the Corporate Governance Principles and Recommendations for consultation. The Company has elected to early adopt these proposed Principles and Recommendations.

The Company's corporate governance practices, and the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, is set out below. Details on compliance with the Corporate Governance Principles and Recommendations relate to the six month period ended 31 December 2018, unless specified otherwise.

	Recommendation	Comply
	Principle 1 – Lay solid foundations for management and oversight	
1.1	A listed entity should have and disclose a board charter setting out: a) the respective roles and responsibilities of its Board and management; and b) those matters expressly reserved to the Board and those delegated to management.	Yes
1.2	A listed entity should: a) undertake appropriate checks before appointing a Director or senior executive or putting someone forward for election as a Director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Yes
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes
1.5	A listed entity should: a) have and disclose a diversity policy; b) through its Board or a committee of the Board: i. set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; ii. charge management with designing, implementing and maintaining programs and initiatives to help achieve those measurable objectives; and iii. review with management at least annually the entity's progress towards achieving those measurable objectives and the adequacy of the entity's programs and initiatives in that regard; and c) disclose in relation to each reporting period: i. the measurable objectives for achieving gender diversity set by the Board or a committee of the Board; ii. the entity's progress towards achieving the measurable objectives; iii. whether the review referred to in (b)(iii) above has taken place; and iv. either: a) the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined 'senior executive' for these purposes); or b) if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under the Act.	Yes
1.6	A listed entity should: a) have and disclose a process for evaluating the performance of the Board, its committees and individual Directors for each reporting period; and b) disclose, for each reporting period, whether a performance evaluation was undertaken in accordance with that process.	Yes
1.7	A listed entity should: a) have and disclose a process for evaluating the performance of its senior executives for each reporting period; and b) disclose, for each reporting period, whether a performance evaluation was undertaken in accordance with that process.	Yes

	Recommendation	Comply
	Principle 2 – Structure the Board to add value	
2.1	The Board of a listed entity should: a) have a Nomination Committee which: i. has at least three members, a majority of whom are independent Directors; and ii. is chaired by an independent Director; And disclose: iii. the charter of the Committee; iv. the members of the Committee; and v. as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a Nomination Committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Yes
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.	Yes
2.3	A listed entity should disclose: a) the names of the Directors considered by the Board to be independent Directors; b) if a Director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, affiliation or relationship in question and an explanation of why the Board is of that opinion; and c) the length of service of each Director.	Yes
2.4	A majority of the Board of a listed entity should be independent Directors.	Yes
2.5	The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	Yes
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	Yes
2.7	A listing entity with a Director who is not fluent in the language in which Board or security holder meetings are held or key documents are written should disclose the process it has in place to ensure the Director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	Yes

	Recommendation	Comply
	Principle 3 – Instil the desired culture	
3.1	A listed entity should articulate and disclose its core values.	Yes
3.2	A listed entity should: a) have and disclose a code of conduct for its Directors, senior executives and employees; and b) ensure that the Board is informed of: i. any material breaches of that code by a Director or senior executive; and ii. any other material breaches of that code that call into question the culture of the organisation.	Yes
3.3	A listed entity should: a) have and disclose a whistle-blower policy that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and b) ensure that the Board is informed of any material concerns raised under that policy that call into question the culture of the organisation.	Yes
3.4	A listed entity should: a) have and disclose an anti-bribery and corruption policy; and b) ensure that the Board is informed of any material breaches of that policy.	Yes
	Principle 4 – Produce corporate reports of high quality and integrity	
4.1	The Board of a listed entity should: a) have an Audit Committee which: i. has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and ii. is chaired by an independent Director, who is not the chair of the Board; and disclose: iii. the charter of the Committee; iv. the relevant qualifications and experience of the members of the Committee; and v. in relation to each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings. b) if it does not have an Audit Committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes[1]
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes
4.4	A listed entity should have and disclose its process to validate that its annual Directors' report and any other corporate reports it releases to the market are accurate, balanced and understandable and provide investors with appropriate information to make informed investment decisions.	Yes

[1]The committee is now comprised of Non-Executive Directors following the resignation of the Executive Director from the Committee on 22 November 2018.

	Recommendation	Comply
	Principle 5 – Make timely and balanced disclosure	
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1.	Yes
5.2	A listed entity should ensure that its Board receives copies of all announcements under Listing Rule 3.1 promptly after they have been made.	Yes
5.3	A listed entity that gives a new investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Yes
	Principle 6 – Respect the rights of security holders	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Yes
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes
6.4	A listed entity should ensure that all resolutions at a meeting of security holders are decided by a poll rather than a show of hands.	Yes
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes
	Principle 7 – Recognise and manage risk	
7.1	The Board of a listed entity should: a) have a Committee or Committees to oversee risk, each of which: i. has at least three members, a majority of whom are independent Directors; and ii. is chaired by an independent Director; and disclose: iii. the charter of the Committee; iv. the members of the Committee; and v. as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes
7.2	The Board or a Committee of the Board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and b) disclose, in relation to each reporting period, whether such review has taken place.	Yes
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes

	Recommendation	Comply
	Principle 8 – Remunerate fairly and responsibly	
8.1	The Board of a listed entity should: a) have a Remuneration Committee which: i. has at least three members, a majority of whom are independent Directors; and ii. is chaired by an independent Director; and disclose: iii. the charter of the Committee; iv. the members of the Committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a Remuneration Committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	Yes
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes
8.4	A listed entity should only enter into an agreement for the provision of consultancy or similar services by a Director or senior executive or by a related party of a Director or senior executive: a) if it has independent advice that: i. the services being provided are outside the ordinary scope of their duties as a Director or senior executive (as applicable); ii. the agreement is on arm's length terms; and iii. the remuneration payable under it is reasonable; and b) with full disclosure of the material terms to security holders.	Yes

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	10	(3,751)	(6,760)
Amortisation expense	11	(5,164)	(7,941)
Operating profit		**10,052**	**20,928**
Finance income	3	1,688	2,249
Finance costs	3	(4,352)	(5,698)
Net finance costs	3	**(2,664)**	**(3,449)**
Share of loss from associates	12	-	(763)
Profit before tax		**7,388**	**16,716**
Income tax expense	5	(2,404)	(3,668)
Profit from continuing operations		**4,984**	**13,048**
Discontinuing operations			
Profit from discontinuing operations, net of tax	8	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	13(c)	127	303
		7,559	**18,382**
Other comprehensive income/(loss)			

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

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
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)	4	1.5	3.8
Diluted earnings per share (cents)	4	1.5	3.8
Discontinuing operations			
Basic earnings per share (cents)	4	0.8	1.8
Diluted earnings per share (cents)	4	0.8	1.8

The statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes to the Financial Statements on pages 50 to 91.
[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 (restated[1]) $'000
Assets			
Cash and cash equivalents		16,238	22,654
Trade and other receivables	6	32,783	35,973
Inventories		723	819
Assets held for sale	7	80,852	8,109
Current tax assets		205	174
Other current assets	9	46,736	40,312
Total current assets		**177,537**	**108,041**
Property, plant and equipment	10	75,536	91,103
Other non-current assets		817	815
Deferred tax assets	5	6,210	6,259
Investments		87	91
Intangible assets and goodwill	11	203,899	228,532
Total non-current assets		**286,549**	**326,800**
Total assets		**464,086**	**434,841**
Liabilities			
Trade and other payables		20,256	18,856
Deferred revenue		3,840	6,948
Current tax liabilities		2,282	6,197
Loans and borrowings	16	590	1,327
Deferred and contingent consideration	17	2,620	14,621
Provisions	18	3,043	2,413
Other liabilities	23	7,472	13,600
Liabilities held for sale	7	14,294	780
Total current liabilities		**54,397**	**64,742**
Deferred and contingent consideration	17	4,895	7,976
Loans and borrowings	16	169,432	132,002
Other non-current liabilities		2,618	2,010
Provisions	18	8,291	9,075
Deferred tax liabilities	5	5,710	7,816
Total non-current liabilities		**190,946**	**158,879**
Total liabilities		**245,343**	**223,621**
Net assets		**218,743**	**211,220**
Equity			
Share capital	13	187,195	187,233
Reserves	13	(641)	(5,001)
Retained earnings		31,865	28,342
Total equity attributable to equity holders of the Company		**218,419**	**210,574**
Non-controlling interests	13	324	646
Total equity		**218,743**	**211,220**

The statement of financial position is to be read in conjunction with the Notes to the Financial Statements on pages 50 to 91.
[1]The comparative balances at 30 June 2018 have been restated due to the adoption of AASB 9.

STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2018

	Share capital $'000	Translation reserve $'000	Other reserves $'000	Cash flow hedge reserve $'000	Share based payments reserve $'000	Merger reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 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
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
Transactions with owners of the Company										
Contributions and distributions										
Share issue costs		(517)	-	-	-	-	-	-	(517)	-
Deferred tax benefit		(440)	-	-	-	-	-	-	(440)	-
Dividend Reinvestment Plan		4,553	-	-	-	-	-	(4,553)	-	-
Dividends paid		-	-	-	-	-	-	(2,550)	(2,550)	-
Equity-settled share-based payments		-	-	-	-	442	-	-	442	-
Acquisition of subsidiary with non-controlling interest		-	-	-	-	-	(1,612)	-	(1,612)	(2,500)
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**

The statement of changes in equity is to be read in conjunction with the Notes to the Financial Statements on pages 50 to 91.

STATEMENT OF CASH FLOWS

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			
Cash flows from operating activities			
Cash receipts from customers		74,809	147,557
Cash paid to suppliers and employees		(61,841)	(121,238)
Interest paid		(4,136)	(5,046)
Income taxes paid		(6,253)	(4,698)
Net cash from operating activities	*28*	**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	*13*	(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 / 30 June 2018		**4,659**	**5,668**
Total cash and cash equivalents at 31 December 2018 / 30 June 2018		**20,897**	**22,654**

The statement of cash flows is to be read in conjunction with the Notes to the Financial Statements on pages 50 to 91.
[1] The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 revenue during the period included 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		73,408	141,782
Other income			
Release of contingent consideration		4,328	1,332
Other income		1,617	354
Total revenue and other income from continuing operations		**79,353**	**143,468**
Discontinuing operations	8	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 31 June 2018 (restated[1])			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Major products								
Out-of-Home media advertising	49,357	11,927	-	61,284	91,144	28,386	-	119,530
Print production	12,124	-	-	12,124	22,252	-	-	22,252
Revenue from contracts with customers	**61,481**	**11,927**	**-**	**73,408**	**113,396**	**28,386**	**-**	**141,782**
Other income	4,847	1,098	-	5,945	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.

(c) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	31 December 2018 $'000	30 June 2018 $'000
Receivables, which are included in 'trade and other receivables'	6	32,783	35,973
Receivables, which are included in 'assets held for sale'	7	8,237	390
Contract assets		1,541	2,709
Contract liabilities, which are included in 'deferred revenue'		(3,840)	(6,748)
Contract liabilities, which are included in 'liabilities held for sale'	7	(119)	(200)
		38,602	**32,124**

Contract assets primarily relate to the Group's rights to consideration for work completed but not invoiced at reporting date and are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to consideration received in advance from customers for media advertising for which revenue is recognised on a pro-rata basis over the period in which the advertising is displayed. This is expected to occur in the next financial period.

No information is provided over remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as permitted by AASB 15.

(d) Performance obligations and revenue recognition policies

Accounting policy for revenue recognition

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Out-of-Home media advertising	Revenue from media advertising is recognised equally on a pro-rata basis over the period in which the advertising is on display. Payment terms are 45 days from end of month for QMS Australia and QMS Sport, and 30 days from end of month for QMS New Zealand.	Revenue is recognised at the fair value of the consideration received or receivable, net of the amount of goods and services tax.
Print Production	Revenue for print production is recognised on completion of the assignment. Payment terms are 30 days.	Revenue is recognised at the fair value of the consideration received or receivable, net of the amount of goods and services tax.

2. Operating Segments

(a) Basis for segmentation

On 14 December 2018, the Group announced a strategic realignment of its business to further position it for future growth by creating three distinct business segments; QMS Australia, QMS New Zealand and QMS Sport.

A description of each segment is provided below:

- QMS Australia: provider of Out-of-Home advertising and print production services over a portfolio of owned and represented digital and static billboards and street furniture throughout Australia.
- QMS Sport: provider of Sport media rights, infrastructure rental, content and technology throughout Australia.
- QMS New Zealand: provider of Out-of-Home advertising and print production services over a portfolio of owned and represented digital and static billboards, retail and transit media throughout New Zealand.

In addition to the reportable segments, there is a Group corporate function which provides central services including finance, management and HR services to each reportable segment.

The operating performance of each segment is primarily assessed through revenue and underlying EBITDA. These are the measures included in internal management reports that are reviewed by the Board of Directors, who are considered to be the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to reportable segments and assessing their performance.

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 operating performance. 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.

(b) Information about reportable segments

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

	6 month period ended 31 December 2018					
	QMS Australia	QMS Sport	Corporate costs	Total continuing	QMS New Zealand (discontinuing)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	66,328	13,025	-	79,353	28,206	107,559
Underlying EBITDA	20,347	(286)	(3,149)	16,912	5,816	22,728
Depreciation expense	(3,295)	(456)	-	(3,751)	(760)	(4,511)
Amortisation expense	(5,074)	(90)	-	(5,164)	(710)	(5,874)
Restructuring and integration costs	(357)	(379)	-	(736)	(30)	(766)
Costs associated with acquisitions	(1,510)	(27)	-	(1,537)	(41)	(1,578)
Release of contingent consideration	4,328	-	-	4,328	-	4,328
Net finance costs	-	-	(2,664)	(2,664)	(798)	(3,462)
Profit/(loss) before tax	**14,439**	**(1,238)**	**(5,813)**	**7,388**	**3,477**	**10,865**

	12 month period ended 31 December 2018 (restated[1])					
	QMS Australia	QMS Sport	Corporate costs	Total continuing	QMS New Zealand (discontinuing)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	115,082	28,386	-	143,468	60,726	204,194
Underlying EBITDA	37,975	3,257	(6,915)	34,317	11,470	45,787
Depreciation expense	(6,093)	(667)	-	(6,760)	(1,532)	(8,292)
Amortisation expense	(7,895)	(46)	-	(7,941)	(1,651)	(9,592)
Restructuring and integration costs	(105)	(266)	-	(371)	-	(371)
Costs associated with acquisitions	(413)	-	-	(413)	(46)	(459)
Release of contingent consideration	1,332	-	-	1,332	303	1,635
Net finance costs	-	-	(3,448)	(3,448)	(1,525)	(4,973)
Profit/(loss) before tax	**24,801**	**2,278**	**(10,363)**	**16,716**	**7,019**	**23,735**

Finance costs and finance income are not allocated to operating segments, as these activities are managed by the Group corporate function.

(c) Geographical information

Revenue is presented below based on the location of business operations. Non-current assets (excluding deferred tax and financial instruments) is presented based on geographical location.

The Group does not have any customers from whom revenue exceeds 10% of total revenue (twelve month period ended 30 June 2018: Nil).

	Revenue		Non-current assets	
	6 month period ended 31 December 2018	12 month period ended 30 June 2018	31 December 2018	30 June 2018
	$'000	$'000	$'000	$'000
Australia	77,201	138,402	274,760	253,104
New Zealand[2]	-	-	-	60,990
Indonesia	2,152	5,066	5,579	6,447
Total	**79,353**	**143,468**	**280,339**	**320,541**

Accounting policy for operating segments

Revenue and underlying EBITDA for each reportable segment is used to measure performance as management views this information as the most relevant metrics in evaluating the operating performance of each segment relative to other comparable entities. Total assets and liabilities for each reportable segment are not disclosed because they are not provided to the Board on a regular basis. Total assets and liabilities are internally reviewed on a Group basis.

[1]The comparative year ended 30 June 2018 has been restated to show continuing operations separately from discontinuing operations.
[2]Classified as held for sale at 31 December 2018.

3. 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	8	(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.

4. Earnings per share

The calculation of basic and dilutive earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

(i) Shares on issue	Note	31 December 2018 $'000	30 June 2018 $'000
Number of shares on issue	13(a)	325,985	325,792

(ii) Profit attributable to ordinary shareholders (basic and diluted)	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Profit for the period, attributable to the owners of the Company	7,432	18,079

(iii) Weighted average number of ordinary shares – basic	Weighted average ('000)	Weighted average ('000)
Issued ordinary shares at 1 July	325,791	320,969
Dividend Reinvestment Plan – October 2018	74	-
Dividend Reinvestment Plan – April 2018	-	538
Dividend Reinvestment Plan – October 2017	-	1,709
Weighted average ordinary shares at 31 December/30 June - basic	**325,865**	**323,216**

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

(iv) Weighted average number of ordinary shares – diluted	Weighted average ('000)	Weighted average ('000)
Weighted average number of ordinary shares- basic	325,865	323,216
Effect of performance rights on issue	-	756
Weighted average ordinary shares at 31 December/30 June - diluted	**325,865**	**323,972**

(v) Earnings per share	6 month period ended 31 December 2018	12 month period ended 30 June 2018
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

Accounting policy for earnings per share

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is determined by adjusting the net profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5. Income taxes

(a) Amounts recognised in profit or loss

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Current tax expense			
Current period		(2,545)	(1,974)
		(2,545)	**(1,974)**
Deferred tax expense			
Origination and reversal of temporary differences	5(d)	141	(1,694)
		141	**(1,694)**
Tax expense from continuing operations		**(2,404)**	**(3,668)**
Discontinuing operations		(902)	(1,685)
Total tax expense		**(3,306)**	**(5,353)**

(b) Amounts recognised directly in equity

	6 month period ended 31 December 2018) $'000	12 month period ended 30 June 2018 $'000
Deferred tax expense on share issue costs recognised directly in equity	348	568
Deferred tax expense on derivative financial instruments recognised in equity	71	47
	419	**615**

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

START
NEXT >
PREVIOUS <
END
PRINT

(c) Reconciliation of effective tax rate

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Profit before tax from continuing operations	7,388	16,716
Prima facie income tax expense at 30%	(2,216)	(5,015)
Non-deductible expenses	(1,499)	(2,300)
Non-assessable income	1,354	425
Difference in tax and accounting cost base	(172)	(84)
Difference in overseas tax rates	(24)	(70)
Utilisation of previously unrecognised tax losses	-	365
Recognition of carry forward tax losses	-	624
ACA tax base reset	-	1,491
Deductible expense in equity	196	449
Over/(under) provided in prior period	(173)	294
Other	130	153
Tax expense from continuing operations	**(2,404)**	**(3,668)**
Effective tax rate	33%	22%

(d) Movement in deferred tax balances

For the six month period ended 31 December 2018

	Balance at 30 June 2018					Balance at 31 December 2018			
	Deferred tax assets	Deferred tax liabilities	Total	Recognised in profit or loss	Recognised directly in equity	Reclassification to assets and liabilities held for sale	Total	Deferred tax assets	Deferred tax liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	117	(1,417)	(1,300)	(1,293)	-	1,178	(1,415)	40	(1,455)
Intangible assets	-	(6,366)	(6,366)	398	-	1,723	(4,245)	-	(4,245)
Employee benefits	983	-	983	142	-	(62)	1,063	1,063	-
Provisions	3,464	(33)	3,431	96	-	(335)	3,192	3,202	(10)
IPO costs and share issue costs	652	-	652	217	(220)	-	649	649	-
Carry forward losses	996	-	996	299	-	(110)	1,185	1,185	-
Interest rate swap	47	-	47	-	24	-	71	71	-
Net tax asset / (liability)	**6,259**	**(7,816)**	**(1,557)**	**(141)**	**(196)**	**2,394**	**500**	**6,210**	**(5,710)**

The Group has no carry forward tax losses whereby a deferred tax asset has not been recorded due to the recognition criteria not being satisfied (30 June 2018: Nil).

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

For the 12 month period ended 30 June 2018

	Balance at 30 June 2018					Balance at 31 December 2018		
	Deferred tax assets	Deferred tax liabilities	Total	Recognised in profit or loss	Recognised directly in equity	Total	Deferred tax assets	Deferred tax liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	16	(1,244)	(1,228)	(72)	-	(1,300)	117	(1,417)
Intangible assets	38	(7,438)	(7,400)	1,034	-	(6,366)	-	(6,366)
Employee benefits	920	-	920	63	-	983	983	-
Provisions	3,113	-	3,113	318	-	3,431	3,464	(33)
Prepayments	-	(63)	(63)	63	-	-	-	-
IPO costs and share issue costs	1,173	-	1,173	(81)	(440)	652	652	-
Carry forward losses	236	-	236	760	-	996	996	-
Interest rate swap	56	-	56	-	(9)	47	47	-
Other	4	-	4	(4)	-	-	-	-
Net tax asset / (liability)	**5,556**	**(8,745)**	**(3,189)**	**2,081**	**(449)**	**(1,557)**	**6,259**	**(7,816)**

The Group has no carry forward tax losses whereby a deferred tax asset has not been recorded due to the recognition criteria not being satisfied (30 June 2017: $639,000).

Accounting policy for income taxes

The income tax expense for the period comprises current income tax expense and deferred tax expense. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax expense charged to profit or loss is the tax payable on taxable income, using tax rates enacted or substantially enacted at balance date, and any adjustments to tax payable in respect of previous periods.

Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

START
NEXT >
PREVIOUS <
END
PRINT
CONTENTS
LETTER FROM THE CHAIRMAN
CEO'S REPORT
OPERATING AND FINANCIAL REVIEW
INDEX TO THE DIRECTORS' REPORT
DIRECTORS' REPORT
CORPORATE GOVERNANCE STATEMENT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF CASH FLOWS
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
DIRECTORS' DECLARATION
INDEPENDENT AUDIT REPORT
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
ASX ADDITIONAL INFORMATION
CORPORATE DIRECTORY

Tax consolidation regime

The Company and its wholly-owned Australian entities formed a tax consolidated Group at the close of business on 30 June 2016.

The deferred tax balances recognised by the parent entity and the Group in relation to wholly-owned entities joining the tax consolidated Group were remeasured based on the carrying amounts of the assets and liabilities of those entities at the level of the tax consolidated Group and their tax values, as applicable under the tax consolidation legislation.

The Company, as the head entity in the tax consolidated Group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax (expense)/benefit.

The controlled entities in the tax consolidated Group account for their own deferred tax balances, except for those relating to tax losses.

6. Trade and other receivables

	31 December 2018 $'000	30 June 2018 $'000
Trade and other receivables	33,093	36,237
Less: Allowance for impairment of receivables	(310)	(264)
	32,783	**35,973**

Accounting policy for trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Recoverability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is calculated using an expected credit losses provision matrix. The provision matrix is based on the Group's historical observed default rates, adjusted for forward looking estimates. The historical observed default rates are updated to reflect current and forecast credit conditions on each reporting date. Provisions for specific receivables are recognised in addition to the general provision originating from the expected credit losses matrix.

The amount of the provision is recognised in the statement of financial position with a corresponding charge recognised in the statement of profit or loss and other comprehensive income.

7. 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 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.

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	1,003	98
Other liabilities	2,003	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.

8. 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**
Employee benefits expense		(4,641)	(8,029)
Advertising and marketing expenses		(223)	(395)
Legal and professional fees		(93)	(212)
Costs associated with acquisitions		(41)	(46)
Office expenses		(619)	(1,193)
Restructuring and integration costs		(30)	-
Consultancy fees		(7)	(57)
Other expenses		(860)	(2,877)
Depreciation expense	10	(760)	(1,532)
Amortisation expense	11	(710)	(1,651)
Operating profit		**4,173**	**8,543**
Finance income		168	260
Finance costs		(966)	(1,784)
Net finance costs	3	**(798)**	**(1,524)**
Share of profit from associates	12	102	-
Profit before tax		**3,477**	**7,019**
Income tax expense	5	(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.

9. Other assets

	31 December 2018 $'000	30 June 2018 (restated[1]) $'000
Loan receivable from third parties	37,892	25,675
Prepayments	3,701	6,532
Accrued income	2,884	4,378
Sundry receivables	2,066	3,116
Other	184	122
Security deposits	9	5
Deposits	-	350
Loan receivable from associates	-	134
	46,736	**40,312**

Included within the loan receivable from third parties at 31 December 2018 were loans of $36,882,000 issued to TGI and TGIE (30 June 2018: $25,631,000). These loans were provided ahead of the finalisation of the acquisition to facilitate the purchase of additional LED equipment in order to secure new contracts which provide expansion into complementary growth opportunities.

10. 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 2017	5,902	79,473	1,255	2,997	89,627
Acquisitions through business combinations	-	3	-	-	3
Additions	-	19,516	26	936	20,478
Transfers	-	503	41	(544)	-
Effect of movements in exchange rates	-	(942)	(8)	(25)	(975)
Disposals	-	(299)	-	(93)	(392)
Balance at 30 June 2018	**5,902**	**98,254**	**1,314**	**3,271**	**108,741**
Accumulated depreciation					
Balance at 1 July 2017	(143)	(9,331)	(321)	-	(9,795)
Depreciation	(103)	(7,896)	(293)	-	(8,292)
Effect of movements in exchange rates	-	244	2	-	246
Disposals	-	203	-	-	203
Balance at 30 June 2018	**(246)**	**(16,780)**	**(612)**	**-**	**(17,638)**
Carrying amounts at 30 June 2018	**5,656**	**81,474**	**702**	**3,271**	**91,103**

[1]The comparative balances at 30 June 2018 have been restated due to the adoption of AASB 9.

	Note	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	7	-	(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	8	-	(750)	(10)	-	(760)
Effect of movements in exchange rates		-	(340)	(3)	-	(343)
Disposals		-	256	-	-	256
Reclassification to assets held for sale	7	-	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.

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.

11. Intangible assets and goodwill

(a) Reconciliation of carrying amount

	Goodwill $'000	Site Leases $'000	Other $'000	Total $'000
Cost				
Balance 1 July 2017	117,135	77,442	3,244	197,821
Acquisitions through business combinations	2,054	-	-	2,054
Provisional acquisition adjustments	3,208	-	-	3,208
Additions	-	40,380	6,667	47,047
Disposals	-	-	(135)	(135)
Effect of movements in exchange rates	(1,302)	(734)	(54)	(2,090)
Balance at 30 June 2018	**121,095**	**117,088**	**9,722**	**247,905**
Accumulated amortisation				
Balance 1 July 2017	-	(9,511)	(472)	(9,983)
Amortisation	-	(8,146)	(1,446)	(9,592)
Effect of movements in exchange rates	-	176	26	202
Balance at 30 June 2018	**-**	**(17,481)**	**(1,892)**	**(19,373)**
Carrying amount at 30 June 2018	**121,095**	**99,607**	**7,830**	**228,532**

START
NEXT >
PREVIOUS <
END
PRINT
CONTENTS
LETTER FROM THE CHAIRMAN
CEO'S REPORT
OPERATING AND FINANCIAL REVIEW
INDEX TO THE DIRECTORS' REPORT
DIRECTORS' REPORT
CORPORATE GOVERNANCE STATEMENT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION
STATEMENT OF CHANGES IN EQUITY
STATEMENT OF CASH FLOWS
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
DIRECTORS' DECLARATION
INDEPENDENT AUDIT REPORT
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
ASX ADDITIONAL INFORMATION
CORPORATE DIRECTORY

	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	7	(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 discontinuing operations	8	-	(578)	(132)	(710)
Effect of movements in exchange rates		-	(380)	(36)	(416)
Reclassification to assets held for sale	7	-	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.

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[1]	34,524	8,621	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.

[1]Classified as held for sale at 31 December 2018.

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.

Sufficient headroom is available in all CGU's. However if the discount rate in the QMS Sport CGU is increased from 11% to 12% and the EBITDA growth rate decreased from 3% to 1%, this may lead to an impairment loss.

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).

12. Equity accounted investments

The Group's share of profit/(loss) in equity accounted investments is detailed below:

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Live Docklands Pty Ltd		-	(628)
World Sports and Entertainment Holdings Pty Ltd		-	(135)
Total share of loss from associates		**-**	**(763)**
Discontinuing operations	8	102	-
Total share of profit/(loss) from associates		**102**	**(763)**

On 27 March 2018, the Group acquired the remaining 50% shareholding in Live Docklands. Accordingly, on this date equity accounting ceased and Live Docklands became a wholly owned subsidiary which is consolidated into the Group.

On 6 June 2018, the Group obtained control over Sportsmate through successive share purchases. From this date, the results of Sportsmate were consolidated into the Group and equity accounting ceased.

13. Capital and reserves

(a) Share Capital

	No. Ordinary Shares '000	Value $'000
On issue at 1 July 2018	325,792	187,233
Dividend Reinvestment Plan (DRP)	193	188
Share issue costs	-	(6)
Deferred tax expense	-	(220)
On issue at 31 December 2018	**325,985**	**187,195**

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. In the event of the winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(b) Reserves

	31 December 2018 $'000	30 June 2018 $'000
Translation reserve	4,735	261
Share based payments reserve	863	922
Other reserves	25	25
Cash flow hedge reserve	(166)	(111)
Merger reserve	(6,098)	(6,098)
	(641)	**(5,001)**

Nature and purpose of reserves

(i) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of balances within foreign operations.

(ii) Merger reserve

	31 December 2018 $'000	30 June 2018 $'000
Digital Outdoor Media (Aust) Pty Ltd	(144)	(144)
Live Docklands Pty Ltd	1,612	1,612
Riverview Signage Trust	4,630	4,630
	6,098	**6,098**

The amounts recorded for Digital Outdoor Media (Aust) Pty Ltd and Riverview Signage Trust relate to common control transactions. Where the Company acquires an entity that is classified as a common control transaction, the Company has made an accounting policy choice to recognise the assets acquired and liabilities assumed using carrying values, with an adjustment made to a separate component of equity (the merger reserve) to reflect any difference between the consideration paid and the capital of the acquiree.

The amount recorded for Live Docklands Pty Ltd relates to the Group's acquisition of the remaining 50% shareholding held in this entity. No consideration was transferred and the fair value of the acquisition was deemed to be nil. Therefore, no goodwill has been recognised due to the recognition criteria not being satisfied. Instead, the impact of the net liabilities acquired was recognised in the merger reserve.

(iii) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge transactions that have not yet occurred.

(iv) Share based payments reserve

The share based payments reserve records the fair value of performance rights granted to senior executives under the Group's Long Term Incentive plan. The current balance reflects the fair value of unvested rights which may be transferred to contributed equity when the rights are exercised.

(c) Non-controlling interests (NCI)

	31 December 2018 $'000	30 June 2018 $'000
Balance at 1 July	646	2,843
Share of operating profit after income tax	127	303
Acquisition of Gomeeki Operations Pty Ltd	(449)	-
Acquisition of Elwood Outdoor Advertising Pty Ltd	-	(2,500)
Balance at 31 December / 30 June	**324**	**646**

(d) Dividends

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.

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax consolidated group has assumed the benefit of $9,003,000 (30 June 2018: $4,789,000) franking credits.

Dividend franking account	31 December 2018 $'000	30 June 2018 $'000
Amount of franking credits available to shareholders for subsequent periods	10,822	6,235

14. Share based payments

The Company has a Long Term Incentive ('LTI') Plan whereby Key Management Personnel and other selected senior executives are granted performance rights.

Under the Plan, eligible participants are granted performance rights for nil consideration, subject to the satisfaction of vesting conditions over a three-year period. Each performance right is an entitlement to the value of a QMS Media Limited ordinary share, which the Board may determine to settle in shares and/or cash.

The performance rights granted are based on two equally weighted tranches. The first tranche is based on an indexed Total Shareholder Return ('TSR') vesting condition and the second tranche is based on an Earnings per Share ('EPS') vesting condition.

The TSR performance conditions are measured against a comparator group of companies of a similar size that are considered to be an alternative investment for investors. TSR is a measure of return to shareholders provided through share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The compound average EPS growth range reflects the Board's view of a reasonable long-term target, taking into account the industry in which the Company competes, competitor performance, market share, operational performance and expected level of reinvestment of earnings in the business. EPS is calculated using NPAT and the number of ordinary shares on issue.

The fair value of performance rights was calculated by an independent expert at grant date based on a Black Scholes Option Pricing Model. The fair value is recognised on a straight line basis over the three year vesting period.

The assumptions and fair value of the performance rights currently on issue are detailed as follows:

Assumptions and fair value of performance rights	FY18 grant	FY17 grant
Grant date	29 June 2018	29 June 2017
Measurement period commencement date	1 July 2017	1 July 2016
Vesting date	30 June 2020	30 June 2019
Fair value at grant date	$1.041	$1.114
Share price at grant date	$1.085	$1.160
Expected volatility	14.26%	16.46%
Vesting period	3 years	3 years
Expected value of dividends over the period	$0.044	$0.046
Risk-free interest rate	2.600%	2.511%

A share based payment benefit of $59,000 has been recorded for the six month period ended 31 December 2018, with a corresponding decrease to equity (year ended 30 June 2018: $442,000 share based payment expense).

No performance rights were granted during the six month period ended 31 December 2018. Due to the change in financial year end, the next grant will be effective from 1 January 2019.

The movement in the number of performance rights granted to employees during the period is as follows:

	31 December 2018 Rights granted No.	30 June 2018 Rights granted No.
1 July	3,023,186	1,429,780
Granted during the period	-	1,593,406
Total	**3,023,186**	**3,023,186**

The performance rights outlined in the above table reflect the on-target number of shares granted, and consist of two equally weighted tranches, being TSR and EPS. The performance rights granted to Executive Directors are subject to approval at the Company's Annual General Meeting.

Accounting policy for share based payments

The fair value of performance rights granted is recognised in profit or loss, with a corresponding increase in equity. The fair value is measured at grant date and expensed over the vesting period during which the employee becomes unconditionally entitled to the performance rights. The fair value of the performance rights is measured using a Black Scholes Option Pricing Model, taking into account the terms and conditions upon which the performance rights were granted.

The performance rights granted are based on two equally weighted tranches. The first tranche is based on an indexed Total Shareholder Return ('TSR') vesting condition and the second tranche is based on an Earnings per Share ('EPS') vesting condition.

TSR is a market based vesting condition whereby the fair value measured at grant date reflects the probability of satisfying the market condition. The expense is recognised on a straight line basis over the vesting period. Market based conditions are not adjusted to reflect differences between expected and actual outcomes.

EPS is a non-market vesting condition whereby an estimate is made at each reporting date to reflect the number of equity instruments for which service and non-market performance conditions are expected to be satisfied. This expense is recognised on a straight line basis over the three year vesting period.

15. Capital management

The Group's operations during the six month period ended 31 December 2018 were funded from cash generated from operating activities and the utilisation of the Group's loan facility.

On 29 October 2018, the Group executed an increase in the loan facility with the National Australia Bank Limited ('NAB'). The facility was increased by an additional $20.0 million on 21 December 2018. The transaction provided further flexibility to fund future growth.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business and maximise value to shareholders. Management monitors the return on capital on an ongoing basis, as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

16. Loans and borrowings

	31 December 2018 $'000	30 June 2018 $'000
Current loans and borrowings		
Bank loans and borrowings	190	428
Finance lease liabilities	400	899
Total current loans and borrowings	**590**	**1,327**
Non-current loans and borrowings		
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)
Total non-current loans and borrowings	**169,432**	**132,002**
Total loans and borrowings	**170,022**	**133,329**

(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.

(b) Finance lease liabilities

Finance lease liabilities minimum lease payments ('MLP's) are payable as follows:

	31 December 2018			30 June 2018		
	Future MLP's $'000	Interest $'000	PV of MLP's $'000	Future MLP's $'000	Interest $'000	PV of MLP's $'000
Less than one year	416	16	400	941	42	899
Between one and five years	360	38	322	721	87	634
Total finance lease liabilities	**776**	**54**	**722**	**1,662**	**129**	**1,533**

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.

17. 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.

18. Provisions

	Straight line leasing $'000	Make good $'000	Employee entitlements $'000	Total $'000
Balance at 1 July 2017	5,010	2,241	2,450	9,701
Provisional acquisition adjustments	(143)	-	-	(143)
Effect of movements in exchange rates	(6)	(9)	(13)	(28)
Provisions released during the year	(78)	(12)	(1,887)	(1,977)
Provisions made during the year	1,820	-	2,115	3,935
Balance at 30 June 2018	**6,603**	**2,220**	**2,665**	**11,488**
Current	-	-	2,413	2,413
Non-current	6,603	2,220	252	9,075
Total provisions	**6,603**	**2,220**	**2,665**	**11,488**

	Note	Straight line leasing $'000	Make good $'000	Employee entitlements $'000	Total $'000
Balance at 1 July 2018		6,603	2,220	2,665	11,488
Reclassification to liabilities held for sale	7	(178)	(210)	(615)	(1,003)
Effect of movements in exchange rates		7	9	22	38
Provisions released during the period		(289)	-	(744)	(1,033)
Provisions made during the period		681	140	1,023	1,844
Balance at 31 December 2018		**6,824**	**2,159**	**2,351**	**11,334**
Current		1,037	-	2,006	3,043
Non-current		5,787	2,159	345	8,291
Total provisions		**6,824**	**2,159**	**2,351**	**11,334**

Accounting policy for provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

A make good provision is recognised for the costs of restoration or removal in relation to plant and equipment and 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. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

A provision for straight line leasing is recognised for the difference between the accounting expense recognised in the statement of profit or loss and other comprehensive income and the periodic cash payment as a result of fixed rental increases. This ensures that the rent expense recorded is consistent throughout the term of the lease. The provision is fully unwound at the end of the lease period.

Employee entitlements:

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Superannuation

The Group contributes superannuation benefits to numerous, but solely accumulation-type personal and award-based superannuation funds at a percentage of salary pursuant to employee contracts and statutory obligations.

(v) Employee benefit on-costs

On-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

19. Financial instruments – fair values and risk management

(a) Accounting classifications and fair values

The following table details the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The different levels of the fair value hierarchy have been defined as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

			31 December 2018 Fair value				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	
	Note	$'000	$'000	$'000	$'000	$'000	Total
Equity securities financial asset		87	87	87	-	-	87
Interest rate swap		(237)	(237)	-	(237)	-	(237)
Deferred and contingent consideration	17	(7,515)	(8,622)	-	(6,052)	(2,570)	(8,622)
Total		**(7,665)**	**(8,772)**	**87**	**(6,289)**	**(2,570)**	**(8,772)**

			30 June 2018 Fair value				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	
	Note	$'000	$'000	$'000	$'000	$'000	Total
Available-for-sale financial asset		84	84	84	-	-	84
Interest rate swap		(158)	(158)	-	(158)	-	(158)
Deferred and contingent consideration	17	(22,597)	(25,315)	-	(17,016)	(8,299)	(25,315)
Total		**(22,671)**	**(25,389)**	**84**	**(17,174)**	**(8,299)**	**(25,389)**

(b) Measurement of fair values

Valuation technique

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Deferred consideration	Where the Group has obligations to pay specified amounts at future dates, the deferred consideration is measured at present value using a risk-adjusted discount rate, with the unwinding of any interest element recognised in profit or loss.	Risk-adjusted discount rate (11.0%-11.5%)	The estimated deferred consideration would increase/decrease if the risk adjusted discount rate is higher or lower.
Contingent Consideration	Discounted cash flow based on a valuation model that considers the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by estimating the expected earnings based on the calculation stipulated in the purchase agreements. This estimation is judgemental and is determined by management with reference to past performance and current budget plans.	Risk-adjusted discount rate (11.0%-11.5%), forecast earnings	The estimated contingent consideration would increase/decrease if the risk adjusted discount rate or forecast earnings is higher or lower.
Interest rate swap	The fair value of interest rate swaps is based on bank quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract using market interest rates for a similar instrument at the measurement date.	Bank quotes, market interest rates	The estimated fair value would increase/decrease if the interest rate is higher or lower.

(c) Financial risk management

(i) Risk management framework

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Board and Audit and Risk Management Committee is provided with the authority to manage any identified material risks.

(ii) Credit risk

Credit risk is managed on a Group wide basis. Credit risk arises from cash and cash equivalents, deposits with banks and exposures to agencies and direct clients, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. Ongoing customer credit performance is monitored on a regular basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2018 was:

	31 December 2018	30 June 2018
	$'000	$'000
Cash and cash equivalents	16,238	22,654
Trade and other receivables	33,093	36,237
Other assets	46,736	40,312
Total	**96,067**	**99,203**

Impairment

The ageing of trade and other receivables that were not impaired was as follows:

	31 December 2018	30 June 2018
	$'000	$'000
Current	21,917	28,459
Due 1 - 30 days	4,207	2,623
Due 31 - 60 days	1,071	3,999
Due 61 - 90 days	675	236
Due 91+ days	4,913	656
Total	**32,783**	**35,973**

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	31 December 2018	30 June 2018
	$'000	$'000
Balance at 1 July	(264)	(235)
Impairment loss recognised	(139)	(88)
Provision for doubtful debtor recovered	-	59
Reclassification to assets held for sale	13	-
Amounts written off	80	-
Balance at 31 December	**(310)**	**(264)**

Other than those receivables specifically considered in the above allowance for impairment, the Group does not consider there to be a material credit quality issue with the remaining trade receivables balance.

The movement in the allowance for impairment in respect of other assets during the period was as follows:

	31 December 2018 $'000	30 June 2018 (restated[1]) $'000
Balance at 1 July	(256)	-
Impairment loss recognised	(116)	(256)
Balance at 31 December	**(372)**	**(256)**

Other than those other assets specifically considered in the above allowance for impairment, the Group does not consider there to be a material credit quality issue with the remaining other assets balances.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows.

Exposure to liquidity risk

The following table details the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

		31 December 2018 contractual cash outflows			
	Note	Carrying amount $'000	Total $'000	Less than 12 months $'000	1-5 years $'000
Non-derivative financial liabilities					
Deferred and contingent consideration	17	(7,515)	(8,622)	(2,620)	(6,002)
Bank loans and borrowings	16	(100,390)	(100,390)	(190)	(100,200)
Corporate Bond	16	(68,910)	(70,000)	-	(70,000)
Finance lease liabilities	16	(722)	(722)	(400)	(322)
Trade payables		(20,256)	(20,256)	(20,256)	-
Total non-derivative financial liabilities		**(197,793)**	**(199,990)**	**(23,466)**	**(176,524)**
Interest rate swap		(237)	(237)	-	(237)
Total financial liabilities		**(198,030)**	**(200,227)**	**(23,466)**	**(176,761)**

		30 June 2018 contractual cash outflows			
	Note	Carrying amount $'000	Total $'000	Less than 12 months $'000	1-5 years $'000
Non-derivative financial liabilities					
Deferred and contingent consideration	17	(22,597)	(25,315)	(14,621)	(10,694)
Bank loans and borrowings	16	(63,028)	(63,028)	(428)	(62,600)
Corporate Bond	16	(68,768)	(70,000)	-	(70,000)
Finance lease liabilities	16	(1,533)	(1,533)	(899)	(634)
Trade payables		(18,856)	(18,856)	(18,856)	-
Total non-derivative financial liabilities		**(174,782)**	**(178,732)**	**(34,804)**	**(143,928)**
Interest rate swap		(158)	(158)	-	(158)
Total financial liabilities		**(174,940)**	**(178,890)**	**(34,804)**	**(144,086)**

[1]The comparative balances at 30 June 2018 have been restated due to the adoption of AASB 9.

The Group's liquidity is dependent upon the Group managing its cash outflows and financing obligations as it continues to expand its operations and therefore liquidity is an area of risk. The Group has obligations to pay further acquisition consideration as disclosed above and in note 17 and plans to invest further capital into its asset network as part of its growth strategy.

Financing arrangements are in place that are subject to covenant requirements. As at the date of signing the Financial Statements, the Group had met its covenant requirements and the forecast cash flows indicate the Group has sufficient liquidity to undertake its strategic capital expenditures.

The Group expects to fund part of its capital expenditure from cash flow from operations, and should cash flows from operations not be sufficient, discretionary capital expenditure may be deferred to manage the Group's liquidity profile.

The interest payments on variable interest rate loans in the table above reflect the interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration may be different from the amount in the above table as interest rates or the relevant conditions underlying the contingency change.

Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group operates internationally and is exposed to foreign exchange transaction risks arising from currency exposures, primarily with respect to the Indonesian Rupiah and New Zealand Dollar. Foreign exchange transaction risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has foreign currency exposure to movements in the AUD/NZD and AUD/IDR exchange rates in consolidating the NZD and IDR net assets of its subsidiaries in those countries at each reporting date. The Australian Accounting Standards require that such movements be recorded to the Group's Foreign Currency Translation Reserve ('FCTR') within equity.

No hedging is currently undertaken because the Group's New Zealand operations are classified as held for sale and the Indonesian operations are considered immaterial to the overall Group.

The Group has foreign currency exposure to movements in the AUS/USD exchange rate through its loan receivables from TGI/TGIE which are denominated in USD. These movements have been recorded in the Group's FCTR at each reporting date. No hedging has been undertaken as these businesses are soon to be consolidated in the Group. The FCTR balance at 31 December 2018 is $4,735,000 (30 June 2018: $261,000).

Interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk. The Group's banking facility with the National Australia Bank is at a floating rate. The Group has managed its exposure to interest rate variability by entering into a pay-fixed receive-variable interest rate swap for a portion of this debt facility.

The carrying amount of financial assets and liabilities with exposure to interest rate risk is as follows:

	31 December 2018 $'000	30 June 2018 $'000
Cash and cash equivalents	16,238	22,654
Bank loans and borrowings	(100,922)	(64,355)
Net debt	**(84,684)**	**(41,701)**

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	31 December 2018 Profit or loss	31 December 2018 Equity (net of tax)	30 June 2018 Profit or loss	30 June 2018 Equity (net of tax)
Loans and borrowings	(799)	(799)	(420)	(420)

Accounting policy for financial instruments

AASB 139 *Financial Instruments: Recognition and Measurement* has been replaced by AASB 9: *Financial Instruments*, which sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Initial recognition and measurement

Trade receivables and debt securities are initially recognised when they are originated. Other financial assets/liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent remeasurement

The categories of 'held to maturity', 'loans and receivables' and 'available for sale' which existed under AASB 139, are no longer relevant. AASB 9 contains three principal classification categories for financial assets:

i. measured at amortised cost;

ii. fair value other comprehensive income ('FVOCI'); and

iii. fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All derivative financial assets are measured as FVTPL. At inception, the Group may also irrevocably designate that a financial asset be measured as FVTPL, even though it would otherwise be measured as amortised cost or FVOCI, if such an election eliminates (or significantly reduces) an accounting mismatch which would otherwise occur.

Subsequent remeasurement of	Remeasured at	Gains/losses	Other considerations
Financial assets at FVTPL	Fair value	Profit or loss	Does not apply to hedging instruments (refer to '(v)' below)
Financial assets at amortised cost	Amortised cost using the effective interest method	Profit or loss	Amortised cost is reduced by any impairment losses
Debt investments at FVOCI	Fair value	Interest income to profit or loss; other gains/ losses to OC	On derecognition, OCI balancereclassified to the profit or loss
Equity instruments at FVOCI	Fair value	Dividends to profit or loss; other gains/losses to OCI	OCI balance is never reclassified to the profit or loss
Financial liabilities at FVTPL	Fair value	Profit or loss	Does not apply to hedging instruments (refer to '(v)' below)
Financial liabilities at amortised cost	Amortised cost using the effective interest method	Profit or loss	-

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities extinguished) would be recognised in the statement of profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives are initially measured at fair value. Subsequent changes in fair value are recognised in OCI.

The Group designates certain instruments as cash flow hedges to minimise the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Accounting policy for cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies for financial liabilities and derivative financial instruments.

20. List of subsidiaries and equity accounted investments

Set out below is a list of subsidiaries and equity accounted investments of the Group.

Controlled Subsidiaries	Principal place of business	Ownership interest 31 December 2018	Ownership interest 30 June 2018
MMTB Pty Ltd	Australia	100%	100%
MMT Land Pty Ltd	Australia	100%	100%
Omnigraphics Australia Pty Ltd	Australia	100%	100%
QMS Australia Pty Ltd	Australia	100%	100%
QMS Rail Media Pty Ltd	Australia	100%	100%
QMS Australian Holdings Pty Ltd	Australia	100%	100%
Q Media Pty Ltd	Australia	100%	100%
Standout Media Pty Ltd	Australia	100%	100%
QMS Insite Media Pte Ltd	Singapore	100%	100%
PT INsite Media	Indonesia	51%	51%
The Digital Outdoor Group Pty Ltd	Australia	50%	50%
Digital Outdoor Media (Aust) Pty Ltd	Australia	100%	100%
Digital Outdoor Media (NSW) Pty Ltd	Australia	100%	100%
Digital Outdoor Media (QLD) Pty Ltd	Australia	100%	100%
Digital Outdoor Media (VIC) Pty Ltd	Australia	100%	100%
Digital Outdoor Media (WA) Pty Ltd	Australia	100%	100%
Riverview Signage Trust	Australia	100%	100%
Riverview Signage Pty Ltd	Australia	100%	100%
QMS NZ Holdings Limited	New Zealand	100%[1]	100%
QMS NZ Retail Limited	New Zealand	100%[1]	100%
Paramount Outdoor Pty Ltd	Australia	100%	100%
Plexity Holdings Pty Ltd	Australia	100%	100%
BMG Australasia Pty Ltd	Australia	95%	95%
Transport Media Services Limited	New Zealand	75%[1]	75%
iSite Limited	New Zealand	100%[1]	100%
Omnigraphics Limited	New Zealand	49%[1]	49%
QMS NZ Limited	New Zealand	100%[1]	100%
Australian Billboard Company Pty Ltd	Australia	100%	100%
Elwood Outdoor Advertising Pty Ltd	Australia	100%	100%
Skyline Digital Pty Ltd	Australia	100%	100%
Octopus Property Pty Ltd	Australia	100%	100%
QMS Sport Pty Ltd	Australia	80%	80%
QMS Sport NZ Limited	New Zealand	80%[1]	80%
Rpple Media Pty Ltd	Australia	51%	51%
Digital Commons Limited	New Zealand	60%[1]	60%
Digital Commons Australia Pty Ltd	Australia	60%[1]	60%
Live Docklands Pty Ltd	Australia	100%	100%
World Sports and Entertainment Holdings Pty Ltd	Australia	100%	33%
Sportsmate Technologies Pty Ltd	Australia	100%	33%
World Sports and Entertainment Technologies Pty Ltd	Australia	100%	33%
Gomeeki Operations Pty Ltd	Australia	51%	-
QMS Sport Holdings Limited	Australia	100%	-
QMS Sport (Europe) Holdings Pty Ltd	Australia	100%	-
QMS Sport (US) Holdings Pty Ltd	Australia	100%	-

[1]Classified as held for sale at 31 December 2018.

Equity-accounted Investments	Principal place of business	Ownership interest 31 December 2018	Ownership interest 30 June 2018
Titan Media Group NZ Pty Ltd	New Zealand	50%[1]	50%
City On Limited	New Zealand	40%[1]	40%
Stadium Graphics Limited	New Zealand	40%[1]	40%
Rugby Services Limited	New Zealand	27%[1]	27%

21. Business combinations

The purchase price accounting ('PPA') calculation for the Digital Commons Limited and Digital Commons Australia Pty Ltd was finalised in the six month period ended 31 December 2018. As a result, the goodwill balance increased by $93,000 from the balance disclosed in the 30 June 2018 annual report.

The acquisition of World Sports and Entertainment Holdings Pty Ltd ('Sportsmate') completed on 6 June 2018 and therefore remains provisional at 31 December 2018.

The acquisition of Gomeeki Operations Pty Ltd ('GoMeeki') completed on 2 July 2018 and therefore remains provisional at 31 December 2018.

Accounting policy for business combinations

Goodwill arising from acquisitions has been recognised as the excess of the consideration paid above the fair value of the assets acquired and liabilities assumed as a part of the business combination.

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

22. Operating leases

(i) Future minimum lease payments

At 31 December 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

	31 December 2018			30 June 2018		
	Site rent $'000	Other $'000	Total $'000	Site rent $'000	Other $'000	Total $'000
Within one year	21,522	1,667	23,189	20,168	1,845	22,013
Later than one year but not later than five years	71,723	3,743	75,466	82,649	4,233	86,882
Later than five years	116,894	636	117,530	102,888	736	103,624
Total	**210,139**	**6,046**	**216,185**	**205,705**	**6,814**	**212,519**

(ii) Amounts recognised in profit or loss

	6 month period ended 31 December 2018			12 month period ended 30 June 2018		
	Site rent $'000	Other $'000	Total $'000	Site rent $'000	Other $'000	Total $'000
Lease expense	8,447	1,360	9,807	17,100	2,226	19,326
Total	**8,447**	**1,360**	**9,807**	**17,100**	**2,226**	**19,326**

Accounting policy for leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

[1]Classified as held for sale at 31 December 2018.

(ii) Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal.

23. Other liabilities

	31 December 2018 $'000	30 June 2018 $'000
Accruals	7,329	12,680
Other liabilities	143	920
Total other liabilities	**7,472**	**13,600**

24. Commitments

As at 31 December 2018, the Group is contracted to purchase property, plant and equipment for $3,414,000 (30 June 2018: $5,261,000).

25. Related parties

(a) Key Management Personnel

The Key Management Personnel ('KMP') of the Company and Group are defined under AASB 124 *Related Party Disclosures* to include Non-Executive Directors, Executive Directors and those persons with authority and responsibility for planning, directing and controlling the activities of the Group during the period. The KMP as at and for the six month period ended 31 December 2018 are:

- Wayne Stevenson;
- Robert Alexander;
- Anne Parsons;
- Barclay Nettlefold;
- David Edmonds;
- Peter Cargin (resigned 30 November 2018);
- Kate Solomon (appointed 1 December 2018);
- John O'Neill; and
- Wayne Chapman.

(b) Transactions with Key Management Personnel

Key Management Personnel compensation

Compensation of the Group's KMP includes salaries, non-cash benefits, contributions to complying superannuation funds and short term incentives.

The KMP compensation comprised:

	6 month period ended 31 December 2018 $	12 month period ended 30 June 2018 $
Short-term employee benefits	1,507,365	2,647,896
Post-employment benefits	93,461	167,968
Share based payments	(25,867)	142,159
Total Key Management Personnel compensation	**1,574,959**	**2,958,023**

(c) Other related parties

(i) Other related parties consist of the following:

- Titan Media Group NZ Pty Ltd is an equity-accounted investee of which the Group holds a 50% (30 June 2018: 50%) economic interest;
- Partington Family Trust;
- Spear Family Trust; and
- Shaun Dobbin.

(ii) The loans relating to other related parties comprised:

Amounts Payable	31 December 2018 $'000	30 June 2018 $'000
Titan Media Group NZ Pty Ltd	(209)	(201)
Partington Family Trust	(233)	(289)
Spear Family Trust	(231)	(287)
Shaun Dobbin	(139)	-
Total	**(812)**	**(777)**

During the financial period, interest of $10,000 was payable on the related party loans (year ended 30 June 2018: $21,000) and $143,000 of loan repayments (year ended 30 June 2018: Nil). The loans are not expected to be fully repaid by 31 December 2019.

26. Contingent liabilities

Manboom Pty Ltd, Manboom Signage Partnership Pty Ltd and Miller Street Partners Pty Ltd (collectively 'Manboom') lodged a claim in the NSW Supreme Court on 13 June 2018 against Q Media Pty Ltd ('Q Media') and QMS APAC Ltd ('QMS APAC') for purported breaches of obligations under a Cooperation Agreement dated 22 July 2014. The claim seeks damages for loss of profits.

Although involved in the same legal proceedings, the Group has no direct or indirect interest in QMS APAC.

Manboom has issued pleadings and Q Media has filed its response to those pleadings (defence pleadings). In addition, Q Media lodged a cross claim on 24 August 2018 seeking damages from Manboom for breaches of the Cooperation Agreement.

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. The matter has not yet been scheduled for hearing by the NSW Supreme Court.

Associated with proposed merger of the Group's NZ businesses with MediaWorks are success based advisor fees that are dependent on the outcome of the Overseas Investment Office decision and subject to merger completion. If approved, the Group will be liable to pay an additional $2,524,000 in advisor fees.

27. 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.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

28. Reconciliation of cash flows from operating activities

	Note	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 (restated[1]) $'000
Cash flows from operating activities			
Profit after tax from continuing operations		4,984	13,048
Adjustments for:			
Depreciation expense	10	3,751	6,760
Amortisation expense	11	5,164	7,941
Net finance costs	3	2,664	3,449
Straight line lease expense		386	1,732
Non-controlling interests		44	129
Share based payments expense / (benefit)		(59)	444
Costs associated with acquisitions		1,537	413
Share of loss from associates	12	-	763
Tax expense	5	2,404	3,668
Bad debts expense		126	4
		21,001	**38,351**
Change in trade and other receivables		(3,685)	(6,063)
Change in inventories		(11)	(104)
Change in other assets		(2,288)	(14,793)
Change in trade and other payables		5,816	4,754
Change in tax liabilities		(3,045)	507
Change in provisions		306	190
Change in deferred revenue		(2,266)	1,577
Change in other liabilities		(2,860)	1,900
Cash generated from operating activities		**12,968**	**26,319**
Interest paid		(4,136)	(5,046)
Income taxes paid		(6,253)	(4,698)
Net cash from operating activities		**2,579**	**16,575**

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

29. Auditors' remuneration

	6 month period ended 31 December 2018 $	12 month period ended 30 June 2018 $
Audit and review services – Australia		
Auditors of the Company – KPMG Australia		
Audit and review of the Group Financial Statements	263,692	252,000
Audit of subsidiary Financial Statements	38,848	-
	302,540	252,000
Audit and review services – New Zealand		
Audit of subsidiary Financial Statements	55,000	50,000
Other services		
Auditors of the Company – KPMG Australia		
Taxation and other services	118,004	31,800
Auditors of the Company- KPMG International		
Taxation and due diligence services	-	146,894
Total auditors' remuneration	**475,544**	**480,694**

30. Parent entity disclosures

As at and during, the six month period ended 31 December 2018, the parent entity of the Group was QMS Media Limited.

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Result of parent entity		
Loss for the period	(3,594)	(2,462)
Other comprehensive income	1,375	1,233
Total comprehensive loss for the period	**(2,219)**	**(1,229)**

	31 December 2018 $'000	30 June 2018 (restated[1]) $'000
Financial position of parent entity		
Current assets	333,690	307,729
Total assets	382,602	356,880
Current liabilities	(46,949)	(50,420)
Total liabilities	(222,071)	(190,123)
Total equity of parent entity comprising of:		
Share capital, net of share issue costs and deferred tax expense	(186,581)	(186,619)
Redeemable preference shares	13,287	13,287
Reserves	(3,970)	(2,654)
Retained earnings	16,733	9,229
Total equity	**(160,531)**	**(166,757)**

[1] The comparative balances at 30 June 2018 have been restated due to the adoption of AASB 9.

Parent entity guarantees, contingent liabilities and capital commitments

There are no contractual commitments by QMS Media Limited to acquire any property, plant or equipment (30 June 2018: Nil).

31. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each Company guarantees the debts of the others:

- QMS Media Limited
- Digital Outdoor Media (Aust) Pty Ltd
- Digital Outdoor Media (NSW) Pty Ltd
- Digital Outdoor Media (QLD) Pty Ltd
- Digital Outdoor Media (VIC) Pty Ltd
- Digital Outdoor Media (WA) Pty Ltd
- Riverview Signage Pty Ltd ATF Riverview Signage Trust
- Paramount Outdoor Pty Ltd
- Q Media Pty Ltd
- Omnigraphics Australia Pty Ltd
- Standout Media Pty Ltd
- MMTB Pty Ltd
- MMT Land Pty Ltd
- QMS Australia Pty Ltd
- QMS Rail Media Pty Ltd
- Plexity Holdings Pty Ltd
- Octopus Property Pty Ltd
- Skyline Digital Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare Financial Statements and a Directors' report under *ASIC Corporations (wholly-owned Companies) Instrument 2016/785.*

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

	6 month period ended 31 December 2018 $'000	12 month period ended 30 June 2018 $'000
Revenue	63,607	111,724
Cost of sales	(29,960)	(52,862)
Gross profit	**33,647**	**58,862**
Advertising and marketing expenses	(174)	(454)
Consultancy fees	(594)	(839)
Employee benefits expense	(9,405)	(20,644)
Legal and professional fees	(459)	(430)
Costs associated with acquisitions	(1,509)	(414)
Office expenses	(1,067)	(2,003)
Restructuring and integration costs	(107)	(108)
Other expenses	(2,695)	(5,309)
Depreciation expense	(2,343)	(4,195)
Amortisation expense	(4,199)	(6,144)
Operating profit	**11,095**	**18,322**
Finance income	2,754	4,098
Finance costs	(5,082)	(7,103)
Net finance costs	**(2,328)**	**(3,005)**
Share of loss from associates	-	(763)
Profit before tax	**8,767**	**14,554**
Income tax expense	(2,782)	(3,107)
Profit after tax	**5,985**	**11,447**
Other comprehensive income		
Foreign currency translation differences	1,375	1,192
Total comprehensive income for the period	**7,360**	**12,639**

(b) Statement of financial position

	31 December 2018 $'000	30 June 2018 $'000
Assets		
Cash and cash equivalents	7,159	7,778
Trade and other receivables	24,124	19,738
Inventories	674	660
Assets held for sale	-	1,163
Current tax assets	53	53
Other current assets	112,208	126,827
Total current assets	**144,218**	**156,219**
Property, plant and equipment	53,532	49,847
Other non-current assets	218	215
Investments	57,053	56,550
Deferred tax assets	4,870	4,654
Intangible assets and goodwill	158,396	149,370
Total non-current assets	**274,069**	**260,636**
Total assets	**418,287**	**416,855**
Liabilities		
Trade and other payables	22,263	16,733
Deferred revenue	365	975
Current tax liabilities	1,469	4,919
Loans and borrowings	189	158
Deferred and contingent consideration	2,620	14,621
Provisions	2,264	1,291
Other liabilities	5,808	34,054
Total current liabilities	**34,978**	**72,751**
Deferred and contingent consideration	4,543	7,289
Loans and borrowings	169,110	130,768
Other non-current liabilities	237	158
Provisions	6,091	6,493
Deferred tax liabilities	4,830	3,995
Total non-current liabilities	**184,811**	**148,703**
Total liabilities	**219,789**	**221,454**
Net assets	**198,498**	**195,401**
Equity		
Share capital	186,936	186,992
Redeemable preference shares	(13,287)	(13,287)
Reserves	4,115	2,799
Retained earnings	20,734	18,897
Total equity	**198,498**	**195,401**

32. Other Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(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 Financial Statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards ('AASB') adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Financial Statements comply with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB').

These Financial Statements have 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.

These Financial Statements were authorised for issue by the Board of Directors on 28 March 2019.

(ii) Basis of measurement

These Financial Statements are 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.

(iii) Change in financial year

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 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. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these Financial Statements has been restated to reflect the requirements of the new standards.

(i) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. AASB 15 replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

START
NEXT >
PREVIOUS <
END
PRINT

(ii) AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table below explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each of the Group's financial assets and liabilities as at 1 July 2018.

	Original classification under AASB 139	New classification under AASB 9
Financial assets		
Equity securities	Available-for-sale	Fair value through OCI
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial liabilities		
Bank loans and borrowings	Other financial liabilities	Other financial liabilities
Finance lease liabilities	Other financial liabilities	Other financial liabilities
Interest rate swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument
Trade and other payables	Other financial liabilities	Other financial liabilities

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ('ECL') model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier that under AASB 139.

As a result, the information presented for 30 June 2018 has been restated, with a movement of $256,000 through retained earnings.

(d) Functional and presentation currency

These Financial Statements are presented in Australian dollars, which is the Company's functional currency.

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191* and in accordance with the Rounding Instrument, amounts in the Financial Report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Use of judgements and estimates

In preparing these Financial Statements, 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.

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities are detailed below.

Recoverability of goodwill and site lease intangible assets (refer note 11)

Management reviews the carrying amount of its goodwill and indefinite life intangible assets (site leases) at least annually, and whenever there is an indication of impairment. Assets that do not generate independent cash flows are allocated to an appropriate cash generating unit ('CGU'). The recoverable amount of CGUs has been determined with reference to the value in use valuation approach which is determined by discounting the future cash flows expected to be generated from the continuing use of the business.

The cash flow forecasts are based on the Board approved budget for the next twelve months with an EBITDA growth rate 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 determination of the value in use requires estimation and judgement of future cash flows using a combination of internal and external sources of information. Cash flow forecasts and growth rate assumptions are reflective of past performance, market conditions, and forecast future performance. As a result, actual results may differ from estimates.

Measurement of deferred and contingent consideration (refer note 17)

Management exercises judgement in measuring and recognising deferred and contingent consideration at fair value. Fair value is determined with reference to contractual obligations and expected future performance with reference to the latest available profit forecasts. Judgement is required to quantify the best estimate of the consideration required to settle the obligation. Due to the inherent uncertainty of consideration contingent on future performance, consideration may differ from the original estimate.

Business combinations (refer note 21)

The recognition of goodwill through business combinations is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and liabilities assumed. To a certain extent, the determination of the fair value of these assets and liabilities is based on management's judgement, in particular in relation to site lease intangible assets. Accounting for the acquisition is done on a provisional basis, for a period of twelve months from date of acquisition.

When measuring the fair value of an asset or liability, the Group uses market observable data where available. Management regularly reviews the significant unobservable inputs and valuation adjustments and significant valuation judgements are reported to the Audit and Risk Management Committee.

Site lease intangible assets are recognised, if applicable, as part of the assets acquired through business combinations. Site lease intangible assets are recognised at fair value using the excess earnings method. The fair value is determined based on discounting the incremental cash flows based on Earnings Before Interest and Tax directly attributable to the permitted site, over the weighted average lease term, to arrive at a net present value. The valuation involves a number of key assumptions including the risk-adjusted discount rate, growth rate of revenue, gross margin, the weighted average lease life and the overall underlying customer attrition rate. All these inputs are highly judgemental, with the customer attrition rate of 20% representing the most sensitive driver of the net present value.

The allocation of the purchase price affects the results of the Group as goodwill is not amortised, whereas site lease intangible assets are amortised. Therefore, differing amortisation charges are recorded based on the allocation between goodwill and site lease intangible asset.

(f) Principles of consolidation

These Financial Statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities and results of all subsidiaries are fully consolidated into the Financial Statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries are consistent with accounting policies adopted by the Group.

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

(g) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Unearned income is recognised within trade payables where rental invoices are issued in advance of the period in which the revenue is earned.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These Financial Statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(iii) Foreign controlled entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, ceases operation or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

33. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 (unless otherwise stated) and have not been applied in preparing these Financial Statements.

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

AASB 16 Leases

Effective from 1 January 2019, AASB 16 *Leases* replaced AASB 117 *Leases*. AASB 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. As a result, most leases will be brought onto the Balance Sheet with the aim of providing greater visibility and transparency to the Balance Sheet.

The definition of a lease becomes a key area of judgement, with leases brought on Balance Sheet and service contracts remaining off Balance Sheet. The Group determines whether a contract is classified as a lease at inception, taking into account the following criteria:

- Whether the Group receives substantially all of the economic benefits derived from the arrangement;
- The ability to direct the manner in which the asset is utilised; and
- Whether control passes to the Group, for a pre-determined period of time, in exchange for payment of consideration.

Under AASB 16, the Group will record a lease liability at the present value of the future lease payments, with a corresponding right-of-use ('ROU') asset on the Balance Sheet. The ROU asset will be depreciated on a straight line basis over the lease period and a finance charge (discount unwind) will be recorded for the lease liability in the statement of profit and loss and other comprehensive income. In the statement of cash flows, cash paid will be separated into a principal portion (presented within financing activities) and an interest portion (presented within operating activities).

The lease liability is initially measured by taking into consideration:

- the present value of the minimum lease payments over the remaining term of the lease, discounted at the incremental borrowing rate applicable to each lease, when there is no implicit rate within the lease;
- where a lease contains an extension option and the Group is reasonably certain that the option will be exercised, the initial measurement of the lease liability also includes the present value of the minimum lease payments during the option period (current practice indicates that the option to extend meets the 'reasonably certain' criteria for substantially all leases);
- the inclusion of variable lease payments which depend only on an index or rate; and
- the exclusion of other variable lease payments, which cannot be readily determined upon initial measurement.

The lease liability will be re-measured under certain circumstances, such as a change in the lease term. The re-measurement of the lease liability will have a corresponding adjustment to the ROU asset.

The ROU asset is initially measured with reference to the lease liability adjusted for:

- initial direct costs;
- any lease payments made before the commencement date of the lease; and
- less any lease incentives received.

The Group has elected to adopt the full retrospective approach. Under this transition approach the prior reporting period will be restated as if AASB 16 had always been applicable.

The Group has elected to apply the following practical expedients, upon adoption of AASB 16:

- the same discount rate will be applied to a portfolio of leases with similar characteristics (e.g. lease term);
- any contract classified as a lease under AASB 117 will continue to be treated as a lease under AASB 16; and
- reliance has been placed on the review of the 'onerous contracts' provision, to determine whether any ROU assets have been impaired. As a result, no further impairment review has been undertaken at inception date.

As disclosed in note 22, the Group recognised a lease expense of $9.8 million for the six month period ended 31 December 2018. Majority of this amount relates to site leases which were recognised as a cost of sales. From 1 January 2019, this amount will no longer be reported through cost of sales but will approximate the associated depreciation expense and finance charge recognised on the ROU asset.

The ROU asset and lease liability recognised on Balance Sheet will approximate the future minimum lease payments of $216.2 million as disclosed in note 22 and the deferred consideration relating to site acquisitions as disclosed in note 17.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of QMS Media Limited:

a) the Financial Statements and Notes that are set out on pages 44 to 91 and the remuneration report in section 18 of the Directors' report, are in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance, for the six month period ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have received declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the six month period ended 31 December 2018.

3.The Directors draw attention to note 32 of the Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Wayne Stevenson
Chairman
28 March 2019
Melbourne

Barclay Nettlefold
Director and Chief Executive Officer

INDEPENDENT AUDIT REPORT

Independent Auditor's Report

To the shareholders of QMS Media Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of QMS Media Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2018 and of its financial performance for the 6 month period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the 6 month period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of QMS Media Limited (the Company) and the entities it controlled at the period end or from time to time during the financial period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

START
NEXT >
PREVIOUS <
END
PRINT

START
NEXT >
PREVIOUS <
END
PRINT

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Recoverable value of goodwill and intangible assets ($203.9m)

Refer to Note 11 to the financial report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance (being 44% of total assets). We focussed on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast cash flows, EBITDA growth rates and terminal growth rates – the Group has experienced competitive market conditions in the current year as a result of industry rationalisation which may result in a wider range of possible outcomes for us to consider. The Group's models are sensitive to changes in the EBITDA growth rates and terminal growth rates assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. We involve our valuations specialists with the assessment. The Group reorganised its segments during the year, necessitating our consideration of the Group's allocation of goodwill to the CGUs to which they belong based on the management and monitoring of the business. The Group uses complex models to perform their annual testing of goodwill for impairment. The models use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared the forecast cash flows contained in the value in use models to Board approved forecasts. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • We analysed the Group's reorganisation of its segments and the Group's internal reporting to assess the Group's monitoring and management of activities, and the consistency of the allocation of goodwill to CGUs. • We challenged the Group's significant forecast cash flow and growth assumptions in light of the competitive market conditions. We compared key events to the Board approved plan and strategy. We compared EBITDA growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • We checked the consistency of the EBITDA growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate. • Working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • We considered the sensitivity of the models by varying key assumptions, such as EBITDA growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application, and to focus our further procedures. • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in QMS Media Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of QMS Media Limited for the 6 month period ended 31 December 2018, complies with *Section 300A of the Corporations Act 2001.*

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 26 to 33 of the Directors' report for the 6 month period ended 31 December 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

J. Carey

Julie Carey

Partner

28 March 2019

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 audit of QMS Media Limited for the 6 month period ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

J.Carey

KPMG

Julie Carey

Partner

28 March 2019

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 31 December 2018)

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder Returns	Number of ordinary shares held	Percentage of ordinary shares %
J P Morgan Nominees Australia Limited	64,799,407	19.88%
Wenvale Pty Ltd ATF Barclay Nettlefold Family Trust	45,868,006	14.07%
National Nominees Limited	40,674,892	12.48%
HSBC Custody Nominees (Australia) Limited	31,826,133	9.76%
BNP Paribas Nominees Pty Ltd	29,150,051	8.94%
Citicorp Nominees Limited	16,358,317	5.02%

Voting rights – Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Securities subject to voluntary escrow

There are no securities under escrow.

Distribution of equity security holders

Category	Number of equity security holders ordinary shares
1 - 1,000	205
1,001 - 5,000	270
5,001 - 10,000	255
10,001 - 100,000	594
100,001 and over	80
	1,404

The number of shareholders holding less than a marketable parcel of ordinary shares is 154 (30 June 2018: 127).

Securities Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne.

Other information

QMS Media Limited, incorporated and domiciled in Australia, is a publicly listed Company limited by shares.

On-market buy-back

There is no current on-market buy-back.

Unquoted equity securities

There are no unquoted equity securities.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of ordinary shares %
J P Morgan Nominees Australia Limited	64,799,407	19.88%
Wenvale Pty Ltd ATF Barclay Nettlefold Family Trust	45,868,006	14.07%
National Nominees Limited	40,674,892	12.48%
HSBC Custody Nominees (Australia) Limited	31,826,133	9.76%
BNP Paribas Nominees Pty Ltd	29,150,051	8.94%
HSBC Custody Nominees (Australia) Limited – A/C 2	13,236,012	4.06%
UBS Nominees Pty Ltd	11,877,664	3.64%
Citicorp Nominees Limited	10,304,301	3.16%
BNP Paribas Nominees (NZ) Limited	8,197,393	2.51%
Merrill Lynch (Australia) Nominees Pty Ltd	6,503,731	2.00%
Brispot Nominees Pty Ltd	5,144,154	1.58%
Mr J O'Neill	4,961,538	1.52%
HSBC Custody Nominees (Australia) Limited – GSI EDA	4,846,924	1.49%
Harlcroft Pty Ltd Probuild Super	4,448,221	1.36%
Cs Fourth Nominees Pty Ltd	4,286,211	1.31%
Mr W Stevenson	1,235,858	0.38%
Mr A Trevena	1,040,000	0.32%
Ms A Hutton	750,000	0.23%
Invia Custodian Pty Ltd	703,989	0.22%
Cs Third Nominees Pty Ltd <HSBC Cust Nominees AU Ltd 13 A/C>	617,963	0.19%
Total held by top 20 largest holders	**290,472,448**	**89.10%**

CORPORATE DIRECTORY

Company Secretary

Malcolm Pearce
214 Park Street
South Melbourne
Melbourne, VIC, 3205

Principal registered office

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

Telephone +61 3 9268 7000

Share register

Computershare Investor Services Pty Limited
452 Johnson Street
Abbotsford, VIC, 3067

Telephone 1300 850 505

Facsimile 1300 137 341

Stock exchange listing

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

Investor website

http://www.qmsmedia.com/investors/

Company website

http://www.qmsmedia.com/

Sydney Cricket Ground, QMS Sport